REFINITIV

DELTA REPORT

10-K

ARI - APOLLO COMMERCIAL REAL ES

10-K - DECEMBER 31, 2024 COMPARED TO 10-K - DECEMBER 31, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	4567
CHANGES	234
DELETIONS	1697
ADDITIONS	2636

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended December 31, 2023

December 31, 2024

OR

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities**

Exchange Act of 1934

For the transition period from to

Commission File Number: 001-34452

Apollo Commercial Real Estate Finance, Inc.

(Exact name of registrant as specified in its charter)

Maryland	**27-0467113**
(State or other jurisdiction of	**(I.R.S. Employer Identification No.)**

incorporation or organization)

Apollo Commercial Real Estate Finance, Inc.

c/o Apollo Global Management, Inc.

9 West 57th Street, 42nd Floor

,

New York, New York10019

(Address of principal executive offices) (Zip Code)

(212)

(212) 515–3200

(Registrant's Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each C	Trading Symbol(s)	Name of Each E

lass		xchange on Which Registered
Common Stock	ARI	New York Sto

, $0.01 par value

ck Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer			☒	Accelerated filer	☐
Large accelerated filer	☒	Accelerated filer	☐		
Non-accelerated filer	☐	Smaller reporting company	☐		

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the

effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of June 30, 2023 June 28, 2024, the aggregate market value of the registrant's registrant's common stock held by non-affiliates of the registrant was $1.6 billion $1.3 billion based on the closing sales price of our common stock on such date as reported on the New York Stock Exchange

As of February 5, 2024 February 7, 2025, there were 142,096,715138,871,188 shares, $0.01 par value per share, of the registrant's registrant's common stock issued and outstanding.

Documents Incorporated by Reference

Portions of the registrant's registrant's proxy statement for the 2024 2025 annual meeting of stockholders are incorporated by reference into Part III of this annual report on Form 10-K.

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FORWARD-LOOKING INFORMATION

In this annual report on Form 10-K, references to "ARI," "Company," "we," "us," or "our" refer to Apollo Commercial Real Estate Finance, Inc. and its subsidiaries; references to the "Manager" refer to ACREFI Management, LLC, an indirect subsidiary of Apollo Global Management, Inc., unless specifically stated otherwise or the context otherwise indicates.

We make forward-looking statements herein and will make forward-looking statements in future filings with the Securities and Exchange Commission ("SEC"), press releases or other written or oral communications within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). For these statements, we claim the protections of the safe harbor for forward-looking statements contained in such Sections. Forward-looking statements are subject to substantial risks and uncertainties, many of which are difficult to predict and are generally beyond our control. These forward-looking statements include information about possible or assumed future results of our business, financial condition, liquidity, results of operations, plans and objectives. When we use the words "believe," "expect," "anticipate," "estimate," "plan," "continue," "intend," "should," "may" or similar expressions, it intends to identify forward-looking statements. Statements regarding the following subjects, among others, may be forward-looking: higher interest rates and inflation; market trends in our industry, real estate values, the debt securities markets or the general economy; the demand for commercial real estate loans; our business and investment strategy; our operating results; actions and initiatives of the U.S. government and governments outside of the United States, changes to government policies and the execution and impact of these actions, initiatives and policies; the state of the economy generally or in specific geographic regions; economic trends and economic recoveries; our ability to obtain and maintain financing arrangements, including secured debt arrangements and securitizations; the timing and amount of expected future fundings of unfunded commitments; the availability of debt financing from traditional lenders; the volume of short-term loan extensions; the demand for new capital to replace maturing loans; expected leverage; general volatility of the securities markets in which we participate; changes in the value of our assets; the scope of our target assets; interest rate mismatches between our target assets and any borrowings used to fund such assets; changes in interest rates and the market value of our target assets; changes in prepayment rates on our target assets; effects of hedging instruments on our target assets; rates of default or decreased recovery rates on our target assets; the degree to which hedging strategies may or may not protect us from interest rate volatility; impact of and changes in governmental regulations, tax law and rates, accounting, legal or regulatory issues or guidance and similar matters; our continued maintenance of our qualification as a real estate investment trust ("REIT") for U.S. federal income tax purposes; our continued exclusion from registration under the Investment Company Act of 1940, as amended (the "1940 Act"); the availability of opportunities to acquire commercial mortgage-related, real estate-related and other securities; the availability of qualified personnel; estimates relating to our ability to make distributions to our stockholders in the future; our present and potential future competition; and unexpected costs or unexpected liabilities, including those related to litigation.

The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. 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 us. See Item 1A. "Risk Factors" and Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this annual report on Form 10-K. These and other risks, uncertainties and factors, including those described in the annual, quarterly and current reports that we file with the SEC, could cause our actual results to differ materially from those included in any forward-looking statements we make. All forward-looking statements speak only as of the date they are made. New risks and uncertainties arise over time, and it is not possible to predict those events or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

SUMMARY RISK FACTORS

Risks Related to Our Business and Structure

- We operate in a competitive market for investment opportunities and future competition may limit our ability to acquire desirable target assets or dispose of our target assets and could also affect the pricing of these securities.

- We cannot predict the unintended consequences and market distortions that may stem from far-ranging governmental intervention in the economic and financial system or from regulatory reform of the oversight of financial markets.

- Loss of our exclusion from registration under the 1940 Act would adversely affect us.

Risks Related to Our Financing and Hedging

- Our access to sources of financing may be limited and thus our ability to potentially enhance our returns may be adversely affected.

- We may increase the amount of leverage we use in our financing strategy, which would subject us to greater risk of loss. Additionally, we may fail to comply with our covenants prescribed in our debt agreements, which may impact our ability to borrow under our financing arrangements and/or result in acceleration of debt.

- We may enter into hedging transactions that could expose us to contingent liabilities in the future and adversely impact our financial condition.

Risks Related to Our Assets

- We may not achieve our weighted-average all-in yield on our assets, which may lead to future returns that may be significantly lower than anticipated.

- The lack of liquidity of our assets may adversely affect our business, including our ability to value and sell our assets.

- The commercial mortgage loans and other commercial real estate-related loans we acquire or originate are subject to delinquency, foreclosure and loss, any or all of which could result in losses to us.

- We may need to foreclose on certain of the loans we originate or acquire and may take title to the properties securing such loans. Owning and operating real property involves risks that are different (and in many ways more significant) than the risks faced in owning an asset secured by that property, which could result in losses that harm our results of operations and financial condition.

- Recent macroeconomic trends, including inflation and higher interest rates, may adversely affect our business, financial condition and results of operations.

Risks Related to Our Relationship with the Manager

- There are various conflicts of interest in our relationship with Apollo which could result in decisions that are not in the best interests of our stockholders.

- We are dependent on the Manager and its key personnel for our success and upon their access to Apollo's Apollo's investment professionals and partners. We may not find a suitable replacement for the Manager if the Management Agreement is terminated, or if key personnel leave the employment of the Manager or Apollo or otherwise become unavailable to us.

- The termination of the Management Agreement may be difficult and costly, which may adversely affect our inclination to end our relationship with the Manager.

- The Manager manages our portfolio pursuant to very broad investment guidelines and our board of directors does not approve each decision made by the Manager, which may result in us undertaking riskier transactions.

Risks Related to Our Taxation as a REIT

- Qualifying as a REIT involves highly technical and complex provisions of the Internal Revenue Code, and our failure to qualify as a REIT or remain qualified as a REIT would subject us to U.S. federal income tax and applicable state and local taxes, which would reduce the amount of cash available for distribution to our stockholders.

• Complying with REIT requirements may force us to liquidate or forego otherwise attractive investments, to incur debt, or could otherwise adversely affect our ability to execute our business plan.

Item 1. Business

All currency figures expressed herein are expressed in thousands, except share or per share amounts.

GENERAL

Apollo Commercial Real Estate Finance, Inc. is a corporation that has elected to be taxed as a REIT for U.S. federal income tax purposes and primarily originates, acquires, invests in and manages performing commercial first mortgage loans, subordinate financings and other commercial real estate-related debt investments. These asset classes are referred to as our target assets.

We are externally managed and advised by the Manager, an indirect subsidiary of Apollo Global Management, Inc.

(together (together with its subsidiaries, "Apollo"), a global, high-growth alternative asset manager with assets under management of approximately $631.2 billion $751.0 billion as of September 30, 2023 December 31, 2024. The Manager is led by an experienced team of senior real estate professionals who have significant experience in underwriting and structuring commercial real estate financing transactions. We benefit from Apollo's Apollo's global infrastructure and operating platform, through which we are able to source, evaluate and manage potential investments in our target assets.

Our principal business objective is to acquire our target assets in order to provide attractive risk adjusted returns to our stockholders over the long term, primarily through dividends and secondarily through capital appreciation. As of December 31, 2023 December 31, 2024, we held a diversified portfolio comprised of approximately $7.9 billionapproximately $6.7 billion of commercial mortgage loans and $0.4 billion$0.4 billion of subordinate loans and other lending assets. As of December 31, 2023 December 31, 2024, we had financed this portfolio with $5.6 billion $4.8 billion of secured debt arrangements, $769.3 million $761.3 million senior secured term loans (the "Term Loans"), and $500.0 million of 4.625% Senior Secured Notes due 2029 (the "2029 Notes") and $164.8 million construction financing related to our. Additionally, as of December 31, 2024, we held $752.6 million of real estate owned held for investment. assets, and $327.7 million of related financing.

We are a Maryland corporation corporation that was organized in 2009 and have elected to be taxed as a REIT for U.S. federal income tax purposes, commencing with the taxable year ended December 31, 2009. We generally are not subject to U.S. federal income taxes on our taxable income to the extent that we annually distribute our net taxable income to stockholders and maintain our intended qualification as a REIT. We also operate our business in a manner intended to allow us to remain excluded from registration as an investment company under the 1940 Act.

INVESTMENT STRATEGY

To identify attractive opportunities within our target assets, we rely on the expertise of the Manager and its affiliates as well as their platform which integrates real estate experience with private equity and capital markets expertise, in transaction sourcing, underwriting, execution, asset operation, management and disposition. In the near-to-medium term, we expect to continue to deploy our capital through the origination and acquisition of performing commercial first mortgage loans, subordinate financings and other commercial real estate-related debt investments at attractive risk-adjusted yields.

We target assets that are secured by institutional quality real estate throughout the United States and Europe. Our underwriting includes a focus on stressed in-place cash flows, debt yields, debt service coverage ratios, loan-to-values, property quality and market and sub-market dynamics. The Manager may also capitalize on opportunistic pricing dislocations created by distressed sellers or distressed capital structures where a lender or holder of a loan or security is in a compromised situation due to the relative size of its portfolio, the magnitude of nonperforming loans, or regulatory/rating agency issues driven by potential capital adequacy or concentration issues. In pursuing investments with attractive risk-reward profiles, we incorporate our views, generally or in specific geographic regions as applicable, of the current and future economic environment, our outlook for real estate in general and particular asset classes and our assessment of the risk-reward profile derived from our underwriting and cash flow analysis, including taking into account relative valuation, supply and demand fundamentals, the level of interest rates, the shape of the yield curve, prepayment rates, financing and liquidity, real estate prices, delinquencies, default rates, recovery of various sectors and vintage of collateral. In general, we pursue a value-driven approach to underwriting and diligence, consistent with the historical investment strategy of the Manager and its affiliates. Each prospective investment receives a rigorous, credit-oriented evaluation towards determining the risk/return profile of the opportunity and the appropriate pricing and structure for the prospective investment. On our behalf, the Manager has implemented underwriting standards founded on fundamental market and credit analyses with a focus on current and sustainable cash flows. These underwriting standards place a particular emphasis on due diligence of the sponsor and borrower. Apollo has implemented comprehensive anti-money laundering policies and procedures, including know-your-customer and beneficial owner controls. In addition, we recognize the importance of believe that taking all available factors into account can help drive value creation and incorporate environmental, social, and and/or governance ("ESG") issues and incorporate ESG considerations into the investment analysis and decision-making process, including conducting and completing environmental risk assessment for all of the properties underlying our loans. We also utilize forward currency contracts to economically hedge interest and principal payments due under our loans denominated in currencies other than U.S. dollars ("USD").

All investment decisions are made with a view to maintaining our qualification as a REIT and our exclusion from registration under the 1940 Act.

FINANCING STRATEGY

We use borrowings as part of our financing strategy, in addition to raising capital through public offerings of our equity and debt securities. We believe the amount of leverage we use is consistent with our intention of keeping total borrowings within a prudent range, as determined by the Manager, taking into account a variety of factors, which may include the anticipated liquidity and price volatility of target assets in our investment portfolio, the potential for losses and extension risk in our investment portfolio, the gap between the duration of assets and liabilities, including hedges, the availability and cost of financing the assets, the creditworthiness of our financing counterparties, the health of the global economy and commercial and

residential mortgage markets, the outlook for the level, slope, and volatility of interest rate movement, the credit quality of our target assets and the type of collateral underlying such target assets. In utilizing leverage, we seek to enhance equity returns while limiting interest rate exposure. In order to achieve our return on equity, we generally finance our mortgage loans with 2.0 to 3.0 turns of leverage and generally do not finance our subordinate loans and other lending assets given built-in inherent structural leverage. We obtain financing through a variety of sources including secured credit facilities, a revolving credit facility, private securitizations and corporate-level debt. As of December 31, 2023 December 31, 2024, we had $3.2 billion of borrowings outstanding under our secured debt arrangements, with diversified across nine secured credit facilities, $147.0 million of borrowings outstanding under our revolving credit facility, counterparties, and $2.2 billion $1.6 billion of borrowings outstanding under our private securitization with Barclays Bank, plc (the "Barclays Private Securitization"). As of December 31, 2024, we had no borrowings outstanding under our revolving credit facility administered by Bank of America, N.A (our "Revolving Credit Facility"), which has a total capacity of $160.0 million. During the year ended December 31, 2023December 31, 2024, we entered into two one new credit facilities and a revolving credit facility which provided a combined $600.0 million of additional capacity, and upsized two of our existing credit facilities which provided a combined $577.4 additional capacity of £366.6 million ($458.8 million of additional capacity. converted into USD) and $413.5 million, respectively. In addition, as of December 31, 2023, December 31, 2024, we had $1.3 billion of corporate corporate level debt including Term Loans and 2029 Notes. In the future, we may increase or decrease our borrowing levels and also seek to raise further equity or debt capital in order to achieve our investment strategy.

From time to time, we utilize derivative financial instruments to hedge the interest rate risk associated with our borrowings. Under the U.S. federal income tax laws applicable to REITs, we generally are able to enter into certain transactions to hedge indebtedness we incur to acquire or carry real estate assets, although the total gross income from interest rate hedges that does not meet this requirement and other non-qualifying sources generally must not exceed 5% of our gross income.

We also may engage in a variety of interest rate management techniques that seek to mitigate changes in interest rates or other potential influences on the values of our assets. The U.S. federal income tax rules applicable to REITs may require us to implement certain of these techniques through a domestic taxable REIT subsidiary ("TRS") that is fully subject to U.S. federal corporate income taxation.

We may attempt to reduce interest rate risk and to minimize exposure to interest rate fluctuations through the use of match funded financing structures, when appropriate, whereby we may seek (1) to match the maturities of our debt obligations with the maturities of our assets, and (2) to match the interest rates on our assets with like-kind debt (i.e., we may finance floating rate assets with floating rate debt and fixed-rate assets with fixed-rate debt), directly or through the use of interest rate swap agreements or other financial instruments, or through a combination of these strategies. We expect these instruments will allow us to

minimize, but not eliminate, the risk that we may have to refinance our liabilities before the maturities of our assets and to reduce the impact of changing interest rates on our earnings.

See Item 7. "Management's "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a discussion of our borrowings and hedging as of December 31, 2023 December 31, 2024.

CORPORATE GOVERNANCE

We strive to maintain an ethical workplace in which the highest standards of professional conduct are practiced.

Our board of directors is composed of a majority of independent directors. The Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee of our board of directors are composed exclusively of independent directors.

In order to foster the highest standards of ethics and conduct in all business relationships, we have adopted a Code of Business Conduct and Ethics and Corporate Governance Guidelines, which cover a wide range of business practices and procedures that apply to all of our directors and officers. In addition, we have implemented Whistle Blowing Procedures for Handing Reports Pertaining to Accounting and Auditing Matters (the "Whistleblower Policy") that set forth procedures by which Covered Persons (as defined in the Whistleblower Policy) such policy) may raise, on a confidential basis, concerns regarding, among other things, any questionable or unethical accounting, internal accounting controls or auditing matters with the Audit Committee. Third parties, such as our clients, stockholders or competitors may also report a good faith complaint regarding such matters.

We have an insider trading policy that prohibits any of our directors or employees, partners, employee directors and officers of Apollo, as well as others, from buying or selling our securities on the basis of material nonpublic information.

COMPETITION

Our net income depends, in part, on management's management's ability to acquire assets that generate favorable spreads over their borrowing costs. In acquiring target assets, we compete with other REITs, private funds, specialty finance companies, savings and loan associations, banks, mortgage bankers, insurance companies, mutual funds, institutional investors, investment banking firms, financial institutions, governmental bodies and other entities. In addition, there are other REITs with similar asset acquisition objectives and others that may be organized in the future. These other REITs will increase competition for the

available supply of mortgage assets suitable for purchase and origination. These competitors may be significantly larger than us, have access to greater capital and other resources or may have other advantages. In addition, some competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships than us. Current market conditions may attract more competitors, which may increase the competition for sources of investment and financing. An increase in the competition for sources of funding could adversely affect the availability and cost of financing, and thereby adversely affect the market price of our common stock.

EMPLOYEES; STAFFING; HUMAN CAPITAL

We have no employees and are managed by the Manager pursuant to the management agreement between the Manager and us, dated as of September 23, 2009 (the "Management Agreement"). All of our officers are employees of the Manager or its affiliates.

The Manager is led by an experienced team of senior real estate professionals who have significant experience in underwriting and structuring commercial real estate financing transactions. We benefit from Apollo's Apollo's global infrastructure and operating platform, through which we are able to source, evaluate and manage potential investments in our target assets. Apollo has advised us that investing in and fostering a high-performing, diverse and inclusive workforce is a key pillar of operating its business. You can learn more about Apollo's commitment to its employees on its website at www.apollo.com under "About Apollo." www.apollo.com. The information contained on, or accessible from, Apollo's website does not form a part of and is not incorporated by reference into this annual report on Form 10-K.

SUSTAINABILITY &

CORPORATE RESPONSIBILITY

We recognize the importance of sustainability and ESG issues and believe that taking all available factors into account can help drive value creation. We have taken an integrated approach to incorporate relevant financially material ESG considerations into our investment analysis and decision-making process. Apollo believes sustainability is more than simply Our strategy prioritizes the creation of economic value for our stockholders and serving the needs of our clients and personnel in a negative screen, a risk mitigator, or a due diligence lens; rather, it is a potential driver of returns and growth. Accordingly, Apollo views sustainable investment to be the strategy and practice of incorporating environmental, social, and governance factors and sustainability outcomes into investment decisions, practices, and ownership, to the extent they are deemed to be material to financial performance and consistent with fiduciary obligations. We strive to make a positive impact on our constituents, including the communities in which we lend, and the personnel and employees of the Manager. responsible way. You can learn more about our commitment to addressing ESG corporate responsibility at our website, www.apollocref.com, under "Corporate Responsibility" and at www.apollo.com under "Sustainability & Our Impact." The information contained on, or accessible from, Apollo's website does not form a part of and is not incorporated by reference into this annual report on Form 10-K.

AVAILABLE INFORMATION

We maintain a website at www.apollocref.com and make available, items including: (a) the annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K (including any amendments thereto), proxy statements and other information filed with, or furnished to, the SEC, as soon as reasonably practicable after such documents are so filed or furnished, (b) Corporate Governance Guidelines, (c) Director Independence Standards, (d) Code of Business Conduct and Ethics, and (e) written charters of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee of the board of directors. The information on our website does not form a part of and is not incorporated by reference into this annual report on Form 10-K. Our documents filed with, or furnished to, the SEC are also available for review at the SEC’s SEC's website at www.sec.gov. We provide copies of our Corporate Governance Guidelines and Code of Business Conduct and Ethics, free of charge, to stockholders who request it. Requests should be directed to Investor Relations at Apollo Commercial Real Estate Finance, Inc., c/o Apollo Global Management, Inc., 9 West 57th Street, 42nd Floor, New York, New York 10019.

Item 1A. Risk Factors

Our business and operations are subject to a number of risks and uncertainties, the occurrence of which could adversely affect our business, financial condition, results of operations and ability to make distributions to stockholders and could cause the value of our capital stock to decline.

RISKS RELATED TO OUR BUSINESS AND STRUCTURE

We operate in a competitive market for investment opportunities and future competition may limit our ability to acquire desirable target assets or dispose of our target assets and could also affect the pricing of these securities.

A number of entities compete with us to make the types of investments that we target. We compete with other REITs, specialty finance companies, savings and loan associations, banks, mortgage bankers, insurance companies, mutual funds,

institutional investors, investment banking firms, financial institutions, governmental bodies and other entities. In addition, other REITs with similar asset acquisition objectives, including others that may be organized in the future, compete with us in acquiring assets and obtaining financing. These competitors may be significantly larger than us, may have access to greater capital and other resources or may have other advantages. Some competitors may have a lower cost of funds and access to funding sources that may not be available to us. Many of our competitors are not subject to the operating constraints associated with REIT qualification or maintenance of our exclusion from registration under the 1940 Act. Furthermore, competition for investments in our target assets may lead to the price of such assets increasing, which may further limit our ability to generate desired returns. We cannot assure that the competitive pressures we face will not have a material adverse effect on our business, financial condition and results of operations. Also, as a result of this competition, we may not be able to take advantage of attractive opportunities from time to time, and we can offer no assurance that we will be able to identify and acquire assets that are consistent with our objectives.

Cybersecurity risks and cyber incidents may adversely affect our business by causing a disruption to our operations, a compromise or corruption of our confidential information, a misappropriation of funds, and/or damage to our business relationships, all of which could negatively impact our financial results.

A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of our information resources. These incidents may be an intentional attack or an unintentional event and could involve gaining unauthorized access to our information systems for purposes of misappropriating assets, stealing confidential information, corrupting data or causing operational disruption. The risk of a security breach or disruption, particularly through cyber-attacks or cyber intrusions, including by computer hackers, nation-state affiliated actors, and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased, and will likely continue to increase in the future. Such threats are prevalent and continue to rise, are increasingly difficult to detect, and come from a variety of sources, including traditional computer "hackers," threat actors, "hacktivists," organized criminal threat actors, personnel (such as through theft or misuse), sophisticated nation states, and nation-state-supported actors. Some actors now engage and are expected to continue to engage in cyberattacks, including, without limitation, nation-state actors for geopolitical reasons and in conjunction with military conflicts and defense activities. During times of war and other major conflicts, we and the third-party service providers upon which we rely may be vulnerable to a heightened risk of these attacks, including retaliatory cyberattacks.

The rapid evolution and increasing prevalence of artificial intelligence technologies may also increase our cybersecurity risks.

The result of these incidents could include disrupted operations, misstated or unreliable financial data, disrupted market price of our common stock, misappropriation of assets, liability for stolen assets or information, increased cybersecurity protection and insurance costs, regulatory enforcement, litigation and damage to our investor relationships. These risks require continuous and likely increasing attention and other resources from us, Apollo and third-party service providers to, among other actions, identify and quantify these risks, upgrade and expand our technologies, systems and processes to adequately address them and provide periodic training for the Manager's employees to assist them in detecting phishing, malware and other schemes. Such attention diverts time and other resources from other activities and there is no assurance that such efforts will be effective. Additionally, the cost of maintaining such systems and processes, procedures and internal controls may increase from its current level.

In the normal course of business, we and our third-party service providers collect and retain certain personal information provided by borrowers, employees and vendors. We also rely extensively on computer systems to process transactions and manage our business. We can provide no assurance that the data security measures designed to protect confidential information on our systems established by us and our service providers will be able to prevent unauthorized access to this personal information. Even the most well protected information, networks, systems and facilities remain potentially vulnerable because the techniques used in such attempted security breaches evolve and generally are not recognized until launched against a target, and in some cases are designed not be detected and, in fact, may not be detected. Accordingly, we and our service providers may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, and thus it is impossible for us and our service providers to entirely mitigate this risk.

Remote work has become more common among the employees and personnel of the Manager, Apollo and other third-party service providers and has increased risks to the information technology systems and confidential, proprietary, and sensitive data of the Manager, Apollo and other third-party service providers as more of those employees utilize network connections, computers, and devices outside of the employer's premises or network, including working at home, while in transit, and in public locations. Those employees working remotely could expose the Manager, Apollo and other third-party service providers to additional cybersecurity risks and vulnerabilities as their systems could be negatively affected by vulnerabilities present in external systems and technologies outside of their control.

Our business depends on the communications and information systems of Apollo and other third-party service providers. Such systems may fail to operate properly or become disabled as a result of cyber incidents. Any failure or interruption of the

systems of Apollo or any other counterparties that we rely on could cause delays or other problems and could have a material adverse effect on our operating results. None of us, the Manager or Apollo have experienced any material breach of cybersecurity. However, we can provide no assurance that the networks and systems that we, the Manager, Apollo or our third-party service

providers have established, or use will be effective. As our reliance on technology has increased, so have the risks posed to our communications and information systems, both internal and those provided by the Manager, Apollo and third-party service providers. Apollo's processes, procedures and internal controls that are designed to mitigate cybersecurity risks and cyber intrusions do not guarantee that a cyber incident will not occur or that our financial results, operations or confidential information will not be negatively impacted by such an incident. Despite the security policies and procedures, Apollo has implemented that were designed to safeguard our systems and confidential, proprietary, and sensitive data and to manage cybersecurity risk, there can be no assurance that these measures will be effective. Apollo takes steps to monitor and develop our information technology networks and infrastructure and invest in the development and enhancement of our controls designed to prevent, detect, respond to, and mitigate the risk of unauthorized access, misuse, computer viruses, and other events that could have a security impact.

As new technologies, including tools that harness generative artificial intelligence and other machine learning techniques, rapidly develop and become even more accessible, the use of such new technologies by us, our affiliates and our third party service providers will present additional known and unknown risks, including, among others, the risk that confidential information may be stolen, misappropriated or disclosed and the risk that we and/or third party service providers may rely on incorrect, unclear or biased outputs generated by such technologies, any of which could have an adverse impact on us and our business.

Even if we are not targeted directly, cyberattacks on the U.S. and foreign governments, financial markets, financial institutions, or other businesses, including borrowers, vendors, software creators, cybersecurity service providers, and other third parties with whom we do business and rely, may occur, and such events could disrupt our normal business operations and networks in the future.

We cannot assure our stockholders of our ability to pay dividends in the future.

We are generally required to annually distribute to our stockholders at least 90% of our REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gain, for us to qualify as a REIT under the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). We currently intend to make quarterly distributions of all or substantially all of our REIT taxable income in each year. Dividends will be declared and paid at the discretion of our board of directors and will depend on our REIT taxable earnings, our financial condition, maintenance of our REIT qualification and such other factors as the board may deem relevant from time to time. Our ability to pay dividends may be negatively impacted by adverse changes in our operating results.

We cannot predict the unintended consequences and market distortions that may stem from far-ranging governmental intervention in the economic and financial system or from regulatory reform of the oversight of financial markets.

The laws and regulations governing our operations, as well as their interpretation, may change from time to time, and new laws and regulations may be enacted. Accordingly, any change in these laws or regulations, changes in their interpretation, or newly enacted laws or regulations and any failure by us to comply with these laws or regulations, could require changes to certain of our business practices, negatively impact our operations, cash flow or financial condition, impose additional costs on us or otherwise adversely affect our business.

The U.S. government, the U.S. Federal Reserve, the U.S. Treasury Department, the SEC and other governmental and regulatory bodies have taken or are taking various actions involving intervention in the economic and financial system and regulatory reform of the oversight of financial markets. In 2010, former President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which has changed the regulation of financial institutions and the financial services industry, including the mortgage industry. The current regulatory environment may be impacted by recent and potential future legislative developments, such as amendments to key provisions of the Dodd-Frank Act, as well as future political developments, such as federal election outcomes. The Biden Administration has taken a more active approach to banking and financial regulation than the prior Trump Administration, and may take further actions particularly to promote policy goals involving climate change, racial equity, ESG matters, consumer financial protection and infrastructure, among others, which could affect our business and operations if enacted. However, with a Republican majority in the U.S. House of Representatives, we cannot predict whether the Biden Administration will be able to enact any significant legislative measures in these areas.

In addition, the substance of regulatory supervision may be influenced through the appointment of individuals to the U.S. Federal Reserve Board and other financial regulatory bodies. With Market uncertainty and volatility could also be magnified as a result of the support of a Democratic majority new U.S. administration and resulting uncertainties regarding actual and potential shifts in the Senate, President Biden may be more likely to be able to have his nominees to such bodies confirmed U.S. and accordingly, carry out the Administration's regulatory agenda.

foreign, trade, economic and other policies.

We cannot predict the ultimate content, timing, or effect of legislative, regulatory and regulatory other actions under the Biden Administration, new U.S. administration, nor is it possible at this time to estimate the impact of any such actions which could have a dramatic impact on our business, results of operations and financial condition.

The Manager may be unable to operate us within the parameters that allow the Manager to be exempt from regulation as a

commodity pool operator, which would subject us to additional regulation and compliance requirements, and could materially adversely affect our business and financial condition.

The enforceability of agreements underlying certain derivative transactions may depend on compliance with applicable statutory and other regulatory requirements and, depending on the identity of the counterparty, applicable international statutory and regulatory requirements. Regulations have been promulgated by U.S. and foreign regulators attempting to strengthen oversight of derivative contracts. The Dodd-Frank Wall Street Reform and Consumer Protection Act established a comprehensive regulatory framework for swaps and security-based swaps, including mandatory clearing, execution and reporting requirements, which may result in increased margin requirements and costs. In addition, any investment fund that trades in swaps may be considered a "commodity pool," which would cause its operator to be regulated as a "commodity pool operator" (a "CPO"). In

December 2012, the Commodity Futures Trading Commission ("CFTC"), issued a no-action letter giving relief to operators of mortgage REITs from any applicable CPO registration requirement. In order for the Manager to qualify for the no-action relief, we must, among other non-operation requirements: (1) limit our initial margin and premiums for commodity interests (swaps and exchange-traded derivatives subject to the jurisdiction of the CFTC) to no more than 5% of the fair market value of our total assets; and (2) limit our net income from commodity interests that are not "qualifying hedging transactions" to less than 5% of its gross income. The need to operate within these parameters could limit the use of swaps and other commodity interests by us below the level that the Manager would otherwise consider optimal or may lead to the registration of the Manager or our directors as commodity pool operators, which will subject us to additional regulatory oversight, compliance and costs.

The long term impact from major public health events and related disruptions in the U.S. and global economy and financial markets could adversely impact or disrupt our financial condition and results of operations.

We believe that our, Apollo's and the Manager's ability to operate, our level of business activity and the profitability of our business, as well as the values of, and the cash flows from, the assets we own, could be impacted by the effects of future pandemics or other major public health issues. While we have implemented risk management and contingency plans and taken preventive measures and other precautions, no predictions of specific scenarios can be made with certainty and such measures may not adequately predict the impact on our business from such events.

The effects of future pandemics or other major public health issues could adversely impact the value of our assets, business, financial condition, results of operations and cash flows, and our ability to operate successfully.

The extent of the impact of future pandemics and other major health issues will depend on many factors, including the duration and scope of the public health emergency, the actions taken by governmental authorities to contain future pandemics and their financial and economic impact, the implementation of travel advisories and restrictions, the efficacy and availability of vaccines, disparities in vaccination rates and vaccine hesitancy, the rise of new variants and the severity of such variants, the impact of the public health emergency on overall supply and demand, goods and services, consumer confidence and levels of economic activity and the extent of its disruption to global, regional, and local supply chains and economic markets, all of which are uncertain and difficult to assess.

Climate change change-related risks and regulatory and other efforts to reduce address potential climate change impacts and the increased focus on ESG issues could adversely affect our business.

We and our portfolio of real estate assets face a number of risks associated with climate change, including both transition and physical risks. The transition risks that could impact our company include those risks related to the impact of U.S. and foreign climate- and ESG-related climate-related legislation and regulation, intended to reduce greenhouse gas emissions and potential climate change impacts, as well as risks arising from climate-and-ESG-related climate-related business trends. Moreover, we and our real estate assets are subject to risks stemming from the physical impacts of climate change.

New climate change-related regulations or interpretations of existing laws may result in enhanced disclosure obligations that could negatively affect us and materially increase our regulatory burden. Increased regulations generally increase the costs to us, and those higher costs may continue to increase if new laws require additional resources, including spending more time, hiring additional personnel, and/or investing in new technologies.

We also face climate-and ESG-related risks associated with evolving climate- related business trends. Investors Certain investors are increasingly taking into account ESG climate-related factors including climate risks, diversity, equity and inclusion policies, and corporate governance in determining whether to invest in companies. Additionally, our reputation and investor relationships could be damaged as a result of our involvement with certain industries or assets associated with activities perceived to be causing or exacerbating climate change, or other ESG-related issues, as well as any decisions we make to continue to conduct or change our activities in response to considerations relating to climate change or other ESG-related issues. change. Conversely, if we avoid involvement with such industries or activities, we may limit our capital deployment opportunities to an extent that adversely affects our business.

Further, significant physical effects of climate change including and extreme weather events, such as hurricanes or floods, can also have an adverse impact on real estate assets that secure our loans or that we own. Additionally, both own, and the frequency of certain extreme weather events may increase over time. For example, nonseasonal or violent weather events can have a material impact to businesses or properties that focus on tourism or recreational travel. Both transition and physical risks associated with climate change could result in increased operating costs for our borrowers and could adversely impact our borrowers' ability to make regular payments of principal and interests. As the effects of climate change increase, we expect the frequency and impact of weather and climate related events and conditions to increase as well. For example, nonseasonal or violent weather events can have a material impact to businesses or properties that focus on tourism or recreational travel. interest. See also "—Risks Related to Our Assets—Our real estate assets are subject to risks particular to real property. These risks may have resulted and may continue to result in a reduction or elimination of return from a loan secured by a particular property."

Evolving investor-related sentiment to environmental, social, and/or governance issues could adversely affect our business.

So-called "anti-ESG" sentiment has also gained momentum across the U.S., with several states having enacted or proposed "anti-ESG" policies, legislation, or issued related legal opinions. For example, boycott bills in certain states target financial institutions that are perceived as "boycotting" or "discriminating against" companies in certain industries (e.g., energy and mining) and prohibit state entities from doing business with such institutions and/or investing the state's assets through such institutions. In addition, certain states now require that relevant state entities or managers/administrators of state investments make investments based solely on pecuniary factors without consideration of environmental, social and governance factors. If investors subject to such legislation viewed us, our policies, or our practices, as being in contradiction of such "anti-ESG" policies, legislation or legal opinions, such investors may not invest in us, which could negatively affect our financial performance.

Certain provisions of Maryland law could inhibit changes in control.

Certain provisions of the Maryland General Corporation Law ("MGCL") may have the effect of deterring a third party from making a proposal to acquire us or of impeding a change in control under circumstances that otherwise could provide the holders of our common stock with the opportunity to realize a premium over the then-prevailing market price of our common stock including:

- "business combination" provisions of the MGCL that, subject to limitations, prohibit certain business combinations between us and an "interested stockholder" (defined generally as any person who beneficially owns 10% or more of our then outstanding voting stock or an affiliate or associate of ours who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of our then outstanding voting stock) or an affiliate thereof for five years after the most recent date on which the stockholder becomes an interested stockholder and, thereafter, impose fair price and/or supermajority stockholder voting requirements on these combinations;
- "control share" provisions of the MGCL that provide that a holder of "control shares" of a Maryland corporation (defined as shares which, when aggregated with all other shares controlled by the stockholder (except solely by virtue of a revocable proxy), entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of issued and outstanding "control shares") has no voting rights with respect to such shares except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding votes entitled to be cast by the acquirer of control shares, our officers and personnel who are also directors; and
- "unsolicited takeover" provisions of the MGCL that permit our board of directors, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to implement takeover defenses, some of which (for example, a classified board) we do not yet have.

As permitted by the MGCL, our board of directors has by resolution exempted from the "business combination""business combination" provision of the MGCL business combinations (1) between us and any other person, provided that such business combination is first approved by our board of directors (including a majority of our directors who are not affiliates or associates of such person) and (2) between us and Apollo and its affiliates and associates and persons acting in concert with any of the foregoing. Our bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of shares of our stock. There can be no assurance that these exemptions will not be amended or eliminated at any time in the future.

Loss of our exclusion from registration under the 1940 Act would adversely affect us.

We conduct our operations so as not to become regulated as an investment company under the 1940 Act. Because we are a holding company that conducts our businesses primarily through wholly-owned subsidiaries, the securities issued by these subsidiaries that are exempted or otherwise excluded from the definition of "investment company" under Section 3(c)(1) or Section 3(c)(7) of the 1940 Act, together with any other "investment securities" (as defined for purposes of the 1940 Act) we own, may not have a combined value in excess of 40% of the value of our total assets on an unconsolidated basis, which we refer to as the 40% test. This requirement limits the types of businesses in which we may engage through our subsidiaries.

Certain of our subsidiaries qualify to be excluded from registration as investment companies under the 1940 Act pursuant to Section 3(c)(5)(C) of the 1940 Act, which is available for an entity "not engaged in the business of issuing redeemable securities, face-amount certificates of the installment type or periodic payment plan certificates, and who is primarily engaged in … the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate." This exclusion generally requires that at least 55% of the assets of an entity relying on this exclusion be comprised of what the SEC staff through a series of no-action letters has characterized as "qualifying assets" and at least another 25% of the assets of such entity be comprised of either qualifying assets or what the SEC staff in such guidance has characterized as "real estate-related assets" under the

1940 Act (and no more than 20% comprised of miscellaneous assets). We expect any of our subsidiaries relying on Section 3(c)(5)(C) to rely on guidance published by the SEC staff to determine which assets are qualifying assets and which

assets are real estate related under this exclusion to the extent such guidance is available. The SEC staff has determined in various no-action letters that qualifying assets for this purpose include senior, first ranking mortgage loans, certain B Notes and mezzanine loans that satisfy various conditions specified in such SEC staff no-action letters. Neither the SEC nor its staff has, however, published guidance in respect of Section 3(c)(5)(C) regarding some of our other target assets. For assets for which the SEC and its staff has not published guidance, we intend to rely on our own analysis to determine which of such assets are qualifying assets and which of such assets are real estate related under the Section 3(c)(5)(C) exclusion. For example, in the absence of additional guidance from the SEC staff, we intend to treat as real estate related assets B Notes and mezzanine loans that do not satisfy the qualifying asset conditions set forth in the relevant SEC staff no-action letters, as well as debt and equity securities of companies primarily engaged in real estate businesses. To the extent that the SEC staff publishes new or different guidance with respect to these matters, we may be required to adjust our strategy accordingly. In addition, we may be limited in our ability to make certain investments and these limitations could result in the subsidiary holding assets we might wish to sell or selling assets we might wish to hold. Although we monitor the portfolios of our subsidiaries relying on the Section 3(c)(5)(C) exclusion periodically and prior to each acquisition, there can be no assurance that such subsidiaries will be able to maintain their respective satisfaction of the requirements of this exclusion. Any additional guidance from the SEC staff could provide additional flexibility to us, or it could further inhibit our ability to pursue the strategies we have chosen.

We may organize subsidiaries in the future that may seek to rely on the 1940 Act exclusion provided to certain structured financing vehicles under Rule 3a-7. To comply with Rule 3a-7, any such subsidiary will need to comply with the restrictions described below, as well as any future guidance that may be issued by the SEC or its staff.

In general, Rule 3a-7 excludes from the 1940 Act issuers that limit their activities as follows:

- the issuer issues securities, the payment of which depends primarily on the cash flow from "eligible assets," which are assets that by their terms convert into cash within a finite time period;
- the securities sold are fixed-income securities rated investment grade by at least one rating agency except that fixed- income securities which are unrated or rated below investment grade may be sold to institutional accredited investors and any securities may be sold to "qualified institutional buyers" and to persons involved in the organization

or operation of the issuer;

- the issuer acquires and disposes of eligible assets (1) only in accordance with the agreements pursuant to which the securities are issued and (2) so that the acquisition or disposition does not result in a downgrading of the issuer’s issuer's fixed-income securities and (3) the primary purpose of which is not recognizing gains or decreasing losses resulting from market value changes; and
- unless the issuer is issuing only commercial paper, the issuer appoints an independent trustee, takes reasonable steps to transfer to the trustee an ownership or perfected security interest in the eligible assets, and meets rating agency requirements for commingling of cash flows.

In addition, in certain circumstances, compliance with Rule 3a-7 may also require, among other things, that the indenture governing the Rule 3a-7 reliant subsidiary include additional limitations on the types of assets such subsidiary may sell or acquire out of the proceeds of assets that mature, are refinanced or otherwise sold, on the period of time during which such transactions may occur, and on the level of transactions that may occur. In light of the requirements of Rule 3a-7, there is no assurance that our future subsidiaries will be able to rely on this rule and our ability to manage assets held in subsidiaries that rely on this rule will be limited and may restrict our ability to purchase or sell assets owned by that subsidiary when we would otherwise desire to do so, which could lead to losses.

In the absence of further SEC or SEC staff guidance, the aggregate value of our interests in our subsidiaries that rely on Rule 3a-7 must amount to less than 20% of our total assets on an unconsolidated basis.

Any amendments to Rule 3a-7 could provide additional flexibility or could inhibit the ability of our subsidiaries to rely on this rule or to pursue certain strategies we have identified for such subsidiaries.

Our subsidiaries may rely on alternative exclusions or exemptions from registration as investment companies under the 1940 Act other than Section 3(c)(1) or Section 3(c)(7) for purposes of complying with the 40% test. These alternative exclusions or exemptions may impose limitations on a subsidiary’s subsidiary's organizational form, the types of assets that such subsidiary may hold or require such subsidiary to qualify under a banking, insurance or other regulatory regime. There is no assurance that our subsidiaries will be able to rely on any alternative exclusions or exemptions and our ability to manage assets held in subsidiaries that rely on these alternative exclusions or exemptions will be limited.

The determination of whether an entity is our majority-owned subsidiary is made by us. The 1940 Act defines a majority-owned majority-owned subsidiary of a person as a company with 50% or more of the outstanding voting securities of which are owned by such person, or by another company which is a majority-owned subsidiary of such person. The 1940 Act further defines voting securities as any security presently entitling the owner or holder thereof to vote for the election of directors of a company. We treat entities in which we own at least a majority of the outstanding voting securities as majority-owned subsidiaries for purposes of the 40% test. We have not requested the SEC or its staff to approve our treatment of any entity as a majority-owned subsidiary and the SEC has not done so. If the SEC or its staff were to disagree with our treatment of one of more entities as majority-owned subsidiaries, we would need to adjust our strategy and our assets in order to continue to pass the 40% test. Any such adjustment in our strategy could have a material adverse effect on us.

We have organized special purpose subsidiaries that rely on Section 3(c)(7) to avoid registration as investment companies under the 1940 Act to hold certain assets and, therefore, our interest in each of these Section 3(c)(7)-reliant subsidiaries constitutes an "investment security" for purposes of determining whether we pass the 40% test.

Qualification for particular exclusions or exemptions from registration under 1940 Act as described herein may limit our or our subsidiaries' ability to make certain investments.

If we failed to maintain our excluded status under the 1940 Act and became regulated as an investment company, our ability to, among other things, use leverage would be substantially reduced and, as a result, we would be unable to conduct our business as described in this annual report on Form 10-K.

If our subsidiaries fail to maintain an exclusion or exemption from registration pursuant to the 1940 Act, we could, among other things, be required either to (a) change the manner in which we conduct our operations to avoid being required to register as an investment company, (b) effect sales of our assets in a manner that, or at a time when, we would not otherwise choose to do so, or (c) register as an investment company, any of which could negatively affect the value of our common stock, the sustainability of our business model, and our ability to make distributions which could have an adverse effect on our business and the market price for shares of our common stock.

Securities eligible for future sale may have adverse effects on the market price of our common stock.

Subject to applicable law, our board of directors has the authority, without further stockholder approval, to issue additional authorized shares of common stock and securities convertible into or exchangeable for our common stock on the terms and for the consideration it deems appropriate. Additional securities offerings or issuance of additional common stock in connection with the conversion of convertible or exchangeable securities may dilute the holdings of our existing stockholders or reduce the market price of our common stock, or both. Sales or other issuances of substantial amounts of our common stock or the perception that such sales or issuances could occur, may adversely affect the prevailing market price the common stock.

Our authorized but unissued shares of common and or preferred stock may prevent a change in control.

Our charter authorizes us to issue additional authorized but unissued shares of common or preferred stock. In addition, our board of directors may, without common stockholder approval, amend our charter to increase the aggregate number of our shares of stock or the number of shares of stock of any class or series that we have the authority to issue and classify or reclassify any unissued shares of common or preferred stock and set the terms of the classified or reclassified shares. As a result, our board of directors may establish a series of shares of common or preferred stock that could delay or prevent a transaction or a change in control that might involve a premium price for shares of our common stock or otherwise be in the best interests of our stockholders.

Certain provisions in the indentures governing the 2029 Notes could delay or prevent an otherwise beneficial takeover or takeover attempt of us.

Certain provisions in the 2029 Notes and the indentures governing the 2029 Notes could make it more difficult or more expensive for a third party to acquire us. For example, if a takeover would constitute a fundamental change, holders of the 2029 Notes will have the right to require us to repurchase their notes in cash. In addition, if a takeover constitutes a make-whole fundamental change, we may be required to increase the conversion rate for holders who convert their notes in connection with such takeover. In either case, and in other cases, our obligations under the 2029 Notes and the indentures could increase the cost of acquiring us or otherwise discourage a third party from acquiring us or removing incumbent management.

Our rights and the rights of our stockholders to take action against our directors and officers are limited, which could limit stockholders' recourse in the event of actions not in stockholders' best interests.

Our charter limits the liability of our present and former directors and officers to us and our stockholders for money damages to the maximum extent permitted under Maryland law.

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Our charter authorizes us, and our bylaws and indemnification agreements entered into with each of our directors and executive officers require us, to the maximum extent permitted by Maryland law, to indemnify and, without requiring a preliminary determination of their ultimate entitlement to indemnification, to pay or reimburse defense costs and other expenses of each of our directors and officers in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service to us.

As a result, we and our stockholders have rights against our directors and officers that are more limited than might otherwise exist and, in the event that actions taken by any of our directors or officers impede the performance of our company, your and our ability to recover damages from such director or officer will be limited.

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Our charter contains provisions that make removal of our directors difficult, which could make it difficult for stockholders to effect changes to our management.

Our charter provides that, subject to the rights of any class or series of preferred stock, a director may be removed with or without cause upon the affirmative vote of at least two-thirds of the votes entitled to be cast generally in the election of directors. Vacancies may be filled only by a majority of the remaining directors in office, even if less than a quorum. These requirements make it more difficult to change our management by removing and replacing directors and may prevent a change in control of us that is in the best interests of stockholders.

Ownership limitations may restrict change of control or business combination opportunities in which our stockholders might receive a premium for their shares.

In order for us to qualify as a REIT, no more than 50% in value of our outstanding capital stock may be owned, directly or indirectly, by five or fewer individuals during the last half of any calendar year, and at least 100 persons must beneficially own our stock during at least 335 days of a taxable year of 12 months, or during a proportionate portion of a shorter taxable year. "Individuals" for this purpose include natural persons, private foundations, some employee benefit plans and trusts, and some charitable trusts. To preserve our REIT qualification, among other purposes, our charter generally prohibits any person from directly or indirectly owning more than 9.8% in value or in number of shares, whichever is more restrictive, of the outstanding shares of our capital stock or more than 9.8% in value or in number of shares, whichever is more restrictive, of the outstanding shares of our common stock. The Articles Supplementary for each series of our preferred stock prohibits any stockholder from beneficially or constructively owning more than 9.8% in value or in number of shares, whichever is more restrictive, of such series of our outstanding preferred stock. These ownership limits in our charter could have the effect of discouraging a takeover or other transaction in which holders of our common stock might receive a premium for their shares over the then prevailing market price or which holders might believe to be otherwise in their best interests. Our board of directors has established exemptions from the ownership limits in our charter which permit Apollo and certain of our affiliates to collectively hold up to 25% of our common stock, and certain institutional investors to hold more than 9.8% of our common stock.

Future litigation or administrative proceedings could have a material and adverse effect on our business, financial condition and results of operations.

We may from time to time be involved in legal proceedings, administrative proceedings, claims and other litigation. In addition, we have agreed to indemnify the Manager and certain of its affiliates against certain liabilities pursuant to the Management Agreement. Adverse outcomes or developments relating to such proceedings, as well as expenses of defending or pursuing claims, or any other costs that may be incurred in connection with such proceedings, could have a material adverse effect on our results of operations and financial condition.

RISKS RELATED TO OUR FINANCING AND HEDGING

Our access to sources of financing may be limited and thus our ability to potentially enhance our returns may be adversely affected.

Our access to sources of financing depends upon a number of factors over which it has little or no control, including:

- general market conditions;
- general market conditions;
- the market's market's view of the quality of our assets;
- the market's market's perception of our growth potential;
- our eligibility to participate in and access capital from programs established by the U.S. government;
- our current and potential future earnings and cash distributions; and

- the market price of the shares of our common stock.

Weakness in the capital and credit markets could adversely affect one or more lenders and could cause one or more lenders to be unwilling or unable to provide us with financing or to increase the costs of that financing. In addition, if regulatory capital requirements imposed on our lenders change, they may be required to limit, or increase the cost of, financing they provide to us. In general, this could potentially increase our financing costs and reduce our liquidity or require us to sell assets at an inopportune time or price.

Consequently, depending on market conditions at the relevant time, we may have to rely more heavily on additional equity issuances, which may be dilutive to our stockholders, or on less efficient forms of debt financing that require a larger portion of our cash flow from operations, thereby reducing funds available for our operations, future business opportunities, cash distributions to stockholders and other purposes.

We leverage certain of our target assets, which may adversely affect our return on our assets and may reduce cash available for distribution.

We leverage certain of our target assets through secured debt arrangements. Leverage can enhance our potential returns but can also exacerbate losses. The return on our assets and cash available for distribution to stockholders may be reduced if market conditions cause the cost of our financing to increase relative to the income that can be derived from the assets acquired, which could adversely affect the price of our common stock. In addition, our debt service payments will reduce cash flow available for distributions to stockholders. As a borrower, we are also subject to the risk that we may not be able to meet our debt service obligations. To the extent that we cannot meet our debt service obligations, we risk the loss of some or all of our assets to foreclosure or sale to satisfy our debt obligations.

We may increase the amount of leverage we use in our financing strategy, which would subject us to greater risk of loss.

Additionally, we may fail to comply with our covenants prescribed in our debt agreements, which may impact our ability to borrow under our financing arrangements and/or result in acceleration of debt.

Our charter and bylaws do not limit the amount of indebtedness we can incur; although we are limited by certain financial covenants under our secured debt arrangements and the 2029 Notes.

We may increase the amount of leverage we utilize at any time without approval of our stockholders. Incurring substantial debt could subject us to many risks that, if realized, would materially and adversely affect us, including the risk that:

- our cash flow from operations may be insufficient to make required payments of principal of and interest on the debt or we may fail to comply with all of the other covenants contained in the debt documents, which is likely to result in (i) acceleration of such debt (and any other debt containing a cross-default or cross-acceleration provision) that we may be unable to repay from internal funds or to refinance on favorable terms, or at all, (ii) our inability to borrow unused amounts under our financing arrangements, even if we are current in payments on borrowings under those arrangements and/or (iii) the loss of some or all of our assets to foreclosure or sale;
- our debt may increase our vulnerability to adverse economic and industry conditions with no assurance that investment yields will increase with higher financing costs;
- we may be required to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing funds available for operations, future business opportunities, stockholder distributions or other purposes; and
- we may not be able to refinance debt that matures prior to the investment it was used to finance on favorable terms, or at all.

Credit facilities and secured debt arrangements that we may use to finance our assets may require us to provide additional collateral or pay down debt.

As of December 31, 2023 December 31, 2024, we had secured debt arrangements in place, with an aggregate borrowing capacity of approximately $7.0 billion $6.9 billion. We may utilize credit facilities and additional secured debt arrangements to finance our assets if they become available on acceptable terms. In the event we utilize such financing arrangements, they may involve the risk that the market value of our assets pledged or sold by us to the secured debt arrangements counterparty or provider of the credit facility may decline in value, in which case the lender may require us to provide additional collateral or to repay all or a portion of the funds advanced. We may not have the funds available to repay its debt at that time, which would likely result in defaults unless we are able to raise the funds from alternative sources, which we may not be able to achieve on favorable terms or at all. Posting additional collateral would reduce our liquidity and limit our ability to leverage our assets. If we cannot meet these

requirements, the lender could accelerate our indebtedness, increase the interest rate on advanced funds and terminate our ability to borrow funds from them, which could materially and adversely affect our financial condition and ability to implement our business plan. In addition, in the event that the lender files for bankruptcy or becomes insolvent, our loans may become subject to bankruptcy or insolvency proceedings, thus depriving us, at least temporarily, of the benefit of these assets. Such an event could restrict our access to credit facilities and increase our cost of capital. The lenders may also require us to maintain a certain amount of cash or set aside assets sufficient to maintain a specified liquidity position that would allow us to satisfy our collateral obligations. In the event that we are unable to meet these collateral obligations, our financial condition and prospects could deteriorate rapidly.

Our existing secured debt arrangements impose restrictive covenants.

Our secured debt arrangements contain restrictive covenants which impose limitations on the manner in which we conduct our business. For example, we are subject to customary restrictive covenants with respect to continuing to operate in a manner that allows us to qualify as a REIT for U.S. federal income tax purposes, and financial covenants with respect to minimum consolidated tangible net worth, maximum total indebtedness to consolidated tangible net worth, and minimum liquidity. These covenants may restrict our ability to engage in transactions that we believe would otherwise be in the best interests of our stockholders.

Should we choose to employ non-recourse long-term securitizations in the future, such structures may expose us to risks which could result in losses to us.

We may seek to enhance the returns of all or a senior portion of our commercial mortgage loans through securitizations. To securitize our portfolio investments, we may create a wholly-owned subsidiary and contribute a pool of assets to the subsidiary. This could include the sale of interests in the subsidiary on a non-recourse basis to purchasers whom we would expect to be willing to accept a lower interest rate to invest in investment grade loan pools, and we would retain a portion of the equity in the securitized pool of portfolio investments. The successful securitization of our portfolio investments might expose us to losses as the commercial real estate investments in which we do not sell interests will tend to be those that are riskier and more likely to generate losses. Securitization financings could also restrict our ability to sell assets when it would otherwise be advantageous to do so.

An increase in our borrowing costs relative to the interest we receive on our leveraged assets may adversely affect our profitability and our cash available for distribution to our stockholders.

As our secured debt arrangements and other short-term borrowings mature, we will be required either to enter into new borrowings or to sell certain of our assets. As borrowing rates have increased from the historically low levels that have been seen recently, at the time we enter into new borrowings, the spread between the returns on our assets and the cost of our borrowings may be reduced. In addition, there is no assurance that short-term interest rates may not increase further. For example, in response to recent inflationary pressure, the U.S. Federal Reserve and other global central banks have raised interest rates in 2022 and 2023. This could adversely affect the returns on our assets, which might reduce earnings and, in turn, cash available for distribution to our stockholders. In addition, because our secured debt arrangements are short-term commitments of capital, lenders may respond to market conditions making it more difficult for us to secure continued financing. If we are not able to renew our then existing facilities or arrange for new financing on terms acceptable to us, or if we default on our covenants or are otherwise unable to access funds under any of these facilities, we may have to curtail our asset acquisition activities, rely more heavily on additional equity issuances, which may be dilutive to our stockholders, and/or dispose of assets.

Interest rate fluctuations could reduce the income on our assets and could increase our financing costs, which may adversely affect our earnings and our cash available for distribution to our stockholders.

Changes in interest rates will affect our operating results as such changes will affect the interest we receive on any floating rate interest (such as SOFR or SONIA) bearing assets and the financing cost of our floating rate debt, as well as our interest rate swap that we may utilize for hedging purposes. For example, in response to inflationary pressure, the U.S. Federal Reserve and other global central banks raised interest rates in 2022 and 2023. These increases have increased our borrowers' interest payments and for certain borrowers may lead to defaults and losses to us. Such increases could also adversely affect commercial real estate property values. If a counterparty to our secured debt arrangements defaults on its obligation to resell the underlying security back to us at the end of the transaction term or if the value of the underlying security has declined as of the end of that term or if we default on our obligations under the secured debt arrangement, we will lose money on our secured debt arrangement.

When we engage in secured debt arrangements, we sell securities to lenders (i.e., secured debt arrangement counterparties) and receive cash from the lenders. The lenders are obligated to resell the same securities back to us at the end of

the term of the transaction. Because the cash we receive from the lender when we initially sell the securities to the lender is less than the value of those securities (this difference is referred to as the haircut), if the lender defaults on its obligation to resell the same securities back to us, we could incur a loss on the transaction equal to the amount of the haircut (assuming there was no change in the value of the securities). We could also lose money on a secured debt arrangement if the value of the underlying securities has declined as of the end of the transaction term, as we would have to repurchase the securities for their initial value but would receive securities worth less than that amount. Further, if we default on one of our obligations under a secured debt arrangement, the lender will be able to accelerate the timing of payments, terminate the transaction and cease entering into any other secured debt arrangements with us. Any losses we incur on our secured debt arrangements could adversely affect our earnings and thus our cash available for distribution to stockholders.

Our rights under our secured debt arrangements may be subject to the effects of the bankruptcy laws in the event of the bankruptcy or insolvency of us or our lenders under the secured debt arrangements, which may allow our lenders to repudiate our secured debt arrangements.

In the event of our insolvency or bankruptcy, certain secured debt arrangements may qualify for special treatment under the U.S. Bankruptcy Code, the effect of which, among other things, would be to allow the lender under the applicable secured debt arrangements to avoid the automatic stay provisions of the U.S. Bankruptcy Code and to foreclose on the collateral agreement without delay. In the event of the insolvency or bankruptcy of a lender during the term of a secured debt arrangement, the lender may be permitted, under applicable insolvency laws, to repudiate the contract, and our claim against the lender for damages may be treated simply as an unsecured creditor. In addition, if the lender is a broker or dealer subject to the Securities Investor Protection Act of 1970, or an insured depository institution subject to the Federal Deposit Insurance Act, our ability to exercise our rights to recover our securities under a secured debt arrangement or to be compensated for any damages resulting from the lender’s lender's insolvency may be further limited by those statutes. These claims would be subject to significant delay and, if and when received, may be substantially less than the damages we actually incur.

We may enter into hedging transactions that could expose us to contingent liabilities in the future and adversely impact our financial condition.

Subject to maintaining our qualification as a REIT, we may enter into hedging transactions that could require us to fund cash payments in certain circumstances (e.g., the early termination of the hedging instrument caused by an event of default or other early termination event, or the decision by a counterparty to request margin securities it is contractually owed under the terms of the hedging instrument). The amount due would be equal to the unrealized loss of the open swap positions with the respective counterparty and could also include other fees and charges. These economic losses will be reflected in our results of operations, and our ability to fund these obligations will depend on the liquidity of our assets and access to capital at the time, and the need to fund these obligations could adversely impact our financial condition.

In addition, certain of the hedging instruments that we may enter into could involve risks since they often are not traded on regulated exchanges, guaranteed by an exchange or its clearing house, or regulated by any U.S. or foreign governmental authorities. We cannot assure that a liquid secondary market will exist for hedging instruments that it may purchase or sell in the future, and we may be required to maintain a position until exercise or expiration, which could result in significant losses.

In addition, subject to maintaining our qualification as a REIT, we pursue various hedging strategies to seek to reduce our exposure to adverse changes in currencies and interest rates. We may fail to recalculate, readjust and execute hedges in an efficient manner.

While we may enter into such transactions seeking to reduce currency or interest rate risks, unanticipated changes in currency or interest rates may result in poorer overall investment performance than if we had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions or liabilities being hedged may vary materially. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the portfolio positions or liabilities being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss.

Furthermore, we intend to record any derivative and hedging transactions we enter into in accordance with accounting principles generally accepted in the United States ("GAAP"). However, we may choose not to pursue, or fail to qualify for, hedge accounting treatment relating to such derivative instruments. As a result, our operating results may suffer because losses, if any, on these derivative instruments may not be offset by a change in the fair value of the related hedged transaction or item.

RISKS RELATED TO OUR ASSETS

We cannot assure stockholders that we will be successful in consummating additional opportunities we identify which would likely materially affect our business, financial condition, liquidity and results of operations.

We cannot assure stockholders that we will be able to continue to identify additional assets that meet our investment objectives, that the Manager's Manager's due diligence processes will uncover all relevant facts regarding such assets, that we will be successful in consummating any additional opportunities we identify or that the assets we acquire in the future will yield attractive risk-adjusted returns. Our inability to do any of the foregoing likely would materially and adversely affect our business, financial condition, liquidity and results of operations.

We may not achieve our weighted-average all-in yield on our assets, which may lead to future returns that may be significantly lower than anticipated.

The calculations of our weighted-average all-in yield, included in this annual report on Form 10-K or in our future periodic reports or press releases or other communications, with respect to our investments are based on, among other considerations, assumptions regarding the performance of our assets, expected future fundings, the exercise of extension options and the absence of dispositions, early prepayments or defaults, all of which are subject to significant uncertainty. In addition, events or conditions that have not been anticipated may occur and may have a significant effect on the actual rate of return received on our target assets. If these assumptions fail to materialize, future returns on our investments may be significantly lower than underwritten returns. For additional discussion of factors that may affect actual returns on our investments, see Item 7A. "Quantitative and Qualitative Disclosures about Market Risk" and Item 7. "Management's "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations."

We may be subject to lender liability claims.

A number of judicial decisions have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories, collectively termed "lender liability." Generally, lender liability is founded on the premise that a lender has either violated a duty, whether implied or contractual, of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or stockholders. We cannot assure prospective investors that such claims will not arise or that we will not be subject to significant liability if a claim of this type did arise.

Any credit ratings assigned to our assets will be subject to ongoing evaluations and revisions and we cannot assure stockholders that those ratings will not be downgraded.

Some of our assets may be rated by nationally recognized statistical rating organizations. Any credit ratings on our assets are subject to ongoing evaluation by credit rating agencies, and these ratings could be changed or withdrawn by a rating agency in the future if, in its judgment, circumstances warrant. If rating agencies assign a lower-than-expected rating or reduce or withdraw, or indicate that they may reduce or withdraw, their ratings of our investments in the future, the value of these investments could significantly decline, which would adversely affect the value of our investment portfolio and could result in

losses upon disposition. An investment grade credit rating does not provide assurance that the subject investment will not become impaired.

Acquisitions of preferred equity involve a greater risk of loss than traditional debt transactions.

We may acquire real estate preferred equity as an alternative to mezzanine loans, which involves a higher degree of risk than first mortgage loans due to a variety of factors, including the risk that, similar to mezzanine loans, such assets are subordinate to first mortgage loans and are not collateralized by property underlying the asset and, in certain instances, may not have financial performance covenants. Although as a holder of preferred equity we may enhance our position with covenants that limit the activities of the entity in which we have an interest and protect our equity by obtaining an exclusive right to control the underlying property after an event of default, should such a default occur on our asset, we would only be able to proceed against the entity in which we have an interest, and not the property owned by such entity and underlying our investment. Further, similar to mezzanine loans, preferred equity does not ordinarily afford the holder with the full range of protections of a creditor. As a result, we may not recover some or all of our investment.

The lack of liquidity of our assets may adversely affect our business, including our ability to value and sell our assets.

The illiquidity of commercial mortgage loans, commercial real estate corporate debt and loans and other real estate-related debt investments may make it difficult for us to sell such assets if the need or desire arises. Many of the securities we purchase are not registered under the relevant securities laws, resulting in a prohibition against their transfer, sale, pledge or their disposition except in a transaction that is exempt from the registration requirements of, or otherwise in accordance with, those laws. In addition, certain assets such as B Notes, mezzanine loans and other loans are also particularly illiquid due to their short life, their potential unsuitability for securitization and the greater difficulty of recovery in the event of a borrower’s borrower's default. As a result, many of our assets are illiquid and if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded our assets. Further, we may face other restrictions

on our ability to liquidate an interest in a business entity to the extent that we or the Manager have or could be attributed with material, non-public information regarding such business entity. As a result, our ability to vary our portfolio in response to changes in economic and other conditions may be relatively limited, which could adversely affect our results of operations and financial condition.

Allowances for loan losses are difficult to estimate.

In June 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-13 "Financial Instruments - Credit Losses - Measurement of Credit Losses on Financial Instruments (Topic 326)" ("ASU 2016-13") and in April 2019, the FASB issued ASU 2019-04 "Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments" ("ASU 2019-04") (collectively, the "CECL Standard"). These updates change how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value. The CECL Standard replaces the "incurred loss" approach under existing guidance with an "expected loss" model for instruments measured at amortized cost. The CECL Standard requires entities to record allowances for held-to-maturity and available-for-sale debt securities that is deducted from the carrying amount of the assets to present the net carrying value at the amounts expected to be collected on the assets. Because our methodology for determining CECL allowances may differ from the methodologies employed by other companies, our CECL allowances may not be comparable with the CECL allowances reported by other companies.

We will continue to record loan specific reserves ("Specific CECL Allowance") in accordance with a practical expedient prescribed by the CECL Standard. The Specific CECL Allowance is evaluated on a quarterly basis. The determination of the Specific CECL Allowance requires us to make certain estimates and judgments, which may be difficult to determine. Our estimates and judgments are based on a number of factors, including (1) micro- and macro-economic conditions, (2) market volatility, (3) cash flows from operations or sales velocity projections of the underlying property, (4) sponsors' sponsors' continued progress towards executing on their business plans, (5) whether cash from operations is sufficient to cover the debt service requirements currently and into the future, (6) the ability of the borrower to refinance the loan and (7) the underlying property’s property's liquidation value, all of which remain uncertain and are subjective. For additional information regarding our Specific CECL Allowance, refer to "*Specific CECL Allowance*" under "Note 4 - Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net" in our consolidated financial statements.

In addition, we record a general reserve in accordance with the CECL Standard on the remainder of the loan portfolio ("General CECL Allowance"). The CECL Standard has been effective for fiscal years beginning after December 15, 2019 and has been adopted through a cumulative-effect adjustment to accumulated deficit as of the beginning of the first reporting period in which the guidance is effective; as such, we have adopted the CECL Standard as of January 1, 2020. The CECL Standard may create more volatility in the level of our allowance for loan losses. We may be required to make further increases to our CECL allowance in the future, depending on the performance of our portfolio, any specific assets within the portfolio and broader market conditions. If we are required to materially increase our level of allowance for loan losses for any reason, such increase could adversely affect our business, financial condition and results of operations.

Our assets may be concentrated and are subject to risk of default.

We are not required to observe specific diversification criteria, except as may be set forth in the investment guidelines adopted by our board of directors. See Item 7. "Management’s "Management's Discussion and Analysis of Financial Condition and Results of Operations—Investment Guidelines." Therefore, our assets may at times be concentrated in certain property types that are subject to higher risk of foreclosure or secured by properties concentrated in a limited number of geographic locations. To the extent that our portfolio is concentrated in any one region or type of asset, downturns relating generally to such region or type of asset may result in defaults on a number of our assets within a short time period, which may reduce our net income and the value of our common stock and accordingly reduce our ability to pay dividends to our stockholders. Difficult conditions in the markets for mortgages and mortgage-related assets as well as the broader financial markets may result in contraction in liquidity for mortgages and mortgage-related assets, which may adversely affect the value of the assets.

The commercial mortgage loans and other commercial real estate-related loans we acquire are subject to delinquency, foreclosure and loss, any or all of which could result in losses to us.

Commercial mortgage loans are secured by residential-for-rent or commercial property and are subject to risks of delinquency and foreclosure, and risks of loss are greater than similar risks associated with mortgage loans made on the security of one to four family residential properties. The ability of a borrower to repay a loan secured by an income-producing property typically is dependent primarily upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower's borrower's ability to repay the loan may be impaired. The Manager makes certain estimates of losses during its underwriting of commercial mortgage loans. However, estimates may not prove accurate, as actual results may vary from estimates. Net operating income of an income-

producing income-producing property can be affected by, among other things: tenant mix, success of tenant businesses, property management decisions, property location and condition, competition from comparable types of properties (including properties located in opportunity zones), changes in laws that increase operating expense or limit rents that may be charged, any need to address environmental contamination at the property, the occurrence of any uninsured casualty at the property, changes in national, regional or local economic conditions and/or specific industry segments, declines in regional or local real estate values, declines in regional or local rental or occupancy rates, increases in interest rates, real estate tax rates and other operating expenses, changes in governmental rules, regulations and fiscal policies, environmental, climate and other ESG-related legislation and tax legislation, acts of God, regional, national or global outbreaks, epidemics and pandemics, geopolitical events, terrorism, social unrest, civil disturbances or other calamities.

In the event of any default under a mortgage or other real estate-related loan held directly by us, we will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the commercial mortgage loan or other real estate-related loan, which could have a material adverse effect on our cash flow from operations. In the event of the bankruptcy of a commercial mortgage borrower of a loan, borrower or other real estate-related loan borrower, a tenant or an operator of a property, the loan to such borrower or the loan secured by such property will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law.

Foreclosure of a commercial mortgage loan can be an expensive and lengthy process which could have a substantial negative effect on our anticipated return on the foreclosed mortgage loan.

We may need to foreclose on certain of the loans we originate or acquire and may take title to the properties securing such loans. Owning and operating real property involves risks that are different (and in many ways more significant) than the risks

faced in owning an asset secured by that property, which could result in losses that harm our results of operations and financial condition.

We may find it necessary or desirable to foreclose on certain of the loans we originate or acquire, and the foreclosure process may be lengthy and expensive. If we foreclose on an asset, we may take title to the property securing that asset, and if we do not or cannot sell the property, we would then come to own and operate it as “real "real estate owned.” " Owning and operating real property involves risks that are different (and in many ways more significant) than the risks faced in owning an asset secured by that property. The costs associated with operating and redeveloping a property, including any operating shortfalls and significant capital expenditures, could materially and adversely affect our results of operations, financial conditions and liquidity. In addition, we may end up owning a property that we would not otherwise have decided to acquire directly at the price of our original investment or at all, and the liquidation proceeds upon sale of the underlying real estate may not be sufficient to recover our cost basis in the loan, resulting in a loss to us.

Whether or not we have participated in the negotiation of the terms of any such loans, we cannot assure you as to the adequacy of the protection of the terms of the applicable loan, including the validity or enforceability of the loan and the maintenance of the anticipated priority and perfection of the applicable security interests. Furthermore, claims may be asserted by lenders or borrowers that might interfere with enforcement of our rights. Borrowers may resist foreclosure actions by asserting numerous claims, counterclaims and defenses against us, including, without limitation, lender liability claims and defenses, even when the assertions may have no basis in fact, in an effort to prolong the foreclosure action and seek to force the lender into a modification of the loan or a favorable buy-out of the borrower's borrower's position in the loan. Foreclosure actions in some U.S. states can take several years or more to litigate and may also be time consuming and expensive to complete in other U.S. states and foreign jurisdictions in which we do business. At any time prior to or during the foreclosure proceedings, the borrower may file for bankruptcy, which would have the effect of staying the foreclosure actions and further delaying the foreclosure process, and could potentially result in a reduction or discharge of a borrower's borrower's debt. Foreclosure may create a negative public perception of the related property, resulting in a diminution of its value. Even if we are successful in foreclosing on a loan, the liquidation proceeds upon sale of the underlying real estate may not be sufficient to recover our cost basis in the loan, resulting in a loss to us. Furthermore, any costs or delays involved in the foreclosure of the loan or a liquidation of the underlying property will further reduce the net sale proceeds and, therefore, increase any such losses to us.

B Notes and mezzanine loans we acquire may be subject to losses. The B Notes we acquire may be subject to additional risks relating to the privately negotiated structure and terms of the transaction, which may result in losses to us.

As part of our whole loan origination platform, we may retain from whole loans we acquire or originate, subordinate interests referred to as B Notes. B Notes are commercial real estate loans secured by a first mortgage on a single large commercial property or group of related properties and subordinated to a senior interest, referred to as an A Note. As a result, if a borrower defaults, there may not be sufficient funds remaining for B Note owners after payment to the A Note owners. B Notes reflect similar credit risks to comparably rated commercial mortgage-backed securities ("CMBS"). However, since each

transaction is privately negotiated, B Notes can vary in their structural characteristics and risks. For example, the rights of holders of B Notes to control the process following a borrower default may be limited in certain investments. We cannot predict the terms of each B Note investment. Similar to our B Note strategy, we may originate or acquire mezzanine loans, which are loans made to property owners that are secured by pledges of the borrower’s borrower's ownership interests, in whole or in part, in entities that directly or indirectly own the real property. The loan to value and last dollar of exposure of the mezzanine loans generally do not differ greatly from the whole loans we originate or acquire, with the key distinction being that the most senior portion of the loan with the least credit risk is owned by a third-party lender. In the event a borrower defaults on a loan and lacks sufficient assets to satisfy our loan, we may suffer a loss of principal or interest. In the event a borrower declares bankruptcy, we may not have full recourse to the assets of the borrower, or the assets of the borrower may not be sufficient to satisfy the loan. In addition, mezzanine loans are by their nature structurally subordinated to more senior property level financings. If a borrower defaults on our mezzanine loan or on debt senior to our loan, or in the event of a borrower bankruptcy, our mezzanine loan will be satisfied only after the property level debt and other senior debt is paid in full. Significant losses related to our B Notes or mezzanine loans would result in operating losses for us and may limit our ability to make distributions to our stockholders.

Our commercial real estate corporate debt assets and loans and debt securities of commercial real estate operating or finance companies will be subject to the specific risks relating to the particular company and to the general risks of investing in real estate-related loans and securities, which may result in significant losses.

We may acquire commercial real estate corporate debt and loans and debt securities of commercial real estate operating or finance companies, including REITs. These assets have special risks relating to the particular company, including its financial condition, liquidity, results of operations, business and prospects. In particular, the debt securities are often non-collateralized and may also be subordinated to its other obligations. We acquire debt securities of companies that are not rated or are rated non-investment grade by one or more rating agencies. Assets that are not rated or are rated non-investment grade have a higher risk of default than investment grade rated assets and therefore may result in losses to us. We have not adopted any limit on such investments.

These investments will also subject us to the risks inherent with real estate-related investments, including the risks described with respect to commercial properties and similar risks, including:

- risks of delinquency and foreclosure, and risks of loss in the event thereof;
- the dependence upon the successful operation of, and net income from, real property;
- risks generally incident to interests in real property; and
- risks specific to the type and use of a particular property.

These risks may adversely affect the value of our commercial real estate operating and finance our assets and the ability of the issuers thereof to make principal and interest payments in a timely manner, or at all, and could result in significant losses.

A prolonged economic slowdown, a lengthy or severe recession or declining real estate values could impair our assets and harm our operations.

We believe the risks associated with our business will be more severe during periods of economic slowdown or recession if these periods are accompanied by declining real estate values. In addition, our investment model may be adversely affected if there is an economic recession or if it continues longer or is deeper than we may anticipate. Declining real estate values will likely reduce the level of new mortgage and other real estate-related loan originations since borrowers often use appreciation in the value of their existing properties to support the purchase or investment in additional properties. Borrowers may also be less able to pay principal and interest on our loans if the value of real estate weakens. Further, declining real estate values significantly increase the likelihood that we will incur losses on our loans in the event of default because the value of our collateral may be insufficient to cover our cost on the loan. Any sustained period of increased payment delinquencies, foreclosures or losses could adversely affect the Manager's Manager's ability to invest in, sell and securitize loans, which would materially and adversely affect our results of operations, financial condition, liquidity and business and our ability to pay dividends to stockholders.

Recent macroeconomic trends, including inflation and higher interest rates, may adversely affect our business, financial condition and results of operations.

Inflation in the United States may continue at an elevated level in the near-term, which could have an adverse impact on any floating rate debt we have incurred and may incur in the future, and our general and administrative expenses, as these costs could increase at a rate higher than our interest income and other revenue. In response to inflationary pressure, the U.S. Federal Reserve and other global central banks raised interest rates in 2022 and 2023; however, 2023. Although interest rates have begun to subside, we cannot predict with certainty

any future action that the U.S. Federal Reserve and/or any other global central bank may take with respect to interest rates. To the extent our borrowing costs increase faster than the interest income earned from our floating-rate loans, such increases may adversely affect our cash flows.

Our real estate assets are subject to risks particular to real property. These risks may have resulted and may continue to result in a reduction or elimination of return from a loan secured by a particular property.

To the extent we foreclose on properties and own real estate directly upon a default of mortgage or other real estate-related loans, as we have done and may continue to do, we are subject to risks particular to owning real property. Real estate is subject to various risks, including:

- acts of God, including earthquakes, floods and other natural disasters, which may result in uninsured losses;
- acts of war or terrorism, including the consequences of terrorist attacks;
- pandemics or other calamities that may affect tenants' ability to pay their rent;
- adverse changes in national and local economic and market conditions;
- changes in governmental laws and regulations, fiscal policies and zoning ordinances and the related costs of compliance with laws and regulations, fiscal policies and ordinances;
- costs of remediation and removal of hazardous substances and liabilities associated with environmental conditions, which liabilities may be imposed without regard to whether the owner or operator knew of, or was responsible for, the release of such hazardous substance, and which may also adversely affect our ability to sell the property; and
- the potential for uninsured or under-insured property losses.

If any of these or similar events occurs, it may reduce our return from an affected property or investment and reduce or eliminate our ability to pay dividends to stockholders.

Certain of our loans are denominated in currencies other than USD or are secured by assets located outside of the United States which subject us to the uncertainty of foreign laws and markets, geopolitical issues, and foreign currency risks.

Our assets include loans that are denominated in currencies other than USD or are secured by assets located outside the United States. As of December 31, 2023 December 31, 2024, $4.4 billion $3.7 billion, or 52.0% 51.8%, of our assets (by carrying value) were comprised of such loans. Investments in countries outside the United States may subject us to risks of multiple and conflicting tax laws and regulations, and other laws and regulations that may make foreclosure and the exercise of other remedies in the case of default more difficult or costly compared to U.S. assets as well as political and economic instability abroad, and concerns regarding the stability of the sovereign debt of certain European countries, and other geopolitical issues, including the ongoing conflicts between Israel and Hamas, as well as further escalation of tensions between Israel and various countries in the Middle East and North Africa, and among Russia, Belarus and Ukraine and the severe economic sanctions and export controls imposed by the U.S. and other governments against Russia, Belarus and Russian or Belarusian interests any of which factors could adversely affect our receipt of returns on and distributions from these assets. In addition, fluctuations in exchange rates between foreign currencies and USD could expose us to foreign currency risk. All of the foregoing could adversely affect the book value of our assets and the income from those assets.

We maintain cash balances in our bank accounts that exceed the Federal Deposit Insurance Corporation insurance limitation.

We regularly maintain cash balances at banks domiciled in the United States in excess of the Federal Deposit Insurance Corporation insurance limit. The failure of such bank could result in the loss of a portion of such cash balances in excess of the federally insured limit, which could materially and adversely affect our financial position.

Assets that we acquire with co-investors could be materially and adversely affected by our lack of sole decision-making authority, our reliance on our co-investors' financial condition and disputes between us and our co-investors.

We may co-invest with third parties through partnerships, joint ventures or other entities, in which we would not be in a position to exercise sole decision-making authority regarding the investment, partnership, joint venture or other entity. Investments through partnerships, joint ventures, or other entities may, under certain circumstances, involve risks not present were a third party not involved, including the possibility that co-investors might become bankrupt, fail to fund their share of required capital contributions, make poor business decisions or block or delay necessary decisions. Co-investors may have

economic or other business interests or goals which are inconsistent with our business interests or goals, and may be in a position

to take actions contrary to our policies or objectives. Such investments may also have the potential risk of impasses on decisions, such as a sale, because neither we nor our co-investors would have full control over the partnership or joint venture. Disputes between us and our co-investors may result in litigation or arbitration that would increase our expenses and prevent us from focusing our time and effort on our business. Consequently, actions by, or disputes with, our co-investors might result in subjecting the facilities owned by the partnership or joint venture to additional risk. In addition, we may in certain circumstances be liable for the actions of our co-investors.

RISKS RELATED TO OUR RELATIONSHIP WITH THE MANAGER

There are various conflicts of interest in our relationship with Apollo which could result in decisions that are not in the best interests of our stockholders.

We are subject to conflicts of interest arising out of our relationship with Apollo, including the Manager. We have and may enter into transactions with Apollo and other Apollo vehicles. In particular, we have invested in and may in the future invest in, or acquire, certain of our investments through joint ventures with Apollo or its affiliates or purchase assets from, sell assets to or arrange financing from or provide financing to other Apollo vehicles. Any such transactions require approval by a majority of our independent directors. In certain instances we may invest alongside other Apollo vehicles in different parts of the capital structure of the same issuer. Depending on the size and nature of such investment, such transactions may require approval by a majority of our independent directors. There can be no assurance that any procedural protections will be sufficient to assure that these transactions will be made on terms that will be at least as favorable to us as those that would have been obtained in an arm’s arm's length transaction.

In addition to us, affiliates of the Manager manage other investment vehicles whose core investment strategies focus on one or more of our target asset classes. To the extent such other Apollo vehicles or other vehicles that may be organized in the future seek to acquire or divest of the same target assets as us, the scope of opportunities otherwise available to us may be adversely affected and/or reduced.

The Manager and Apollo have an investment allocation policy in place that is intended to ensure that every Apollo vehicle, including us, is treated in a manner that, over time, is fair and equitable. According to this policy, investments may be allocated by taking into account factors, including but not limited to, available capital and net asset value of the investment vehicles, suitability of the investment, order size, investment objectives, permitted leverage and available financing, current income expectations, the size, liquidity and duration of the available investment, seniority and other capital structure considerations and the tax implications of an investment. The investment allocation policy may be amended by the Manager and Apollo at any time without our consent.

In addition to the fees payable to the Manager under the Management Agreement, the Manager and its affiliates may benefit from other fees paid to it in respect of our investments and financing transactions. For example, if we seek to securitize our commercial mortgage loans, Apollo and/or the Manager may act as collateral manager. In any of these or other capacities, Apollo and/or the Manager may receive market-based fees for their roles, but only if approved by a majority of our independent directors.

The Management Agreement was negotiated between related parties and its terms, including fees payable to the Manager, may not be as favorable to us as if they had been negotiated with an unaffiliated third party. In addition, we may choose not to enforce, or to enforce less vigorously, our rights under the Management Agreement because of our desire to maintain an ongoing relationship with the Manager.

The Manager’s Manager's and Apollo’s Apollo's liability is limited under the Management Agreement, and we have agreed to indemnify the Manager against certain liabilities. As a result, we could experience poor performance or losses for which the Manager would not be liable.

Pursuant to the Management Agreement, the Manager does not assume any responsibility other than to render the services called for thereunder and is not responsible for any action of our board of directors in following or declining to follow its advice or recommendations. Under the terms of the Management Agreement, the Manager, its officers, members, managers, directors, personnel, any person controlling or controlled by the Manager and any person providing services to the Manager (including

Apollo) are not liable to us, any of our subsidiaries, our stockholders or partners or any subsidiary’s subsidiary's stockholders or partners for acts or omissions performed in accordance with and pursuant to the Management Agreement, except by reason of acts constituting bad faith, willful misconduct, gross negligence, or reckless disregard of their duties under the Management Agreement. The Manager maintains a contractual as opposed to a fiduciary relationship with us that limits its obligations to us to those specifically set forth in the Management Agreement. In addition, we have agreed to indemnify the Manager, its officers, stockholders, members, managers, directors, personnel, any person controlling or controlled by the Manager and any

person providing services to the Manager (including Apollo) with respect to all expenses, losses, damages, liabilities, demands, charges and claims arising from acts of the Manager not constituting bad faith, willful misconduct, gross negligence, or reckless disregard of duties, performed in good faith in accordance with and pursuant to the Management Agreement. As a result, we could experience poor performance or losses for which the Manager would not be liable.

The termination of the Management Agreement may be difficult and costly, which may adversely affect our inclination to end our relationship with the Manager.

Termination of the Management Agreement with the Manager without cause is difficult and costly. The Management Agreement provides that, in the absence of cause, it may only be terminated by us, upon the vote of at least two thirds of our independent directors based upon: (i) the Manager’s Manager's unsatisfactory performance that is materially detrimental to us, or (ii) a determination that the management fees payable to the Manager are not fair, subject to the Manager’s Manager's right to prevent termination based on unfair fees by accepting a reduction of management fees agreed to by at least two thirds of our independent directors. The Manager will be provided 180 days prior notice of any such termination. Additionally, upon a termination by us without cause (or upon a termination by the Manager due to our material breach), the Management Agreement provides that we will pay the Manager a termination payment equal to three times the average annual base management fee earned by the Manager during the 24-month period prior to such termination, calculated as of the end of the most recently completed fiscal quarter. This provision increases the effective cost to us of electing not to renew, or defaulting in our obligations under, the Management Agreement, thereby adversely affecting our inclination to end our relationship with the Manager, even if we believe the Manager’s Manager's performance is not satisfactory.

The term of the Management Agreement was automatically renewed for a successive one-year term on September 29, 2023 in September 2024 and will automatically renew on each anniversary thereafter; provided, however, that either we, under the certain limited circumstances described above that would require us to pay the fee described above, or the Manager may terminate the Management Agreement annually upon 180 days prior notice. If the Management Agreement is terminated and no suitable replacement is found to manage us, we may not be able to continue to execute our business plan.

We do not own the Apollo name but may use it pursuant to a license agreement with Apollo. Use of the name by other parties or the termination of our license agreement may harm our business.

We have entered into a license agreement with Apollo pursuant to which it has granted us a non-exclusive, royalty-free license to use the name "Apollo." Under this agreement, we have a right to use this name for so long as the Manager serves as our manager pursuant to the Management Agreement. Apollo retains the right to continue using the "Apollo" name. We cannot preclude Apollo from licensing or transferring the ownership of the "Apollo" name to third parties, some of whom may compete with us. Consequently, we would be unable to prevent any damage to goodwill that may occur as a result of the activities of Apollo or others. Furthermore, in the event that the license agreement is terminated, we will be required to change our name and cease using the name. Any of these events could disrupt our recognition in the marketplace, damage any goodwill we have generated and otherwise harm our business. The license agreement will terminate concurrently with the termination of the Management Agreement.

The manner of determining the base management fee may not provide sufficient incentive to the Manager to maximize risk-adjusted returns on our investment portfolio since it is based on our stockholders' stockholders' equity (as defined in the Management Agreement) and not on other measures of performance.

The Manager is entitled to receive a base management fee that is based on the amount of our stockholders' stockholders' equity (as defined in the Management Agreement) at the end of each quarter, regardless of our performance. Our stockholders' stockholders' equity for the purposes of calculating the base management fee is not the same as, and could be greater than, the amount of stockholders' stockholders' equity

shown on our consolidated financial statements. The possibility exists that significant base management fees could be payable to the Manager for a given quarter despite the fact that we experienced a net loss during that quarter. The Manager's Manager's entitlement to such significant nonperformance-based compensation may not provide sufficient incentive to the Manager to devote its time and effort to source and maximize risk-adjusted returns on our investment portfolio, which could, in turn, adversely affect our ability to pay dividends to our stockholders and the market price of our common stock. Furthermore, the compensation payable to the Manager will increase as a result of future equity offerings, even if the offering is dilutive to existing stockholders.

The Manager manages our portfolio pursuant to very broad investment guidelines and our board of directors does not approve each decision made by the Manager, which may result in us undertaking riskier transactions.

The Manager is authorized to follow very broad investment guidelines and to execute most transactions without prior approval of our board of directors. Furthermore, the Manager may use complex strategies and transactions entered into by the Manager that may be difficult or impossible to unwind by the time they are reviewed by our directors. The Manager has great

latitude within the broad investment guidelines in determining the types of assets that are proper for us, and how such loans and investments are financed or hedged, which could result in returns that are substantially below expectations or that result in losses. In addition, subject to compliance with our investment guidelines, the Manager may change its investment strategy at any time, depending on prevailing market conditions, or for other reasons, in response to opportunities available in different interest rate, economic and credit environments. We have in the past made, and may make in the future changes in the investment guidelines at any time with the approval of our independent directors but without the consent of our stockholders. Any future changes in our investment policies could adversely impact our profitability and risk profile.

Possession of material, non-public information could prevent us from undertaking advantageous transactions; Apollo could decide to establish information barriers.

Apollo has established certain one-way and/or two-way information barriers in respect of discrete investment strategies (based on established policies and procedures in respect of information barriers). However, Apollo generally follows an open architecture approach to information sharing within operates without the larger Apollo organization and does not normally impose permanent information barriers within its asset management business. business that some other investment management firms implement to separate business units and/or to separate persons who make investment decisions from others who might possess material non-public information that could influence such decisions. If the Manager were to receive material non-public information about a particular company, or have an interest in investing in a particular company, Apollo or certain of its affiliates may be prevented from investing in or disposing of investments in such company. Conversely, if Apollo or certain of our affiliates were to receive material non-public information about a particular company or have an interest in investing in a particular company we may be prevented from investing in or disposing of investments in such company. This risk affects us more than it does investment vehicles that are not related to Apollo, as Apollo generally does not use information barriers within its asset management business that many firms implement to separate persons who make investment decisions from others who might possess material, non-public information that could influence such decisions. Apollo's Apollo's approach to these barriers could prevent the Manager's Manager's investment professionals from undertaking advantageous investments or dispositions that would be permissible for them otherwise. In addition, Apollo could in the future decide to establish other information barriers within its asset management business, particularly as it expands and diversifies. In such event, Apollo's Apollo's ability to operate as an integrated asset management platform will be restricted and the Manager's Manager's resources may be limited.

We are dependent on the Manager and its key personnel for our success and upon their access to Apollo's Apollo's investment professionals and partners. We may not find a suitable replacement for the Manager if the Management Agreement is terminated, or if key personnel leave the employment of the Manager or Apollo or otherwise become unavailable to us.

We do not have any employees and we rely completely on the Manager to provide us with investment and advisory services. We have no separate facilities and are completely reliant on the Manager, which has significant discretion as to the implementation of our operating policies and strategies. We depend on the diligence, skill and network of business contacts of the Manager. We benefit from the personnel, relationships and experience of the Manager's Manager's executive team and other personnel and investors of

Apollo. The executive officers and key personnel of the Manager evaluate, negotiate, close and monitor our investments; therefore, our success will depend on their continued service. We also depend, to a significant extent, on the Manager’s Manager's access to the investment professionals and partners of Apollo and the information and deal flow generated by the Apollo investment professionals in the course of their investment and portfolio management activities.

The departure of any senior personnel of the Manager, or of a significant number of the investment professionals or partners of Apollo, could have a material adverse effect on our ability to achieve our investment objectives. In addition, we offer no

assurance that the Manager will remain our investment manager, that we will continue to have access to the Manager’s Manager's or Apollo’s Apollo's executive officers and other investment professionals, or that we will be able to find a suitable replacement for the Manager if the Management Agreement is terminated.

We do not have a policy that expressly prohibits our directors, officers, security holders or affiliates from engaging for their own account in business activities of the types conducted by us. The ability of the Manager and its officers and employees to engage in other business activities may reduce the time the Manager spends managing our business.

We do not have a policy that expressly prohibits our directors, officers, security holders or affiliates from engaging for their own account in business activities of the types conducted by us. However, our Code of Business Conduct and Ethics contains a conflicts of interest policy that prohibits our directors and executive officers, as well as personnel of the Manager or Apollo who provide services to us, from engaging in any transaction that involves an actual conflict of interest with us without the approval of a majority of our independent directors. In addition, the Management Agreement does not prevent the Manager and its affiliates from engaging in additional management or investment opportunities, some of which could compete with us. Further, certain of our officers and directors, and the officers and other personnel of the Manager, also serve or may serve as officers, directors or partners of other Apollo vehicles. Accordingly, the ability of the Manager and its officers and employees to engage in other business activities may reduce the time the Manager spends managing our business. These demands on their time may reduce the time our officers and officers of the Manager may have available to spend managing our business and distract them or slow the rate of investment.

Our business may be adversely affected if our reputation, the reputation of the Manager or Apollo, or the reputation of

counterparties with whom we associate is harmed.

We may be harmed by reputational issues and adverse publicity relating to us, the Manager or Apollo. Issues could include real or perceived legal or regulatory violations or could be the result of a failure in performance, risk-management, governance, technology or operations, or claims related to employee misconduct, conflict of interests, ethical issues or failure to protect private information, among others. Similarly, market rumors and actual or perceived association with counterparties whose own reputation is under question could harm our business. Such reputational issues may depress the market price of our capital stock or have a negative effect on our ability to attract counterparties for our transactions, or otherwise adversely affect us.

RISKS RELATED TO OUR TAXATION AS A REIT

Qualifying as a REIT involves highly technical and complex provisions of the Internal Revenue Code, and our failure to qualify as a REIT or remain qualified as a REIT would subject us to U.S. federal income tax and applicable state and local taxes, which would reduce the amount of cash available for distribution to our stockholders.

We believe that we have been organized and operated and intend to continue to be organized and to operate in a manner that will allow us to qualify as a REIT for U.S. federal income tax purposes commencing with our taxable year ended December 31, 2009, but we have not requested and do not intend to request a ruling from the Internal Revenue Service (the "IRS") that we so qualify. The U.S. federal income tax laws governing REITs are complex, and judicial and administrative interpretations of the U.S. federal income tax laws governing REIT qualification are limited.

To qualify as a REIT, we must meet, on an ongoing basis, various tests regarding the nature and diversification of our assets and our income, the ownership of our outstanding shares, and the amount of our distributions. Even a technical or inadvertent violation could jeopardize our REIT qualification. Our ability to satisfy the asset tests depends upon our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination, and for which we will not obtain independent appraisals. Our compliance with the REIT income and quarterly asset requirements also depends upon our ability to successfully manage the composition of our income and assets on an ongoing basis. Moreover, new legislation, court decisions or administrative guidance, in each case possibly with retroactive effect, may make it more difficult or impossible for us to qualify as a REIT. In addition, our ability to satisfy the requirements to qualify as a REIT depends in part on the actions of third parties over which we have no control or only limited influence, including in cases where we own an equity interest in an entity that is classified as a partnership for U.S. federal income tax purposes. Thus, while we intend to operate so that we will qualify as a REIT, given the highly complex nature of the rules governing REITs, the ongoing importance of factual

determinations, and the possibility of future changes in our circumstances, no assurance can be given that we will so qualify for any particular year.

If we fail to qualify as a REIT in any taxable year, and we do not qualify for certain statutory relief provisions, we would be required to pay U.S. federal income tax on our taxable income, and distributions to our stockholders would not be deductible by us in determining our taxable income. In such a case, we might need to borrow money or sell assets in order to pay our taxes. Our payment of income tax would decrease the amount of our income available for distribution to stockholders, and we no longer would be required to distribute substantially all of our taxable income to stockholders. Unless we were eligible for certain statutory relief provisions, we could not re-elect to qualify as a REIT for the subsequent four taxable years following the year in which we failed to qualify.

Complying with REIT requirements may force us to liquidate or forego otherwise attractive investments, to incur debt, or could otherwise adversely affect our ability to execute our business plan.

To qualify as a REIT, we must ensure that we meet the REIT gross income test annually and that, at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities, shares in REITs and other qualifying real estate assets, including certain mortgage loans and certain kinds of mortgage-backed securities. The remainder of our investments in securities (other than government securities and REIT qualified real estate assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets (other than government securities and securities that are qualifying real estate assets) can consist of the securities of any one issuer, no more than 20% of the value of our total securities can be represented by securities of one or more taxable REIT subsidiaries ("TRSs") and not more than 25% of the value of our assets can consist of debt instruments issued by publicly offered REITs that are not secured by real property. If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences.

In addition, in order to qualify as a REIT, we must distribute to our stockholders, each calendar year, at least 90% of our

REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gain. To the extent that we satisfy the 90% distribution requirement but distribute less than 100% of our taxable income, we will be subject to U.S. federal corporate income tax on our undistributed income. In addition, we will incur a 4% nondeductible excise tax on the amount, if any, by which our distributions in any calendar year are less than a minimum amount specified under U.S. federal income tax laws. We intend to distribute our net income to our stockholders in a manner intended to satisfy the REIT 90% distribution requirement and to avoid the 4% nondeductible excise tax.

In order to meet these requirements, we may be required to liquidate from our portfolio, or contribute to a TRS, otherwise attractive investments, and may be unable to pursue investments that would be otherwise advantageous to us in order to satisfy the source of income or asset diversification requirements for qualifying as a REIT. Furthermore, in order to meet the distribution requirements, we may be required to: (i) sell assets in adverse market conditions, (ii) borrow on unfavorable terms, (iii) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt or (iv) make a taxable distribution of our shares as part of a distribution in which stockholders may elect to receive shares or (subject to a limit measured as a percentage of the total distribution) cash, in order to comply with the REIT distribution requirements. Thus, compliance with the REIT distribution requirements may hinder our ability to grow. All of these actions could adversely affect the value of our common stock or reduce our income and amounts available for distribution to our stockholders.

Even if we qualify as a REIT, we may face tax liabilities that reduce our cash flow.

Even if we qualify for taxation as a REIT, we may be subject to certain U.S. federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, and state or local income, franchise, property and transfer taxes, including mortgage recording taxes. In addition, we have jointly elected with each of ACREFI I TRS, Inc. ("ACREFI TRS"), a Delaware corporation that is indirectly wholly owned by us, ARM TRS, LLC ("ARM TRS"), a Delaware limited liability company that is indirectly wholly owned by us, ACREFI II TRS, Ltd. ("ACREFI II TRS"), a Cayman company that is indirectly wholly owned by us, ACREFI III TRS, Inc. ("ACREFI III TRS"), a

Delaware corporation that is indirectly wholly owned by us, and ACRE Debt 2 PLC ("ACRE Debt TRS"), a UK public limited company that we own an interest in, to treat each of ACREFI TRS, ARM TRS, ACREFI II TRS, ACREFI III TRS, and ACRE Debt TRS as a TRS of ours. ACREFI TRS, ARM TRS, and ACREFI III TRS and any other domestic TRSs we own will be subject to U.S. federal, state and local corporate taxes, and ACRE Debt TRS and any other non-U.S. TRS could be subject to U.S. or non-U.S. taxes. In order to meet the REIT qualification requirements, or to avoid the imposition of a 100% tax that applies to certain gains derived by a REIT from sales of inventory or property held primarily for sale to customers in the ordinary course of business, we may hold some of our assets through taxable subsidiary corporations, including ACREFI TRS, ARM TRS, ACREFI II TRS, ACREFI III TRS, ACRE Debt TRS or any other TRSs we may form. Any taxes paid by such subsidiary corporations would decrease the cash available for distribution to our stockholders.

The Internal Revenue Code and the Treasury Regulations promulgated thereunder provide a specific exemption from U.S. federal income tax that applies to a non-U.S. corporation that restricts its activities in the United States to trading in stock and securities (or any activity closely related thereto) for its own account whether such trading (or such other activity) is conducted by such a non-U.S. corporation or its employees through a resident broker, commission agent, custodian or other agent. Certain U.S. stockholders of such a non-U.S. corporation are required to include in their income currently their proportionate share of the earnings of such a corporation, whether or not such earnings are distributed. Each of ACREFI II TRS and ACRE Debt TRS intend to operate in a manner so that it will not be subject to U.S. federal income tax on its net income. Therefore, despite the status of each of ACREFI II TRS and ACRE Debt TRS as a TRS, it should generally not be subject to U.S. federal corporate income tax on its earnings. However, there is no assurance that ACREFI II TRS and ACRE Debt TRS will successfully operate in this manner. If ACREFI II TRS and ACRE Debt TRS were subject to U.S. federal income tax on all or a portion of its income, this would reduce the amount of cash it had available for distributions to us, which could in turn reduce the amount of cash we are able to distribute to our stockholders.

The failure of mortgage loans subject to a secured debt arrangement to qualify as a real estate asset would adversely affect our ability to qualify as a REIT.

When we enter into certain secured debt arrangements, we will nominally sell certain of our assets to a counterparty and simultaneously enter into an agreement to repurchase the sold assets. We believe that we will be treated for U.S. federal income tax purposes as the owner of the assets that are the subject of any such agreements notwithstanding that such agreements may transfer record ownership of the assets to the counterparty during the term of the agreement. It is possible, however, that the IRS could assert that we did not own the assets during the term of the secured debt arrangement, in which case we could fail to qualify as a REIT.

The failure of a loan, including a mezzanine loan or modified loan, to qualify as a real estate asset could adversely affect our ability to qualify as a REIT.

We have and may continue to acquire and originate mezzanine loans, which are loans secured by equity interests in a partnership or limited liability company that directly or indirectly owns real property. In Revenue Procedure 2003-65, the IRS provided a safe harbor pursuant to which a mezzanine loan, if it meets each of the requirements contained in the Revenue Procedure, will be treated by the IRS as a real estate asset for purposes of the REIT asset tests, and interest derived from the mezzanine loan will be treated as qualifying mortgage interest for purposes of the REIT 75% gross income test. Although the Revenue Procedure provides a safe harbor on which taxpayers may rely, it does not prescribe rules of substantive tax law. Our mezzanine loans do not always meet all of the requirements of this safe harbor.

In addition, the terms of a loan that we own may be modified in a manner constituting a "significant modification," in which case the modified loan may be considered to have been reissued to us. If a loan is treated for U.S. federal income tax purposes as reissued as a result of a modification, we may recognize gain or loss on the deemed disposition of the original loan, which could impact our REIT distribution requirement. Further, the modified loan may be treated differently from the original loan, including for purposes of the REIT asset and income tests.

In the event we own a mezzanine loan that does not meet the safe harbor, or a loan that has undergone a "significant modification," the IRS could challenge such loan’s loan's treatment as a real estate asset for purposes of the REIT asset and income tests and, if such a challenge were sustained, or if such loan otherwise adversely impacted our REIT asset and income tests, we could

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fail to qualify as a REIT, unless we are able to qualify for a statutory REIT "savings" provision, which may require us to pay a significant penalty tax to maintain our REIT qualification.

We may fail to qualify as a REIT or become subject to a penalty tax if the IRS successfully challenges our treatment of our mezzanine loans and certain preferred equity investments as debt for U.S. federal income tax purposes.

There is limited case law and administrative guidance addressing whether instruments similar to our mezzanine loans and preferred equity investments will be treated as equity or debt for U.S. federal income tax purposes. We treat our mezzanine loans and our preferred equity investments that have a debt-like fixed return and redemption date as debt for U.S. federal income tax purposes, but we do not obtain private letter rulings from the IRS or opinions of counsel on the characterization of such investments for U.S. federal income tax purposes. If such investments were treated as equity for U.S. federal income tax purposes, we would be treated as owning the assets held by the partnership or limited liability company that issued the mezzanine loan or preferred equity, and we would be treated as receiving our proportionate share of the income of that entity. If that partnership or limited liability company owned non-qualifying assets, earned non-qualifying income, or earned prohibited transaction income, we may not be able to satisfy all of the REIT income or asset tests or could be subject to prohibited transaction tax. Accordingly, we could be required to pay prohibited transaction tax or fail to qualify as a REIT if the IRS does not respect our classification of our mezzanine loans and certain preferred equity investments as debt for U.S. federal income tax purposes unless we are able to qualify for a statutory REIT "savings" provision, which may require us to pay a significant penalty tax to maintain our REIT qualification.

We may be required to report taxable income for certain investments in excess of the economic income we ultimately realize from them.

We may acquire debt instruments in the secondary market for less than their face amount. The amount of such discount will generally be treated as "market discount" for U.S. federal income tax purposes. Market discount generally is reported as income when, and to the extent that, any payment of principal of the debt instrument is made, unless we elect to include accrued market discount in income as it accrues. Principal payments on certain loans are made monthly, and consequently accrued market discount may have to be included in income each month as if the debt instrument were assured of ultimately being collected in full. If we collect less on the debt instrument than our purchase price plus the market discount we had previously reported as income, we may not be able to benefit from any offsetting loss deductions.

In addition, we may be required to accrue interest and discount income on mortgage loans, CMBS, and other types of debt securities or interests in debt securities before we receive any payments of interest or principal on such assets. We may also be required under the terms of the indebtedness that we incur, whether to private lenders or pursuant to government programs, to use cash received from interest payments to make principal payment on that indebtedness. Furthermore, we will generally be required to take certain amounts into income no later than the time such amounts are reflected on our financial statements. As a result of the foregoing, we may generate less cash flow than taxable income in a particular year, which could impact our ability to satisfy the REIT distribution requirements.

The "taxable mortgage pool" rules may increase the taxes that we or our stockholders may incur, and may limit the manner in which we effect future securitizations.

Securitizations by us or our subsidiaries could result in the creation of taxable mortgage pools for U.S. federal income tax purposes. As a result, we could have "excess inclusion income." Certain categories of stockholders, such as non-U.S.

stockholders eligible for treaty or other benefits, stockholders with net operating losses, and certain tax-exempt stockholders that are subject to unrelated business income tax, could be subject to increased taxes on a portion of their dividend income from us that is attributable to any such excess inclusion income. In addition, to the extent that our common stock is owned by tax-exempt "disqualified organizations," such as certain government-related entities and charitable remainder trusts that are not subject to tax on unrelated business income, we may incur a corporate level tax on a portion of any excess inclusion income. Moreover, we could face limitations in selling equity interests in these securitizations to outside investors, or selling any debt securities issued in connection with these securitizations that might be considered to be equity interests for tax purposes. These limitations may prevent us from using certain techniques to maximize our returns from securitization transactions.

Although our use of TRSs may be able to partially mitigate the impact of meeting the requirements necessary to maintain our qualification as a REIT, our ownership of and relationship with our TRSs is limited and a failure to comply with the limits would jeopardize our REIT qualification and may result in the application of a 100% excise tax.

A REIT may own up to 100% of the stock of one or more TRSs. A TRS may hold assets and earn income that would not be qualifying assets or income if held or earned directly by a REIT. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation of which a TRS directly or indirectly owns more than 35% of the voting power or value of the stock will automatically be treated as a TRS. Overall, no more than 20% of the value of a REIT’s REIT's assets may consist of stock or securities of one or more TRSs. In addition, the TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. The rules also impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length arm's-length basis.

ACREFI TRS, ARM TRS, and ACREFI III TRS and any other domestic TRSs that we may form will pay U.S. federal, state and local income tax on their taxable income, and their after-tax net income will be available for distribution to us but will not be required to be distributed to us, unless necessary to maintain our REIT qualification. In addition, while not intended, it is possible that ACREFI II TRS and ACRE Debt TRS could be subject to U.S. federal, state, and local income tax on all or a portion of its income. While we will be monitoring the aggregate value of the securities of our TRSs and intend to conduct our affairs so that such securities will represent less than 20% of the value of our total assets, there can be no assurance that we will be able to comply with the TRS limitation in all market conditions.

We are required to include in our income, on a current basis, certain earnings of ACREFI II TRS and ACRE Debt TRS, if any. Those income inclusions were not technically included in any of the enumerated categories of income that qualify for the REIT 95% gross income test. However, under IRS guidance, certain such income inclusions generally will constitute qualifying income for purposes of the REIT 95% gross income test.

Complying with REIT requirements may limit our ability to hedge effectively.

The REIT provisions of the Internal Revenue Code may limit our ability to hedge our assets and operations. Under these provisions, any income that we generate from transactions intended to hedge our interest rate exposure or currency fluctuations will be excluded from gross income for purposes of the REIT 75% and 95% gross income tests if the instrument hedges either (i) interest rate risk on liabilities used to carry or acquire real estate assets, (ii) currency fluctuations with respect to items of income that qualify for purposes of the REIT 75% or 95% gross income tests or assets that generate such income, or (iii) an instrument that hedges risks described in clause (i) or (ii) for a period following the extinguishment of the liability or the disposition of the asset that was previously hedged by the instrument, and, in each case, such instrument is properly identified under applicable Treasury Regulations. Income from hedging transactions that do not meet these requirements will generally constitute non-qualifying income for purposes of both the REIT 75% and 95% gross income tests. As a result of these rules, we may have to limit our use of hedging techniques that might otherwise be advantageous or implement those hedges through ACREFI TRS, ARM TRS, ACREFI II TRS, ACREFI III TRS, and ACRE Debt TRS or another TRS. This could increase the cost of our hedging activities because our TRS could be subject to tax on gains or expose us to greater risks associated with changes in interest rates and currency fluctuations than we would otherwise want to bear. In addition, losses in our TRS will generally not provide any tax benefit to us, although, subject to limitation, such losses may be carried forward to offset future taxable income of the TRS.

The tax on prohibited transactions will limit our ability to engage in transactions, including certain methods of securitizing mortgage loans, that would be treated as sales for U.S. federal income tax purposes.

A REIT's REIT's net income from prohibited transactions is subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, but including mortgage loans, held as inventory or primarily for sale to customers in the ordinary course of business. We might be subject to this tax if we were to sell or securitize loans in a manner that was treated as a sale of the loans as inventory for U.S. federal income tax purposes. Therefore, in order to avoid the prohibited transactions tax, we may choose not to engage in certain sales of loans, other than through a TRS, and we may be required to limit the structures we use for our securitization transactions, even though such sales or structures might otherwise

be beneficial for us.

We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of shares of our common stock.

The U.S. federal income tax laws and regulations governing REITs and their stockholders, as well as the administrative interpretations of those laws and regulations, are constantly under review and may be changed at any time, possibly with retroactive effect. No assurance can be given as to whether, when, or in what form, the U.S. federal income tax laws applicable to us and our stockholders may be enacted. Changes to the U.S. federal income tax laws and interpretations of U.S. federal tax laws could adversely affect an investment in our common stock.

Our qualification as a REIT and exemption from U.S. federal income tax with respect to certain assets may be dependent on the accuracy of legal opinions or advice rendered or given or statements by the issuers of assets that we acquire, and the inaccuracy of any such opinions, advice or statements may adversely affect our REIT qualification and result in significant corporate-level tax.

When purchasing securities, we may rely on opinions or advice of counsel for the issuer of such securities, or statements made in related offering documents, for purposes of determining whether such securities represent debt or equity securities for U.S. federal income tax purposes, and also to what extent those securities constitute REIT real estate assets for purposes of the REIT asset tests and produce income which qualifies under the 75% REIT gross income test. In addition, when purchasing the equity tranche of a securitization, we may rely on opinions or advice of counsel regarding the qualification of the securitization for exemption from U.S. corporate income tax and the qualification of interests in such securitization as debt for U.S. federal income tax purposes. The inaccuracy of any such opinions, advice or statements may adversely affect our REIT qualification and result in significant corporate-level tax.

Item 1B. Unresolved Staff Comments.

None.

Item 1C. Cybersecurity

Cybersecurity Risk Management and Strategy

As an externally managed REIT, our risk management function, including cybersecurity, is governed by the cybersecurity policies and procedures of the Manager, an indirect subsidiary of Apollo. Apollo determines and implements appropriate risk management processes and strategies as it relates to cybersecurity for us and other entities managed by Apollo, and we rely on Apollo for assessing, identifying and managing material risks to our business from cybersecurity threats.

The Apollo Global Management, Inc. (“AGM”("AGM") board of directors is involved in overseeing Apollo’s Apollo's risk management program, including with respect to cybersecurity, which is a critical component of Apollo’s Apollo's overall approach to enterprise risk management (“ERM”("ERM"). Apollo’sApollo's cybersecurity policies and practices are fully integrated into its ERM framework through its reporting, risk management and oversight channels and are based, in part, on recognized frameworks established by the National Institute of Standards and Technology, the International Organization for Standardization and other applicable industry standards.

As one of the critical elements of Apollo’s Apollo's overall ERM approach, Apollo’s Apollo's cybersecurity program is focused on the following key areas:

- **Governance.** As discussed further under the heading “Cybersecurity "Cybersecurity Governance,” " the AGM board of directors has an oversight role, as a whole and also at the committee level, in overseeing management of Apollo’s Apollo's risks, including its cybersecurity risks. Apollo’sApollo's Chief Information Security Officer (“CISO” ("CISO") and the CISO of Athene Holding Ltd. ("AHL"), a subsidiary of AGM, with support from the broader Apollo Technology team, are responsible for information security strategy, policies and practices, as well as, as appropriate, with our executive officers and other representatives of the Manager and its affiliates.
- **Collaborative Approach.** Apollo utilizes a cross-functional approach involving stakeholders across multiple departments, including Apollo Compliance, Legal, Technology, Operations, Risk and others, aimed at identifying, preventing and mitigating cybersecurity threats and incidents, while also implementing controls and procedures that

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provide for the prompt escalation of potentially material cybersecurity incidents so that decisions regarding the public disclosure and reporting of such incidents can be made by management, in consultation with our management and our

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board of directors, as applicable, in a timely manner.

- **Technical Safeguards.** Apollo deploys technical safeguards that are designed to protect its information systems from cybersecurity threats, including firewalls, intrusion prevention and detection systems, anti-malware functionality and access controls, which are evaluated and improved on an ongoing basis using vulnerability assessments and cybersecurity threat intelligence.
- **Incident Response and Recovery Planning.** Apollo has established and maintains incident response and recovery plans that address its response to a cybersecurity incident, and such plans are tested and evaluated on a regular basis.

- **Third-Party Risk Management.** Apollo maintains a risk-based approach to identifying and overseeing cybersecurity risks presented by third parties, including vendors, service providers and other external users of its systems, as well as the systems of third parties that could adversely impact its business and the business of its externally managed entities such as our company, in the event of a cybersecurity incident affecting those third-party systems.
- **Education and Awareness.** Apollo provides regular, mandatory training for personnel regarding cybersecurity threats to equip its personnel with effective tools to help mitigate cybersecurity threats, and to communicate its evolving information security policies, standards, processes and practices.

Apollo engages in the periodic assessment and testing of its policies and practices that are designed to address cybersecurity threats and incidents. These efforts include a wide range of activities, including audits, assessments, tabletop exercises, threat modeling, vulnerability testing and other exercises focused on evaluating the effectiveness of its cybersecurity measures. Apollo regularly engages third parties, including auditors and consultants, to perform assessments on its cybersecurity measures, including information security maturity assessments, audits and independent reviews of its information security control environment and operating effectiveness. The results of such assessments, audits and reviews are reported to Apollo’s Apollo's risk management function, and Apollo adjusts its cybersecurity policies and practices as necessary based on the information provided by these assessments, audits and reviews.

Cybersecurity Cybersecurity threat risks have not materially affected our company, including our business strategy, results of operations or financial condition. For further discussion of the risks we face from cybersecurity threats, including those that could materially affect us, see “Item "Item 1A. Risk Factors—Risks Related to Our Business and Structure—*Cybersecurity risks and cyber incidents may adversely affect our business by causing a disruption to our operations, a compromise or corruption of our confidential information, a misappropriation of funds, and/or damage to our business relationships, all of which could negatively impact our financial results.*” "

Cybersecurity Governance

The AGM board of directors’ directors' oversight of cybersecurity risk management is supported by the audit committee of the AGM board of directors (the “AGM "AGM audit committee” committee"), the AAM Global Risk Committee (“AGRC” ("AGRC"), the Operational Risk Forum (the “ORF” "ORF"), the Cybersecurity Working Group and management. The AGM board of directors, the AGM audit committee, the AGRC, the ORF and the Cyber Security Working Group receive regular updates on Apollo’s Apollo's information technology, cybersecurity risk profile and strategy, and risk mitigation plans from Apollo’s Apollo's risk management professionals, the AGM's Chief Security Officer (“CSO” ("CSO"), AGM's CISO, other members of management and relevant management committees and working groups. The Cyber Security Working Group is chaired by the AGM's CISO and has representation from Apollo’s Apollo's Technology, Legal, Compliance, and ERM teams. The group meets at least once a quarter to discuss cybersecurity and risk mitigation activities, among other topics. The AGM's CISO regularly reports to the ORF regarding cyber risk, and the ORF in turn reports to the AGRC on a quarterly basis, noting any cyber updates when necessary or appropriate. In turn, AGM’s AGM's board of directors and/or the AGM audit committee receive quarterly risk updates from risk management professionals, as well as at least annual updates on cyber risk specifically. The full AGM board of directors or the AGM audit committee receives presentations and reports on cybersecurity risks from AGM’s AGM's CSO or CISO, as well as from AHL’s AHL's CISO, at least annually.
AGM’s

AGM's CISO, in coordination with the Apollo Technology and ERM teams, works collaboratively across Apollo to implement a program designed to protect its information systems from cybersecurity threats and to promptly respond to any cybersecurity incidents in accordance with its incident response and recovery plans. To facilitate the success of Apollo's cybersecurity risk management program, multidisciplinary teams throughout Apollo are deployed to address cybersecurity threats and to respond to cybersecurity incidents. Through ongoing communications with these teams, AGM's CISO monitors the prevention, detection, mitigation and remediation of cybersecurity threats and incidents in real time and reports such threats and incidents to the AGM audit committee or AGM board of directors, as appropriate.

AGM's CSO holds an undergraduate degree in Management Information Systems and Business Administration, which he received magna cum laude. He has over 25 years of cyber-related experience, having served in various roles in technology and cybersecurity, including as Head of IT Risk Management, Executive Director of IT & Risk Compliance, and Global IT Risk Evaluation Lead at large financial institutions and consulting firms. He was also previously AGM’s AGM's CISO for nearly eight years. AGM’s AGM's CISO holds a master’s master's degree in Business Information Systems and has served in various roles in information technology and information security for over 25 years across a number of large financial institutions, including as Director, Cybersecurity and Risk.

The AGM CISO, in coordination with the Apollo Technology and ERM teams, works collaboratively across Apollo to implement a program designed to protect its information systems from cybersecurity threats and to promptly respond to any cybersecurity incidents in accordance with its incident response and recovery plans. To facilitate the success of Apollo's cybersecurity risk management program, multidisciplinary teams throughout Apollo are deployed to address cybersecurity threats and to respond to cybersecurity incidents. Through ongoing communications with these teams, the CISO monitors the prevention, detection, mitigation and remediation of cybersecurity threats and incidents in real time and reports such threats and incidents to the AGM audit committee or AGM board of directors, as appropriate.

As part of the risk management oversight (including oversight of cyber risks) of the audit committee of our board of directors, our audit committee regularly interacts with, and receives reports from, our management, the Manager, Apollo, and other service providers. The audit committee of our board of directors receives presentations and reports on cybersecurity risks from AGM's AGM's CSO or CISO, at least annually, and they address a wide range of topics including recent developments, vulnerability assessments, third-party and independent reviews, the threat environment, technological trends and information security considerations arising with respect to Apollo's Apollo's peers and third parties. Additionally, Apollo and other service providers periodically report to management as it relates to our cybersecurity practices.

Apollo's

Apollo's cybersecurity incident response plan provides for proper escalation of identified cybersecurity threats and incidents, including, as appropriate, to our management. These discussions provide a mechanism for the identification of cybersecurity threats and incidents, assessment of cybersecurity risk profile or certain newly identified risks relevant to our company, the Manager, and evaluation of the adequacy of our cybersecurity program (as coordinated through the Manager and Apollo), including risk mitigation, compliance and controls.

Item 2. Properties

Our principal executive office is located at 9 West 57th Street, New York, New York 10019, telephone 212-515-3200.

Item 3. Legal Proceedings

From time to time, we may be involved in various claims and legal actions arising in the ordinary course of business. Refer to "Note 18 - Commitments and Contingencies" for further detail regarding legal proceedings proceedings.

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Item 4. Mine Safety Disclosures

Not Applicable.

PART II

Item 5. Market for Registrant's Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock is listed on the New York Stock Exchange, under the symbol "ARI." On February 5, 2024, the last sales price for our common stock on the New York Stock Exchange was $11.00 per share.

Holders

As of February 5, 2024 February 7, 2025, we had 445 420 registered holders of our common stock. The 445 420 holders of record include Cede & Co., which holds shares as nominee for The Depository Trust Company, which itself holds shares on behalf of the beneficial

owners of our common stock. Such information was obtained through our registrar and transfer agent, based on the results of a broker search.

Dividends

We elected to be taxed as a REIT for U.S. federal income tax purposes commencing with the taxable year ended December 31, 2009 and, as such, anticipate distributing annually at least 90% of our REIT taxable income, excluding net capital gains and determined without regard to the dividends paid deduction. Although we may borrow funds to make distributions, once our available capital is fully deployed, cash for such distributions is expected to be largely generated from our results of operations. Dividends are declared and paid at the discretion of our board of directors and depend on cash available for distribution, financial condition, our ability to maintain our qualification as a REIT, and such other factors that the board of directors may deem relevant. See Item 1A. "Risk Factors," and Item 7. "Management's "Management's Discussion and Analysis of Financial Condition and Results of Operations," of this annual report on Form 10-K, for information regarding the sources of funds used for dividends and for a discussion of factors, if any, which may adversely affect our ability to pay dividends.

Stockholder Return Performance

The following graph is a comparison of the cumulative total stockholder return on shares of our common stock, the Standard & Poor's 500 (the "S&P 500"), and the Bloomberg REIT FTSE Nareit All Mortgage Capped Index (the "BBREMTG "FNMRC Index"), a published industry index, from December 31, 2018 December 31, 2019 to December 31, 2023 December 31, 2024. The graph assumes that $100 was invested on December 31, 2018 December 31, 2019 in our common stock, the S&P 500 and the BBREMTG FNMRC Index and that all dividends were reinvested without the payment of any commissions. There can be no assurance that the performance of our shares will continue in line with the same or similar trends depicted in the graph below.

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	Period Ending					
	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023
Apollo Commercial Real Estate Finance, Inc.	100.00	121.05	86.53	112.19	104.59	130.04
S&P 500	100.00	125.24	148.27	190.79	156.21	197.23
BBREMTG Index	100.00	120.03	93.38	109.82	83.05	95.08

	Period Ending					
	12/31/2019	**12/31/2020**	**12/31/2021**	**12/31/2022**	**12/31/2023**	**12/31/2024**
Apollo Commercial Real Estate Finance, Inc.	**100.00**	**71.42**	**92.62**	**86.34**	**107.36**	**89.41**
S&P 500	**100.00**	**118.39**	**152.34**	**124.72**	**157.48**	**196.85**
FTSE Nareit AMC Index	**100.00**	**80.37**	**93.88**	**68.62**	**78.98**	**78.73**

Recent Sales of Unregistered Securities

None.

Recent Purchases of Equity Securities

We did not repurchase any of our equity securities during the three months or year ended December 31, 2023.

fourth quarter of 2024.

Item 6. [Reserved]

Item 7. Management’s Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our financial statements and accompanying notes included in Item 8. "Financial Statements and Supplementary Data" of this annual report on Form 10-K.

Overview

We are a Maryland corporation and have elected to be taxed as a REIT for U.S. federal income tax purposes. We primarily originate, acquire, invest in and manage performing commercial first mortgage loans, subordinate financings, and other commercial real estate-related debt investments. These asset classes are referred to as our target assets.

We are externally managed and advised by the Manager, an indirect subsidiary of Apollo, a global, high-growth alternative asset manager with assets under management of approximately $631.2 billion $751.0 billion as of September 30, 2023 December 31, 2024.

The Manager is led by an experienced team of senior real estate professionals who have significant expertise in underwriting and structuring commercial real estate financing transactions. We benefit from Apollo’s Apollo's global infrastructure and operating platform, through which we are able to source, evaluate and manage potential investments in our target assets.

In March 2024, the SEC adopted amendments to its rules under the Securities Act and the Exchange Act that require disclosure of certain climate-related information in registration statements and annual reports, when material. In April 2024, the SEC chose to stay its newly adopted climate disclosure rules, pending the completion of judicial review. We are currently evaluating the impact of the new rule, if the stay is lifted, on our disclosures.

Current Market Conditions

Certain external events such as public health issues, including the novel coronavirus ("COVID-19"), natural disasters, political and economic instability abroad, concerns regarding the stability of the sovereign debt of certain European countries, and other geopolitical issues, including the ongoing conflicts between Israel and Hamas, as well as further escalation of tensions between Israel and various countries in the Middle East and North Africa, and among Russia, Belarus and Ukraine, and the severe economic sanctions and export controls imposed by the U.S. and other governments against Russia, Belarus and Russian or Belarusian interests, have adversely impacted the global economy and have contributed to significant volatility in financial markets. Due to various uncertainties caused by such external events and recent macroeconomic trends, including inflation and higher interest rates, further business risks could arise. Some of the factors that impacted us to date and may continue to affect us are outlined in Item 1A. "Risk Factors."

Results of Operations

Net Income Available to Common Stockholders

For the

Our results of operations discuss fiscal years ended December 31, 2024 and 2023 items and year-to-year comparisons between fiscal years ended December 31, 2024 and 2023. Discussions of prior period items and year-to-year comparisons between fiscal years ended December 31, 2023 and 2022 can be found in our "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our annual report on Form 10-K for the fiscal year ended December 31, 2023.

Net Income (Loss) Available to Common Stockholders

For the years ended December 31, 2024 and 2023, our net income (loss) available to common stockholders was $45.9 ($131.9) million, or ($0.97) per diluted share of common stock, and $45.9 million, or $0.29 per diluted share of common stock, and $253.0 million, or $1.68 per diluted share of common stock, respectively.

Operating Results

The following table sets forth information regarding our consolidated results of operations and certain key operating metrics for the years ended December 31, 2023 December 31, 2024 and 2022 2023 ($ in thousands):

	Years ended		
	December 31, 2023	December 31, 2022	2023 vs 2022
Net interest income:			
Interest income from commercial mortgage loans	$ 701,002	$ 456,513	$ 244,489
Interest income from subordinate loans and other lending assets	17,280	55,590	(38,310)
Interest expense	(466,110)	(270,525)	(195,585)
Net interest income	252,172	241,578	10,594
Operations related to real estate owned:			
Revenue from real estate owned operations	92,419	62,062	30,357
Operating expenses related to real estate owned	(72,759)	(52,368)	(20,391)
Depreciation and amortization on real estate owned	(8,248)	(704)	(7,544)
Net income related to real estate owned	11,412	8,990	2,422
Operating expenses:			
General and administrative expenses	(29,520)	(29,662)	142
Management fees to related party	(37,978)	(38,419)	441
Total operating expenses	(67,498)	(68,081)	583
Other income, net	4,616	2,494	2,122
Net realized gain (loss) on investments	(86,604)	18,683	(105,287)
Gain on extinguishment of debt	495	—	495
Decrease (increase) in Specific CECL Allowance, net	(59,500)	11,500	(71,000)
Decrease in General CECL Allowance, net	72	6,123	(6,051)
Gain (loss) on foreign currency forward contracts	(48,213)	146,981	(195,194)
Foreign currency translation gain (loss)	52,031	(116,399)	168,430
Gain (loss) on interest rate hedging instruments	(414)	13,363	(13,777)
Net income before taxes	$58,569	$265,232	$(206,663)
Income tax provision	(442)	—	(442)
Net income	$58,127	$265,232	$(207,105)

For a comparison and discussion of our results of operations and other operating and financial data for the fiscal years ended December 31, 2022 and 2021, see Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our annual report on Form 10-K for the fiscal year ended December 31, 2022, filed with the SEC on February 8, 2023.

	Years Ended		
	December 31, 2024	*December 31, 2023*	*2024 vs 2023*
Net interest income:			
Interest income from commercial mortgage loans	***$ 699,389***	***$ 701,002***	***$ (1,613)***
Interest income from subordinate loans and other lending assets	***3,542***	***17,280***	***(13,738)***
Interest expense	***(503,949)***	***(466,110)***	***(37,839)***
Net interest income	***198,982***	***252,172***	***(53,190)***
Operations related to real estate owned:			
Revenue from real estate owned operations	***104,689***	***92,419***	***12,270***
Operating expenses related to real estate owned	***(81,683)***	***(72,759)***	***(8,924)***
Depreciation and amortization on real estate owned	***(11,668)***	***(8,248)***	***(3,420)***
Net income related to real estate owned	***11,338***	***11,412***	***(74)***
Operating expenses:			
General and administrative expenses	***(29,649)***	***(29,520)***	***(129)***
Management fees to related party	***(36,120)***	***(37,978)***	***1,858***
Total operating expenses	***(65,769)***	***(67,498)***	***1,729***
Other income, net	***4,498***	***4,616***	***(118)***
Net realized loss on investments	***(128,191)***	***(86,604)***	***(41,587)***

Realized gain on extinguishment of debt	—	495	(495)
Increase in Specific CECL Allowance	(149,500)	(59,500)	(90,000)
Decrease (increase) in General CECL Allowance, net	(6,284)	72	(6,356)
Gain (loss) on foreign currency forward contracts	52,590	(48,213)	100,803
Foreign currency translation gain (loss)	(37,476)	52,031	(89,507)
Gain (loss) on interest rate hedging instruments	570	(414)	984
Net income (loss) before taxes	$ (119,242)	$ 58,569	$ (177,811)
Income tax provision	(394)	(442)	48
Net income (loss)	$ (119,636)	$ 58,127	$ (177,763)

Net Interest Income

Net interest income increased decreased by $10.6 million $53.2 million during the year ended December 31, 2023 December 31, 2024 compared to the same period in 2022. year ended December 31, 2023. This increase net decrease was primarily driven by attributable to a decrease in interest income from (i) higher average index rates and was partially offset by placing a first mortgage loan and subordinate loan collateralized by the same ultra-luxury residential-for-sale property in Manhattan balance of loans on non-accrual status as in 2024, (ii) realization of May 1, 2023.

a loss on investment during 2024, and (iii) modifying two commercial mortgage loans from floating to fixed rate terms in 2024. Refer to "Note 4 – Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net" for additional detail.

Operations Related to Real Estate Owned

Net income related to real estate owned increased by $2.4 million during the year ended December 31, 2023 compared to the year ended December 31, 2022. This increase was primarily driven by an increase in net income from hotel operations, prior to depreciation, of $5.2 million and $4.7 million attributable to the D.C. Hotel and the Atlanta Hotel, respectively.

This increase was partially offset by a $7.5 million increase in depreciation expense for the year ended December 31, 2023 compared to the year ended December 31, 2022, which was primarily related to the reclassification of the D.C. Hotel from held for sale to held for investment. Upon reclassification on March 1, 2023, we resumed depreciation and recorded depreciation expense representing the amount that would have been recorded had the asset been consistently classified as held for investment since its initial reclassification to held for sale during the first quarter of 2022.

Refer to "Note 5 - Real Estate Owned" for full discussion of the reclassification and operations related to real estate owned.

Operating Expenses

Management fees to related party and General and administrative expenses remained generally the same for the year

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ended December 31, 2023 December 31, 2024 compared to the year ended December 31, 2022 December 31, 2023.

Other income, net

Other income, net increased

Management Fees

Management fees expense decreased by $2.1 million during $1.9 million for the year ended December 31, 2023 December 31, 2024 compared to the year ended December 31, 2022, December 31, 2023. The decrease was primarily due to an increase a decrease in bank interest earned on our cash balances and money market funds stockholders' equity (as defined in the Management Agreement) as a result of a higher interest rate environment.

increased Specific CECL Allowance and realized losses on investments recorded during the year ended December 31, 2024.

Net realized gain (loss) loss on investments

During the year ended December 31, 2024, we recorded a $128.2 million net realized loss on investments, consisting of (i) a $127.5 million realized loss related to the extinguishment of the Massachusetts Healthcare Loan (as defined in "Note 4 -

Commercial Mortgage Loans and Other Lending Assets, Net"), and (ii) a $0.7 million realized loss related to the sale of a commercial mortgage loan collateralized by a hotel property located in Honolulu, HI. Refer to "Note 4 – Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net" for additional detail.

Comparatively, during the year ended December 31, 2023, we recorded a $86.6 million net realized loss on investments compared to the year ended December 31, 2022 of $86.6 million, in which we recorded a $18.7 million net realized gain. The $86.6 million net realized loss recorded during 2023 was primarily comprised consisting of (i) a $4.8 million realized loss related to the acquisition of the Atlanta Hotel through a deed-in-lieu of foreclosure and (ii) a $82.0 million realized loss on investments representing a write-off of previously recorded Specific CECL Allowance on one of our subordinate loans secured by an ultra-luxury residential property in Manhattan, NY. These losses were partially offset by a $0.2 million $0.2 million gain on investments recorded in connection with the sale of our entire interest in three commercial loans secured by properties in Europe and a partial interest in one commercial loan secured by property located in London, United Kingdom. UK.

The net realized gain of $18.7 million during the year ended December 31, 2022 was primarily driven by a $43.6 million realized gain recorded in connection with the title acquisition for one of our first mortgage loans secured by a multifamily development in Brooklyn, NY. Refer to "Note 5 - Real Estate Owned" for more information. This realized gain was partially offset by a (i) $17.9 million realized loss, representing a write-off of a previously recorded Specific CECL Allowance on a first mortgage loan secured by an urban predevelopment property due to the sale of the underlying property, and (ii) a $7.0 million realized loss, representing a write-off of a previously recorded Specific CECL Allowance related to a first mortgage secured by the Atlanta Hotel, which went into maturity default during 2022.

Refer to "Note 4 - – Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net" and "Note 5 – Real Estate Owned" for more information.

Decrease (increase) additional detail.

Gain on Extinguishment of Debt

During the year ended December 31, 2023, we repurchased $53.9 million aggregate principal amount of the 5.375% Convertible Senior Notes due 2023 (the "2023 Notes" or "Convertible Notes") at a weighted average price of 99.1%. As a result of this transaction, we recognized a $0.5 million gain on extinguishment of debt. We fully repaid the remaining principal of the 2023 Notes in cash at par during the fourth quarter of 2023.

Increase in Specific CECL Allowance, net

During the year ended December 31, 2024, we recorded a net increase in our Specific CECL Allowance of $149.5 million, related to two of our subordinate loans. During the first quarter of 2024, we recorded a $142.0 million Specific CECL Allowance related to a mezzanine loan secured by an ultra-luxury residential property in Manhattan, NY, primarily attributable to a reduction in list pricing of remaining units and slower sales pace at the property. During the second quarter of 2024, we recorded a Specific CECL Allowance of $7.5 million on a subordinate loan secured by our interest in a Class A office building in Troy, MI, attributable to low occupancy and limited leasing activity in the property's submarket. Additionally, we recorded an increase and subsequent write-off of $127.5 million of our Specific CECL Allowance related to the Massachusetts Healthcare Loan. The $127.5 million write-off was recorded as a realized loss within net realized loss on investments in our consolidated statement of operations as discussed above.

During the year ended December 31, 2023, we recorded a net increase to our Specific CECL Allowance of $59.5 million compared to. The net increase consisted of a net decrease of $11.5 million recorded during the year ended December 31, 2022.

During the year ended December 31, 2023, we recorded a $141.5 million increase to our $141.5 million Specific CECL Allowance related to two mezzanine loans secured by the same ultra-luxury residential property in Manhattan, NY. As NY with a subsequent write-off of June 30, 2023, $82.0 million $82.0 million during the same period related to the most junior mezzanine loan which was deemed unrecoverable. Accordingly, $82.0 million The $82.0 million write-off of previously recorded Specific CECL Allowance was written-off and recorded as a realized loss within net realized loss on investments during 2023.

The $11.5 million decrease in our 2023 consolidated statement of our Specific CECL Allowance during the year ended December 31, 2022 was comprised of (i) a $53.0 million reversal and $15.0 million write-off of a previously recorded Specific CECL Allowance on an urban predevelopment first mortgage loan in Miami, FL and (ii) a $10.0 million reversal of a previously recorded Specific CECL Allowance on a loan related to a multifamily development in Brooklyn, NY. These write-offs and reversals recorded during the year ended December 31, 2022 were offset by the Specific CECL Allowance of $66.5 million recorded in relation to mezzanine loan secured by our interest in an ultra-luxury residential property in Manhattan, NY.

operations as discussed above.

Refer to "Note 2 - Summary of Significant Accounting Policies" and "Note 4 - – Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net" for additional information related to our Specific CECL Allowance.

detail.

Decrease (increase) in General CECL Allowance, net

Our

For the year ended December 31, 2024, we recorded a net increase in our General CECL Allowance decreased of $6.3 million. The increase was primarily driven by $0.1 million during loan originations and the increase in our view of remaining expected term of certain of our loans. The increase was partially offset by the effects of portfolio seasoning and earlier than expected loan repayments.

During the year ended December 31, 2023 compared to, we recorded a net decrease in our General CECL Allowance of $6.1 million for $0.1 million primarily driven by the same period in 2022. The decrease recorded during 2023 was primarily related to effects of portfolio seasoning and loan repayments outpacing originations. The decrease originations, which was partially offset by the increase in our view of remaining expected term of certain of our loans. The decrease in General CECL Allowance recorded during the year ended December 31, 2022, was primarily due to portfolio seasoning and changes in expected loan repayment dates, which were partially offset by a more adverse macroeconomic outlook.

Refer to "Note 2 - Summary of Significant Accounting Policies" and "Note 4 - – Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net" for additional information related to our General CECL Allowance.

Gain on Extinguishment of Debt
detail.

During the year ended December 31, 2023, we repurchased $53.9 million aggregate principal of the 5.375% Convertible Senior Notes due 2023 (the "2023 Notes") and realized a $0.5 million gain on extinguishment of debt. There was no repurchase activity for the year ended December 31, 2022.

Refer to "Note 10 - Convertible Senior Notes, Net" for further discussion.

Foreign currency translation loss gain and gain loss on derivative instruments

Foreign currency gains and losses on derivative instruments are evaluated on a combined basis and the net impact for the years year ended December 31, 2023 December 31, 2024 and 2022 year ended December 31, 2023 was a net gain of $3.8 million $15.1 million and $30.6 million $3.8 million, respectively. We use forward currency contracts to economically hedge interest and principal payments due under our loans denominated in currencies other than USD.

During

The net gain for the year ended December 31, 2023, both December 31, 2024 was higher than the GBP and the EUR rates rose in relation to USD while both rates fell considerably during the year ended December 31, 2022. The rise in rates resulted in a loss on our foreign currency forward contracts and a gain related to foreign currency translation. The change in net gain for the year ended December 31, 2023 compared to the year ended December 31, 2022 is predominantly due to lower forward point estimates and a decrease in value on forward currency contracts related to our net interest hedges for the year ended December 31, 2023 compared to the year ended December 31, 2022.

estimates.

Gain (loss) on interest rate hedging instruments hedges

During the year ended December 31, 2024, we recorded a net gain of $0.6 million on our interest rate caps. The net gain was primarily driven by a $1.9 million realized gain recorded in relation to our construction financing interest rate cap. The realized gain was attributable to SOFR exceeding the interest rate cap's strike rate throughout the year. Additionally, we recorded a partially offsetting unrealized loss of $1.3 million, driven by a decrease in the interest rate cap's fair value, as it approached its maturity.

During the year ended December 31, 2023, we recorded a net loss of $0.4 million on our interest rate caps, which included realized gains of $9.7 million. This realized gain was primarily due related to LIBOR exceeding the strike rate on our 2026 Term Loan interest rate cap prior to maturing cap. Though we recorded a realized gain of $9.7 million driven by an increase in the second quarter of 2023. The realized applicable index rate above the interest rate cap's strike rate, this gain was offset by unrealized losses which increased as of $10.1 million, resulting from a decrease in the interest rate cap neared cap's fair value as it reached its June 2023 maturity. During the year ended December 31, 2022, our interest rate cap generated a gain of $13.4 million due to rising LIBOR rates, including a realized gain of $5.7 million due to LIBOR exceeding the strike rate on our 2026 Term Loan interest rate cap.

Income tax provision

During the year ended December 31, 2023, we recorded an income tax provision of $0.4 million. The income tax provision reflects the aggregate income tax of one of our TRS entities for the taxable year ended December 31, 2023. We recorded no income tax provision during the year ended December 31, 2022.

Subsequent Events

Refer to "Note 21 - 11 – Derivatives" for full discussion of interest rate caps.

Subsequent Events

Refer to "Note 22 – Subsequent Events" to the accompanying consolidated financial statements for disclosure regarding significant transactions that occurred subsequent to December 31, 2023 December 31, 2024.

Non-GAAP Financial Measures

Distributable Earnings

Distributable Earnings, a non-GAAP financial measure, is defined 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 (including depreciation and amortization related to real estate owned) included in net income available to common stockholders, stockholders, (iii) unrealized income from unconsolidated joint ventures, (iv) (iv) foreign currency gains (losses), other than (a) realized gains/(losses) related to interest income, and (b) forward point gains/(losses) realized on our foreign currency hedges, and (v) provision for loan current expected credit losses. Distributable Earnings may also be adjusted to exclude certain other non-cash items, as determined by the Manager and approved by a majority of our independent directors.

For the year ended December 31, 2023 December 31, 2024, our Distributable Earnings were were $61.3 million, or $0.43 per share, as compared to $157.5 million, or $1.09 per share, as compared to $239.3 million, or $1.67 per share for the prior year.

The weighted-average diluted shares outstanding used for Distributable Earnings per weighted-average diluted share has been adjusted from weighted-average diluted shares under GAAP to exclude shares issued from a potential conversion of the Convertible Notes. The Convertible Notes were fully repaid during the fourth quarter 2023, and as such, no adjustment was applied in 2024. Consistent with the treatment of other unrealized adjustments to Distributable Earnings, these potentially issuable shares are excluded until a conversion occurs, which we believe is a useful presentation for investors. occurs. We believe that excluding shares issued in connection with a potential conversion of the Convertible Notes from our computation of

Distributable Earnings per weighted average weighted-average diluted share is useful to investors for various reasons, including the following: (i) conversion of Convertible Notes to shares requires both the holder of a note to elect to convert the Convertible Note and for us to elect to settle the conversion in the form of shares shares; (ii) future conversion decisions by note holders will be based on our stock price in the future, which is presently not determinable; (iii) the exclusion of shares issued in connection with a potential conversion of the Convertible Notes from the computation of Distributable

Earnings per weighted-average diluted share is consistent with how we treat other unrealized items in our computation of Distributable Earnings per weighted-average diluted share; and (iv) we believe that when evaluating our operating performance, investors and potential investors consider our Distributable Earnings relative to our actual distributions, which are based on shares outstanding and not shares that might be issued in the future.

The table below summarizes the reconciliation from weighted-average diluted shares under GAAP to the weighted-average diluted shares used for Distributable Earnings:

	Year ended December 31,	
Weighted-Averages Shares	2023	2022
Diluted shares - GAAP	141,281,286	165,504,660
Potential shares issued under conversion of the Convertible Notes	—	(22,314,191)
Unvested Restricted Stock Units ("RSUs")	2,932,284	—
Diluted shares - Distributable Earnings	144,213,570	143,190,469

	Year Ended December 31,	
	2024	**2023**
Weighted-Averages	**Shares**	**Shares**
Diluted shares - GAAP	**139,674,140**	**141,281,286**
Unvested Restricted Stock Units ("RSUs"), net(1)	**2,601,703**	**2,932,284**
Diluted shares - Distributable Earnings	**142,275,843**	**144,213,570**

(1) Unvested RSUs are net of incremental shares assumed repurchased under the treasury stock method, if dilutive. There were no incremental shares included in the year ended December 31, 20 2023, the weighted-average diluted shares for GAAP were determined using the "if-converted" method.

During the year ended December 31, 2023, we recorded $86.6 million net realized loss on investments consisting of (i) a $82.0 million realized loss representing a write-off of previously recorded Specific CECL Allowance on one of our subordinate loans secured by an ultra-luxury residential property in Manhattan, NY, (ii) a $4.8 million realized loss related to the acquisition of a hotel property through a deed-in-lieu of foreclosure and (iii) a $0.2 million gain on loan sales. Refer to Note 4 - Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net" and "Note 5 – Real Estate Owned" for additional information.

During the year ended December 31, 2023, we recorded $0.5 million gain on extinguishment of debt related to a partial repurchase of our 2023 Notes. See "Note 10 - Convertible Senior Notes, Net" for full discussion of this transaction.

During the year ended December 31, 2022, we recorded a $18.7 million net realized gain on investments consisting of (i) a $43.6 million realized gain on investments reflecting the difference between the fair value of a multifamily development property located in Brooklyn, NY acquired through a deed-in-lieu of foreclosure and the amortized cost of the loan at the time of foreclosure, (ii) a $17.9 million realized loss representing a write-off of a previously recorded Specific CECL Allowance on an urban predevelopment first mortgage loan and (iii) a $7.0 million realized loss on a first mortgage secured by a hotel property, representing a write-off of a previously recorded Specific CECL Allowance related to a first mortgage loan in maturity default. Refer to "Note 4 - Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net" and Note 5 – Real Estate Owned" for additional information.

We believe it is useful to our investors to to present Distributable Earnings prior to net realized gains (losses) loss on investments and and gain on extinguishment of debt to reflect our operating results because (i) our operating results are primarily comprised of earning interest income on our investments net of borrowing and administrative costs, which comprise our ongoing operations and (ii) it has been a useful factor related to our dividend per share because it is one of the considerations when a dividend is determined. determined. We believe that our investors use Distributable Earnings and Distributable Earnings prior to net realized gains (losses) loss on investments and and gain on extinguishment of debt, or a comparable supplemental performance measure, to evaluate and compare the performance of our company and our peers.

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

our liquidity under GAAP. Distributable Earnings are reduced for realized losses on loans which include losses that management believes are near certain to be realized. and increased for realized gains.

The table below summarizes the reconciliation from net income available to common stockholders to Distributable Earnings and Distributable Earnings prior to net realized gains (losses) loss on investments and and gain on extinguishment of debt ($ in thousands):

	Year Ended December 31,	
	2024	2023
Net income (loss) available to common stockholders	$ (131,908)	$ 45,855

Adjustments:		
Equity-based compensation expense	16,468	17,444
Loss (gain) on foreign currency forwards	(52,590)	48,213
Foreign currency loss (gain), net	37,476	(52,031)
Unrealized loss on interest rate cap	1,373	10,098
Realized gains relating to interest income on foreign currency hedges, net	4,054	11,882
Realized gains relating to forward points on foreign currency hedges, net	18,991	8,397
Depreciation and amortization on real estate owned	11,668	8,248
Increase in current expected credit loss allowance, net	155,784	59,428
Net realized loss on investments(1)	128,191	86,604
Gain on extinguishment of debt(2)	—	(495)
Total adjustments:	321,415	197,788
Distributable Earnings prior to net realized loss on investments and gain on extinguishment of debt	$ 189,507	$ 243,643
Net realized loss on investments(1)	$ (128,191)	$ (86,604)
Gain on extinguishment of debt(2)	—	495
Distributable Earnings	$ 61,316	$ 157,534
Diluted Distributable Earnings per share prior to net realized loss on investments and gain on extinguishment of debt	$ 1.33	$ 1.69
Diluted Distributable Earnings per share of common stock	$ 0.43	$ 1.09
Weighted-average diluted shares - Distributable Earnings	142,275,843	144,213,570

(1) Net realized loss on investment for the year ended December 31, 2024 includes a realized loss of $127.5 million related to the Massachusetts Healthcare Loan and a $0.7 million loss on the sale of a com mortgage loan. Net realized loss on investment for the year ended December 31, 2023 includes (i) $4.8 million realized loss related to the acquisition of the hotel property in Atlanta, GA through a deed-in-lieu of foreclos $82.0 million realized loss representing a write-off of previously recorded Specific CECL Allowance on one of our subordinate loans secured by an ultra-luxury residential property in Manhattan, NY, (iii) $0.2 million net r gain on loan sales. Refer to "Note 4 – Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net" for full discussion.

(2) $0.5 million realized gains on extinguishment of debt was recorded during the year ended December 31, 2023 in connection with partial repurchases full discussion.

	Year ended December 31,	
	2023	2022
Net income available to common stockholders	$ 45,855	$ 252,960
Adjustments:		
Equity-based compensation expense	17,444	18,252
Loss (gain) on foreign currency forwards	48,213	(146,981)
Foreign currency loss (gain), net	(52,031)	116,399
Unrealized loss (gain) on interest rate cap	10,098	(7,692)
Realized gains relating to interest income on foreign currency hedges, net	11,882	14,080
Realized gains relating to forward points on foreign currency hedges, net	8,397	9,195

Depreciation and amortization on real estate owned	8,248	704
Increase (decrease) in current expected credit loss allowance, net	59,428	(17,623)
Net realized (gain) loss on investments	86,604	(18,683)
Gain on extinguishment of debt	(495)	—
Total adjustments:	197,788	(32,349)
Distributable Earnings prior to net realized (gain) loss on investments and gain on extinguishment of debt	$ 243,643	$ 220,611
Net realized gain (loss) on investments	$ (86,604)	$ 18,683
Gain on extinguishment of debt	495	—
Distributable Earnings	$ 157,534	$ 239,294
Diluted Distributable Earnings per share prior to net realized loss on investments and gain on extinguishment of debt	$ 1.69	$ 1.54
Diluted Distributable Earnings per share of common stock	$ 1.09	$ 1.67
Weighted-average diluted shares - Distributable Earnings	144,213,570	143,190,469

Atlas Facility

In February 2023, in connection with the acquisition by certain subsidiaries of Atlas, which is a wholly-owned investment of a fund managed by an affiliate of the Manager, the Credit Suisse Facility was acquired by Atlas ("Atlas Facility"). For full discussion of this transaction, refer to "Note 15 – Related Party Transactions."

Revolving Credit Facility

In March 2023, we entered into the revolving credit facility (the "Revolving Credit Facility") administered by Bank of America, N.A. The Revolving Credit Facility provides up to $160.0 million of borrowings secured by qualifying commercial mortgage loans and real property owned assets. As of December 31, 2024, our interest coverage ratio was a minimum of 1.3:1. See "Debt Covenants" below for additional discussion. The Revolving Credit Facility has a term of three years, maturing in March 2026. The Revolving Credit Facility enables us to borrow on qualifying commercial mortgage loans for up to two years and real property owned assets for up to six months. As of December 31, 2024 we had no outstanding balance and as of December 31, 2023, we had $147.0 million outstanding on the Revolving Credit Facility. During the years ended December 31, 2024 and 2023, we recorded $281.4 thousand and $282.8 thousand in unused fees and $2.4 million and $168.3 thousand in contractual interest expense, respectively.

Barclays Private Securitization

We are party to a private securitization with Barclays Bank plc ("Barclays") (such securitization, the "Barclays Private Securitization"). Commercial mortgage loans currently financed under the Barclays Securitization are denominated in GBP, EUR and SEK.

The Barclays Private Securitization does not include daily margining provisions and grants us significant discretion to modify certain terms of the underlying collateral including waiving certain loan-level covenant breaches and deferring or waiving of debt service payments for up to 18 months. The securitization includes loan-to-value based covenants with deleveraging requirements that are based on significant declines in the value of the collateral as determined by an annual third-party (engaged by us) appraisal process tied to the provisions of the underlying loan agreements. We believe this provides us with both cushion and predictability to avoid sudden unexpected outcomes and material repayment requirements.

The table below provides principal balances and the carrying value for commercial mortgage loans pledged to the Barclays Private Securitization as of December 31, 2024 and December 31, 2023 ($ in thousands):

	December 31, 2024		
Local Currency	Count	Outstanding Principal	Carrying Value
GBP	5	$ 1,251,205	$ 1,236,691
EUR	3	720,126	711,859
SEK	1	223,992	222,727
Total	9	$ 2,195,324	$ 2,171,277
	December 31, 2023		
Local Currency	Count	Outstanding Principal	Carrying Value
GBP	7	$ 1,662,457	$ 1,643,979
EUR	6	1,021,272	1,012,987
SEK	1	248,088	246,220
Total	14	$ 2,931,817	$ 2,903,186

The table below provides the borrowings outstanding (on an as converted basis) and weighted-average fully-extended maturities by currency for the assets financed under the Barclays Private Securitization as of December 31, 2024 ($ in thousands):

On February 8, 2023

	Borrowings Outstanding(1)	Fully-Extended Maturity(2)
Total/Weighted-Average GBP	$ 897,199	April 2027
Total/Weighted-Average EUR	511,387	October 2027(3)
Total/Weighted-Average SEK	179,194	May 2026
Total/Weighted-Average Securitization	$ 1,587,780	May 2027

(1) As of December 31, 2024, we had £716.8 million, €493.9 million, and kr2.0 billion of borrowings outstanding under the Barclays Private Securitization secured by certain of our commercial mortgage loans.
(2) Assumes underlying loans extend to fully extended maturity and extensions at our option are exercised.
(3) The EUR portion of the Barclays Private Securitization has an "evergreen" feature such that the facility continues for one year and can be terminated by either party on certain dates with, depending on the date of notice, a minimum of nine to twelve months' notice.

The table below provides the borrowings outstanding (on an as converted basis) and weighted-average fully-extended maturities by currency for the assets financed under the Barclays Private Securitization as of December 31, 2023 ($ in thousands):

	Borrowings Outstanding(1)	Fully-Extended Maturity(2)
Total/Weighted-Average GBP	1,234,740	June 2026
Total/Weighted-Average EUR	723,947	May 2026(3)
Total/Weighted-Average SEK	198,470	May 2026
Total/Weighted-Average Securitization	$ 2,157,157	June 2026

(1) As of December 31, 2023, we had £969.9 million, €655.8 million, and kr$2.0 billion of borrowings outstanding under the Barclays Private Securitization secured by certain of our commercial mortgage loans.
(2) Assumes underlying loans extend to fully extended maturity and extensions at our option are exercised.
(3) The EUR portion of the Barclays Private Securitization has an "evergreen" feature such that the facility continues for one year and can be terminated by either party on certain dates with, depending on the date of notice, a minimum of nine to twelve months' notice.

The table below provides the assets and liabilities of the Barclays Private Securitization VIE included in our consolidated balance sheets ($ in thousands):

	December 31, 2024	December 31, 2023
Assets:		
Cash	$ 150	$ 924
Commercial mortgage loans, net(1)	2,171,277	2,903,186
Other Assets(2)	29,179	41,180
Total Assets	$ 2,200,606	$ 2,945,290
Liabilities:		
Secured debt arrangements, net (net of deferred financing costs of $1.1 million and $2.0 million in 2024 and 2023, respectively)	$ 1,586,680	$ 2,155,197
Accounts payable, accrued expenses and other liabilities(3)(4)	10,519	9,083
Total Liabilities	$ 1,597,199	$ 2,164,280

(1) Net of the General CECL Allowance of $10.8 million and $8.3 million as of December 31, 2024 and December 31, 2023, respectively.
(2) Includes loan principal, interest, and other fees held by our third-party servicers as of the balance sheet date and remitted during subsequent remittance cycle.
(3) Includes General CECL Allowance related to unfunded commitments on commercial mortgage loans, net of $2.1 million and $2.5 million as of December 31, 2024 and December 31, 2023, respectively.
(4) Includes pending transfers from our third party loan servicers that were remitted to our secured credit facility counterparties during the subsequent remittance cycle.

The table below provides the net income of the Barclays Private Securitization VIE included in our consolidated statement of operations ($ in thousands):

	Year ended December 31,		
	2024	2023	2022
Net interest income:			
Interest income from commercial mortgage loans	$ 252,391	$ 217,132	$ 126,847
Interest expense	(141,010)	(113,910)	(51,487)
Net interest income	$ 111,381	$ 103,222	$ 75,360
General and administrative expense	$ (6)	$ (16)	$ —
Decrease (increase) in current expected credit loss allowance, net	(2,131)	277	1,101
Foreign currency translation gain (loss)	(22,802)	29,425	(62,058)
Net income	$ 86,442	$ 132,908	$ 14,403

At December 31, 2024, our borrowings had the following remaining maturities ($ in thousands):

	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
JPMorgan Facility	$ 197,798	$ 835,706	$ —	$ —	$ 1,033,504
Deutsche Bank Facility	27,300	96,134	—	—	123,434
Atlas Facility	—	462,886	—	—	462,886
HSBC Facility	493,041	134,604	—	—	627,645
Goldman Sachs Facility - GBP	—	—	373,706	—	373,706
Barclays Facility	—	321,546	—	—	321,546
MUFG Securities Facility	171,972	—	—	—	171,972

Churchill Facility	—	121,289	—	—	121,289
Barclays Private Securitization	114,077	958,165	515,537	—	1,587,780
Total	$ 1,004,188	$ 2,930,330	$ 889,243	$ —	$ 4,823,762

The table above reflects the fully extended maturity date of the facility and assumes facilities with an "evergreen" feature continue to extend through the fully-extended maturity of the underlying asset and assumes underlying loans are extended with consent of financing providers.

The table below summarizes the outstanding balances at December 31, 2024, as well as the maximum and average month-end balances for the year ended December 31, 2024 for our borrowings under secured debt arrangements ($ in thousands).

	As of December 31, 2024		For the twelve months ended December 31, 2024	
	Balance	Collateral(1)	Maximum Month-End Balance	Average Month-End Balance
JPMorgan Facility	$ 1,033,504	1,832,859	1,063,261	$ 969,759
Deutsche Bank Facility	123,434	199,217	278,703	201,020
Goldman Sachs Facility - USD	—	—	11,620	2,903
Goldman Sachs Facility - GBP	373,706	485,054	390,163	251,571
Atlas Facility	462,886	702,927	758,201	640,453
HSBC Facility	627,646	839,123	672,422	653,182
Barclays Facility	321,546	420,774	353,153	242,792
MUFG Securities Facility	171,972	209,493	211,057	197,420
Churchill Facility	121,289	161,264	126,080	123,684
Santander Facility - USD	—	—	67,500	56,250
Santander Facility - EUR	—	—	54,677	22,684
Barclays Private Securitization	1,587,779	2,182,088	2,249,538	2,041,421
Revolving Credit Facility	—	—	150,000	38,796
Total	$ 4,823,762	$ 7,032,800		

(1) Represents the amortized cost balance of commercial loan collateral assets and the value of net real estate assets of real property owned collateral assets.

The table below summarizes the outstanding balances at December 31, 2023, as well as the maximum and average month-end balances for the year ended December 31, 2023 for our borrowings under secured debt arrangements ($ in thousands).

	As of December 31, 2023		For the year ended December 31, 2023	
	Balance	Collateral(1)	Maximum Month-End Balance	Average Month-End Balance
JPMorgan Facility	$ 1,061,380	$ 1,871,854	$ 1,324,226	$ 1,190,651
Deutsche Bank Facility	275,815	419,170	385,818	322,676
Goldman Sachs Facility	13,437	28,533	70,249	30,482
Atlas Facility	669,302	933,085	688,126	667,794
HSBC Facility	665,368	860,134	667,430	651,758
Barclays Facility	107,929	129,439	111,909	110,729
MUFG Securities Facility	204,690	278,223	206,362	200,447
Churchill Facility	126,515	168,138	130,000	128,094
Santander Facility - USD	67,500	99,648	75,000	68,125
Santander Facility - EUR	55,716	74,288	55,716	54,347
Barclays Private Securitization	2,157,157	2,911,470	2,157,157	1,896,144
Revolving Credit Facility	147,000	319,048	147,000	93,500
Total	$ 5,551,809	$ 8,093,030		

(1) Represents the amortized cost balance of commercial loan collateral assets and the value of net real estate assets of real property owned collateral assets.

Debt Covenants

The guarantees related to our secured debt arrangements contain the following financial covenants: (i) tangible net worth must be greater than $1.25 billion plus 75% of the net cash proceeds of any equity issuance after March 31, 2017; (ii) our ratio of total indebtedness to tangible net worth cannot be greater than 3.75:1, and (iii) our liquidity cannot be less than an amount equal to the greater of 5% of total recourse indebtedness or $30.0 million. Under these covenants, our General CECL Allowance is added back to our tangible net worth calculation. The Revolving Credit Facility contains an additional financial covenant to maintain a minimum interest coverage ratio. As of September 30, 2024, the interest coverage ratio shall be not less than 1.3:1, and shall be not less than 1.4:1 effective June 30, 2025.

We were in compliance with the covenants under each of our secured debt arrangements at December 31, 2024 and December 31, 2023. The impact of macroeconomic conditions on the commercial real estate markets and global capital markets, including increased interest rates, foreign currency fluctuations, changes to fiscal and monetary policy, slower economic growth or recession, labor shortages, and recent distress in the banking sector, may make it more difficult to meet or satisfy these covenants in the future.

Note 8 – Senior Secured Term Loans, Net

In May 2019, we entered into a $500.0 million 2026 Term Loan, which matures in May 2026 and contains restrictions relating to liens, asset sales, indebtedness, and investments in non-wholly owned entities. The 2026 Term Loan was issued at a price of 99.5%. During the second quarter of 2023, the 2026 Term Loan transitioned from LIBOR to SOFR and currently bears interest at SOFR plus 2.86%.

In March 2021, we entered into an additional $300.0 million 2028 Term Loan, with substantially the same terms as the 2026 Term Loan, which matures in March 2028 and contains restrictions relating to liens, asset sales, indebtedness, and investments in non-wholly owned entities. The 2028 Term Loan was issued at a price of 99.0%. During the second quarter of 2023, the 2028 Term Loan transitioned from LIBOR to SOFR and currently bears interest at SOFR (with a floor of 0.50%) plus 3.61%.

The Term Loans are amortizing with repayments of 0.25% per quarter of the total committed principal. During both the years ended December 31, 2024 and 2023, we repaid $5.0 million of principal related to the 2026 Term Loan. During both the years ended December 31, 2024 and 2023, we repaid $3.0 million of principal related to the 2028 Term Loan.

The following table summarizes the terms of the Term Loans as of December 31, 2024 ($ in thousands):

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	Principal Amount	Unamortized Issuance Discount(1)	Deferred Financing Costs(1)	Carrying Value	Rate	Maturity Date
2026 Term Loan	$ 472,500	$ (476)	$ (2,778)	$ 469,246	2.86 %	5/15/2026
2028 Term Loan	288,750	(1,357)	(2,429)	284,964	3.61 %	3/11/2028
Total	$ 761,250	$ (1,833)	$ (5,207)	$ 754,210		

(1) Unamortized issuance discount and deferred financing costs will be amortized to interest expense over remaining life of respective Term Loans.

The following table summarizes the terms of the Term Loans as of December 31, 2023 ($ in thousands):

	Principal Amount	Unamortized Issuance Discount(1)	Deferred Financing Costs(1)	Carrying Value	Rate	Maturity Date
2026 Term Loan	$ 477,500	$ (833)	$ (4,302)	$ 472,365	2.86 %	5/15/2026
2028 Term Loan	291,750	(1,786)	(3,179)	286,785	3.61 %	3/11/2028
Total	$ 769,250	$ (2,619)	$ (7,481)	$ 759,150		

(1) Unamortized issuance discount and deferred financing costs will be amortized to interest expense over remaining life of respective Term Loans.

Covenants

The financial covenants of the Term Loans include the requirements that we maintain: (i) a maximum ratio of total recourse debt to tangible net worth of 4:1; and (ii) a ratio of total unencumbered assets to total pari-passu indebtedness of at least 2.50:1. We were in compliance with the covenants under the Term Loans at December 31, 2024 and December 31, 2023.

Interest Rate Cap

In June 2020, we entered into an interest rate cap to manage our exposure to variable cash flows on our borrowings under our 2026 senior secured term loan by effectively limiting LIBOR from exceeding 0.75%. This limited the maximum all-in coupon on our 2026 senior secured term loan to 3.50%.

Subsequent to the interest rate cap maturity in June 2023, the effective all-in coupon on our 2026 Term Loan increased to one month SOFR plus the spread of 2.86%. Refer to "Note 11 – Derivatives" for further detail.

Note 9 – Senior Secured Notes, Net

In June 2021, we issued $500.0 million of 4.625% 2029 Notes, for which we received net proceeds of $495.0 million, after deducting initial purchasers' discounts and commissions. The 2029 Notes will mature on June 15, 2029, unless earlier repurchased or redeemed. The 2029 Notes are secured by a first-priority lien, and rank pari-passu in right of payment with all of our existing and future first lien obligations, including indebtedness under the Term Loans. The 2029 Notes were issued at par and contain covenants relating to liens, indebtedness, and investments in non-wholly owned entities. The 2029 Notes had a carrying value of $496.4 million and $495.6 million, net of deferred financing costs of $3.6 million and $4.4 million, as of December 31, 2024 and December 31, 2023, respectively.

Covenants

The 2029 Notes include certain covenants including a requirement that we maintain a ratio of total unencumbered assets to total pari-passu indebtedness of at least 1.20:1. As of December 31, 2024 and December 31, 2023, we were in compliance with all covenants.

Note 10 – Convertible Senior Notes, Net

During the fourth quarter of 2018, we issued $230.0 million of the 5.375% Convertible Senior Notes due 2023 (the "2023 Notes" or "Convertible Notes"), for which we received $223.7 million after deducting the underwriting discount and offering expenses.

During the year ended December 31, 2023, we repurchased $53.9 million of aggregate principal amount of the 2023 Notes at a weighted-average price of 99.1%. These transactions happened in the open market as a result of reverse inquiries from investors with no solicitation by us. As a result of these transactions, during the year ended December 31, 2023, we recorded a gain of $0.5 million, within realized gain on extinguishment of debt in our December 31, 2023 consolidated statement of operations. The gain represents the difference between the repurchase price and the carrying amount of the 2023 Notes, net of the proportionate amount of unamortized debt issuance costs. During the fourth quarter of 2023, we repaid the remaining $176.1 million outstanding principal of the 2023 Notes in cash at par.

The aggregate contractual interest expense was approximately $8.6 million and $22.9 million for the years ended December 31, 2023 and 2022, respectively. With respect to the amortization of the discount on the liability component of the Convertible Notes as well as the amortization of deferred financing costs, we reported additional non-cash interest expense of approximately $1.2 million and $2.5 million for the year ended December 31, 2023 and 2022, respectively.

Note 11 – Derivatives

We use forward currency contracts to economically hedge interest and principal payments due under our loans denominated in currencies other than USD.

We have entered into a series of forward contracts to sell an amount of foreign currency (GBP, EUR and SEK) for an agreed upon amount of USD at various dates through August 2027. These forward contracts were executed to economically fix the USD amounts of foreign denominated cash flows expected to be received by us related to foreign denominated loan investments.

The agreements with our derivative counterparties require that we post collateral to secure net liability positions. As of both December 31, 2024 and 2023, we were in a net asset position with all of our derivative counterparties and did not have any collateral posted under these derivative contracts.

The following table summarizes our non-designated Fx forwards and interest rate cap as of December 31, 2024:

	December 31, 2024				
Type of Derivatives	Number of Contracts	Aggregate Notional Amount (in thousands)	Notional Currency	Maturity	Weighted-Average Years to Maturity
Fx contracts - GBP	80	632,702	GBP	January 2025 - August 2027	1.39
Fx contracts - EUR	48	355,218	EUR	January 2025 - August 2026	1.18
Fx contracts - SEK	14	633,231	SEK	February 2025 - May 2026	1.32
Interest rate cap	2	238,535	USD	July 2025 - October 2025	0.67

The following table summarizes our non-designated Fx forwards and interest rate cap as of December 31, 2023:

	December 31, 2023				
Type of Derivatives	Number of Contracts	Aggregate Notional Amount (in thousands)	Notional Currency	Maturity	Weighted-Average Years to Maturity
Fx contracts - GBP	97	938,903	GBP	January 2024 - February 2027	1.13
Fx contracts - EUR	135	561,441	EUR	January 2024 - August 2026	1.08
Fx contracts - SEK	17	690,740	SEK	February 2024 - May 2026	2.16
Interest rate cap	1	164,835	USD	October 2024	0.75

We have not designated any of our derivative instruments as hedges as defined in ASC Topic 815, "Derivatives and Hedging" and, therefore, changes in the fair value of our derivative instruments are recorded directly in earnings. The following table summarizes the amounts recognized on our consolidated statements of operations related to our forward currency contracts for the years ended December 31, 2024, 2023 and 2022 ($ in thousands):

		Amount of gain (loss) recognized in income		
		Year Ended December 31,		
	Location of Gain (Loss) Recognized in Income	2024	2023	2022
Forward currency contracts	Unrealized gain (loss) on derivative instruments	$ 29,687	$ (91,434)	$ 104,159
Forward currency contracts	Realized gain (loss) on derivative instruments	22,903	43,221	42,822
Total		$ 52,590	$ (48,213)	$ 146,981

In June 2020, we entered into an interest rate cap for approximately $1.1 million, which matured in June 2023. Our interest rate cap managed our exposure to variable cash flows on our borrowings under the senior secured term loan by effectively limiting LIBOR from exceeding 0.75%. This limited the maximum all-in coupon on our senior secured term loan to 3.50%. The unrealized gain or loss related to the interest rate cap was recorded net under unrealized gain on interest rate hedging instruments in our consolidated statement of operations. During 2022 and 2023 through the interest rate cap maturity, LIBOR exceeded the cap rate of 0.75%. As such, we realized gains from the interest rate cap in the amounts of $9.7 million and $5.7 million, which are included in gain (loss) on interest rate hedging instruments in our consolidated statement of operations during the years ended December 31, 2023 and December 31, 2022, respectively. The realized gains were a result of the increase in the current interest rate forward curve, partially offset by the nearing maturity of the cap.

In September 2023, we entered into an interest rate cap with an original maturity of October 1, 2024 and a notional amount of $164.8 million. We use our interest rate cap to hedge our exposure to variable cash flows on our construction financing. The interest rate cap effectively limits SOFR from exceeding 4.00% which results in the maximum all-in coupon on our construction financing of 6.55%. The unrealized gain or loss related to the interest rate cap was recorded under gain (loss) on interest rate hedging instruments in our consolidated statement of operations. During the years ended December 31, 2024 and 2023, SOFR exceeded the cap rate of 4.00%. As such, during the years ended December 31, 2024 and 2023, we realized gains from the interest rate cap in the amount of $1.9 million and $0.6 million, respectively, which are included in gain (loss) on interest rate hedging instruments in our consolidated statement of operations. In September 2024, we extended our interest rate cap to October 1, 2025.

In June 2024, we entered into an interest rate cap that matures on July 1, 2025 with a notional amount of $73.7 million. We use our interest rate cap to hedge our exposure to variable cash flows on our floating rate mortgage related to the D.C. Hotel. The interest rate cap effectively limits SOFR from exceeding 6.00% which results in the maximum all-in coupon on mortgage of 9.00%. The unrealized gain or loss related to the interest rate cap was recorded under gain (loss) on interest rate hedging instruments in our consolidated statement of operations. During the year ended December 31, 2024, SOFR did not exceed the cap rate of 6.00%, and accordingly, no realized gain was recorded.

The following table summarizes the amounts recognized on our consolidated statements of operations related to our interest rate caps for the years ended December 31, 2024, 2023 and 2022 ($ in thousands):

		Amount of gain (loss) recognized in income		
		Year Ended December 31,		
	Location of Gain (Loss) recognized in Income	2024	2023	2022
Interest rate caps	Unrealized gain (loss) on interest rate hedging instruments	$ (1,373)	$ (10,098)	$ 7,692
Interest rate caps	Realized gain on interest rate hedging instruments	1,943	9,684	5,671
Total		$ 570	$ (414)	$ 13,363

The following table summarizes the gross asset and liability amounts related to our derivatives at December 31, 2024 and December 31, 2023 ($ in thousands):

	December 31, 2024	December 31, 2023

	Gross Amount of Recognized Assets	Gross Amounts Offset in our Consolidated Balance Sheet	Net Amounts of Assets Presented in our Consolidated Balance Sheet	Gross Amount of Recognized Assets	Gross Amounts Offset in our Consolidated Balance Sheet	Net Amounts of Assets Presented in our Consolidated Balance Sheet
Forward currency contracts	$ 59,261	$ (1,508)	$ 57,753	$ 55,102	$ (27,037)	$ 28,065
Interest rate caps	416	—	416	1,360	—	1,360
Total derivative assets	$ 59,677	$ (1,508)	$ 58,169	$ 56,462	$ (27,037)	$ 29,425

Note 12 – Participations Sold

Participations sold represented the subordinate interests in loans we originated and subsequently partially sold. We account for participations sold as secured borrowings on our consolidated balance sheet with both assets and non-recourse liabilities because the participations do not qualify as a sale under ASC 860. The income earned on the participations sold is recorded as interest income and an identical amount is recorded as interest expense in our consolidated statements of operations.

In December 2020, we sold a £6.7 million ($8.9 million assuming conversion into USD at time of transfer) interest, at par, in a first mortgage loan collateralized by an office building located in London, United Kingdom that was originated by us in December 2017. In connection with this sale, we transferred our remaining unfunded commitment of £19.1 million ($25.3 million assuming conversion into USD at time of transfer). The participation interest sold was subordinate to our first mortgage loan and was accounted for as a secured borrowing on our consolidated balance sheet. In January 2023, the first mortgage loan, including participations sold, was fully satisfied, including all contractual and default interest accrued to date. We had no participations sold as of December 31, 2024 or December 31, 2023.

Note 13 – Accounts Payable, Accrued Expenses and Other Liabilities

The following table details the components of our accounts payable, accrued expense and other liabilities ($ in thousands):

	December 31, 2024	December 31, 2023
Collateral held under derivative agreements	$ 54,420	$ 25,820
Accrued dividends payable	37,976	53,407
Accrued interest payable	28,261	31,012
Accounts payable and other liabilities(1)	11,574	6,078
General CECL Allowance on unfunded commitments(2)	5,948	4,017
Total	$ 138,179	$ 120,334

(1) Includes $8.8 million and $5.5 million of accounts payable and other liabilities on the balance sheet of the Real Estate Owned, Held for Investment at December 31, 2024 and 2023, respectively.

(2) Refer to "Note 4 – Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net" for additional disclosure related to the General CECL Allowance on unfunded commitments as of December 31, 2024 and 2023, respectively.

Note 14 – Income Taxes

We have elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, commencing with the taxable year ended December 31, 2009. As a REIT, U.S. federal income tax law generally requires us to distribute annually at least 90% of our REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and that we pay tax at regular corporate rates to the extent that we annually distribute less than 100% of our net taxable income. We are also subject to U.S. federal, state and local income taxes on our domestic taxable REIT subsidiaries ("TRS") based on the tax jurisdictions in which they operate.

During the years ended December 31, 2024, 2023 and 2022, we recorded a current income tax provision of $0.4 million, $0.4 million and $0.0 million respectively, related to activities of our taxable REIT subsidiaries.

There was a $0.3 million and $0.6 million income tax asset related to the operating activities of our TRS entities as of December 31, 2024 and 2023, respectively. As of December 31, 2024 and 2023, there were no material deferred tax assets or liabilities.

As of December 31, 2024, we had net operating losses of $9.3 million and capital losses of $25.2 million that may be carried forward for use in subsequent periods. As of December 31, 2023, we had net operating losses of $13.7 million and capital losses of $25.2 million that may be carried forward for use in subsequent periods.

As of December 31, 2024, tax years 2020 through 2024 remain subject to examination by taxing authorities.

Note 15 – Related Party Transactions

Management Agreement

In connection with our initial public offering in September 2009, we entered into a management agreement (the "Management Agreement") with the Manager, which describes the services to be provided by the Manager and its compensation for those services. The Manager is responsible for managing our day-to-day operations, subject to the direction and oversight of our board of directors.

Pursuant to the terms of the Management Agreement, the Manager is paid a base management fee equal to 1.5% per annum of our stockholders' equity (as defined in the Management Agreement), calculated and payable (in cash) quarterly in arrears.

The term of the Management Agreement was automatically renewed for a successive one-year term in September 2024 and will automatically renew on each anniversary thereafter. The Management Agreement may be terminated upon expiration of the one-year extension term only upon the affirmative vote of at least two-thirds of our independent directors, based upon (1) unsatisfactory performance by the Manager that is materially detrimental to ARI or (2) a determination that the management fee payable to the Manager is not fair, subject to the Manager's right to prevent such a termination based on unfair fees by accepting a mutually acceptable reduction of management fees agreed to by at least two-thirds of our independent directors. The Manager must be provided with written notice of any such termination at least 180 days prior to the expiration of the then existing term and will be paid a termination fee equal to three times the sum of the average annual base management fee during the 24-month period immediately preceding the date of termination, calculated as of the end of the most recently completed fiscal quarter prior to the date of termination. Following a meeting of our independent directors in February 2025, which included a discussion of the Manager's performance and the level of the management fees thereunder, we determined not to seek termination of the Management Agreement.

We incurred approximately $36.1 million, $38.0 million and $38.4 million in base management fees under the Management Agreement for the years ended December 31, 2024, 2023 and 2022, respectively.

In addition to the base management fee, we are also responsible for reimbursing the Manager for certain expenses paid by the Manager on our behalf or for certain services provided by the Manager to us. For the years ended December 31, 2024, 2023 and 2022, we paid expenses totaling $7.8 million, $6.4 million and $5.5 million, respectively, related to reimbursements for certain expenses paid by the Manager on our behalf under the Management Agreement. Expenses incurred by the Manager and reimbursed by us are reflected in the respective consolidated statement of operations expense category or our consolidated balance sheets based on the nature of the item.

Included in payable to related party on our consolidated balance sheets at December 31, 2024 and 2023 is approximately $8.7 million and $9.6 million, respectively, for base management fees incurred but not yet paid under the Management Agreement.

Loans receivable

During 2023, we transferred interests in, (i) three commercial mortgage loans secured by various properties in Europe, with aggregate commitments of €205.7 million (of which €115.0 million was funded at the time of sale), and (ii) a partial interest of £15.0 million in a commercial mortgage loan secured by a mixed-use property located in London, United Kingdom. These

transfers were made to entities managed by affiliates of the Manager. Refer to "Note 4 – Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net" for additional disclosure.

During 2022, we transferred £293.4 million ($327.7 million assuming conversion into USD) of unfunded commitments related to a mixed-use development property located in London, United Kingdom to entities managed by affiliates of the Manager.

Term Loan

In March 2021, Apollo Global Funding, LLC, an affiliate of the Manager, served as one of the eight arrangers for the issuance of our 2028 Term Loan and received $0.2 million of arrangement fees. In addition, funds managed by an affiliate of the Manager invested in $30.0 million of the 2028 Term Loan.

Senior Secured Notes

In June 2021, Apollo Global Securities, LLC, an affiliate of the Manager, served as one of the eight initial purchasers in the issuance of our 2029 Notes and received $0.4 million of initial purchasers' discounts and commissions.

Italian Direct Lending Structure

In the fourth quarter of 2021, we formed an Italian closed-end alternative investment fund (the "AIF"), managed by Apollo Investment Management Europe (Luxembourg) S.A R.L, a regulated alternative investment fund manager (the "AIFM"), an affiliate of the Manager. The management fees incurred during years ended December 31, 2024, 2023 and 2022, respectively, were de minimis. As of December 31, 2024 and 2023, the fees payable to the AIFM were de minimis.

Atlas Facility

In February 2023, in connection with the acquisition by certain subsidiaries of Atlas, which is a wholly-owned investment of a fund managed by an affiliate of the Manager, the Credit Suisse Facility was acquired by Atlas. In order to effect the assignment of the Credit Suisse Facility and related agreements, the Company and one of its subsidiaries, similar to the other sellers and guarantors party to the subject agreements in the transaction, entered into an Omnibus Assignment, Assumption and Amendment Agreement as well as certain related agreements with Credit Suisse AG and Atlas. At the time of acquisition, we had $632.3 million of secured debt on the Credit Suisse Facility consisting of four commercial mortgage loans.

As of December 31, 2024 and 2023, we had $462.9 million and $669.3 million of secured debt on the Atlas Facility consisting of five and four commercial mortgage loans, respectively. Refer to "Note 15 - Related Party Transactions" for further discussion regarding the transaction.

Revolving Credit Facility

On March 3, 2023, we entered into the Revolving Credit Facility administered by Bank of America, N.A. The Revolving Credit Facility provides up to $170.0 million of borrowings secured by qualifying commercial mortgage loans and real property owned assets. The Revolving Credit Facility has a term of three years, maturing in March 2026. The Revolving Credit Facility enables us to borrow on qualifying commercial mortgage loans for up to two years and real property owned assets for up to six months. As of December 31, 2023 we had $147.0 million outstanding on the Revolving Credit Facility. During the year ended December 31, 2023, we recorded $282.8 thousand in unused fees and $168.3 thousand in contractual interest expense.

Barclays Private Securitization

We are party to a private securitization with Barclays Bank plc (the "Barclays Private Securitization"). Commercial mortgage loans currently financed under the Barclays Securitization are denominated in GBP, EUR and SEK.

The Barclays Private Securitization does not include daily margining provisions and grants us significant discretion to modify certain terms of the underlying collateral including waiving certain loan-level covenant breaches and deferring or waiving of debt service payments for up to 18 months. The securitization includes loan-to-value based covenants with deleveraging requirements that are based on significant declines in the value of the collateral as determined by an annual third-party (engaged by us) appraisal process tied to the provisions of the underlying loan agreements. We believe this provides us with both cushion and predictability to avoid sudden unexpected outcomes and material repayment requirements.

The table below provides principal balances and the carrying value for commercial mortgage loans pledged to the Barclays Private Securitization as of December 31, 2023 and December 31, 2022 ($ in thousands):

	December 31, 2023		
Local Currency	Count	Outstanding Principal	Carrying Value
GBP	7	$ 1,662,457	$ 1,643,979
EUR	6	1,021,272	1,012,987
SEK	1	248,088	246,220
Total	14	$ 2,931,817	$ 2,903,186

	December 31, 2022		
Local Currency	Count	Outstanding Principal	Carrying Value
GBP	7	$ 1,495,616	$ 1,475,241
EUR	5	752,531	747,240
SEK	1	248,064	245,714
Total	13	$ 2,496,211	$ 2,468,195

The table below provides the borrowings outstanding (on an as converted basis) and weighted-average fully-extended maturities by currency for the assets financed under the Barclays Private Securitization as of December 31, 2023 ($ in thousands):

	Borrowings Outstanding(1)	Fully-Extended Maturity(2)
Total/Weighted-Average GBP	$ 1,234,740	June 2026
Total/Weighted-Average EUR	723,947	May 2026(3)
Total/Weighted-Average SEK	198,470	May 2026
Total/Weighted-Average Securitization	$ 2,157,157	June 2026

(1) As of December 31, 2023, we had £969.9 million, €655.8 million, and kr2.0 billion of borrowings outstanding under the Barclays Private Securitization secured by certain of our commercial mortgage loans.

(2) Assumes underlying loans extend to fully extended maturity and extensions at our option are exercised.

(3) The EUR portion of the Barclays Private Securitization has an "evergreen" feature such that the facility continues for one year and can be terminated by either party on certain dates with, depending on the date of notice, a minimum of nine to twelve months' notice.

The table below provides the borrowings outstanding (on an as converted basis) and weighted-average fully-extended maturities by currency for the assets financed under the Barclays Private Securitization as of December 31, 2022 ($ in thousands):

		Borrowings Outstanding(1)	Fully-Extended Maturity(2)
Total/Weighted-Average GBP		1,125,420	May 2026
Total/Weighted-Average EUR		526,204	July 2025(3)
Total/Weighted-Average SEK		198,452	May 2026
Total/Weighted-Average Securitization	$	1,850,076	February 2026

(1) As of December 31, 2022, we had £931.4 million, €491.6 million, and kr2.1 billion of borrowings outstanding under the Barclays Private Securitization secured by certain of our commercial mortgage loans.

(2) Assumes underlying loans extend to fully extended maturity and extensions at our option are exercised.

(3) The EUR portion of the Barclays Private Securitization has an "evergreen" feature such that the facility continues for one year and can be terminated by either party on certain dates with, depending on the date of notice, a minimum of nine to twelve months' notice.

The table below provides the assets and liabilities of the Barclays Private Securitization VIE included in our consolidated balance sheets ($ in thousands):

		December 31, 2023		December 31, 2022
Assets:				
Cash	$	924	$	758
Commercial mortgage loans, net(1)		2,903,186		2,468,195
Other Assets		41,180		30,992
Total Assets	$	2,945,290	$	2,499,945
Liabilities:				
Secured debt arrangements, net (net of deferred financing costs of $2.0 million and $2.3 million in 2023 and 2022, respectively)	$	2,155,197	$	1,847,799
Accounts payable, accrued expenses and other liabilities(2)		9,083		8,814
Total Liabilities	$	2,164,280	$	1,856,613

(1) Net of the General CECL Allowance of $8.3 million and $8.2 million as of December 31, 2023 and December 31, 2022, respectively.

(2) Includes General CECL Allowance related to unfunded commitments on commercial mortgage loans, net of $2.5 million and $2.9 million as of December 31, 2023 and December 31, 2022, respectively.

The table below provides the net income (loss) of the Barclays Private Securitization VIE included in our consolidated statement of operations ($ in thousands):

	Year ended December 31,			
		2023		2022
Net Interest Income:				
Interest income from commercial mortgage loans	$	217,132	$	126,847
Interest expense		(113,910)		(51,487)
Net interest income	$	103,222	$	75,360
General and administrative expense		(16)		—
Decrease (increase) in current expected credit loss allowance, net		277		1,101
Foreign currency translation gain (loss)		29,425		(62,058)
Net Income	$	132,908	$	14,403

At December 31, 2023, our borrowings had the following remaining maturities ($ in thousands):

		Less than 1 year		1 to 3 years		3 to 5 years		More than 5 years		Total
JPMorgan Facility	$	268,118	$	793,262	$	—	$	—	$	1,061,380
Deutsche Bank Facility		95,686		180,129		—		—		275,815
Atlas Facility		—		88,167		581,135		—		669,302
HSBC Facility		—		665,368		—		—		665,368
Goldman Sachs Facility		—		13,437		—		—		13,437
Barclays Facility		—		—		107,929		—		107,929

MUFG Securities Facility	—	204,690	—	—	204,690
Churchill Facility	—	126,515	—	—	126,515
Santander Facility - USD	—	67,500	—	—	67,500
Santander Facility - EUR	55,716	—	—	—	55,716
Barclays Private Securitization	367,657	1,387,849	401,651	—	2,157,157
Revolving Credit Facility	77,000	70,000	—	—	147,000
Total	$ 864,177	$ 3,596,917	$ 1,090,715	$ —	$ 5,551,809

The table above reflects the fully extended maturity date of the facility and assumes facilities with an "evergreen" feature continue to extend through the fully-extended maturity of the underlying asset and assumes underlying loans are extended with consent of financing providers.

The table below summarizes the outstanding balances at December 31, 2023, as well as the maximum and average month-end balances for the year ended December 31, 2023 for our borrowings under secured debt arrangements ($ in thousands).

	As of December 31, 2023		For the year ended December 31, 2023	
	Balance	Collateral(1)	Maximum Month-End Balance	Average Month-End Balance
JPMorgan Facility	$ 1,061,380	$ 1,871,854	$ 1,324,226	$ 1,190,651
Deutsche Bank Facility	275,815	419,170	385,818	322,676
Goldman Sachs Facility	13,437	28,533	70,249	30,482
Atlas Facility	669,302	933,085	688,126	667,794
HSBC Facility	665,368	860,134	667,430	651,758
Barclays Facility	107,929	129,439	111,909	110,729
MUFG Securities Facility	204,690	278,223	206,362	200,447
Churchill Facility	126,515	168,138	130,000	128,094
Santander Facility - USD	67,500	99,648	75,000	68,125
Santander Facility - EUR	55,716	74,288	55,716	54,347
Barclays Private Securitization	2,157,157	2,911,470	2,157,157	1,896,144
Revolving Credit Facility	147,000	319,048	147,000	93,500
Total	$ 5,551,809	$ 8,093,030		

(1) Represents the amortized cost balance of commercial loan collateral assets and the value of net real estate assets of real property owned collateral assets.

The table below summarizes the outstanding balances at December 31, 2022, as well as the maximum and average month-end balances for the year ended December 31, 2022 for our borrowings under secured debt arrangements ($ in thousands).

	As of December 31, 2022		For the year ended December 31, 2022	
	Balance	Collateral(1)	Maximum Month-End Balance	Average Month-End Balance
JPMorgan Facility	$ 1,373,598	$ 2,376,154	$ 1,584,171	$ 1,411,644
Deutsche Bank Facility	385,818	565,387	432,455	400,337
Goldman Sachs Facility	70,249	116,619	164,607	140,599
Atlas Facility	632,747	855,119	633,143	541,245
HSBC Facility	637,313	813,716	660,004	501,674
Barclays Facility	111,909	138,510	172,693	102,664
MUFG Securities Facility	194,272	261,319	194,272	156,499
Santander Facility	53,320	71,093	53,320	50,450
Barclays Private Securitization	1,850,076	2,476,349	1,963,837	1,828,794
Total	$ 5,309,302	$ 7,674,266		

(1) Represents the amortized cost balance of commercial loan collateral assets.

7 – Secured Debt Covenants

The guarantees related to our secured debt arrangements contain the following financial covenants: (i) tangible net worth must be greater than $1.25 billion plus 75% of the net cash proceeds of any equity issuance after March 31, 2017; (ii) our ratio of total indebtedness to tangible net worth cannot be greater than 3.75:1 (ratio is 4.00:1 for our Revolving Credit Facility); and (iii) our liquidity cannot be less than an amount equal to the greater of 5% of total recourse indebtedness or $30.0 million. Under these covenants, our General CECL Allowance is added back to our tangible net worth calculation. Our Revolving Credit Facility contains an additional financial covenant to maintain a minimum interest coverage ratio of 1.4:1. During October 2023, we modified our interest coverage ratio covenant related to our Revolving Credit Facility to a minimum of 1.4:1 from a minimum of 1.5:1.

We were in compliance with the covenants under each of our secured debt arrangements at December 31, 2023 and December 31, 2022. The impact of macroeconomic conditions on the commercial real estate markets and global capital markets, including increased interest rates, foreign currency fluctuations, changes to fiscal and monetary policy, slower economic growth or recession, labor shortages, and recent distress in the banking sector, may make it more difficult to meet or satisfy these covenants in the future.

Note 8 – Senior Secured Term Loans, Net

In May 2019, we entered into a $500.0 million 2026 Term Loan, which matures in May 2026 and contains restrictions relating to liens, asset sales, indebtedness, and investments in non-wholly owned entities. The 2026 Term Loan was issued at a price of 99.5%. During the second quarter of 2023, the 2026 Term Loan transitioned from LIBOR to SOFR and currently bears interest at SOFR plus 2.86%.

In March 2021, we entered into an additional $300.0 million 2028 Term Loan, with substantially the same terms as the 2026 Term Loan, which matures in March 2028 and contains restrictions relating to liens, asset sales, indebtedness, and investments in non-wholly owned entities. The 2028 Term Loan was issued at a price of 99.0%. During the second quarter of 2023, the 2028 Term Loan transitioned from LIBOR to SOFR and currently bears interest at SOFR (with a floor of 0.50%) plus 3.61%.

The Term Loans are amortizing with repayments of 0.25% per quarter of the total committed principal. During the years ended December 31, 2023 and 2022, we repaid $5.0 million of principal related to the 2026 Term Loan. During the years ended December 31, 2023 and 2022, we repaid $3.0 million of principal respectively related to the 2028 Term Loan.

The following table summarizes the terms of the Term Loans as of December 31, 2023 ($ in thousands):

	Principal Amount	Unamortized Issuance Discount(1)	Deferred Financing Costs(1)	Carrying Value	Rate	Maturity Date
2026 Term Loan	$ 477,500	$ (833)	$ (4,302)	$ 472,365	2.86 %	5/15/2026
2028 Term Loan	291,750	(1,786)	(3,179)	286,785	3.61 %	3/11/2028
Total	$ 769,250	$ (2,619)	$ (7,481)	$ 759,150		

(1)Unamortized issuance discount and deferred financing costs will be amortized to interest expense over remaining life of respective term loans.

The following table summarizes the terms of the Term Loans as of December 31, 2022 ($ in thousands):

	Principal Amount	Unamortized Issuance Discount(1)	Deferred Financing Costs(1)	Carrying Value	Rate	Maturity Date
2026 Term Loan	$ 482,500	$ (1,190)	$ (6,106)	$ 475,204	2.75 %	5/15/2026
2028 Term Loan	294,750	(2,214)	(3,927)	288,609	3.50 %	3/11/2028
Total	$ 777,250	$ (3,404)	$ (10,033)	$ 763,813		

(1)Unamortized issuance discount and deferred financing costs will be amortized to interest expense over remaining life of respective term loans.

Covenants

The financial covenants of the Term Loans include the requirements that we maintain: (i) a maximum ratio of total recourse debt to tangible net worth of 4:1; and (ii) a maximum ratio of total unencumbered assets to total pari-passu indebtedness of 2.50:1. We were in compliance with the covenants under the Term Loans at December 31, 2023 and December 31, 2022.

Interest Rate Cap

During the second quarter of 2020, we entered into a three-year interest rate cap to cap LIBOR at 0.75%. This effectively limited the maximum all-in coupon on our 2026 Term Loan to 3.50%.

During 2022 and 2023 through the interest rate cap maturity on June 15, 2023, LIBOR exceeded the cap rate of 0.75%. As such we realized gains from the interest rate cap. These gains are included in gain (loss) on interest rate hedging instruments in our consolidated statement of operations, of $9.7 million and $5.7 million during the years ended December 31, 2023 and December 31, 2022, respectively.

Subsequent to the interest rate cap maturity on June 15, 2023, the effective all-in coupon on our 2026 Term Loan increased to one month SOFR plus the spread of 2.86%.

Note 9 – Senior Secured Notes, Net

In June 2021, we issued $500.0 million of 4.625% 2029 Notes, for which we received net proceeds of $495.0 million, after deducting initial purchasers' discounts and commissions. The 2029 Notes will mature on June 15, 2029, unless earlier repurchased or redeemed. The 2029 Notes are secured by a first-priority lien, and rank pari-passu in right of payment with all of our existing and future first lien obligations, including indebtedness under the Term Loans. The 2029 Notes were issued at par and contain covenants relating to liens, indebtedness, and investments in non-wholly owned entities. The 2029 Notes had a carrying value of $495.6 million and $494.8 million, net of deferred financing costs of $4.4 million and $5.2 million, as of December 31, 2023 and December 31, 2022, respectively.

Covenants

The 2029 Notes include certain covenants including a requirement that we maintain a ratio of total unencumbered assets to total pari-passu indebtedness of at least 1.20:1. As of December 31, 2023 and December 31, 2022, we were in compliance with all covenants.

Note 10 – Convertible Senior Notes, Net

In two separate offerings during 2017, we issued an aggregate principal amount of $345.0 million of 4.75% 2022 Notes, for which we received $337.5 million, after deducting the underwriting discount and offering expenses. During the third quarter of 2022, we repaid the $345.0 million aggregate principal amount of the 2022 Notes in cash at par.

During the fourth quarter of 2018, we issued $230.0 million of 5.375% 2023 Notes, for which we received $223.7 million after deducting the underwriting discount and offering expenses.

We could not redeem the 2023 Notes prior to maturity except in limited circumstances. During the year ended December 31, 2023, we repurchased $53.9 million aggregate principal amount of the 2023 Notes at a weighted average price of 99.1%. These transactions happened in the open market as a result of reverse inquiries from investors with no solicitation from us. As a result of these transactions, during the year ended December 31, 2023, we recorded a gain of $0.5 million, within gain on extinguishment of debt in our December 31, 2023 consolidated statement of operations. The gain represents the difference between the repurchase price and the carrying amount of the 2023 Notes, net of the proportionate amount of unamortized debt issuance costs. During the fourth quarter of 2023, we repaid the remaining $176.1 million outstanding principal of the 2023 Notes in cash at par.

The following table summarizes the terms of the 2023 Notes as of December 31, 2022 ($ in thousands):

	Principal Amount	Coupon Rate	Effective Rate (1)	Conversion Rate (2)	Maturity Date	Remaining Period of Amortization
2023 Notes	230,000	5.38 %	5.85 %	48.7187	10/15/2023	0.79
Total	$ 230,000					

(1) Effective rate includes the effect of the adjustment for the conversion option (See footnote (2) below), the value of which reduced the initial liability and was recorded in additional paid-in-capital. The effective rate as of both December 31, 2023 and December 31, 2022 reflects adoption of ASU 2020-06 "Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity" ("ASU 2020-06") and early extinguishment of debt.

(2) We have the option to settle any conversions in cash, shares of common stock or a combination thereof. The conversion rate represents the number of shares of common stock issuable per one thousand principal amount of the Convertible Notes converted and includes adjustments relating to cash dividend payments made by us to stockholders that have been deferred and carried-forward in accordance with, and are not yet required to be made pursuant to, the terms of the applicable supplemental indenture.

On January 1, 2022, we adopted ASU 2020-06, which no longer require the liability and equity components of convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) to be separately accounted for in a manner that reflects the issuer's nonconvertible debt borrowing rate. Prior to the adoption of ASU 2020-06, we attributed $15.4 million of the proceeds to the equity component of the Convertible Notes ($11.0 million to the 2022 Notes and $4.4 million to the 2023 Notes), which represented the excess proceeds received over the fair value of the liability component of the Convertible Notes at the date of issuance. The equity component of the Convertible Notes had been reflected within additional paid-in capital on our consolidated balance sheets until January 1, 2022 when we adopted ASU 2020-06 through the modified retrospective approach. Upon adoption, we (i) reclassified $12.0 million of previously recorded amortization related to the equity component of the Convertible Notes from retained earnings to additional paid-in-capital and (ii) reclassified the remaining unamortized balance of $3.4 million to additional paid-in-capital, which increased the cost basis of Convertible Notes and decreased additional paid-in-capital on the consolidated balance sheets.

The aggregate contractual interest expense was approximately $8.6 million, $22.9 million, and $28.8 million for the years ended December 31, 2023, 2022, and 2021, respectively. With respect to the amortization of the discount on the liability component of the Convertible Notes as well as the amortization of deferred financing costs, we reported additional non-cash interest expense of approximately $1.2 million, $2.5 million, and $6.3 million for the years ended December 31, 2023, 2022, and 2021, respectively.

Note 11 – Derivatives

We use forward currency contracts to economically hedge interest and principal payments due under our loans denominated in currencies other than USD.

We have entered into a series of forward contracts to sell an amount of foreign currency (GBP, EUR and SEK) for an agreed upon amount of USD at various dates through February 2027. These forward contracts were executed to economically fix the USD amounts of foreign denominated cash flows expected to be received by us related to foreign denominated loan investments.

The agreements with our derivative counterparties require that we post collateral to secure net liability positions. As of both December 31, 2023 and 2022, we were in a net asset position with all of our derivative counterparties and did not have any collateral posted under these derivative contracts.

The following table summarizes our non-designated foreign exchange forwards and interest rate cap as of December 31, 2023:

	December 31, 2023				
Type of Derivatives	Number of Contracts	Aggregate Notional Amount (in thousands)	Notional Currency	Maturity	Weighted-Average Years to Maturity
Fx contracts - GBP	97	938,903	GBP	January 2024 - February 2027	1.13
Fx contracts - EUR	135	561,441	EUR	January 2024 - August 2026	1.08
Fx contracts - SEK	17	690,740	SEK	February 2024 - May 2026	2.16
Interest rate cap	1	164,835	USD	October 2024	0.75

The following table summarizes our non-designated foreign exchange forwards and interest rate cap as of December 31, 2022:

	December 31, 2022				
Type of Derivatives	Number of Contracts	Aggregate Notional Amount (in thousands)	Notional Currency	Maturity	Weighted-Average Years to Maturity
Fx contracts - GBP	124	936,930	GBP	January 2023 - February 2027	1.78
Fx contracts - EUR	130	576,240	EUR	January 2023 - November 2025	1.78
Fx contracts - SEK	19	730,432	SEK	February 2023 - May 2026	2.95
Interest rate cap	1	500,000	USD	June 2023	0.46

We have not designated any of our derivative instruments as hedges as defined in ASC 815, "Derivatives and Hedging" and, therefore, changes in the fair value of our derivative instruments are recorded directly in earnings. The following table summarizes the amounts recognized on our consolidated statements of operations related to our forward currency contracts for the years ended December 31, 2023, 2022, and 2021 ($ in thousands):

		Amount of gain (loss) recognized in income		
		Year ended December 31,		
	Location of Gain (Loss) Recognized in Income	2023	2022	2021
Forward currency contracts	Unrealized gain (loss) on derivative instruments	$ (91,434)	$ 104,159	$ 46,714
Forward currency contracts	Realized gain (loss) on derivative instruments	43,221	42,822	(5,040)
Total		$ (48,213)	$ 146,981	$ 41,674

In June 2020, we entered into an interest rate cap for approximately $1.1 million, which matured on June 15, 2023. Our interest rate cap managed our exposure to variable cash flows on our borrowings under the senior secured term loan by effectively limiting LIBOR from exceeding 0.75%. This limited the maximum all-in coupon on our senior secured term loan to 3.50%. The unrealized gain or loss related to the interest rate cap was recorded net under unrealized gain on interest rate hedging instruments in our consolidated statement of operations. During 2022 and 2023 through the interest rate cap maturity, LIBOR exceeded the cap rate of 0.75%. As such we realized gains from the interest rate cap in amounts of $9.7 million and $5.7 million, which are included in gain (loss) on interest rate hedging instruments in our consolidated statement of operations during the years ended December 31, 2023 and December 31, 2022, respectively. There was no realized gain recorded during the year ended December 31, 2021.

On September 26, 2023, we entered into an interest rate cap with a notional amount of $164.8 million. We use our interest rate cap to hedge our exposure to variable cash flows on our construction financing. The interest rate cap effectively limits SOFR from exceeding 4.00% which results in the maximum all-in coupon on our construction financing of 6.55%. The unrealized gain or loss related to the interest rate cap was recorded under gain on interest rate hedging instruments in our consolidated statement of operations. During 2023, SOFR exceeded the cap rate of 4.00%. As such, during the year ended December 31, 2023, we realized a gain from the interest rate cap in the amount of $0.6 million, which is included in gain (loss) on interest rate hedging instruments in our consolidated statement of operations.

The following table summarizes the amounts recognized on our consolidated statements of operations related to our interest rate caps for the years ended December 31, 2023, 2022, and 2021 ($ in thousands):

		Amount of gain (loss) recognized in income		
		Year ended December 31,		
	Location of Gain (Loss) recognized in Income	2023	2022	2021
Interest rate cap	Unrealized gain (loss) on interest rate hedging instruments	$ (10,098)	$ 7,692	$ 1,314
Interest rate cap	Realized gain on interest rate hedging instruments	9,684	5,671	—
Total		$ (414)	$ 13,363	$ 1,314

The following tables summarize the gross asset and liability amounts related to our derivatives at December 31, 2023 and December 31, 2022 ($ in thousands):

	December 31, 2023			December 31, 2022		
	Gross Amount of Recognized Assets	Gross Amounts Offset in our Consolidated Balance Sheet	Net Amounts of Assets Presented in our Consolidated Balance Sheet	Gross Amount of Recognized Assets	Gross Amounts Offset in our Consolidated Balance Sheet	Net Amounts of Assets Presented in our Consolidated Balance Sheet
Forward currency contracts	$ 55,102	$ (27,037)	$ 28,065	$ 143,285	$ (23,786)	$ 119,499
Interest rate cap	1,360	—	1,360	9,141	—	9,141

Total derivative assets (liabilities)	$ 56,462	$ (27,037)	$ 29,425	$ 152,426	$ (23,786)	$ 128,640

Note 12 – Participations Sold

Participations sold represented the subordinate interests in loans we originated and subsequently partially sold. We account for participations sold as secured borrowings on our consolidated balance sheet with both assets and non-recourse liabilities because the participations do not qualify as a sale under ASC 860. The income earned on the participations sold is recorded as interest income and an identical amount is recorded as interest expense in our consolidated statements of operations.

In December 2020, we sold a £6.7 million ($8.9 million assuming conversion into USD at time of transfer) interest, at par, in a first mortgage loan collateralized by an office building located in London, United Kingdom that was originated by us in December 2017. In connection with this sale, we transferred our remaining unfunded commitment of £19.1 million ($25.3 million assuming conversion into USD at time of transfer). The participation interest sold was subordinate to our first mortgage loan and was accounted for as a secured borrowing on our consolidated balance sheet. In January 2023, the first mortgage loan, including participations sold, was fully satisfied, including all contractual and default interest accrued to date.

The table below details participations sold included in our consolidated balance sheets ($ in thousands):

	December 31, 2023	December 31, 2022
Participation sold on commercial mortgage loans	$ —	$ 25,1
Total participations sold	$ —	$ 25,1

Note 13 – Accounts Payable, Accrued Expenses and Other Liabilities

The following table details the components of our accounts payable, accrued expense and other liabilities ($ in thousands):

	December 31, 2023	December 31, 2022
Collateral held under derivative agreements	$ 25,820	$ 138,620
Accrued dividends payable	53,407	53,203
Accrued interest payable	31,012	23,943
Accounts payable and other liabilities(1)	6,078	7,247
General CECL Allowance on unfunded commitments(2)	4,017	4,347
Total	$ 120,334	$ 227,360

(1) Includes $5.5 million and $1.1 million of accounts payable and other liabilities on the balance sheet of the Real Estate Owned, Held for Investment at December 31, 2023 and 2022, respectively.

(2) Refer to "Note 4 - Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Arrangements, Net" for additional disclosure related to the General CECL Allowance on unfunded commitments as of December 31, 2023 and 2022, respectively. discussion.

Note 14 – Income Taxes

We have elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, commencing

Massachusetts Healthcare

In September 2024, we, along with the taxable year ended December 31, 2009. As Apollo Co-Lenders, formed a REIT, U.S. federal income tax law generally requires us to distribute annually at least 90% joint venture of our REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and that which we pay tax at regular corporate rates to the extent that held a 41.2% equity interest. Through this joint venture, we annually distribute less than 100% of our net taxable income. We

are also subject to U.S. federal, state and local income taxes on our TRSs based on the tax jurisdictions in which they operate.

During the year ended December 31, 2023, we recorded a current income tax provision of $0.4 million related to activities of our taxable REIT subsidiaries. We did not record any income tax provision during the years ended December 31, 2022 and 2021.

As of December 31, 2023, we had a $0.6 million income tax asset related to the operating activities of our TRS entities. There were no income tax assets or liabilities as of December 31, 2022. As of December 31, 2023 and 2022, there were no material deferred tax assets or liabilities.

As of December 31, 2023, we had net operating losses of $13.7 million and capital losses of $25.2 million that may be carried forward for use in subsequent periods.

As of December 31, 2023, tax years 2019 through 2023 remain subject to examination by taxing authorities.

Note 15 – Related Party Transactions

Management Agreement

In connection with our initial public offering in September 2009, we entered into a management agreement (the "Management Agreement") with the Manager, which describes the services to be provided by the Manager and its compensation for those services. The Manager is responsible for managing our day-to-day operations, subject to the direction and oversight of our board of directors.

Pursuant to the terms of the Management Agreement, the Manager is paid a base management fee equal to 1.5% per annum of our stockholders' equity (as defined in the Management Agreement), calculated and payable (in cash) quarterly in arrears.

The term of the Management Agreement was automatically renewed for a successive one-year term on September 29, 2023 and will automatically renew on each anniversary thereafter. The Management Agreement may be terminated upon expiration of the one-year extension term only upon the affirmative vote of at least two-thirds of our independent directors, based upon (1) unsatisfactory performance by the Manager that is materially detrimental to ARI or (2) a determination that the management fee payable to the Manager is not fair, subject to the Manager's right to prevent such a termination based on unfair fees by accepting a mutually acceptable reduction of management fees agreed to by at least two-thirds of our independent directors. The Manager must be provided with written notice of any such termination at least 180 days prior to the expiration of the then existing term and will be paid a termination fee equal to three times the sum of the average annual base management fee during the 24-month period immediately preceding the date of termination, calculated as of the end of the most recently completed fiscal quarter prior to the date of termination. Following a meeting of our independent directors in February 2024, which included a discussion of the Manager's performance and the level of the management fees thereunder, we determined not to seek termination of the Management Agreement.

We incurred approximately $38.0 million, $38.4 million and $38.2 million in base management fees under the Management Agreement for the years ended December 31, 2023, 2022, and 2021 respectively.

In addition to the base management fee, we are also responsible for reimbursing the Manager for certain expenses paid by the Manager Apollo Co-Lenders foreclosed on our behalf or for certain services provided by the Manager to us. For the years ended December 31, 2023, 2022, and 2021 we paid expenses totaling $6.4 million, $5.5 million and $4.0 million respectively, related to reimbursements for certain expenses paid by the Manager on our behalf under the Management Agreement. Expenses incurred by the Manager and reimbursed by us are reflected in the respective consolidated statement of operations expense category or our consolidated balance sheets based on the nature of the item.

Included in payable to related party on our consolidated balance sheets at December 31, 2023 and 2022 is approximately $9.6 million and $9.7 million, respectively, for base management fees incurred but not yet paid under the Management Agreement.

Loans receivable

We own three mezzanine loans and a commercial mortgage that are secured by the same ultra-luxury residential property currently under construction in Manhattan, NY. During the third quarter of 2021, a vehicle managed by an affiliate of the Manager transferred its Junior Mezzanine B Loan position to the Company and in connection with this transfer, one of the property's subordinate capital providers paid eight Massachusetts hospitals that previously secured our loan. In accordance with ASC Topic 323, "Investments – Equity Method and Joint Ventures," our 41.2% interest in the vehicle a price representing the original principal balance on the Junior

Mezzanine B Loan position with the vehicle agreeing to forego its accrued interest on the Junior Mezzanine B Loan. During the third quarter of 2022, we refinanced our mezzanine loans, and originated a commercial mortgage loan as part of joint venture was deemed an overall recapitalization. The mezzanine positions held by entities managed by affiliates of the Manager were repaid. Refer to "Note 4 - Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net" for additional information.

During the third quarter of 2022, we transferred £293.4 million ($327.7 million assuming conversion into USD) of unfunded commitments related to a mixed-use development property located in London, United Kingdom to entities managed by affiliates of the Manager.

During the first quarter of 2023, we transferred interests in, (i) three commercial mortgage loans secured by various properties in Europe, with aggregate commitments of €205.7 million (of which €115.0 million was funded at the time of sale), and (ii) a partial interest of £15.0 million in a commercial mortgage loan secured by a mixed-use property located in London, United Kingdom. These transfers were made to entities managed by affiliates of the Manager. Refer to equity method investment. See "Massachusetts Healthcare" within "Note 4 – Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net" for additional disclosure. full discussion.

Term Loan

In March 2021, Apollo Global Funding, LLC, an affiliate of the Manager, served as one of the eight arrangers for the issuance of our 2028 Term Loan and received $0.2 million of arrangement fees. In addition, funds managed by an affiliate of the Manager invested in $30.0 million of the 2028 Term Loan.

Senior Secured Notes

In June 2021, Apollo Global Securities, LLC, an affiliate of the Manager, served as one of the eight initial purchasers in the issuance of our 2029 Notes and received $0.4 million of initial purchasers' discounts and commissions.

Italian Direct Lending Structure

In the fourth quarter of 2021, we formed an Italian closed-end alternative investment fund (the "AIF"), managed by Apollo Investment Management Europe (Luxembourg) S.A R.L, a regulated alternative investment fund manager (the "AIFM"), an affiliate of the Manager. The fees incurred during the year ended December 31, 2023 were de minimis. During the year ended December 31, 2022, the AIF incurred $60,117 in fees payable to the AIFM, which is recorded in Management fees to related party in our consolidated statement of operations.

Atlas Facility

On February 8, 2023, in connection with the acquisition by certain subsidiaries of Atlas, which is a wholly-owned investment of a fund managed by an affiliate of the Manager, the Credit Suisse Facility was acquired by Atlas. In order to effect the assignment of the Credit Suisse Facility and related agreements, the Company and one of its subsidiaries, similar to the other sellers and guarantors party to the subject agreements in the transaction, entered into an Omnibus Assignment, Assumption

and Amendment Agreement as well as certain related agreements with Credit Suisse AG and Atlas. At the time of acquisition, we had $632.3 million of secured debt on the Credit Suisse Facility consisting of four commercial mortgage loans. During the year ended December 31, 2023, one commercial mortgage loan was added to the Atlas Facility totaling $83.0 million in secured debt. As of December 31, 2023, we had $669.3 million of secured debt on the Atlas Facility consisting of four commercial mortgage loans. Refer to "Note 7 – Secured Debt Arrangements, Net" for additional discussion.

Note 16 – Share-Based Payments

On September 23, 2009, our board of directors approved

In June 2024, we adopted the Apollo Commercial Real Estate Finance, Inc. 2009 2024 Equity Incentive Plan ("2009 2024 LTIP") and on April 16, 2019, following approval by our board of directors approved and approval by our stockholders at our 2024 annual meeting of stockholders on June 7, 2024 (the “2024 Annual Meeting”). Following the Amended and Restated 2024 Annual Meeting, no additional awards have been or will be granted under the Apollo Commercial Real Estate Finance, Inc. 2019 Equity Incentive Plan ("2019 LTIP," and together with the 2009 2024 LTIP, the "LTIPs" or "Equity Incentive Plans"), which amended and restated the 2009 LTIP. Following the approval of the 2019 LTIP by our stockholders at our 2019 annual meeting of stockholders on June 12, 2019, no additional awards have been or will be granted under the 2009 LTIP and all outstanding awards granted under the 2009 2019 LTIP remain in effect in accordance with the terms in the 2009 2019 LTIP.

The 2019 2024 LTIP provides for grants of restricted common stock, restricted stock units ("RSUs") and other equity-based awards up to an aggregate of 7,000,000 7,500,000 shares of our common stock. The LTIPs are administered by the compensation committee of our board of directors (the "Compensation Committee") and all grants under the LTIPs must be approved by the Compensation Committee.

We recognized stock-based compensation expense of $17.4 $16.5 million, $18.3 $17.4 million and $17.6 $18.3 million during the years ended December 31, 2023 December 31, 2024, 2022, 2023 and 2021 2022, respectively, related to restricted stock and RSU vesting.

The following table summarizes the grants, vesting and forfeitures of restricted common stock and RSUs during the years year ended December 31, 2023, 2022, and 2021: December 31, 2024:

Type	Restricted Stock	RSUs	Grant Date Fair Value ($ in millions)
Outstanding at December 31, 2020	82,235	2,455,853	
Granted	45,185	1,323,487	$ 18.2
Vested	(82,235)	(1,136,525)	N/A
Forfeiture	—	(44,874)	N/A
Outstanding at December 31, 2021	45,185	2,597,941	
Granted	49,434	1,541,135	$ 18.2
Vested	(38,517)	(1,260,456)	N/A
Forfeiture	—	(13,466)	N/A
Outstanding at December 31, 2022	56,102	2,865,154	
Granted	75,754	1,082,564	$ 13.8
Vested	(52,768)	(1,389,059)	N/A
Forfeiture	—	(20,327)	N/A
Outstanding at December 31, 2023	79,088	2,538,332	

Type	Restricted Stock	RSUs	Grant Date Fair Value ($ in millions)
Outstanding at December 31, 2021	45,185	2,597,941	
Granted	49,434	1,541,135	$ 18.2
Vested	(38,517)	(1,260,456)	N/A
Forfeiture	—	(13,466)	N/A
Outstanding at December 31, 2022	56,102	2,865,154	

Granted	75,754	1,082,564	$	13.8
Vested	(52,768)	(1,389,059)		N/A
Forfeiture	—	(20,327)		N/A
Outstanding at December 31, 2023	79,088	2,538,332		
Granted	63,980	1,048,407	$	10.1
Vested	(79,088)	(1,291,059)		N/A
Forfeiture	—	(52,421)		N/A
Outstanding at December 31, 2024	63,980	2,243,259		

Below is a summary of restricted stock and RSU vesting dates as of December 31, 2023 December 31, 2024:

:

Vesting Year	Restricted Stock	RSUs	Total Awards
2025	63,980	1,193,965	1,257,945
2026	—	699,816	699,816
2027	—	349,478	349,478
Total	63,980	2,243,259	2,307,239

Vesting Year	Restricted Stock	RSUs	Total Awards
2024	79,088	1,307,502	1,386,590
2025	—	869,960	869,960
2026	—	360,870	360,870
Total	79,088	2,538,332	2,617,420

At December 31, 2023 December 31, 2024, we had unrecognized compensation expense of approximately $0.2 $0.2 million and $30.5 $23.5 million related to the vesting of restricted stock awards and RSUs, respectively, noted in the table above. The unrecognized compensation expense related to the vesting of restricted awards and RSUs are expected to be recognized over a weighted average weighted-average period of 1.6 years.

RSU Deliveries

During the years ended December 31, 2023 December 31, 2024, 2022 2023 and 2021 2022, we delivered 765,456, 686,856 652,501 and 553,008652,501 shares of common stock for 1,405,134,1,264,352 1,145,090 and 953,3971,145,090 vested RSUs, respectively. We allow RSU participants to settle their tax liabilities with a reduction of their share delivery from the originally granted and vested RSUs. The amount, when agreed to by the participant, results in a cash payment to the Manager related to this tax liability and a corresponding adjustment to additional paid in capital on our consolidated statement of changes in stockholders' equity. The adjustment was $6.9 $7.5 million, $7.0 $6.9 million and $4.4 $7.0 million for the years ended December 31, 2023 December 31, 2024, 2022 2023 and 2021, 2022, respectively. The adjustment is a reduction of capital related to our equity incentive plan Equity Incentive Plans and is presented net of increases of capital related to our equity incentive plan Equity Incentive Plans in our consolidated statement of changes in stockholders' equity.

Note 17 – Stockholders' Stockholders' Equity

Our authorized capital stock consists of 450,000,000 shares of common stock, $0.01 $0.01 par value per share and 50,000,000 shares of preferred stock, $0.01 $0.01 par value per share. As of December 31, 2023 December 31, 2024, 141,358,605138,174,636 shares of common stock were issued

and outstanding and 6,770,393 shares of 7.25% our 7.25% Series B-1 Cumulative Redeemable Perpetual Preferred Stock ("Series B-1 Preferred Stock Stock") were issued and outstanding. The Series B-1 Preferred Stock, with a par value $0.01 $0.01 per share, have a liquidation preference of $25.00 $25.00 per share.

Dividends. The following table details our dividend activity:

	Year ended December 31,		
Dividends declared per share of:	2023	2022(1)	2021
Common Stock	$1.40	$1.40	$1.40
Series B Preferred Stock	N/A	N/A	$1.00

Series B-1 Preferred Stock	$1.81	$1.81	$0.90

	Year Ended December 31,		
Dividends declared per share of:	2024	2023	2022(1)
Common Stock	$ 1.20	$ 1.40	$ 1.40
Series B-1 Preferred Stock	$ 1.81	$ 1.81	$ 1.81

(1) As our aggregate 2022 distributions did not exceed our earnings and profits, $0.1185 $0.1185 of the January 2023 distribution declared in the fourth quarter of 2022, and payable to common stockholders of record as of December 31, 2022, was treated as a 2022 distribution for U.S. federal income tax purposes.

The federal income tax classification

Common Stock Repurchases. During the year ended December 31, 2024, we repurchased 4,013,405 shares, of our common stock dividends were 84% taxable as ordinary and 16% return at a weighted-average price of capital, 100% taxable as ordinary, and 100% taxable as ordinary for the taxable years ended December 31, 2023, 2022 and 2021, respectively.

The federal income tax classification of our Series B-1 Preferred stock dividends were 100% taxable as ordinary for each of the years ended December 31, 2023, 2022 and 2021.

Common Stock Repurchases. $10.15 per share. There was no common stock repurchase activity during the years ended December 31, 2023, 2022 and 2021. 2022.

As of December 31, 2023 December 31, 2024, there was $172.2 million remaining authorized the approximate dollar value of shares that may yet be purchased under our stock repurchase program. program was $131.6 million.

Note 18 – Commitments and Contingencies

Legal Proceedings. Proceedings

From time to time, we may be involved in various claims and legal actions arising in the ordinary course of business.

AmBase Corporation: On June 28, 2018, AmBase Corporation, 111 West 57th Street Manager Funding LLC and 111 West 57th Investment LLC commenced a now-dismissed action captioned AmBase Corporation et al v. ACREFI Mortgage Lending, LLC et al (No 653251/2018) in New York Supreme Court (the "Apollo Action"). The complaint named as defendants (i) a wholly-owned subsidiary of the Company (the "Subsidiary"), (ii) the Company, and (iii) certain funds managed by Apollo, who were co-lenders on a mezzanine loan against the development of a residential condominium building in Manhattan, New York. The plaintiffs alleged that the defendants tortiously interfered with the plaintiffs’ plaintiffs' joint venture agreement with the developers of the project, and that the defendants aided and abetted breaches of fiduciary duty by the developers of the project. The plaintiffs alleged the loss of a $70.0 $70.0 million investment plus punitive damages. The defendants' motion to dismiss was granted on October 23, 2019 and the Court entered judgment dismissing the complaint in its entirety on November 8, 2019. Plaintiffs appealed, the parties fully briefed the appeal, and then Plaintiffs dropped the appeal, and the case remains dismissed.

Plaintiffs amended the complaint in a separate action in 2021, 111 West 57th Investment LLC v. 111W57 Mezz Investor LLC (No. 655031/2017) also in New York Supreme Court (the "April 2021 Action") to name Apollo Global Management, Inc., the Subsidiary, the Company, and certain funds managed by Apollo as defendants. The April 2021 Action concerns overlapping claims and the same condominium development project that the Apollo Action concerned. The defendants filed a motion to dismiss, which was granted in part and denied in part on December 15, 2022. The Court dismissed the claim against Apollo Global Management, Inc. and the Company. Apollo appealed the decision with respect to the remaining claim. On October 5, 2023, the Appellate Division, First Department granted Apollo’s Apollo's appeal, thereby dismissing the remaining claim against the Apollo entities who were co-lenders on the mezzanine loan, including the Subsidiary. Plaintiffs filed a motion for leave with the Court of Appeals on November 3, 2023 which remains pending. the Court denied on April 23, 2024. On July 12, 2024, Plaintiffs filed new motions for leave to appeal to the Court of Appeals, despite the earlier ruling. No reasonable estimate of possible loss, if any, can be made at this time. The Company believes the new motions are without merit.

Massachusetts Healthcare: On September 4, 2024, Saint Elizabeth LLC, which is indirectly owned by a subsidiary of the Company and certain affiliates of Apollo, filed a lawsuit against the Commonwealth, as well as Maura Healey, the Governor of the Commonwealth, and Kathleen Walsh, the Commonwealth’s Secretary of Health and Human Services. The action is pending before the Land Court in Boston, Massachusetts. The lawsuit seeks equitable relief, including declaring that the taking of the real property associated with St. Elizabeth's Medical Center was void and of no effect. On January 3, 2025, the court dismissed the

Secretary of Health and Human Services from the case. The court also amended its original schedule, with a trial now scheduled to begin on May 19, 2025. The lawsuit is separate from any future action that could be filed over the valuation of the property and the payment received from the Commonwealth in connection with the taking of the property by eminent domain.

Loan Commitments. Commitments

As described in "Note 4 - – Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net" at December 31, 2023 December 31, 2024, we had $869 $840.6 million of unfunded commitments related to our commercial mortgage and subordinate loans. The timings and amounts of fundings are uncertain as these commitments relate to loans for construction costs, capital expenditures, leasing costs, interest and carry costs, among others. As such, the timings and amounts of future fundings depend on the progress and performance of the underlying assets of our loans. Certain of our lenders are contractually obligated to fund their ratable portion of these loan commitments over time, while other lenders have some degree of discretion over future loan funding obligations. The total unfunded commitment is expected to be funded over the remaining 3.24.5 years weighted average weighted-average tenor of these loans.

Note 19 – Fair Value of Financial Instruments

The following table presents the carrying value and estimated fair value of our financial instruments not carried at fair value on our consolidated balance sheets at December 31, 2023 December 31, 2024 and December 31, 2022 December 31, 2023 ($ in thousands):

	December 31, 2024		December 31, 2023	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Cash and cash equivalents	$ 317,396	$ 317,396	$ 225,438	$ 225,438
Commercial mortgage loans, net	6,715,347	6,616,694	7,925,359	7,813,304
Subordinate loans, net	388,809	388,780	432,734	432,458
Secured debt arrangements, net	(4,814,973)	(4,814,973)	(5,538,476)	(5,538,476)
Senior secured term loans, net	(754,210)	(757,772)	(759,150)	(754,197)
Senior secured notes, net	(496,433)	(432,500)	(495,637)	(418,750)
Debt related to real estate owned, held for investment, net	(324,587)	(324,587)	(161,586)	(161,586)

	December 31, 2023		December 31, 2022	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Cash and cash equivalents	$ 225,438	$ 225,438	$ 222,030	$ 222,030
Commercial mortgage loans, net	7,925,359	7,813,304	8,121,109	8,083,410
Subordinate loans and other lending assets, net(1)	432,734	432,458	560,881	558,740
Secured debt arrangements, net	(5,538,476)	(5,538,476)	(5,296,825)	(5,296,825)
Term loans, net	(759,150)	(754,197)	(763,813)	(731,709)
Senior secured notes, net	(495,637)	(418,750)	(494,844)	(400,950)
2023 Notes	—	—	(229,361)	(225,366)
Debt related to real estate owned, held for investment, net	(161,586)	(161,586)	(160,294)	(160,294)
Participations sold	—	—	(25,130)	(25,130)

(1) Includes subordinate risk retention interests in securitization vehicles with an estimated fair value that approximates their carrying value.

To determine estimated fair values of the financial instruments listed above, market rates of interest, which include credit assumptions, are used to discount contractual cash flows. The estimated fair values are not necessarily indicative of the amount we could realize on disposition of the financial instruments. The use of different market assumptions or estimation methodologies could have a material effect on the estimated fair value amounts. Estimates of fair value for cash and cash equivalents, convertible senior secured notes, net, and Term Loans, net are measured using observable Level I inputs as defined in "Note 3 - – Fair Value Disclosure." Estimates of fair value for all other financial instruments in the table above are measured using significant estimates, or unobservable Level III inputs as defined in "Note 3 - – Fair Value Disclosure."

Note 20 – Net Income (Loss) per Share

ASC Topic 260, "Earnings per share" Per Share" requires the use of the two-class method of computing both basic and diluted earnings (loss) per share for all periods presented for each class of common stock and participating security as if all earnings for the period had been distributed. securities. Under the two-class method, during periods of net income, the net income is first reduced for dividends declared on all classes of securities to arrive at undistributed earnings. During periods of net losses, the net loss is reduced for dividends declared on participating securities only if the security has the right to participate in the earnings of the entity (distributed and an objectively determinable contractual obligation to share in net losses of the entity.

The remaining earnings undistributed) are allocated to common stockholders shares and participating securities according to the extent that each security shares in earnings as if all their respective rights to receive dividends. The unvested RSUs granted under our Equity Incentive Plans to certain employees of the Manager qualify as participating securities as RSUs have non-forfeitable rights to participate in dividends. Therefore, unvested RSUs are included in the calculation of basic earnings per share.

Dilutive earnings per share is calculated under the more dilutive computation of the treasury stock method and the "if-converted" method. Under the treasury stock method, the denominator includes the weighted-average outstanding common shares, plus the incremental shares related to participating securities. The incremental shares are determined by subtracting the average unrecognized compensation cost for the period had been distributed. Each total is then divided by the applicable number of shares to arrive at basic earnings per share. For the diluted earnings, the denominator includes all outstanding shares of common average stock and all potential shares of common stock assumed issued if they are dilutive. The numerator is adjusted for any changes in income or loss that would result price from the assumed conversion of these potential shares of common stock.

unvested RSUs.

The table below presents the computation of basic and diluted net income (loss) per share of common stock for the years ended December 31, 2023 December 31, 2024, 2022 2023 and 2021 2022 ($ in thousands except per share data):

	Year Ended December 31,		
Basic Earnings	2024	2023	2022
Net income (loss)	$ (119,636)	$ 58,127	$ 265,232
Less: Preferred dividends	(12,272)	(12,272)	(12,272)
Less: Earnings attributable to participating securities	—	—	—
Less: Dividends on participating securities	(3,252)	(4,353)	(4,132)
Basic Earnings (Loss)	$ (135,160)	$ 41,502	$ 248,828
Dilutive Earnings			
Basic Earnings (Loss)	$ (135,160)	$ 41,502	$ 248,828
Add: Dividends on participating securities	—	—	4,132
Add: Interest expense on Convertible Notes	—	—	25,385
Diluted Earnings (Loss)	$ (135,160)	$ 41,502	$ 278,345
Number of Shares:			
Basic weighted-average shares of common stock outstanding	139,674,140	141,281,286	140,534,635
Diluted weighted-average shares of common stock outstanding	139,674,140	141,281,286	165,504,660
Earnings (Loss) Per Share Attributable to Common Stockholders			
Basic	$ (0.97)	$ 0.29	$ 1.77
Diluted	$ (0.97)	$ 0.29	$ 1.68

	Year ended December 31,		
	2023	2022	2021
Basic Earnings			
Net income (loss)	$ 58,127	$ 265,232	$ 223,515
Less: Preferred dividends	(12,272)	(12,272)	(12,964)
Net income (loss) available to common stockholders	$ 45,855	$ 252,960	$ 210,551
Less: Dividends on participating securities	(4,353)	(4,132)	(3,877)
Basic Earnings (Loss)	$ 41,502	$ 248,828	$ 206,674
Diluted Earnings			
Basic Earnings (Loss)	$ 41,502	$ 248,828	$ 206,674
Add: Dividends on participating securities	—	4,132	3,877
Add: Interest expense on Convertible Notes	—	25,385	35,020
Diluted Earnings	$ 41,502	$ 278,345	$ 245,571
Number of Shares:			
Basic weighted-average shares of common stock outstanding	141,281,286	140,534,635	139,869,244
Diluted weighted-average shares of common stock outstanding	141,281,286	165,504,660	168,402,515

Earnings (Loss) Per Share Attributable to Common Stockholders						
Basic	$	0.29	$	1.77	$	1.48
Diluted	$	0.29	$	1.68	$	1.46

The dilutive effect to earnings per share is determined using the "if-converted" method whereby interest expense on the outstanding Convertible Notes is added back to the diluted earnings per share numerator, and all of the potentially dilutive shares are included in the diluted earnings per share denominator. The Convertible Notes were repaid during the three months ended December 31, 2023 and were therefore excluded from the calculation of dilutive earnings per share. For the years ended December 31, 2022 and 2021, 22,314,191 and 28,533,271 weighted-average potentially issuable shares with respect to the Convertible Notes were included in the dilutive earnings per share denominator because the effect was dilutive. Refer to "Note 10 - Convertible Senior Notes, Net" for further discussion.

For the year ended December 31, 2024, there were no incremental shares related to RSUs included in the calculation of diluted net income per share. For year ended December 31, 2023, 2,932,284 weighted-average unvested RSUs were excluded in the calculation of diluted net income per share because the effect was anti-dilutive. For the year ended December 31, 2022, 2,655,833 weighted-average weighted average unvested RSUs, were included in the calculation of diluted net income per share because the effect was dilutive. For

The Convertible Notes were repaid during the year ended December 31, 2021, 2,456,409 weighted-average unvested RSUs, fourth quarter of 2023 and were therefore excluded in from the calculation of diluted net income dilutive earnings per share for the years ended December 31, 2024 and 2023. For year ended December 31, 2022, 22,314,191 weighted-average potentially issuable shares with respect to the Convertible Notes were included in the dilutive earnings per share denominator because the effect was anti-dilutive. dilutive.

Note 21 – Segment Reporting

We currently operate as one segment, which is also our sole reportable segment. Our chief operating decision maker ("CODM") is our senior management team, comprised of our chief executive officer, our chief financial officer and the chief investment officer of the Manager. The accounting policies of our single reportable segment are consistent with those outlined in our summary of significant accounting policies (refer to "Note 2 – Summary of Significant Accounting Policies").

We generate our revenue primarily from originating, acquiring, investing in, and managing performing commercial mortgage loans, subordinate financings, and other commercial real estate-related debt investments. Additionally, we may find it necessary or desirable to foreclose on certain of the loans we originate or acquire, and if we cannot sell the related property, we would operate the property as real estate owned. The CODM evaluates the performance of any real estate owned assets with that of our commercial mortgage loans, subordinate financings, and other commercial real estate-related debt investments. Additionally, we seek to enhance our returns on equity by utilizing leverage, and generally finance our mortgage loans with leverage obtained through a variety of sources, including secured credit facilities, a revolving credit facility, private securitizations, and corporate-level debt.

The CODM evaluates performance and allocates resources based on consolidated net income (loss), which is also reported as consolidated net income (loss) on our consolidated statement of operations. Our consolidated net income (loss) is

primarily derived through the difference between the interest income earned on our loans and the cost at which we are able to finance them. Accordingly, interest expense, as reported on our consolidated statement of operations, is our most significant segment expense. Additionally, the measure of segment assets is reflected on the balance sheet as total consolidated assets.

The CODM uses consolidated net income (loss) to make key operating decisions, such as identifying attractive investment opportunities, evaluating underwriting standards, determining the appropriate level of leverage to enhance returns on equity and deciding on the sources of financing.

Note 22 – Subsequent Events

Subsequent to the year ended December 31, 2023 December 31, 2024, the following events took place:

Investment Activity: Wecommitted and fully funded a $114.0 million commercial mortgage loan secured by a multifamily property in Miami Gardens, FL. Additionally, we funded approximately $64.5 million $23.9 million for previously closed loans and capitalized an additional $11.7 million of construction and financing costs related to our real estate owned, held for investment. We closed a new secured credit facility with Goldman Sachs (UK) with a total capacity of £164 million ($209 million in USD) in connection with fully funding our £168 million ($213 million in USD) commitment to a first mortgage secured by a portfolio of pubs across the UK in January 2024. loans.

Loan Repayments: We received approximately $15.9 million $40.9 million from loan repayments.

Massachusetts Healthcare: On January 30, 2025, we instructed the transfer of title for the two unsold hospitals, whose deeds were held in escrow as of December 31, 2024, to the Massachusetts Healthcare JV, of which we hold a 41.2% equity interest. See "Massachusetts Healthcare" within "Note 4 – Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net".

Apollo Commercial Real Estate Finance, Inc.

Schedule IV — Mortgage Loans on Real Estate
(1)

As of December 31, 2023
December 31, 2024

($ in thousands)

Description	Number of Loans	Property Type/location	Contractual Interest Rate (1)	Maturity Date(2)	Periodic Payment	Principal Balance	Carrying Value	Principal Amount of Mortgages Subject to Delinquent Principal or Interest
Commercial mortgage loans individually >3%								
Loan A		Retail/United Kingdom	8.4%	Apr-27	Interest Only	$ 481,607	$ 478,646	$ —
Loan B		Retail/United Kingdom	8.3%	Oct-26	Interest Only	416,055	413,662 —	—
Loan C		Healthcare/Northeast	9.1%	Mar-27	Interest Only	354,549	351,523	—
Loan D		Mixed Use/United Kingdom	10.0%	Aug-25	Interest Only	366,861	368,641	—
Loan E		Hotel/Spain	7.0%	Aug-24	Interest Only	349,247	349,247	—
Loan F		Office/United Kingdom	9.7%	Feb-27	Interest Only	286,633	280,572	—
Loan G		Hotel/Various Europe	8.4%	Dec-28	Interest Only	275,975	272,582	—
Commercial mortgage loans individually <3%								
First Mortgage	12	Hotel/Various	8.4%-13.0%	2024-2027	Interest Only	$ 1,483,069	$ 1,483,327	$ —
First Mortgage	7	Office/Various	6.8%-10.3%	2025-2028	Interest Only	1,197,193	1,192,434	—
First Mortgage	7	Residential/Various	0.0%-11.4%	2024-2027	Principal and Interest/ Interest Only	848,219	844,366	192,239
First Mortgage	3	Retail/Various	0.0%-9.7%	2024-2027	Interest Only	554,568	479,347	173,924
First Mortgage	3	Mixed Use/Various	9.1%-11.0%	2024-2027	Interest Only	304,582	310,661	—
First Mortgage	1	Industrial/Sweden	7.3%	May-26	Interest Only	248,088	246,876	—
First Mortgage	1	Healthcare/United Kingdom	9.4%	Oct-24	Principal and Interest	161,021	160,280	—
First Mortgage(3)	5	Other/Various	7.0%-10.6%	2026-2029	Interest Only	722,089	718,917	—
Total Commercial mortgage loans						$ 8,049,756	$ 7,951,081	$ 366,163

Description	Number of Loans	Property Type/location	Contractual Interest Rate (1)	Maturity Date(2)	Periodic Payment	Principal Balance	Carrying Value	Principal Amount of Mortgages Subject to Delinquent Principal or Interest
Subordinate loans and other lending assets individually <3%								
Subordinate Mortgage	2	Residential/New York City	0.0%	Sep-24	Interest Only	$ 529,732	$ 402,872	$ 529,731
Subordinate Mortgage	1	Hotel/Southwest	11.5%	Jul-25	Principal and Interest	23,122	23,122	—
Subordinate Mortgage	1	Office/Midwest	11.0%	Sep-24	Interest Only	7,500	7,500	—

Total Subordinate loans and other lending assets(4)	$ 560,354	$ 433,494	$ 529,731
Total loans(5)	$ 8,610,110	$ 8,384,575	$ 895,894
General CECL Allowance(6)		(26,482)	
Carrying value, net		$ 8,358,093	

Description	Number of Loans	Property Type/location	Contractual Interest Rate (2)	Maturity Date(3)	Periodic Payment(4)	Principal Balance	Carrying Value	Principal Amount of Mortgages Subject to Delinquent Principal or Interest
Commercial mortgage loans individually >3%								
Loan A		Retail/United Kingdom	8.0%	Apr-27	I/O	$ 480,865	$ 479,201	$ —
Loan B		Office/United Kingdom	9.2%	Dec-28	I/O	468,041	462,825	—
Loan C		Hotel/Various Europe	7.4%	Dec-28	I/O	283,891	281,034	—
Loan D		Office/New York City	5.0%	Apr-27	I/O	256,102	255,936	—
Loan E		Retail/New York City	8.6%	Sep-25	I/O	250,398	249,980	—
Loan F		Hotel/Spain	6.5%	Aug-27	I/O	248,775	247,990	—
Loan G		Office/New York City	8.6%	Mar-28	I/O	227,200	226,313	—
Loan H		Residential/United Kingdom	8.0%	Dec-26	I/O	226,975	226,022	—
Loan I		Industrial/Sweden	5.9%	May-26	I/O	223,992	223,346	—
Commercial mortgage loans individually <3%								
First Mortgage	9	Hotel/Various	8.0%-10.1%	2025-2030	I/O	$ 1,047,736	$ 1,046,246	$ —
First Mortgage	8	Residential/Various	6.0%-10.5%	2026-2029	P&I	945,478	941,317	—
First Mortgage	5	Office/Various	5.8%-9.5%	2025-2026	I/O	704,450	704,194	—
First Mortgage	2	Mixed Use/Various	8.3%-9.5%	2025-2027	I/O	359,971	363,210	—
First Mortgage	3	Retail/Various	0.0%-9.0%	2025-2030	P&I	259,187	182,365	173,924
First Mortgage	1	Industrial/United Kingdom	8.20%	Aug-29	I/O	134,181	132,040	—
First Mortgage(5)	5	Other/Various	6.2%-10.1%	2026-2029	I/O	725,368	723,495	—
Total Commercial mortgage loans						$ 6,842,610	$ 6,745,514	$ 173,924

Description	Number of Loans	Property Type/location	Contractual Interest Rate (2)	Maturity Date(3)	Periodic Payment(4)	Principal Balance	Carrying Value	Principal Amount of Mortgages Subject to Delinquent Principal or Interest
Subordinate loans individually >3%								
Loan A	1	Residential/New York City	0.0%	Nov-25	I/O	$ 287,940	$ 287,293	$ 287,940
Subordinate loans individually <3%								
Subordinate Mortgage	2	Residential/New York City	0.0%	Nov-25	I/O	$ 371,160	$ 102,185	$ 371,160
Subordinate Mortgage(6)	1	Office/Midwest	0.0%	Sep-24	I/O	7,500	—	7,500
Total Subordinate loans(7)						$ 666,600	$ 389,478	$ 666,601
Total loans(8)						$ 7,509,210	$ 7,134,992	$ 840,525
General CECL Allowance(9)							(30,836)	
Carrying value, net							$ 7,104,156	

1. Excludes Note receivable, held for sale with an outstanding principal and carrying value of $41.2 million.

(1) 2. Assumes applicable benchmark rate as of December 31, 2023 December 31, 2024 for all floating rate loans. For loans placed on non-accrual nonaccrual the interest rate noted above is 0%0%.

(2) 3. Assumes all extension options are exercised.

(3) 4. Payment terms: P&I = Periodic payment of principal and interest; I/O = Periodic payment of interest only with principal at maturity.

5. Includes a loan loans collateralized by caravan parks, pubs, urban predevelopment, and a portfolio of office, industrial, and retail property types.

(4) 6. Loan matured in September 2024. Negotiations with sponsor currently in process.

7. Subject to prior liens of approximately $228.0 million. $115.5 million. Represents only third-party liens.

(5) 8. The aggregate cost for U.S. federal income tax purposes is $8.5 billion. $7.4 billion.

(6) 9. Excludes $4.0 million $5.9 million of General CECL Allowance related to unfunded commitments on commercial mortgage loans, subordinate loans and other lending assets, net in 2023. 2024.

The following table summarizes the changes in the carrying amounts of our loan portfolio during 2024, 2023 and 2022, respectively ($ in thousands):

Reconciliation of Carrying Amount of Loans	December 31, 2023	December 31, 2022
Balance at beginning of year	$8,681,990	$7,857,260
Loan fundings	929,106	3,624,661
Loan repayments and sales	(1,225,930)	(2,214,621)
Gain (loss) on foreign currency translation	175,707	(356,436)
Realized loss on investments (1)	(86,604)	(24,894)
Transfer to real estate owned, held for sale	(75,000)	(226,459)
Decrease (increase) in Specific CECL Allowance (2)	(59,500)	11,500
Decrease (increase) in General CECL Allowance (3)	(258)	7,364
Deferred fees and other items (4)	(16,453)	(46,874)
Payment-in-kind interest and amortization of fees	35,035	50,489
Balance at the close of year	$8,358,093	$8,681,990

Reconciliation of Carrying Amount of Loans	December 31, 2024	December 31, 2023	December 31, 2022
Balance at beginning of year	$8,358,093	$8,681,990	$7,857,260

(1) During the year ended December 31, 2024, we recorded a $128.2 million net realized loss on investments consisting of (i) a $127.5 million realized loss related to the extinguishment of the Massachusetts Healthcare Loan and (ii) a $0.7 million realized loss related to the sale of a commercial mortgage loan collateralized by a hotel property located in Honolulu, HI, which was sold at a price of 99.5%.

During the year ended December

(2) The During the year ended December 31, 2024, we recorded a net increase in our Specific CECL Allowance increased $59.5 million during 2023. of $149.5 million. This net increase was comprised of Specific CECL Allowances on two of our mezzanine loans and a Specific CECL Allowance on our Massachusetts Healthcare Loan, which was subsequently fully written off. During the year ended December 31, 2023, we the Specific CECL

(3) $5 million, with the write-off of a previously recorded $4.0 million Specific CECL Allowance comprising and comprised of (i) a $17.9 $4.3 $4.3 million loss on a first mortgage loan secured by an urban development property following the sale of the underlying property, and (ii) a $7. .0 million loss, related to a first mortgage secured by the Atlanta hotel in anticipation of a consensual foreclosure in the first quarter of 2023. As of December 31, 2023, December 31, 2024, 2023, and 2022, respectively of the General CECL Allowance is excluded from this table because it relates to unfunded commitments and has been recorded as a liability on our consolidated balance sheets.

(4) Other 4. Other items primarily consist of purchase discounts or premiums, exit fees and deferred origination expenses, as well as $2.5 million $9.1 million, $2.5 million, and $3.2 million $3.2 million in cost recovery proceeds in 2024, 2023, and 2022, respectively.

Item 9. Changes in and Disagreements

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and P

A review and evaluation was performed by

Management's Report on Internal Contr

Our management is responsible for establi

Loan fundings	1,871,792	929,106	3,624,661
Loan repayments and sales	(2,541,740)	(1,225,930)	(2,214,621)

31, 2023, we recorded a $86.6 $86.6 million realized loss on investments primarily comprised of i) (i) a $4.8 million $4.8 million realized loss related to the acquisition of the Atlanta Hotel through a deed-in-lieu of foreclosure and ii) (ii) a $82.0 million $82.0 million realized loss representing a write-off of previously recorded Specific CECL Allowance on one of our subordinate loans secured by an ultra-luxury residential property in Manhattan, NY. These losses were partially offset by a $0.2 $0.2 million gain on investments recorded

Allowance increased $59.5 million. We recorded a $141.5 $141.5 million increase to our Specific CECL Allowance, related to two mezzanine loans secured by the same ultra-luxury residential property in Manhattan, NY. As of June 30, 2023, $82.0 $82.0 million related to the most junior mezzanine loan was deemed unrecoverable. Accordingly, $82.0 $82.0 million of previously recorded Specific CECL was written-off and recorded as a realized loss within net realized loss on investments during the

Gain (loss) on foreign currency translation	(133,477)	175,707	(356,436)	in connection with the sale of our entire interest in three commercial loans secured by properties in Europe and a partial interest in one commercial loan secured by property located in London, United Kingdom. During the year ended December 31, 2022, we recorded a $24.9 million realized loss on investments	second quarter of 2023. The $11.5 million $11.5 million decrease during the year ended December 31, 2022 was comprised of i) (i) a reversal and write-off of a previously recorded Specific CECL Allowance of $53.0 million $53.0 million and $15.0 million, $15.0 million, respectively, on an urban predevelopment first mortgage loan in Miami, FL and ii) (ii) a $10.0 million $10.0 million reversal of a previously recorded Specific CECL Allowance on a loan related to a multifamily development in Brooklyn, NY. These write-offs and

Realized losses on investments (1)	()128,191	()86,604	()24,894
Transfer to Other Assets	(159,667)	(75,000)	(226,459)

reversals recorded during the year ended December 31, 2022 were offset by the Specific CECL Allowance of $66.5 million $66.5 million recorded in relation to a mezzanine loan secured by our interest in an ultra-luxury residential property in Manhattan, NY.

Decrease (increase) in Specific CECL Allowance (2)	(149,500)	(59,500)	11,500

Decrease (increase) in General CECL Allowance (3)	(4,354)	(258)	7,364

Deferred Fees and other items (4)	(39,554)	(16,453)	(46,874)

Payment-in-kind interest and amortization of fees	30,754	35,035	50,489
Balance at the close of year	$ 7,104,156	$ 8,358,093	$ 8,681,990