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DELTA REPORT

10-Q

ARI - APOLLO COMMERCIAL REAL ES

10-Q - SEPTEMBER 30, 2024 COMPARED TO 10-Q - JUNE 30, 2024

The following comparison report has been automatically generated

TOTAL DELTAS 1347

■ CHANGES	507
■ DELETIONS	376
■ ADDITIONS	464

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended **June September 30, 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

(State or other jurisdiction of
incorporation or organization)

27-0467113

(I.R.S. Employer
Identification No.)

Apollo Commercial Real Estate Finance, Inc.

c/o Apollo Global Management, Inc.

9 West 57th Street, 42nd Floor,
New York, New York 10019

(Address of principal executive offices) (Zip Code)

(212) 515-3200

(Registrant's telephone number, including area code)

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, \$0.01 par value	ARI	New York Stock Exchange

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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of **August 5, 2024** October 29, 2024, there were **138,346,757** **138,174,636** shares, \$0.01 par value per share, of the registrant's common stock issued and outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Apollo Commercial Real Estate Finance, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets (Unaudited) (in thousands—except share data)

June 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
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Assets:				
Cash and cash equivalents	\$ 174,703	\$ 225,438	\$ 194,287	\$ 225,438
Commercial mortgage loans, net ⁽¹⁾⁽³⁾	7,909,125	7,925,359	7,456,389	7,925,359
Subordinate loans, net ⁽²⁾⁽³⁾	384,777	432,734	374,222	432,734
Real estate owned, held for investment, net ⁽⁴⁾ (net of \$18,541 and \$10,404 accumulated depreciation in 2024 and 2023, respectively)	665,568	519,498		
Real estate owned, held for investment, net ⁽⁴⁾ (net of \$20,883 and \$10,404 accumulated depreciation in 2024 and 2023, respectively)	708,478	519,498		
Other assets	90,467	85,623	364,136	85,623
Derivative assets, net	47,749	29,425	577	29,425
Assets related to real estate owned, held for sale	—	78,653	—	78,653
Total Assets	\$ 9,272,389	\$ 9,296,730	\$ 9,098,089	\$ 9,296,730
Liabilities and Stockholders' Equity				
Liabilities:				
Secured debt arrangements, net	\$ 5,628,925	\$ 5,538,476	\$ 5,513,945	\$ 5,538,476
Senior secured term loans, net	756,673	759,150	755,441	759,150
Senior secured notes, net	496,033	495,637	496,233	495,637
Debt related to real estate owned, held for investment, net	235,418	161,562	278,837	161,562
Accounts payable, accrued expenses and other liabilities ⁽⁵⁾	149,113	120,334	165,850	120,334
Derivative liabilities, net	10,592	—		
Payable to related party	9,179	9,553	8,803	9,553
Liabilities related to real estate owned, held for sale	—	3,285	—	3,285
Total Liabilities	7,275,341	7,087,997	7,229,701	7,087,997
Commitments and Contingencies (see Note 18)				
Stockholders' Equity:				
Preferred stock, \$0.01 par value, 50,000,000 shares authorized, Series B-1, 6,770,393 shares issued and outstanding (\$169,260 liquidation preference) in 2024 and 2023 (see Note 17)	68	68	68	68
Common stock, \$0.01 par value, 450,000,000 shares authorized, 138,438,433 and 141,358,605 shares issued and outstanding in 2024 and 2023, respectively	1,385	1,414		
Common stock, \$0.01 par value, 450,000,000 shares authorized, 138,169,164 and 141,358,605 shares issued and outstanding in 2024 and 2023, respectively	1,382	1,414		
Additional paid-in-capital	2,690,660	2,727,488	2,691,776	2,727,488
Accumulated deficit	(695,065)	(520,237)	(824,838)	(520,237)
Total Stockholders' Equity	1,997,048	2,208,733	1,868,388	2,208,733
Total Liabilities and Stockholders' Equity	\$ 9,272,389	\$ 9,296,730	\$ 9,098,089	\$ 9,296,730

(1) Includes carrying value of \$7,897,660 7,456,389 and \$7,705,491 7,691,141 pledged as collateral under secured debt arrangements in 2024 and 2023, respectively.

(2) Includes carrying value of \$232,991 pledged 232,817 as collateral under secured debt arrangements in 2023.

(3) Net of \$377,819 376,692 and \$219,482 CECL Allowances comprised of \$342,500 and \$193,000 Specific CECL Allowance and \$35,319 34,192 and \$26,482 General CECL Allowance in 2024 and 2023, respectively.

(4) Includes \$76,179 and \$154,048 pledged as collateral under secured debt arrangements in 2023, 2024 and 2023, respectively.

(5) Includes \$3,622 3,850 and \$4,017 of General CECL Allowance related to unfunded commitments on commercial mortgage loans and subordinate loans, net in 2024 and 2023, respectively.

See notes to unaudited condensed consolidated financial statements.

Apollo Commercial Real Estate Finance, Inc. and Subsidiaries

Condensed Consolidated Statement of Operations (Unaudited)

(in thousands—except share and per share data)

					Three Months Ended September 30,		Nine Months Ended September 30,	
	Three Months Ended June 30,		Six Months Ended June 30,		2024	2023	2024	2023
	2024	2023	2024	2023	2024	2023	2024	2023
Net interest income:								
Interest income from commercial mortgage loans	\$ 179,388	\$ 174,124	\$ 363,104	\$ 340,271	\$ 179,921	\$ 180,441	\$ 543,025	\$ 520,712
Interest income from subordinate loans and other lending assets	842	5,110	1,691	14,817	1,210	1,599	2,901	16,416
Interest expense	(128,472)	(116,278)	(256,359)	(221,146)	(134,088)	(121,817)	(390,447)	(342,963)
Net interest income	\$ 51,758	\$ 62,956	\$ 108,436	\$ 133,942	\$ 47,043	\$ 60,223	\$ 155,479	\$ 194,165
Revenue from real estate owned operations	29,350	29,208	53,207	45,339	24,530	20,934	77,737	66,273
Total net revenue	\$ 81,108	\$ 92,164	\$ 161,643	\$ 179,281	\$ 71,573	\$ 81,157	\$ 233,216	\$ 260,438
Operating expenses:								
General and administrative expenses (includes equity-based compensation of \$4,157 and \$8,345 in 2024 and \$4,377 and \$8,735 in 2023, respectively)	\$ (7,488)	\$ (7,471)	\$ (14,861)	\$ (14,486)				
General and administrative expenses (includes equity-based compensation of \$4,165 and \$12,510 in 2024 and \$4,356 and \$13,091 in 2023, respectively)	\$ (7,547)	\$ (7,664)	\$ (22,408)	\$ (22,150)				
Management fees to related party	(9,173)	(9,390)	(18,594)	(18,907)	(8,801)	(9,518)	(27,395)	(28,425)
Operating expenses related to real estate owned	(21,767)	(19,961)	(41,660)	(33,967)	(19,879)	(18,950)	(61,539)	(52,917)
Depreciation and amortization on real estate owned	(2,287)	(2,202)	(6,943)	(6,188)	(2,342)	(1,020)	(9,285)	(7,208)
Total operating expenses	\$ (40,715)	\$ (39,024)	\$ (82,058)	\$ (73,548)	\$ (38,569)	\$ (37,152)	\$ (120,627)	\$ (110,700)
Other income, net	\$ 641	\$ 2,340	\$ 1,211	\$ 3,072	\$ 1,573	\$ 1,465	\$ 2,784	\$ 4,537
Increase in current expected credit loss allowance, net	(10,258)	(61,648)	(157,942)	(66,038)				
Decrease (increase) in current expected credit loss allowance, net	899	5,833	(157,043)	(60,205)				
Foreign currency translation gain (loss)	(1,362)	21,557	(20,925)	40,191	60,102	(44,165)	39,177	(3,974)
Gain (loss) on foreign currency forward contracts (includes unrealized gains (losses) of \$911 and \$18,964 in 2024 and (\$20,102) and (\$55,953) in 2023, respectively)	6,377	(17,116)	29,775	(31,251)				
Gain (loss) on interest rate hedging instruments (includes unrealized gains (losses) of (\$457) and (\$651) in 2024 and (\$4,328) and (\$9,141) in 2023, respectively)	94	55	450	(52)				
Reversal of valuation allowance, commercial mortgage loan held for sale	679	—	—	—				
Gain (loss) on foreign currency forward contracts (includes unrealized gains (losses) of (\$57,621) and (\$38,657) in 2024 and \$28,244 and (\$27,709) in 2023, respectively)	(59,535)	39,490	(29,760)	8,239				
Gain (loss) on interest rate hedging instruments (includes unrealized gains (losses) of (\$562) and (\$1,213) in 2024 and (\$70) and (\$9,211) in 2023, respectively)	(14)	(70)	436	(122)				
Net realized loss on investments	(679)	(81,980)	(679)	(86,604)	(127,512)	—	(128,191)	(86,604)

Gain on extinguishment of debt	—	252	—	465	—	30	—	495
Net income (loss) before taxes	\$ 35,885	\$ (83,400)	\$ (68,525)	\$ (34,484)	\$ (91,483)	\$ 46,588	\$ (160,008)	\$ 12,104
Income tax provision	(100)	—	(214)	—	(66)	(517)	(280)	(517)
Net income (loss)	\$ 35,785	\$ (83,400)	\$ (68,739)	\$ (34,484)	\$ (91,549)	\$ 46,071	\$ (160,288)	\$ 11,587
Preferred dividends	(3,068)	(3,068)	(6,136)	(6,136)	(3,068)	(3,068)	(9,204)	(9,204)
Net income (loss) available to common stockholders	\$ 32,717	\$ (86,468)	\$ (74,875)	\$ (40,620)	\$ (94,617)	\$ 43,003	\$ (169,492)	\$ 2,383
Net income (loss) per share of common stock:								
Basic	\$ 0.23	\$ (0.62)	\$ (0.54)	\$ (0.30)	\$ (0.69)	\$ 0.30	\$ (1.23)	\$ —
Diluted	\$ 0.23	\$ (0.62)	\$ (0.54)	\$ (0.30)	\$ (0.69)	\$ 0.30	\$ (1.23)	\$ —
Basic weighted-average shares of common stock outstanding	140,438,676	141,341,238	141,154,140	141,207,597	138,246,827	141,350,428	140,177,962	141,255,730
Diluted weighted-average shares of common stock outstanding	140,611,532	141,341,238	141,154,140	141,207,597	138,246,827	141,350,428	140,177,962	141,255,730
Dividend declared per share of common stock	\$ 0.35	\$ 0.35	\$ 0.70	\$ 0.70	\$ 0.25	\$ 0.35	\$ 0.95	\$ 1.05

See notes to unaudited condensed consolidated financial statements.

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Apollo Commercial Real Estate Finance, Inc. and Subsidiaries

Condensed Consolidated Statement of Changes in Stockholders' Equity (Unaudited) (in thousands—except share and per share data)

	Preferred Stock				Common Stock				Additional		Accumulated		
	Shares		Par		Shares		Par		Capital		Deficit		Total
	Shares	Par	Shares	Par	Shares	Par	Capital	Deficit					
Balance at January 1, 2024	6,770,393	\$ 68	141,358,605	\$ 1,414	\$ 2,727,488	\$ (520,237)	\$ 2,208,733						
Capital increase (decrease) related to Equity													
Incentive Plan	—	—	738,110	7	(3,093)	—	(3,086)						
Net loss	—	—	—	—	—	—	(104,524)	(104,524)					
Dividends declared on preferred stock - \$0.45 per share	—	—	—	—	—	—	(3,068)	(3,068)					
Dividends declared on common stock and RSUs - \$0.35 per share	—	—	—	—	—	—	(50,620)	(50,620)					
Balance at March 31, 2024	6,770,393	\$ 68	142,096,715	\$ 1,421	\$ 2,724,395	\$ (678,449)	\$ 2,047,435						
Capital increase related to Equity Incentive Plan	—	—	65,490	1	4,147	—	4,148						
Repurchase of common stock	—	—	(3,723,772)	(37)	(37,882)	—	(37,919)						
Net Income	—	—	—	—	—	—	35,785	35,785					
Dividends declared on preferred stock - \$0.45 per share	—	—	—	—	—	—	(3,068)	(3,068)					
Dividends declared on common stock and RSUs - \$0.35 per share	—	—	—	—	—	—	(49,333)	(49,333)					
Balance at June 30, 2024	6,770,393	\$ 68	138,438,433	\$ 1,385	\$ 2,690,660	\$ (695,065)	\$ 1,997,048						
	Preferred Stock				Common Stock				Preferred		Additional		
	Shares	Par	Shares	Par	Capital	Deficit	Total		Stock	Common Stock	Paid-In-	Accumulated	
Balance at January 1, 2023	6,770,393	\$ 68	140,595,995	\$ 1,406	\$ 2,716,907	\$ (363,877)	\$ 2,354,504						
Balance at January 1, 2024	6,770,393	\$ 68	141,358,605	\$ 1,414	\$ 2,727,488	\$ (520,237)	\$ 2,208,733						

Capital increase (decrease)														
related to Equity Incentive Plan	—	—	670,044	7	(2,352)	—	(2,345)	—	—	738,110	7	(3,093)	—	(3,086)
Net income	—	—	—	—	—	—	48,916	48,916						
Net Loss	—	—	—	—	—	—	(104,524)	(104,524)						
Dividends declared on preferred stock - \$0.45 per share	—	—	—	—	—	—	(3,068)	(3,068)	—	—	—	—	(3,068)	(3,068)
Dividends declared on common stock and RSUs - \$0.35 per share	—	—	—	—	—	—	(50,446)	(50,446)	—	—	—	—	(50,620)	(50,620)
Balance at March 31, 2023	6,770,393	\$ 68	141,266,039	\$ 1,413	\$ 2,714,555	\$ (368,475)	\$ 2,347,561							
Balance at March 31, 2024	6,770,393	\$ 68	142,096,715	\$ 1,421	\$ 2,724,395	\$ (678,449)	\$ 2,047,435							
Capital increase related to Equity Incentive Plan	—	—	77,138	—	4,365	—	4,365	—	65,490	1	4,147	—	4,148	
Net loss	—	—	—	—	—	—	(83,400)	(83,400)						
Repurchase of common stock	—	—	(3,723,772)	(37)	(37,882)	—	(37,919)							
Net Income	—	—	—	—	—	—	35,785	35,785						
Dividends declared on preferred stock - \$0.45 per share	—	—	—	—	—	—	(3,068)	(3,068)	—	—	—	—	(3,068)	(3,068)
Dividends declared on common stock and RSUs - \$0.35 per share	—	—	—	—	—	—	(50,467)	(50,467)	—	—	—	—	(49,333)	(49,333)
Balance at June 30, 2023	6,770,393	\$ 68	141,343,177	\$ 1,413	\$ 2,718,920	\$ (505,410)	\$ 2,214,991							
Balance at June 30, 2024	6,770,393	\$ 68	138,438,433	\$ 1,385	\$ 2,690,660	\$ (695,065)	\$ 1,997,048							
Capital increase related to Equity Incentive Plan	—	—	20,364	—	4,002	—	4,002							
Repurchase of common stock	—	—	(289,633)	(3)	(2,886)	—	(2,889)							
Net Loss	—	—	—	—	—	—	(91,549)	(91,549)						
Dividends declared on preferred stock - \$0.45 per share	—	—	—	—	—	—	(3,068)	(3,068)						
Dividends declared on common stock and RSUs - \$0.25 per share	—	—	—	—	—	—	(35,156)	(35,156)						
Balance at September 30, 2024	6,770,393	\$ 68	138,169,164	\$ 1,382	\$ 2,691,776	\$ (824,838)	\$ 1,868,388							

See notes to unaudited condensed consolidated financial statements.

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Apollo Commercial Real Estate Finance, Inc. and Subsidiaries

Condensed Consolidated Statement of Cash Flows (Unaudited)

(in thousands)

	Six Months Ended June 30,	
	2024	2023
Cash flows from operating activities:		
Net loss	\$ (68,739)	\$ (34,484)

Adjustments to reconcile net income (loss) to net cash provided by operating activities:

Amortization of discount/premium and payment-in-kind interest	(13,465)	(16,764)
Amortization of deferred financing costs	8,556	7,948
Equity-based compensation	8,345	8,735
Increase in current expected credit loss allowance, net	157,942	66,038
Foreign currency loss (gain)	21,405	(24,264)
Unrealized loss (gain) on foreign currency contracts	(18,964)	55,953
Unrealized loss on interest rate hedging instruments	651	9,141
Depreciation and amortization on real estate owned	6,943	6,188
Gain on extinguishment of debt	—	(465)
Net realized loss on investment	679	86,604

Changes in operating assets and liabilities:

Proceeds received from payment-in-kind interest	—	3,573
Other assets	(1,500)	(7,163)
Payment for interest rate cap	(11)	—
Accounts payable, accrued expenses and other liabilities	1,621	(1,120)
Payable to related party	(374)	(338)

Net cash provided by operating activities

	\$ 103,089	\$ 159,582
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Cash flows from investing activities:

New funding of commercial mortgage loans	(495,280)	(181,017)
Add-on funding of commercial mortgage loans	(410,072)	(181,630)
Add-on funding of subordinate loans	(27,766)	(63,252)
Proceeds received from the repayment and sale of commercial mortgage loans	752,773	607,762
Proceeds received from the repayment of subordinate loans and other lending assets	201	21,672
Origination and exit fees received on commercial mortgage loans, and subordinate loans, net	17,159	4,940
Increase (decrease) in collateral related to derivative contracts, net	25,790	(69,560)
Capital expenditures on real estate assets	(78,340)	(29,433)
Cash received from hotel title assumption	—	569

Net cash provided by (used in) investing activities

	\$ (215,535)	\$ 110,051
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Cash flows from financing activities:

Proceeds from secured debt arrangements	1,177,928	323,236
Proceeds related to financing on real estate owned	74,648	—
Repayments of secured debt arrangements	(1,030,594)	(343,229)
Repayments of senior secured term loan principal	(4,000)	(4,000)
Repayments and repurchases of convertible notes	—	(43,472)
Payment of deferred financing costs	(5,872)	(6,896)
Payment of withholding tax on RSU delivery	(7,284)	(6,714)
Repurchase of common stock	(37,919)	—
Dividends on common stock	(101,459)	(101,089)
Dividends on preferred stock	(6,136)	(6,136)

Net cash provided by (used in) financing activities

	\$ 59,312	\$ (188,300)
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	Preferred Stock		Common Stock		Paid-In-Capital		Additional Accumulated Deficit		Total
	Shares	Par	Shares	Par	\$	\$	\$	\$	
					2,716,907	(363,877)	2,354,504		
Balance at January 1, 2023	6,770,393	\$ 68	140,595,995	\$ 1,406	\$ 2,716,907	\$ (363,877)	\$ 2,354,504		
Capital increase (decrease) related to Equity Incentive Plan	—	—	670,044	7	(2,352)	—	(2,345)		
Net income	—	—	—	—	—	48,916	48,916		
Dividends declared on preferred stock - \$0.45 per share	—	—	—	—	—	(3,068)	(3,068)		

Dividends declared on common stock and RSUs - \$0.35 per share	—	—	—	—	—	—	(50,446)	(50,446)
Balance at March 31, 2023	6,770,393	\$ 68	141,266,039	\$ 1,413	\$ 2,714,555	\$ (368,475)	\$ 2,347,561	
Capital increase related to Equity Incentive Plan	—	—	77,138	—	4,365	—	—	4,365
Net loss	—	—	—	—	—	(83,400)	(83,400)	
Dividends declared on preferred stock - \$0.45 per share	—	—	—	—	—	(3,068)	(3,068)	
Dividends declared on common stock and RSUs - \$0.35 per share	—	—	—	—	—	(50,467)	(50,467)	
Balance at June 30, 2023	6,770,393	\$ 68	141,343,177	\$ 1,413	\$ 2,718,920	\$ (505,410)	\$ 2,214,991	
Capital increase related to Equity Incentive Plan	—	—	9,956	1	4,250	—	—	4,251
Net income	—	—	—	—	—	46,071	46,071	
Dividends declared on preferred stock - \$0.45 per share	—	—	—	—	—	(3,068)	(3,068)	
Dividends declared on common stock and RSUs - \$0.35 per share	—	—	—	—	—	(50,463)	(50,463)	
Balance at September 30, 2023	6,770,393	\$ 68	141,353,133	\$ 1,414	\$ 2,723,170	\$ (512,870)	\$ 2,211,782	

See notes to unaudited condensed consolidated financial statements.

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Apollo Commercial Real Estate Finance, Inc. and Subsidiaries
Condensed Consolidated Statement of Cash Flows (Unaudited)

(in thousands)

	Nine Months Ended September 30,	
	2024	2023
Cash flows from operating activities:		
Net income (loss)	\$ (160,288)	\$ 11,587
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Amortization of discount/premium and payment-in-kind interest	(22,023)	(24,928)
Amortization of deferred financing costs	13,400	11,609
Equity-based compensation	12,510	13,091
Increase in current expected credit loss allowance, net	157,043	60,205
Foreign currency loss (gain)	(34,803)	21,027
Unrealized loss on foreign currency contracts	38,657	27,709
Unrealized loss on interest rate hedging instruments	1,213	9,211
Depreciation and amortization on real estate owned	9,285	7,208
Gain on extinguishment of debt	—	(495)
Net realized loss on investment	128,191	86,604
Changes in operating assets and liabilities:		
Proceeds received from payment-in-kind interest	—	15,407
Other assets	(14,676)	(2,092)
Payment for interest rate cap	(429)	(2,317)
Accounts payable, accrued expenses and other liabilities	22,995	9,404
Payable to related party	(750)	(213)
Net cash provided by operating activities	\$ 150,325	\$ 243,017
Cash flows from investing activities:		
New funding of commercial mortgage loans	(955,328)	(181,017)

Add-on funding of commercial mortgage loans	(490,864)	(264,769)
Add-on funding of subordinate loans	(39,883)	(77,027)
Proceeds received from the repayment and sale of commercial mortgage loans	1,580,003	749,716
Proceeds received from the repayment of subordinate loans and other lending assets	23,122	75,170
Origination fees, other fees, and cost recovery proceeds received on commercial mortgage loans, and subordinate loans, net	34,468	9,191
Decrease in collateral related to derivative contracts, net	(37,370)	(39,360)
Capital expenditures on real estate assets	(123,275)	(47,187)
Cash received from hotel title assumption	—	569
Net cash provided by (used in) investing activities	\$ (9,127)	\$ 225,286
Cash flows from financing activities:		
Proceeds from secured debt arrangements	1,683,234	356,333
Proceeds related to financing on real estate owned	117,572	—
Repayments of secured debt arrangements	(1,752,492)	(508,245)
Repayments of senior secured term loan principal	(6,000)	(6,000)
Repayments and repurchases of convertible notes	—	(53,442)
Payment of deferred financing costs	(9,895)	(7,189)
Payment of withholding tax on RSU delivery	(7,446)	(6,820)
Repurchase of common stock	(40,809)	—
Dividends on common stock	(150,793)	(151,556)
Dividends on preferred stock	(9,204)	(9,204)
Net cash used in financing activities	\$ (175,833)	\$ (386,123)

See notes to unaudited condensed consolidated financial statements.

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Apollo Commercial Real Estate Finance, Inc. and Subsidiaries
Condensed Consolidated Statement of Cash Flows (Unaudited) (Continued)
(in thousands)

	Six Months Ended June		Nine Months Ended September	
	30,		30,	
	2024	2023	2024	2023
Net increase (decrease) in cash and cash equivalents, including cash classified within assets related to real estate owned, held for sale	\$ (53,134)	\$ 81,333	\$ (34,635)	\$ 82,180
Decrease in cash classified within assets related to real estate owned, held for sale	577	2,705	577	3,376
Net increase (decrease) in cash and cash equivalents	\$ (52,557)	\$ 84,038	\$ (34,058)	\$ 85,556
Cash and cash equivalents beginning of period	225,438	222,030	225,438	222,030
Effects of foreign currency translation on cash and cash equivalents	1,822	1,984	2,907	259
Cash and cash equivalents end of period	\$ 174,703	\$ 308,052	\$ 194,287	\$ 307,845
Supplemental disclosure of cash flow information:				
Interest paid	\$ 252,484	\$ 207,604	\$ 374,071	\$ 316,819
Income tax paid	34	795		
Change in secured debt repayments pending servicer remittance	73,278	—		
Change in loan proceeds held by servicer	99,498	129,670		
Supplemental disclosure of non-cash investing and financing activities:				
Dividend declared, not yet paid	\$ 52,401	\$ 53,029	\$ 38,224	\$ 53,531
Change in participation sold	—	(25,130)	—	(25,130)
Change in loan proceeds held by servicer	(837)	52,577		

Assumption of real estate	—	75,000	—	75,000
Assumption of other assets related to real estate owned	—	2,827	—	2,827
Assumption of accounts payable, accrued expenses and other liabilities related to real estate owned	—	(3,396)	—	(3,396)
Transfer of assets to assets related to real estate owned, held for sale	—	79,021	—	79,021
Transfer of assets related to real estate owned, held for sale to assets related to real estate owned held for investment, net	70,688	151,676	70,688	151,676
Transfer of assets related to real estate owned, held for sale to other assets	2,280	4,357	2,280	4,357
Transfer of liabilities to liabilities related to real estate owned, held for sale	—	1,438	—	1,438
Transfer of liabilities related to real estate owned, held for sale to accounts payable, accrued expenses and other liabilities	3,937	7,163	3,937	7,163
Transfer of commercial mortgage loan to other assets	159,667	—	—	—
Restructuring of commercial mortgage loan to subordinate loan	74,304	—	74,304	—

See notes to unaudited condensed consolidated financial statements.

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Apollo Commercial Real Estate Finance, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1 – Organization

Apollo Commercial Real Estate Finance, Inc. (together with its consolidated subsidiaries, is referred to throughout this report as the "Company," "ARI," "we," "us" and "our") is a corporation that has elected to be taxed as a real estate investment trust ("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 were formed in Maryland on June 29, 2009, commenced operations on September 29, 2009 and are externally managed and advised by ACREFI Management, LLC (the "Manager"), an indirect subsidiary of Apollo Global Management, Inc. (together with its subsidiaries, "Apollo").

We 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. To maintain our tax qualification as a REIT, we are required to distribute at least 90% of our taxable income, excluding net capital gains, to stockholders and meet certain other asset, income, and ownership tests.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying condensed consolidated financial statements include our accounts and those of our consolidated subsidiaries. All intercompany amounts have been eliminated. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Our most significant estimates include current expected credit loss ("CECL") allowances. Actual results may differ from estimates.

These unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the Securities and Exchange Commission (the "SEC"). In the opinion of management, all adjustments (consisting only of normal recurring adjustments) necessary to present fairly our financial position, results of operations and cash flows have been included. Our results of operations for the three and **six** nine months ended **June 30, 2024** **September 30, 2024** are not necessarily indicative of the results to be expected for the full year or any other future period.

We currently operate in one reporting segment.

Equity Method Investments

We account for investments in entities under the equity method of accounting where we exercise significant influence over the entity but do not meet the requirements for consolidation. Equity method investments, for which we have not elected a fair value option, are initially recorded at cost and subsequently adjusted for our share of net income or loss and cash contributions and distributions each period. We classify distributions received from equity method investees using the cumulative earnings approach. Distributions received up to the cumulative earnings from each equity method investee, including distributions of operating profits, are considered returns on investment and are presented within

"Cash flows from operating activities" in our condensed consolidated statement of cash flows. Distributions in excess of cumulative earnings, including those in excess of operating profits, are considered returns of investment and are presented within "Cash flows from investing activities" in our condensed consolidated statement of cash flows.

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Recent Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-07 "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures" ("ASU 2023-07"). ASU 2023-07 intends to improve reportable segment disclosure requirements, enhance interim disclosure requirements and provide new segment disclosure requirements for entities with a single reportable segment. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and for interim periods with fiscal years beginning after December 15, 2024. ASU 2023-07 is to be adopted retrospectively to all prior periods presented. We are currently assessing the impact this guidance will have on our consolidated financial statements; however, we do not expect a material impact upon adoption.

In December 2023, the FASB issued ASU 2023-09 "Improvements to Income Tax Disclosures" ("ASU 2023-09"). ASU 2023-09 intends to improve the transparency of income tax disclosures. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024 and is to be adopted on a prospective basis with the option to apply retrospectively. We are currently assessing the impact of this guidance; however, we do not expect a material impact to our consolidated financial statements.

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Note 3 – Fair Value Disclosure

GAAP establishes a hierarchy of valuation techniques based on the observability of the inputs utilized in measuring financial instruments at fair value. Market-based or observable inputs are the preferred source of values, followed by valuation models using management's assumptions in the absence of market-based or observable inputs. The three levels of the hierarchy as noted in Accounting Standards Codification ("ASC") Topic 820, "Fair Value Measurements and Disclosures" ("ASC 820") are described below:

Level I — Quoted prices in active markets for identical assets or liabilities.

Level II — Prices are determined using other significant observable inputs. Observable inputs are inputs that other market participants would use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level III — Prices are determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used.

While we anticipate that our valuation methods are appropriate and consistent with valuation methods used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. We use inputs that are current as of the measurement date, which may include periods of market dislocation, during which price transparency may be reduced.

The fair values of foreign exchange ("Fx") forwards are determined by comparing the contracted forward exchange rate to the current market exchange rate. The current market exchange rates are determined by using market spot rates, forward rates and interest rate curves for the underlying countries. Our Fx forwards are classified as Level II in the fair value hierarchy.

The fair values of our interest rate caps are determined by using the market standard methodology of discounting the future expected cash receipts that occur when variable interest rates rise above the strike rates of the interest rate caps. The variable interest rates used in the calculation of projected receipts on the interest rate caps are based on a third-party expert's expectation of future interest rates derived from observable market interest rate curves and volatility. Our interest rate caps are classified as Level II in the fair value hierarchy and manage our exposure to variable cash flows on certain of our borrowings. As of December 31, 2023, we held one interest rate cap related to our construction financing which was purchased on September 26, 2023. As of June 30, 2024 September 30, 2024, we held two interest rate caps: one related to financing on a full service luxury hotel in Washington D.C. ("D.C. Hotel") which was purchased on June 13, 2024, and one related to our construction financing, which was purchased on September 26, 2023, and extended on September 30, 2024 to October 1, 2025. As of December 31, 2023, we held one interest rate cap related to our construction financing. Refer to "Note 5 – Real Estate Owned" and "Note 11 – Derivatives" for further detail.

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The following table summarizes the levels in the fair value hierarchy into which our assets and liabilities with recurring fair value measurements were categorized as of **June 30, 2024** September 30, 2024 and December 31, 2023 (\$ in thousands):

	Fair Value as of June 30, 2024				Fair Value as of December 31, 2023				Fair Value as of September 30, 2024				Fair Value as of December 31, 2023			
	Level		Level		Level		Level		Level		Level		Level		Level	
	I	Level II	III	Total	I	Level II	III	Total	I	Level II	III	Total	I	Level II	III	Total
Recurring fair value measurements:																
Foreign currency forward, net	\$ —	\$ 47,029	\$ —	\$ 47,029	\$ —	\$ 28,065	\$ —	\$ 28,065	\$ —	\$ (10,592)	\$ —	\$ (10,592)	\$ —	\$ 28,065	\$ —	\$ 28,065
Interest rate cap assets	—	720	—	720	—	1,360	—	1,360	—	577	—	577	—	1,360	—	1,360
Total financial instruments	\$ —	\$ 47,749	\$ —	\$ 47,749	\$ —	\$ 29,425	\$ —	\$ 29,425	\$ —	\$ (10,015)	\$ —	\$ (10,015)	\$ —	\$ 29,425	\$ —	\$ 29,425

Non-recurring Fair Value Measurements

Loans Held for Sale

Loans are classified as held for sale if there is an intent to sell them in the short-term following the reporting date. These loans are recorded at the lower of amortized cost or fair value, less selling costs, unless the fair value option was elected at the

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time of origination. If the loan's fair value, less selling costs, is determined to be less than its amortized cost, a nonrecurring fair value adjustment may be recorded through a valuation allowance.

The fair value of loans held for sale may be estimated using sales of comparable loans as supported by independent market data, or a contractually negotiated sales price. We consider the inputs used to calculate the fair value of loans held for sale as unobservable inputs. Accordingly, we classify the fair value of loans held for sale within Level III of the fair value hierarchy.

During the three months ended June 30, 2024, In April 2024, we sold a commercial mortgage loan collateralized by a hotel property located in Honolulu, HI. The loan was previously classified as held for sale during the first quarter of 2024, and was sold at a price of 99.5% during the second quarter of 2024. We recorded a realized loss of \$0.7 million within realized loss on investments on our condensed consolidated statement of operations for the three and six months ended **June 30, 2024** September 30, 2024. There were no loans classified as held for sale as of **June 30, 2024** September 30, 2024.

Real Estate Owned

Property acquired through foreclosure or deed-in-lieu of foreclosure is classified as real estate owned and recognized at fair value on our condensed consolidated balance sheet upon acquisition in accordance with ASC Topic 805, "Business Combinations" ("ASC 805"). We are required to record real estate owned, a nonfinancial asset, at fair value on a non-recurring basis in accordance with ASC 820. Under ASC 820, we may utilize the income, market or cost approach (or combination thereof) to determine the fair value of real estate owned. We deem the inputs used in these approaches to be significant unobservable inputs. Therefore, we classify the fair value of real estate owned within Level III of the fair value hierarchy.

On March 31, 2023, we acquired legal title of a hotel property in Atlanta, GA ("Atlanta Hotel") through a deed-in-lieu of foreclosure. At the time of acquisition, we determined the fair value of the net real estate assets to be \$75.0 million, using a combination of market and income approaches. We utilized a discount rate and capitalization rate of 10.5% and 9.5%, respectively. During the three months ended June 30, 2023, the Atlanta Hotel's assets and liabilities were reclassified to held for sale and the fair value of the net real estate assets, less costs to sell, was in excess of our cost basis. During the three months ended March 31, 2024, we determined that the sale to a third party from whom we received an unsolicited offer was no longer probable, and we are not actively marketing the property for sale. Therefore, as of March 31, 2024, the Atlanta Hotel no longer met the criteria for held for sale and was reclassified to real estate owned, held for investment. No impairments had been recorded as of **June 30, 2024** September 30, 2024 or December 31, 2023.

On August 3, 2022, we acquired legal title of a multifamily development property located in downtown Brooklyn, NY ("Brooklyn Development") through a deed-in-lieu of foreclosure. We determined the fair value of the real estate assumed to be \$270.1 million, based on the market value of the land at the time of acquisition. No impairments had been recorded as of **June 30, 2024** September 30, 2024 or December 31, 2023.

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On May 24, 2021, we acquired legal title to the D.C. Hotel through a deed-in-lieu of foreclosure. We assumed the D.C. Hotel's assets and liabilities, including a \$110.0 million mortgage loan which we repay at par. At the time of acquisition, we determined the fair value of the real estate assets to be \$154.3 million. No impairments had been recorded as of **June 30, 2024** **September 30, 2024** or December 31, 2023.

Refer to "Note 5 – Real Estate Owned" for additional discussions.

Note 4 – Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net

Our loan portfolio was comprised of the following at **June 30, 2024** **September 30, 2024** and December 31, 2023 (\$ in thousands):

Loan Type	June 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
Commercial mortgage loans, net ⁽¹⁾	\$ 7,909,125	\$ 7,925,359	\$ 7,456,389	\$ 7,925,359
Subordinate loans, net	384,777	432,734	374,222	432,734
Carrying value, net	\$ 8,293,902	\$ 8,358,093	\$ 7,830,611	\$ 8,358,093

(1) Includes \$8.3 million and \$95.5 million in 2024 and 2023, respectively, of contiguous financing structured as subordinate loans.

Our loan portfolio consisted of 96% and 99% floating rate loans, based on amortized cost, **net of Specific CECL Allowance**, as of **June 30, 2024** **September 30, 2024** and December 31, 2023, respectively.

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Activity relating to our loan portfolio for the **six** **nine** months ended **June 30, 2024** **September 30, 2024** was as follows (\$ in thousands):

	Principal Balance	Deferred Fees/Other Items	Specific CECL Allowance	Carrying Value, Net	Principal Balance	Deferred Fees/Other Items	Specific CECL Allowance	Carrying Value, Net
December 31, 2023	\$ 8,610,110	\$ (32,535)	\$ (193,000)	\$ 8,384,575	\$ 8,610,110	\$ (32,535)	\$ (193,000)	\$ 8,384,575
New loan fundings	495,280	—	—	495,280	955,328	—	—	955,328
Add-on loan fundings ⁽¹⁾	437,838	—	—	437,838	530,747	—	—	530,747
Loan repayments and sale	(758,889)	—	—	(758,889)	(1,711,682)	—	—	(1,711,682)
Gain (loss) on foreign currency translation	(76,324)	221	—	(76,103)	155,874	(825)	—	155,049
Increase in Specific CECL Allowance, net	—	—	(149,500)	(149,500)	—	—	(149,500)	(149,500)
Realized loss on investment	(679)	—	—	(679)				
Deferred fees and other items ⁽²⁾	—	(18,540)	—	(18,540)				
Transfer to Other Assets ⁽²⁾	(159,667)	—	—	(159,667)				
Realized loss on investment ⁽³⁾	(137,312)	9,121	—	(128,191)				
Deferred fees and other items ⁽⁴⁾	—	(34,468)	—	(34,468)				
Amortization of fees	—	15,239	—	15,239	—	22,612	—	22,612
June 30, 2024	<u>\$ 8,707,336</u>	<u>\$ (35,615)</u>	<u>\$ (342,500)</u>	<u>\$ 8,329,221</u>				
General CECL Allowance ⁽³⁾				(35,319)				
September 30, 2024	<u>\$ 8,243,398</u>	<u>\$ (36,095)</u>	<u>\$ (342,500)</u>	<u>\$ 7,864,803</u>				
General CECL Allowance ⁽⁵⁾				(34,192)				
Carrying value, net				<u>\$ 8,293,902</u>				<u>\$ 7,830,611</u>

(1) Represents fundings subsequent to loan closing.

(2) Refer to "Massachusetts Healthcare" below for full discussion.

(3) Realized loss on investment includes a \$0.7 million loss on the sale of a commercial mortgage loan collateralized by a hotel property located in Honolulu, HI in April 2024, and a realized loss of \$127.5 million during the third quarter of 2024 related to Massachusetts Healthcare, discussed below, consisting of a \$136.6 million write-off of principal, partially offset by \$9.1 million, reflecting the cost recovery interest received to date and unamortized origination fees.

(4) Other items primarily consist of purchase discounts or premiums, cost recovery interest, exit fees, and deferred origination expenses.

(3)(5) \$3.6 3.9 million of the General CECL Allowance is excluded from this table because it relates to unfunded commitments and has been recorded as a liability under accounts payable, accrued expenses and other liabilities in our condensed consolidated balance sheet.

The following table details overall statistics for our loan portfolio at the dates indicated (\$ in thousands):

	June 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
Number of loans	50	50	45	50
Principal balance	\$ 8,707,336	\$ 8,610,110	\$ 8,243,398	\$ 8,610,110
Carrying value, net	\$ 8,293,902	\$ 8,358,093	\$ 7,830,611	\$ 8,358,093
Unfunded loan commitments ⁽¹⁾	\$ 436,628	\$ 868,582	\$ 503,858	\$ 868,582
Weighted-average cash coupon ⁽²⁾	8.3%	8.3%	8.1%	8.3%
Weighted-average remaining fully-extended term ⁽³⁾	2.3 years	2.3 years	2.5 years	2.3 years
Weighted-average expected term ⁽⁴⁾	1.9 years	1.8 years	1.8 years	1.8 years

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(1) Unfunded loan commitments are funded to finance construction costs, tenant improvements, leasing commissions, or carrying costs. These future commitments are funded over the term of each loan, subject to certain conditions and expiration date.

(2) For floating rate loans, based on applicable benchmark rates as of the specified dates. For loans placed on non-accrual, the interest rate used in calculating weighted-average cash coupon is 0%.

(3) Assumes all extension options are exercised.

(4) Expected term represents our estimated timing of repayments as of the specified dates. Excludes risk-rated five loans.

Property Type

The table below details the property type of the properties securing the loans in our portfolio at the dates indicated (\$ in thousands):

Property Type	June 30, 2024		December 31, 2023		September 30, 2024		December 31, 2023	
	Carrying Value	% of Portfolio ⁽¹⁾	Carrying Value	% of Portfolio ⁽¹⁾	Carrying Value	% of Portfolio ⁽¹⁾	Carrying Value	% of Portfolio ⁽¹⁾
Office	\$ 1,792,187	22.8%	\$ 1,593,320	19.0%				
Hotel	\$ 2,001,033	24.0%	\$ 2,128,256	25.4%	\$ 1,620,910	20.6	\$ 2,128,256	25.4
Office	1,692,661	20.3	1,593,320	19.0				
Retail	1,399,957	16.8	1,407,764	16.8	1,454,077	18.5	1,407,764	16.8
Residential	1,205,817	14.5	1,247,238	14.9	1,220,115	15.5	1,247,238	14.9
Mixed Use	512,937	6.2	679,303	8.1	433,252	5.5	679,303	8.1
Industrial	418,218	5.3	293,133	3.5				
Healthcare	500,563	6.0	511,803	6.1	355,474	4.5	511,803	6.1
Industrial	278,404	3.3	293,133	3.5				
Other ⁽²⁾	737,849	8.9	523,758	6.2	570,570	7.3	523,758	6.2
Total	\$ 8,329,221	100.0%	\$ 8,384,575	100.0%	\$ 7,864,803	100.0%	\$ 8,384,575	100.0%
General CECL Allowance ⁽³⁾	(35,319)		(26,482)		(34,192)		(26,482)	
Carrying value, net	\$ 8,293,902		\$ 8,358,093		\$ 7,830,611		\$ 8,358,093	

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(1) Percentage of portfolio calculations are made prior to consideration of General CECL Allowance.

(2) Other property types include pubs (2.6 2.9%), caravan parks (2.4 2.7%), parking garages (2.3%) and urban predevelopment (1.6 1.7%) in 2024, and caravan parks (2.4%), parking garages (2.3%) and urban predevelopment (1.5%) in 2023.

(3) \$3.6 3.9 million and \$4.0 million of the General CECL Allowance for 2024 and 2023, respectively, is excluded from this table because it relates to unfunded commitments and has been recorded as a liability under accounts payable, accrued expenses and other liabilities in our condensed consolidated balance sheets.

Geography

The table below details the geographic distribution of the properties securing the loans in our portfolio at the dates indicated (\$ in thousands):

Geographic Location	June 30, 2024		December 31, 2023		September 30, 2024		December 31, 2023	
	Carrying Value	% of Portfolio ⁽¹⁾	Carrying Value	% of Portfolio ⁽¹⁾	Carrying Value	% of Portfolio ⁽¹⁾	Carrying Value	% of Portfolio ⁽¹⁾
United Kingdom	\$ 2,818,068	33.8%	\$ 2,675,097	31.9%	\$ 3,039,991	38.6%	\$ 2,675,097	31.9%
New York City	1,597,363	19.2	1,736,856	20.7	1,607,723	20.4	1,736,856	20.7
Other Europe ⁽²⁾	1,432,136	17.2	1,686,425	20.1	1,335,497	17.0	1,686,425	20.1
Southeast	663,096	8.0	535,054	6.4	611,661	7.8	535,054	6.4
West	509,901	6.5	484,842	5.8				
Midwest	506,226	6.1	522,137	6.2	408,949	5.2	522,137	6.2
West	509,774	6.1	484,842	5.8				
Other ⁽³⁾	802,558	9.6	744,164	8.9	351,081	4.5	744,164	8.9
Total	\$ 8,329,221	100.0%	\$ 8,384,575	100.0%	\$ 7,864,803	100.0%	\$ 8,384,575	100.0%
General CECL Allowance ⁽⁴⁾	(35,319)		(26,482)		(34,192)		(26,482)	
Carrying value, net	\$ 8,293,902		\$ 8,358,093		\$ 7,830,611		\$ 8,358,093	

(1) Percentage of portfolio calculations are made prior to consideration of General CECL Allowance.

(2) Other Europe includes Germany (7.2 8.0%), Italy (3.3 2.3%), Spain (3.2 3.4%), Sweden (2.8%), Ireland (0.5 3.1%) and the Netherlands (0.2%) in 2024 and Germany (7.4%), Italy (4.9%), Spain (4.2%), Sweden (2.9%), Ireland (0.5%) and the Netherlands (0.2%) in 2023.

(3) Other includes Northeast (4.6 0.1%), Mid-Atlantic (2.2 1.7%), Southwest (1.7 1.5%) and Other (1.1 1.2%) in 2024 and Northeast (5.0%), Mid-Atlantic (1.1%), Southwest (1.7%) and Other (1.1%) in 2023.

(4) \$3.6 3.9 million and \$4.0 million of the General CECL Allowance for 2024 and 2023, respectively, is excluded from this table because it relates to unfunded commitments and has been recorded as a liability under accounts payable, accrued expenses and other liabilities in our condensed consolidated balance sheets.

Risk Rating

We assess the risk factors of each loan and assign a risk rating based on a variety of factors, including, without limitation, loan to value ("LTV") ratio, debt yield, property type, geographic and local market dynamics, physical condition, cash flow volatility, leasing and tenant profile, loan structure and exit plan, and project sponsorship. We apply these various factors on a case-by-case basis depending on the facts and circumstances for each loan, and the different factors may be given different weightings in different situations. This review is performed quarterly. Based on a 5-point scale, our loans are rated "1" through "5," from less risk to greater risk, which ratings are defined as follows:

1. Very low risk
2. Low risk
3. Moderate/average risk
4. High risk/potential for loss: a loan that has a risk of realizing a principal loss
5. Impaired/loss likely: a loan that has a high risk of realizing principal loss, has incurred principal loss, or an impairment has been recorded

The following tables present the carrying value of our loan portfolio by year of origination and internal risk rating and gross write-offs by year of origination as of **June 30, 2024**, **September 30, 2024** and **December 31, 2023**, respectively (\$ in thousands):

June 30, 2024																
September 30, 2024																
Risk Rating	Number of			Amortized Cost ⁽¹⁾ by Year Originated						Number of			Amortized Cost ⁽¹⁾ by Year Originated			
	Loans	Total	% of Portfolio	2024	2023	2022	2021	2020	Prior	Loans	Total	% of Portfolio	2024	2023	2022	2021
1	—	\$ —	— %	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	—	\$ —	— %	\$ —	\$ —	\$ —	\$ —
2	4	479,843	5.8%	—	—	390,038	24,471	—	65,334	2	474,460	6.0%	—	—	459,782	14,678
3	41	7,302,939	87.7%	490,664	639,886	1,849,832	2,199,747	394,094	1,728,716	38	6,966,537	88.6%	974,717	660,811	1,795,608	1,845,346
4	2	420,049	5.0%	—	—	341,937	—	—	78,112	2	297,806	3.8%	—	—	—	—
5	3	126,390	1.5%	—	—	—	—	27,881	98,509	3	126,000	1.6%	—	—	—	—
Total	50	\$ 8,329,221	100.0%	\$ 490,664	\$ 639,886	\$ 2,581,807	\$ 2,224,218	\$ 421,975	\$ 1,970,671	45	\$ 7,864,803	100.0%	974,717	660,811	2,255,390	1,860,024
General	General												General			
CECL	CECL												CECL			
Allowance ⁽²⁾	Allowance ⁽²⁾												Allowance ⁽²⁾			
Total carrying value, net	(35,319)												(34,192)			
Weighted-Average Risk Rating	3.0												3.0			
Gross write-offs	Gross write-offs												Gross write-offs			
	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

December 31, 2023																	
Risk Rating	Number of Loans			Total		% of Portfolio	Amortized Cost ⁽¹⁾ by Year Originated										
	2023	2022	2021	2020	2019	Prior											
1	—	\$ —	—	\$ —	—	— %	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
2	4	478,440	5.7%	—	—	280,572	—	—	—	—	—	—	—	132,309	65,560		
3	42	7,548,252	90.0%	440,720	2,426,511	2,285,902	387,323	1,465,618	1,465,618	1,465,618	1,465,618	1,465,618	1,465,618	542,177			
4	2	88,112	1.1%	—	—	—	—	—	—	—	—	—	—	—	—	88,112	
5	2	269,771	3.2%	—	—	—	—	169,881	—	—	—	—	—	—	—	99,890	
Total	50	\$ 8,384,575	100.0%	\$ 440,720	\$ 2,707,083	\$ 2,285,902	\$ 557,204	\$ 1,597,927	\$ 1,597,927	\$ 1,597,927	\$ 1,597,927	\$ 1,597,927	\$ 1,597,927	\$ 795,739			
General CECL Allowance ⁽²⁾	(26,482)																
Total carrying value, net	\$ 8,358,093																
Weighted-Average Risk Rating	3.0																
Gross write-offs	\$ 81,890																\$ 81,890

(1) Net of Specific CECL Allowance.

(2) \$3.6 million and \$4.0 million of the General CECL Allowance for 2024 and 2023, respectively, is excluded from this table because it relates to unfunded commitments and has been recorded as a liability under accounts payable, accrued expenses and other liabilities in our condensed consolidated balance sheets.

CECL

In accordance with ASC Topic 326 "Financial Instruments – Credit Losses" ("ASC 326"), which we refer to as the "CECL Standard," we record allowances for loans and held-to-maturity debt securities that are deducted from the carrying amount of the assets to present the net carrying value of the amounts expected to be collected on the assets. We record loan specific allowances as a practical expedient under the CECL Standard ("Specific CECL Allowance"), which we apply to assets that are collateral dependent and where the borrower or sponsor is experiencing financial difficulty. For the remainder of the portfolio, we record a general allowance ("General CECL Allowance," and together with the

Specific CECL Allowance, "CECL Allowances") on a collective basis by assets with similar risk characteristics. We have elected to use the weighted-average remaining maturity ("WARM") method in determining a General CECL Allowance for a majority of our portfolio. In the future, we may use other acceptable methods, such as a probability-of-default/loss-given-default method.

The following schedule illustrates changes in CECL Allowances for the **six** **nine** months ended **June 30, 2024** **September 30, 2024** (\$ in thousands):

	CECL Allowance as % of Amortized Cost										CECL Allowance as % of Amortized Cost			
	Specific CECL Allowance			General CECL Allowance		Total CECL Allowance		Specific CECL Allowance			General CECL Allowance		Total CECL Allowance	
	Allowance ⁽¹⁾	Funded	Unfunded	Total	Allowance	General ⁽¹⁾	Total	Allowance ⁽¹⁾	Funded	Unfunded	Total	Allowance	General ⁽¹⁾	Total
December 31, 2023	\$ 193,000	\$ 26,482	\$ 4,017	\$ 30,499	\$ 223,499	0.38%	2.61%	\$ 193,000	\$ 26,482	\$ 4,017	\$ 30,499	\$ 223,499	0.38%	2.61%
Changes:														
Allowances (Reversals), net ⁽²⁾	142,000	6,076	(392)	5,684	147,684			142,000	6,076	(392)	5,684	147,684		
March 31, 2024	\$ 335,000	\$ 32,558	\$ 3,625	\$ 36,183	\$ 371,183	0.44%	4.29%	\$ 335,000	\$ 32,558	\$ 3,625	\$ 36,183	\$ 371,183	0.44%	4.29%
Changes:														
Allowances (Reversals), net ⁽³⁾	7,500	2,761	(3)	2,758	10,258			7,500	2,761	(3)	2,758	10,258		
June 30, 2024	\$ 342,500	\$ 35,319	\$ 3,622	\$ 38,941	\$ 381,441	0.47%	4.40%	\$ 342,500	\$ 35,319	\$ 3,622	\$ 38,941	\$ 381,441	0.47%	4.40%
Changes:														
Allowances (Reversals), net ⁽⁴⁾⁽⁵⁾	127,512	(1,127)	228	(899)	126,613									
Write-offs ⁽⁵⁾	(127,512)	—	—	—	(127,512)									
September 30, 2024	\$ 342,500	\$ 34,192	\$ 3,850	\$ 38,042	\$ 380,542	0.49%	4.64%							

(1) Loans evaluated for Specific CECL Allowance are excluded from General CECL Allowance pool.

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(2) During the three months ended March 31, 2024, our General CECL Allowance increased by \$5.7 million. The increase was primarily related to extending our expected loan repayment dates as well as an increase to the historical loss rate derived from Trepp's data. The increase was partially offset by the favorable impacts of portfolio seasoning. Additionally, during the three months ended March 31, 2024, we recorded an increase of \$142.0 million to our Specific CECL Allowance. The increase was related to a mezzanine loan secured by the ultra-luxury residential property. Refer to discussion below.

(3) During the three months ended June 30, 2024, our General CECL Allowance increased by \$2.8 million primarily due to new loan originations as well as a more adverse outlook on our office portfolio. The increase was partially offset by the favorable impacts of portfolio seasoning. Additionally, during the three months ended June 30, 2024, we recorded an increase of \$7.5 million to our Specific CECL Allowance. The increase was related to a mezzanine loan secured by an office building in Troy, MI. Refer to discussion below.

(4) During the three months ended September 30, 2024, our General CECL Allowance decreased by \$0.9 million primarily due to the favorable impacts of portfolio seasoning and earlier than expected loan repayments. The decrease was partially offset by the effects of loan originations and a more adverse macroeconomic outlook associated with our office portfolio.

(5) During the three months ended September 30, 2024, we recorded an increase and write-off of \$127.5 million of our Specific CECL Allowance related to our Massachusetts Healthcare Loan (as defined and discussed below). The \$127.5 million write-off was recorded as a realized loss within net realized loss on investments in our September 30, 2024 condensed consolidated statement of operations.

The following schedule illustrates changes in CECL Allowances for the **six** **nine** months ended **June 30, 2023** **September 30, 2023** (\$ in thousands):

	CECL Allowance as % of Amortized Cost									
	Specific CECL			General CECL Allowance			Total CECL		Cost	
	Allowance ⁽¹⁾	Funded	Unfunded	Total	Allowance	General ⁽¹⁾	Total	Allowance	General ⁽¹⁾	Total
December 31, 2022	\$ 133,500	\$ 26,224	\$ 4,347	\$ 30,571	\$ 164,071			0.36%		1.86%
Changes:										

Allowances ⁽²⁾	—	4,043	348	4,391	4,391				
March 31, 2023	\$ 133,500	\$ 30,267	\$ 4,695	\$ 34,962	\$ 168,462	0.42 %	1.95 %		
Changes:									
Allowances ⁽³⁾	141,480	2,009	139	2,148	143,628				
Write-offs ⁽⁴⁾	(81,980)	—	—	—	(81,980)				
June 30, 2023	\$ 193,000	\$ 32,276	\$ 4,834	\$ 37,110	\$ 230,110	0.46 %	2.70 %		

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	Specific CECL	General CECL Allowance			Total CECL Allowance	CECL Allowance as % of Amortized Cost	
		Allowance ⁽¹⁾	Funded	Unfunded		General ⁽¹⁾	Total
December 31, 2022	\$ 133,500	\$ 26,224	\$ 4,347	\$ 30,571	\$ 164,071	0.36 %	1.86 %
Changes:							
Allowances ⁽²⁾	—	4,043	348	4,391	4,391		
March 31, 2023	\$ 133,500	\$ 30,267	\$ 4,695	\$ 34,962	\$ 168,462	0.42 %	1.95 %
Changes:							
Allowances ⁽³⁾	141,480	2,009	139	2,148	143,628		
Write-offs ⁽⁴⁾	(81,980)	—	—	—	(81,980)		
June 30, 2023	\$ 193,000	\$ 32,276	\$ 4,834	\$ 37,110	\$ 230,110	0.46 %	2.70 %
Changes:							
Reversals ⁽⁵⁾	—	(4,971)	(862)	(5,833)	(5,833)		
September 30, 2023	\$ 193,000	\$ 27,305	\$ 3,972	\$ 31,277	\$ 224,277	0.40 %	2.74 %

(1) Loans evaluated for Specific CECL Allowance are excluded from General CECL Allowance pool.

(2) During the three months ended March 31, 2023, our General CECL Allowance increased by \$4.4 million primarily due to an increase in our view of the remaining expected term of our loan portfolio. This increase was partially offset by the impact of portfolio seasoning and loan repayments and sales.

(3) During the three months ended June 30, 2023, our General CECL Allowance increased by \$2.1 million primarily due to a more adverse macroeconomic outlook and an increase in our view of the remaining expected term of certain of our loans. This increase was partially offset by the impact of portfolio seasoning. Additionally, during the three months ended June 30, 2023, we recorded an increase of \$141.5 million to our Specific CECL Allowance. The increase was related to two mezzanine loans secured by the same ultra-luxury property. Refer to discussion below.

(4) As of June 30, 2023, \$82.0 million related to the most junior mezzanine loan secured by the ultra-luxury residential property was deemed unrecoverable. Accordingly, \$82.0 million of previously recorded Specific CECL was written-off and recorded as a realized loss within net realized loss on investments in our June 30, 2023 condensed consolidated statement of operations. Refer to "Specific CECL Allowance" section below for further detail.

(5) During the three months ended September 30, 2023, our General CECL Allowance decreased by \$5.8 million, primarily due to loan prepayments and portfolio seasoning.

General CECL Allowance

In determining the General CECL Allowance using the WARM method, an annual historical loss rate, adjusted for macroeconomic estimates, is applied to the amortized cost of an asset, or pool of assets, over each subsequent period for the assets' remaining expected life. We considered various factors including (i) historical loss experience in the commercial real estate lending market, (ii) timing of expected repayments and satisfactions, (iii) expected future funding, (iv) capital subordinate to us when we are the senior lender, (v) capital senior to us when we are the subordinate lender, and (vi) our current and future view of the macroeconomic environment for a reasonable and supportable forecast period. The CECL Standard requires the use of significant judgment to arrive at an estimated credit loss. There is significant uncertainty related to future macroeconomic conditions, including inflation, labor shortages and interest rates.

We derive an annual historical loss rate based on a commercial mortgage-backed securities ("CMBS") database with historical losses from 1998 through the ~~second~~ third quarter of 2024 provided by a third party, Trepp LLC ("Trepp"). We apply various filters to arrive at a CMBS dataset most analogous to our current portfolio from which to determine an appropriate historical loss rate. The annual historical loss rate is further adjusted to reflect our expectations of the macroeconomic environment for a reasonable and supportable forecast period of eight quarters. In assessing the macroeconomic environment, we consider macroeconomic factors, including unemployment rate, commercial real estate prices, and market liquidity. We compare the historical data for each metric to historical commercial real estate losses in order to determine the correlation of the data. We use projections, obtained from third-party service providers, of each factor to approximate the impact the macroeconomic outlook may have on our loss rate.

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The General CECL Allowance on subordinate loans is calculated by incorporating both the loan balance of the position(s) of the structurally senior third-party lender(s) and the balance of our subordinate loan(s). The subordinate loans, by virtue of being the first loss position, are required to absorb losses prior to the senior position(s) being impacted, resulting in a higher percentage allowance attributable to the subordinate loan. The General CECL Allowance on unfunded loan commitments is time-weighted based on our expected commitment to fund such obligations. The General CECL Allowance on unfunded commitments is recorded as a liability on our condensed consolidated balance sheets within accounts payable, accrued expenses and other liabilities.

Additionally, we have made an accounting policy election to exclude accrued interest from the amortized cost basis of the related commercial mortgage loans and subordinate loans and other lending assets in determining the General CECL Allowance, as any uncollectible accrued interest receivable is written off in a timely manner. As of **June 30, 2024** **September 30, 2024** and December 31, 2023, accrued interest receivable was **\$75.0** **78.3** million and \$72.4 million, respectively, and included within other assets on our condensed consolidated balance sheets.

Although our secured debt obligations and senior secured term loan financing have a minimum tangible net worth maintenance covenant, the General CECL Allowance has no impact on these covenants as we are permitted to add back the General CECL Allowance for the computation of tangible net worth as defined in the respective agreements.

The following schedule sets forth our General CECL Allowance as of **June 30, 2024** **September 30, 2024** and December 31, 2023 (\$ in thousands):

	June 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
Commercial mortgage loans, net	\$ 34,234	\$ 25,723	\$ 33,355	\$ 25,723
Subordinate loans, net	1,085	759	837	759
Unfunded commitments ⁽¹⁾	3,622	4,017	3,850	4,017
Total General CECL Allowance	\$ 38,941	\$ 30,499	\$ 38,042	\$ 30,499

(1) The General CECL Allowance on unfunded commitments is recorded as a liability on our condensed consolidated balance sheets within accounts payable, accrued expenses and other liabilities.

Specific CECL Allowance

For collateral-dependent loans where we have deemed the borrower/sponsor to be experiencing financial difficulty and a more than moderate/average risk of realizing a principal loss, we have elected to apply a practical expedient in accordance with the CECL Standard in which the fair value of the underlying collateral is compared to the amortized cost of the loan in determining a Specific CECL Allowance. The Specific CECL Allowance is determined as the difference between the fair value of the underlying collateral and the carrying value of the loan (prior to the Specific CECL Allowance). When the repayment or satisfaction of a loan is dependent on a sale, rather than operations, of the collateral, the fair value is adjusted for the estimated cost to sell the collateral. Collateral-dependent loans evaluated for a Specific CECL Allowance are removed from the General CECL Allowance pool. The fair value of the underlying collateral is determined by using method(s) such as discounted cash flow, the market approach, or direct capitalization approach. The key unobservable inputs used to determine the fair value of the underlying collateral may vary depending on the information available to us and market conditions as of the valuation date.

We regularly evaluate the extent and impact of any credit migration associated with the performance and/or value of the underlying collateral property as well as the financial and operating capability of the borrower/sponsor on a loan-by-loan basis. The Specific CECL Allowance is evaluated on a quarterly basis. Specifically, a property's operating results and any cash reserves are analyzed and used to assess (i) whether cash from operations is sufficient to cover the debt service requirements currently and into the future, (ii) the ability of the borrower to refinance the loan and/or (iii) the liquidation value of the underlying collateral. We also evaluate the financial wherewithal of any loan guarantors as well as the borrower's competency in managing and operating the properties. In addition, we consider the overall economic environment, real estate sector and geographic sub-market in which the borrower operates. Such impairment analysis is completed and reviewed by asset management and finance personnel who utilize various data sources, including (i) periodic financial data such as debt service coverage ratio, property occupancy, tenant profile, rental rates, operating expenses, the borrower's exit plan, and capitalization and discount rates, (ii) site inspections and (iii) current credit spreads and discussions with market participants.

The following table summarizes our risk rated five loans as of **June 30, 2024** **September 30, 2024**, which were analyzed for Specific CECL Allowances (\$ in thousands):

Type	Property type	Location	Specific						Interest					
			Amortized cost prior to CECL		Amortized cost	Interest recognition	Risk	Property		Amortized cost prior to Specific CECL		Specific CECL	Amortized cost	Interest recognition
			Specific CECL	Allowance	Allowance	status/ as of date	Rating	type	Location	Allowance	Allowance	cost	date	Risk
Mortgage	Retail ⁽¹⁾⁽²⁾	Cincinnati, OH	\$ 165,509	\$ 67,000	\$ 98,509	Non-Accrual/ 10/1/2019	5	Retail ⁽¹⁾⁽²⁾	Cincinnati, OH	\$ 165,119	\$ 67,000	\$ 98,119	Non-Accrual/ 10/1/2019	5
Mezzanine	Residential ⁽³⁾	Manhattan, NY	295,881	268,000	27,881	Non-Accrual/ 7/1/2021	5	Residential ⁽³⁾	Manhattan, NY	295,881	268,000	27,881	Non-Accrual/ 7/1/2021	5
Mezzanine	Office ⁽⁴⁾	Troy, MI	7,500	7,500	-	Non-Accrual/ 6/30/2024	5	Office ⁽⁴⁾	Troy, MI	7,500	7,500	-	Non-Accrual/ 6/30/2024	5
Total	Total		\$ 468,890	\$ 342,500	\$ 126,390			Total		\$ 468,500	\$ 342,500	\$ 126,000		

(1) The fair value of retail collateral was determined by applying a capitalization rate of 9.0%.

(2) In September 2018, we entered a joint venture with Turner Consulting II, LLC ("Turner Consulting"), through an entity which owns the underlying property that secures our loan. Turner Consulting contributed 10% of the venture's equity and we contributed 90%. The entity was deemed to be a variable interest entity ("VIE"), and we determined that we are not the primary beneficiary of that VIE as we do not have the power to direct the entity's activities. During the second quarter of 2024, the loan's maturity was extended from September 2024 to September 2025.

(3) The fair value of the residential collateral was determined by making certain projections and assumptions with respect to future performance and a discount rate of 10%.

(4) The fair value of the office collateral was determined by applying an exit capitalization rate of 10% and a discount rate of 20%

For the ~~six~~ nine months ended **June 30, 2024** **September 30, 2024**, we recorded ~~a~~ **a** net increase in our Specific CECL Allowance of \$149.5 million, related to ~~to~~ million. This net increase was comprised of a Specific CECL Allowance and write-off on a commercial mortgage loan and Specific CECL Allowances on two of our subordinate loans.

Massachusetts Healthcare

In March 2022, we and other Apollo-managed entities co-originated a 55% loan-to-cost first mortgage loan ("Massachusetts Healthcare Loan") secured by eight hospitals in Massachusetts. Our pro-rata interest in the commercial mortgage loan represented 41.2% of the original whole loan amount. The loan was made in connection with the capitalization of a joint venture between two parties and eight property owner subsidiaries of the joint venture (the "Borrowers") to own the hospitals which were leased to Steward Health Care ("Steward"), who served as operator. We and other Apollo-managed entities ("Apollo Co-Lenders") did not lend to Steward and do not have any involvement in Steward's operation of the hospitals or performance under the lease.

During the three months ended September 30, 2024, we ceased accruing interest on our loan and debt service payments received in July through September 2024 reduced the carrying value of our loan. During the three months ended September 30, 2024, we recorded a \$127.5 million Specific CECL Allowance which was written-off on resolution of our loan during the same period. On September 4, 2024, we and Apollo Co-Lenders, through a joint venture, acquired title to one of the eight hospitals that previously secured our loan. On September 26, 2024, the hospital was taken by eminent domain by the Commonwealth of Massachusetts (the "Commonwealth"). In conjunction with this taking, we recorded a realized loss representing the difference between our allocation of the amount to be paid by the Commonwealth for the taking and our allocation of the loan related to the underlying property. We and Apollo Co-Lenders have challenged the Commonwealth's taking of the hospital by eminent domain in Massachusetts court. If our challenge is not successful, we and Apollo Co-Lenders intend to further challenge the valuation of the hospital from which the amount to be paid by the Commonwealth was determined. If successful, we and Apollo Co-Lenders may receive additional recovery of our realized losses. The amount to be paid by the Commonwealth is \$21.9 million (\$9.0 million attributable to ARI), while the 2024 tax assessed value of the hospital was \$200.8 million. On September 30, 2024, the guarantors made a guaranty payment on the loan and Borrowers transferred the deeds of the remaining seven hospitals into escrow, thereby releasing the Borrowers from their obligation under the loan agreement. Accordingly, we wrote-off the remaining Specific CECL Allowance and recorded a realized loss representing the difference between our loan's remaining amortized cost basis and our allocation of the fair value of the seven remaining hospitals, less costs to sell, per the executed purchase and sale agreements and appraised values, where applicable, of the properties underlying the deeds in escrow. In aggregate, we recorded a \$127.5 million realized loss within net realized loss on investments in our September 30, 2024 condensed consolidated statement of operations, and all Specific CECL Allowances related to our loan were written off.

As of September 30, 2024, we recorded \$159.7 million in other assets on our condensed consolidated balance sheet consisting of an equity method interest in the joint venture with other Apollo-managed entities and an interest in the property deeds in escrow. We did not hold title to the underlying properties as of September 30, 2024.

Subsequently, on October 1, 2024, five of the seven hospitals were sold to third parties, and the proceeds were allocated among us and other Apollo Co-Lenders based on our pro-rata interests in the commercial mortgage loan. Refer to "Note 21 – Subsequent Events".

Michigan Office

During the three months ended June 30, 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, which was attributable to low occupancy and limited leasing activity in the property's submarket. The \$7.5 million Specific CECL Allowance represents a full reserve against the loan's amortized cost basis. The loan's risk rating was downgraded from a four to a five and the loan was moved to non-accrual status as of June 30, 2024. As of June 30, 2024, the borrower was compliant with all contractual debt service payments.

As discussed further below, we recorded an additional \$142.0 million Specific CECL Allowance on our Junior Mezzanine A Loan (as defined below), during the three months ended March 31, 2024.

We cease accruing interest on loans if we deem the interest to be uncollectible with any previously accrued uncollected interest on the loan charged to interest income in the same period. The amortized cost basis, net of Specific CECL Allowance, for loans on non-accrual was \$461.5 million and \$693.7 million as of June 30, 2024 and December 31, 2023, respectively. Under certain circumstances, we may apply the cost recovery method under which interest collected on a loan reduces the loan's amortized cost. For the three and six months ended June 30, 2024, we received \$0.8 million and \$1.4 million, respectively, in interest that reduced amortized cost under the cost recovery method compared to \$0.7 million and \$1.3 million for the three and six months ended June 30, 2023, respectively.

As of June 30, 2024 and December 31, 2023, the amortized cost basis, net of Specific CECL Allowance, for loans with accrued interest past due 90 or more days was \$461.5 million and \$693.7 million, respectively. As of June 30, 2024 and December 31, 2023, there were no loans with accrued interest between 30 and 89 days past due.

Loan Modifications Pursuant to ASC 326

During the twelve months ended **June 30, 2024** **September 30, 2024**, we provided the following loan modifications that require disclosure pursuant to ASC 326.

Cleveland Multifamily

In May 2021, we originated a first mortgage loan secured by a multifamily property in Cleveland, OH. In April 2024, we modified our loan to convert from a floating rate of Secured Overnight Financing Rate ("SOFR" "SOFR") + 3.25% to a 6.0% fixed rate, and to provide a two year term extension. These modified terms are included in the determination of our general CECL reserve for the quarter ended **June 30, 2024** **September 30, 2024**. The loan is performing pursuant to its modified contractual terms and its risk rating remains a three as of **June 30, 2024** **September 30, 2024**.

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Manhattan Office

In March 2022, we originated a first mortgage loan secured by an office property in Manhattan, NY. In April 2024, we modified our loan to convert from a floating rate of SOFR + 3.92% to a 5.0% fixed rate. This modified term is included in the determination of our general CECL reserve for the quarter ended **June 30, 2024** **September 30, 2024**. The loan is performing pursuant to its modified contractual terms and its risk rating remains a three as of **June 30, 2024**.

Chicago Office

In March 2018, we originated a first mortgage loan secured by an office property in Chicago, IL. In July 2023, we modified our loan to provide a two year term extension (and a six-month extension option) in exchange for a partial repayment. These modified terms are included in the determination of our general CECL reserve for the quarter ended June 30, 2024. The loan is performing pursuant to its contractual terms and its risk rating remains a four as of **June 30, 2024** **September 30, 2024**.

Manhattan Residential

In August 2022, we refinanced three of our mezzanine loans (a senior mezzanine loan ("Senior Mezzanine Loan") and two junior mezzanine loans ("Junior Mezzanine A Loan" and "Junior Mezzanine B Loan" collectively referred to as "Junior Mezzanine Loan")), and originated a commercial mortgage loan ("Senior Loan") as part of an overall recapitalization. All of the loans are secured by an ultra-luxury residential property in Manhattan, NY.

In refinancing the Senior Mezzanine Loan and Junior Mezzanine Loan, we modified the loan terms with the borrower to include an interest rate reduction and two year extension of the term on all three loans. Based on our analysis under ASC Topic 310-20 "Receivables – Nonrefundable Fees and Other Costs" ("ASC 310-20"), we have deemed this refinance to be a continuation of our existing loans.

During 2022, sales velocity on the underlying property lagged behind the borrower's business plan and management's expectations. Based on this information and broader uncertainty across the ultra-luxury residential property market, we recorded a total loan Specific CECL Allowance of \$66.5 million on the Junior Mezzanine B Loan and downgraded its risk rating to a five.

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As property sales continued to trail behind the borrower's business plan during the first half of 2023, we ceased accruing interest on the Senior Loan and the Senior Mezzanine Loan as of May 1, 2023. During the second quarter of 2023, we deemed the \$82.0 million Junior Mezzanine B Loan to be unrecoverable and therefore wrote off our mezzanine loan and recorded a realized loss of \$82.0 million within net realized loss on investments in our condensed consolidated statement of operations. We also recorded a \$126.0 million Specific CECL Allowance on the Junior Mezzanine A Loan and downgraded its risk rating to a five.

During the three months ended March 31, 2024, we recorded an additional \$142.0 million Specific CECL Allowance on our Junior Mezzanine A Loan. The additional Specific CECL Allowance was primarily attributable to a reduction in list pricing of remaining units and slower sales pace at the property. The slower sales velocity coincided with the continued overall softening in the midtown Manhattan ultra-luxury submarket. Any future change to the Specific CECL Allowance will be based upon a number of factors, including but not limited to the continued assessment of both the potential nominal value of remaining inventory as well as the expected sales velocity.

During the three months ended June 30, 2024, our Senior Loan was refinanced by a third party lender, which resulted in a repayment of \$108.3 million. The remaining Senior Loan balance was restructured into a subordinate loan ("Senior Mezzanine A Loan"), and extended by fourteen months to November 2025. Concurrently, the maturities of the Senior Mezzanine Loan and the Junior Mezzanine A Loan were extended to November 2025. All three loans remain on non-accrual status subsequent to the refinancing. Based on our analysis under ASC 310-20, we have deemed this refinance to be a continuation of our existing loans.

The modified loan terms as discussed above have been reflected in our calculation of CECL for the three months ended **June 30, 2024** **September 30, 2024**. Refer to the "CECL" section above for additional information regarding our calculation of CECL Allowances.

As of **June 30, 2024** **September 30, 2024** and December 31, 2023, the aggregate amortized cost basis, **net of Specific CECL Allowance**, of these modified receivables was \$441.1 million and \$700.4 million and \$674.5 million, respectively, or 5.38.9% and 8.0% of our aggregate commercial mortgage loans and subordinate loans by amortized cost, respectively. There were **no unfunded commitments as of both June 30, 2024 and December 31, 2023** related to these **loans**. **loans of \$17.3 million as of September 30, 2024 and none as of December 31, 2023**.

Other Loan Activity

We **recognized** cease accruing interest on loans if we deem the interest to be uncollectible with any previously accrued uncollected interest on the loan charged to interest income in the same period. The amortized cost basis, **net of Specific CECL Allowance**, for loans on non-accrual was \$0.7 473.2 million and \$0.8 693.7 million as of **September 30, 2024** and December 31, 2023, respectively.

Under certain circumstances, we may apply the cost recovery method under which interest collected on a loan reduces the loan's amortized cost. For the three and nine months ended September 30, 2024, we received \$7.0 million and \$8.3 million, respectively, in interest that reduced amortized cost under the cost recovery method compared to \$0.6 million and \$1.9 million for the three and nine months ended September 30, 2023, respectively. The increase in interest recorded under the cost recovery method during the nine months ended September 30, 2024 is related to our Massachusetts Healthcare Loan discussed above.

As of September 30, 2024 and December 31, 2023, the amortized cost basis, **net of Specific CECL Allowance**, for loans with accrued interest past due 90 or more days was \$473.2 million and \$693.7 million, respectively. As of September 30, 2024 and December 31, 2023, there were no loans with accrued interest between 30 and 89 days past due.

We **recognized** \$4.2 million and \$5.1 million of pre-payment penalties and accelerated fees for the three and **six** nine months ended **June 30, 2024** **September 30, 2024**, respectively, and \$0.2 million and \$0.4 million for **both** the three and **six** nine months ended **June 30, 2023**. **September 30, 2023**, respectively.

During the three and **six** nine months ended **June 30, 2023** **September 30, 2023**, we recorded \$1.3 0.5 million and \$2.5 3.1 million, respectively, of interest income related to a subordinate risk retention interest in a securitization vehicle. The subordinate risk retention interest was repaid in full during the third quarter of 2023.

During the three months ended March 31, 2023, we received £72.2 million (\$88.4 million assuming conversion into U.S. Dollars ("USD")) full repayment of one of our commercial mortgage loans secured by an office property in London, UK,

including all default interest accrued to date, which was approximately \$0.7 million. In conjunction with the repayment, the related participation interest sold was also fully satisfied. Refer to "Note 12 – Participations Sold" for additional detail.

Loan Sales

From time to time, we may enter into sale transactions with other parties. All sale transactions are evaluated in accordance with ASC Topic 860, "Transfers and Servicing" ("ASC 860").

During the three months ended June 30, 2024, in April 2024, we sold a commercial mortgage loan collateralized by a hotel property located in Honolulu, HI. The loan was previously classified as held for sale during the first quarter of 2024, and was sold at a price of 99.5% during the second quarter of 2024. Upon selling the commercial mortgage loan, we reversed the previously recorded valuation allowance and recorded a realized loss of \$0.7 million included within realized loss on investments on our condensed consolidated statement of operations for the three and six nine months ended June 30, 2024 September 30, 2024.

During the first quarter of 2023, we sold our entire interests in three commercial mortgage loans secured by various properties in Europe, with aggregate commitments of €205.7 million (\$219.0 million assuming conversion into USD, of which €115.0 million or \$122.4 million assuming conversion into USD, was funded at the time of sale). Additionally, we sold a partial interest of £15.0 million (\$18.2 million assuming conversion into USD) in a commercial mortgage loan secured by a mixed-use property located in London, United Kingdom. These sales were made to entities managed by affiliates of the Manager. We evaluated the transaction under ASC 860 and determined the sale of our entire interests and the sale of the partial interest met the criteria for sale accounting. In connection with these sales, we recorded a net gain of approximately \$0.2 million within net realized loss on investments on our condensed consolidated statement of operations for the six nine months ended June 30, 2023 September 30, 2023.

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Note 5 – Real Estate Owned

Real Estate Owned, Held for Investment

As of June 30, 2024 September 30, 2024, assets and liabilities related to real estate owned, held for investment consisted of three properties: the D.C. Hotel, a full-service luxury hotel in Washington, D.C., the Brooklyn Development, a multifamily development property located in downtown Brooklyn, NY, and the Atlanta Hotel, a hotel in Atlanta, GA.

D.C. Hotel

On May 24, 2021, we acquired legal title to the D.C. hotel, which previously secured two subordinate loans, through a deed-in-lieu of foreclosure. In accordance with ASC 805, we consolidated the hotel's assets and liabilities at their respective fair values. Refer to "Note 3 – Fair Value Disclosure" for full discussion of non-recurring fair value measurements.

As of March 1, 2022, the hotel assets, comprised of land, building, furniture, fixtures, and equipment ("FF&E"), and accumulated depreciation (collectively "REO Fixed Assets"), and liabilities met the criteria to be classified as held for sale under ASC Topic 360, "Property, Plant, and Equipment" ("ASC 360"). Accordingly, as of March 1, 2022, we ceased recording depreciation on the building and FF&E on the condensed consolidated statement of operations.

As of March 1, 2023, due to market conditions, we curtailed active marketing efforts, and reclassified the REO Fixed Assets and liabilities from real estate owned, held for sale to real estate owned, held for investment, net. In accordance with ASC 360, the REO Fixed Assets were reclassified to their carrying value before they were initially classified as held for sale in March of 2022, and all other assets and liabilities were reclassified to the corresponding line items on the condensed consolidated balance sheet. Upon reclassification, we recorded \$4.0 million of depreciation expense, representing the amount that would have been recorded had the asset remained as held for investment, and included this amount within Depreciation and amortization on real estate owned on our condensed consolidated statement of operations for the six months ended June 30, 2023. No realized gain or loss was recorded in connection with this reclassification.

As of June 30, 2024 September 30, 2024 and December 31, 2023, the value of net real estate assets related to the D.C. Hotel was \$158.5 156.7 million and \$152.4 million, respectively. As of June 30, 2024 September 30, 2024, our net real estate assets included depreciable assets of \$79.9 79.4 million, net of \$7.9 8.5 million in accumulated depreciation, attributable to the building, and \$5.7 5.8 million, net of \$4.6 5.1 million in

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accumulated depreciation, attributable to FF&E. As of December 31, 2023, our net real estate assets included depreciable assets of \$80.5 million, net of \$6.6 million in accumulated depreciation, attributable to the building, and \$6.1 million, net of \$3.8 million in accumulated depreciation, attributable to FF&E.

During the three months ended June 30, 2024, we obtained a \$73.7 million mortgage secured by the D.C. Hotel. The mortgage includes an interest rate of term one-month SOFR + 3.00% and current maturity of July 2026, with an option to extend for one year, contingent upon meeting certain conditions. The mortgage agreement contains covenants

requiring our unencumbered liquidity be greater than \$10.0 million and our net worth be greater than \$200.0 million. Under these covenants, our General CECL Allowance is added back to our net worth calculation.

The carrying value of the mortgage included within debt related to real estate owned, held for investment, net on our condensed consolidated balance sheet was \$72.3 million, net of \$1.4 million in deferred financing costs. To manage our exposure to variable cash flows on our borrowings under this mortgage, we entered into an interest rate cap on June 13, 2024. As of **June 30, 2024** **September 30, 2024**, the fair value of the interest rate cap was de minimis. Refer to "Note 11  Derivatives" for full detail.

We recorded net profit from hotel operations of \$4.8 million and \$5.9 million for three and **six** months ended **June 30, 2024** **September 30, 2024**, respectively, and net profit of \$5.7 million and \$3.8 million for the three and **six** months ended **June 30, 2023** **September 30, 2023**, respectively.

Brooklyn Development

In 2015, we originated a \$122.2 million multifamily development commercial mortgage loan secured by an assemblage of properties in downtown Brooklyn, NY. In 2020, the loan went into default, and we recorded a \$30.0 million Specific CECL Allowance, due to the deterioration of market conditions attributable to COVID-19. As a result of improved market conditions, we reversed \$20.0 million of Specific CECL Allowance during the second quarter of 2021. In the second quarter of 2022, we

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reversed the remaining \$10.0 million Specific CECL Allowance as a result of market rent growth and value created from development activities at the underlying property.

On August 3, 2022, we acquired legal title of the property through a deed-in-lieu of foreclosure and accounted for the asset acquisition in accordance with ASC 805. At that time, our amortized cost basis in the commercial mortgage loan was \$226.5 million. We recorded the real estate assumed at a fair value of \$270.1 million based on the market value of the property as of the date of acquisition. We recognized a realized gain of \$43.6 million, recorded within realized gain (loss) on investments on our condensed consolidated statement of operations, which reflects the difference between the fair value of the property and the carrying value of the loan at the time of acquisition. The non-recurring fair value measurement was classified as Level III within the fair value hierarchy due to the use of significant unobservable inputs, including comparable sales of similar properties in the market. We capitalized construction and financing costs of \$39.9 million and \$77.4 million during the three and **six** months ended **June 30, 2024** **September 30, 2024**, respectively, and \$15.2 million and \$29.1 million during the three and **six** months ended **June 30, 2023** **September 30, 2023**, respectively. As of **June 30, 2024** **September 30, 2024** and December 31, 2023, our cost basis in the property was \$451.6 million and \$374.2 million, respectively. As of **June 30, 2024** **September 30, 2024** and December 31, 2023, our cost basis included construction costs of \$230.4 million and \$152.9 million, respectively. There is no depreciation recorded while the property is under development.

Upon taking title, we concurrently contributed the property to a joint venture with a third-party real estate developer. The entity was deemed to be a VIE, of which we were determined to be the primary beneficiary. Through our wholly owned subsidiaries, we hold a 100% equity ownership interest in the joint venture and our partner is only entitled to profit upon achievement of certain returns under our joint venture agreement. Concurrently with taking title to the property, we obtained \$164.8 million in construction financing on the property. As of **June 30, 2024** **September 30, 2024** and December 31, 2023, the carrying value of the construction financing included within debt related to real estate owned, held for investment, net on our condensed consolidated balance sheets was \$163.1 million, net of \$2.6 million in deferred financing costs and \$161.6 million, net of \$3.2 million in deferred financing costs, respectively.

The construction financing includes a maximum commitment of \$388.4 million, an interest rate of SOFR +2.55%, and current maturity of August 2026, with an option to extend for one year, contingent upon meeting certain conditions. The construction financing agreement contains covenants requiring our unencumbered liquidity be greater than \$100.0 million and

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our net worth be greater than \$600.0 million. Under these covenants, our General CECL Allowance is added back to our net worth calculation. As of both **June 30, 2024** **September 30, 2024** and December 31, 2023, we were in compliance with these covenants.

To manage our exposure to variable cash flows on our borrowings under this construction financing, we entered into an interest rate cap on September 26, 2023, and extended on September 30, 2024 for an additional year. As of **June 30, 2024** **September 30, 2024** and December 31, 2023, the fair value of the interest rate cap was \$0.7 million and \$1.4 million, respectively, and recorded within derivative assets, net on our condensed consolidated balance sheet. Refer to "Note 11  Derivatives" for full detail.

Atlanta Hotel

In March 2017, we originated a first mortgage loan secured by the Atlanta Hotel. During the second quarter of 2022, due to slower than expected recovery from the COVID-19 pandemic, we deemed the borrower to be experiencing financial difficulty. Accordingly, we ceased accruing interest on the loan and recorded a \$7.0 million Specific CECL Allowance.

During the fourth quarter of 2022, we wrote off the \$7.0 million previously recorded Specific CECL Allowance and reduced the principal balance of the loan which was recorded as a realized loss within net realized loss on investments in our December 31, 2022 consolidated statement of operations.

On March 31, 2023, we acquired legal title of the Atlanta Hotel through a deed-in-lieu of foreclosure and determined the fair value of net real estate assets to be \$75.0 million in accordance with ASC 820. The fair value of the real estate owned is categorized within Level III of the fair value hierarchy set forth by ASC 820 and includes the use of significant unobservable inputs. See "Note 3  Fair Value Disclosure" for discussion of our non-recurring fair value measurements. Additionally, we recognized a realized loss of \$4.8 million, recorded within net realized loss on investments on our condensed consolidated statement of operations. The realized loss represents the difference between the original loan's amortized cost and the fair value of the net assets acquired.

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During the three months ended June 30, 2023, we received an unsolicited offer from a third party to purchase the Atlanta Hotel. As of June 30, 2023, the hotel's assets and liabilities met the criteria to be classified as held for sale under ASC 360. In accordance with ASC 360, we ceased recording depreciation on the building and FF&E on the condensed consolidated statement of operations and we have reclassified assets and liabilities from their respective condensed consolidated balance sheet line items to Assets related to real estate owned, held for sale and Liabilities related to real estate owned, held for sale.

As of March 31, 2024, we determined the sale of the Atlanta Hotel to a third party, from whom we received an unsolicited offer, to be no longer probable, and we are not actively marketing the property for sale to other potential buyers. As such, the Atlanta Hotel no longer met the criteria to be classified as held for sale under ASC 360. In accordance with ASC 360, the REO Fixed Assets were reclassified to their carrying value before classifying as held for sale in June of 2023. On the date of reclassification, March 31, 2024, we recorded \$3.6 million in depreciation, representing the amount that would have been recorded had the asset remained as held for investment. All other assets and liabilities were reclassified to the corresponding line items on the condensed consolidated balance sheet. No realized gain or loss was recorded in connection with this reclassification.

As of **June 30, 2024** **September 30, 2024**, the value of net real estate assets related to the Atlanta Hotel was **\$69.9** **68.6** million. As of **June 30, 2024** **September 30, 2024**, our net real estate assets included depreciable assets of **\$46.2** **45.5** million, net of **\$3.9** **4.7** million in accumulated depreciation, attributable to the building, and **\$6.7** **6.8** million, net of **\$2.1** **2.6** million in accumulated depreciation, attributable to FF&E. For the three and **six** **nine** months ended **June 30, 2024** **September 30, 2024**, we recorded net profit/(loss) from the hotel's operations of **\$0.2** **0.4** million and **(\$1.6)** **1.2** million, respectively. For the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023**, we recorded **\$1.4** **0.5** million and **\$1.9** million of net income from the hotel's **operations** **operations**, respectively.

As of December 31, 2023, the hotel's assets and liabilities were classified as held for sale, and the value of net real estate assets related to the Atlanta Hotel was \$75.4 million. As of December 31, 2023, our net real estate assets included depreciable assets of \$49.4 million, net of \$0.8 million in accumulated depreciation, attributable to the building, and \$8.0 million, net of \$0.4 million in accumulated depreciation, attributable to FF&E.

Note 6 – Other Assets

The following table details the components of our other assets at the dates indicated (\$ in thousands):

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	June 30, 2024	December 31, 2023
Interest receivable	\$ 74,981	\$ 72,354
Loan proceeds held by servicer ⁽¹⁾	5,434	6,271
Other ⁽²⁾	10,052	6,998
Total	\$ 90,467	\$ 85,623
	September 30, 2024	December 31, 2023
Interest receivable	\$ 78,330	\$ 72,354
Collateral deposited under derivative agreements	11,550	—
Loan proceeds held by servicer ⁽¹⁾	105,769	6,271
Other ⁽²⁾⁽³⁾	168,487	6,998
Total	\$ 364,136	\$ 85,623

(1) Includes loan principal, **interest**, and **interest other fees** held by our third-party servicers as of the balance sheet date and remitted during subsequent remittance cycle.

(2) Includes \$8.4 million and \$4.6 million of other assets from Real Estate Owned, Held for Investment as of **June 30, 2024** September 30, 2024 and December 31, 2023, respectively. Refer to "Note 5 – Real Estate Owned" for additional information.

(3) Includes \$159.7 million of other assets related to our former Massachusetts Healthcare Loan as discussed in "Note 4 – Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net."

Note 7 – Secured Debt Arrangements, Net

We utilize secured debt arrangements to finance the origination activity in our loan portfolio. Our secured debt arrangements are comprised of secured credit facilities, a private securitization, and a revolving credit facility.

During the six months ended June 30, 2024, In January 2024, we entered into a new secured credit facility with Goldman Sachs. The facility is secured by a first mortgage loan on a European portfolio of pubs and provides Sachs that provided £125.6 million (\$158.9 million, assuming conversion into USD) of additional borrowing capacity. During the three months ended September 30, 2024, we further upsized the facility by £242.1 million (\$314.6 million, assuming conversion into USD).

Additionally, during the **six** nine months ended **June 30, 2024** September 30, 2024, we upsized the Barclays facility by \$300.0 million and the Atlas Facility by \$113.5 million. The amendment to upsize the Atlas Facility also included conversion of the facility's term from a six month "evergreen" feature to two-years, with a one-year extension option, reduction to recourse percentages, and an additional pledge of a commercial mortgage loan, among other changes. Furthermore, we have repaid the full amount of borrowings outstanding on both the Goldman Sachs USD and Santander EUR facilities.

Our borrowings under secured debt arrangements as of **June 30, 2024** September 30, 2024 and December 31, 2023 are detailed in the following table (\$ in thousands):

	June 30, 2024			December 31, 2023			September 30, 2024			December 31, 2023		
	Maximum		Maximum		Maximum		Maximum		Maximum		Maximum	
	Amount of	Borrowings										
	Borrowings ⁽¹⁾											
JPMorgan Facility - USD ⁽³⁾⁽⁴⁾												
			September			September			September			September
	\$ 1,482,701	\$ 1,016,233	2026	\$ 1,482,584	\$ 1,043,964	2026	\$ 1,500,000	\$ 832,657	2026	\$ 1,482,584	\$ 1,043,964	2026
JPMorgan Facility - GBP ⁽³⁾⁽⁴⁾												
	17,299	17,299	2026	17,416	17,416	2026	—	—	N/A	17,416	17,416	2026
Deutsche Bank Facility - USD ⁽³⁾												
	700,000	177,979	March 2026	700,000	275,815	March 2026	700,000	183,397	March 2026	700,000	275,815	2026
Atlas Facility - USD ⁽⁵⁾												
	800,000	756,416	2027 ⁽⁶⁾	686,527	669,302	⁽⁸⁾	800,000	622,788	2027 ⁽⁶⁾	686,527	669,302	2027 ⁽⁷⁾⁽⁸⁾
HSBC Facility - GBP		381,373	381,373	May 2025	383,967	383,967	May 2025	403,390	403,390	May 2025	383,967	383,967
HSBC Facility - EUR												
	273,089	273,089	2026 ⁽⁸⁾	281,401	281,401	January 2026	269,032	269,032	2026 ⁽⁸⁾	281,401	281,401	2026
Goldman Sachs Facility - USD												
	—	—	N/A ⁽⁹⁾	13,437	13,437	2025 ⁽⁹⁾	—	—	N/A ⁽⁹⁾	13,437	13,437	2025 ⁽⁹⁾
Goldman Sachs Facility - GBP												
	158,863	158,863	2029	—	—	N/A	491,500	390,163	May 2029	—	—	N/A
Barclays Facility - USD												
	500,000	353,153	2027 ⁽⁷⁾	200,000	107,929	June 2027 ⁽⁷⁾	500,000	353,153	2027 ⁽⁷⁾	200,000	107,929	2027 ⁽⁷⁾
MUFG Securities Facility - GBP												
	203,308	203,308	2025 ⁽⁷⁾	204,690	204,690	June 2025 ⁽⁷⁾	209,759	194,203	2025 ⁽⁷⁾	204,690	204,690	2025 ⁽⁷⁾
Churchill Facility - USD												
	130,000	123,902	April 2026	130,000	126,515	March 2026	130,000	122,595	April 2026	130,000	126,515	2026
Santander Facility - USD												
	300,000	67,500	2026 ⁽⁷⁾									
Santander Facility - EUR ⁽¹⁰⁾												
	—	—	N/A	59,611	55,716	August 2024	—	—	N/A	59,611	55,716	2024

Total Secured Credit Facilities	4,946,633	3,529,115	4,459,633	3,247,652	5,303,682	3,438,878	4,459,633	3,247,652
Barclays Private Securitization -							December	June
GBP, EUR, SEK	2,093,561	2,093,561	July 2026 ⁽⁸⁾	2,369,125	2,157,157	June 2026 ⁽⁸⁾	2,034,897	2,034,897
Revolving Credit Facility - USD ⁽¹¹⁾	170,000	17,000	March 2026	170,000	147,000	March 2026		
Revolving Credit Facility - USD ⁽¹¹⁾⁽¹²⁾	160,000	51,050	March 2026	170,000	147,000	March 2026		
Total Secured Debt Arrangements	7,210,194	5,639,676		6,998,758	5,551,809		7,498,579	5,524,825
Less: deferred financing costs		N/A	(10,751)		N/A	(13,333)		N/A
Total Secured Debt Arrangements,								
net ⁽¹²⁾⁽¹³⁾⁽¹⁴⁾	\$ 7,210,194	\$ 5,628,925		\$ 6,998,758	\$ 5,538,476			
Total Secured Debt Arrangements,								
net ⁽¹³⁾⁽¹⁴⁾⁽¹⁵⁾	\$ 7,498,579	\$ 5,513,945		\$ 6,998,758	\$ 5,538,476			

(1) As of **June 30, 2024** **September 30, 2024**, British Pound Sterling("GBP"), Euro ("EUR"), and Swedish Krona ("SEK") borrowings were converted to USD at a rate of **1.26** **1.34**, **1.07** **1.11**, and **0.09** **0.10**, respectively. As of December 31, 2023, GBP, EUR and SEK borrowings were converted to USD at a rate of 1.27, 1.10 and 0.10, respectively.

(2) Maturity date assumes extensions at our option are exercised with consent of financing providers, where applicable.

(3) The JPMorgan Facility and Deutsche Bank Facility enable us to elect to receive advances in USD, GBP, or EUR.

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(4) The JPMorgan Facility allows for \$1.5 billion of maximum borrowings in total as of **June 30, 2024** **September 30, 2024**.

(5) The Atlas Facility (as defined below) was formerly the Credit Suisse Facility. See "Atlas Facility" below for additional discussion.

(6) The Atlas Facility was amended during March 2024 to convert the facility's maturity from a six month "evergreen" feature to a two-year initial term, with an additional one-year extension option.

(7) Assumes financings are extended in line with the underlying loans.

(8) Represents weighted-average maturity across various financings with the counterparty. See below for additional details.

(9) Facility entered the two-year amortization period during Q4 2023. During the amortization period, the maturity date for current outstanding transactions are extended for a period of up to two years from the November 2023 maturity. The facility was terminated during the **three** **nine** months ended **June 30, 2024** **September 30, 2024**, in conjunction with repayment of the underlying loan securing the facility.

(10) The facility was terminated during the three months ended June 30, 2024 in conjunction with repayment of the underlying loan securing the facility.

(11) The current stated maturity of the Revolving Credit Facility (as defined below) is March 2026. Borrowings under the Revolving Credit Facility bear interest at a per annum rate equal to the sum of (i) a floating rate index a fixed margin. Borrowings under the Revolving Credit Facility are full recourse to certain guarantor wholly-owned subsidiaries of the Company. See "Revolving Credit Facility" below for additional discussion.

(12) Effective September 30, 2024, the capacity on our Revolving Credit Facility was reduced to \$160.0 million from \$170.0 million.

(13) Weighted-average borrowing costs as of **June 30, 2024** **September 30, 2024** and December 31, 2023 were applicable benchmark rates and credit spread adjustments, plus spreads of USD: **+2.51** **2.56%** / GBP: **+2.23** **2.28%** / EUR: **+1.89** **2.11%** / SEK: **+1.50%** and USD: **+2.49%** / GBP: **+2.21%** / EUR: **+1.86%** / SEK: **+1.50%**, respectively.

(14) Weighted-average advance rates based on cost as of **June 30, 2024** **September 30, 2024** and December 31, 2023 were **69.1** **70.9%** (**63.9** **65.1%** (USD) / **73.4** **75.1%** (GBP) / **71.3** **72.8%** (EUR) /

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80.3 **80.4%** (SEK)) and 68.4% (62.9% (USD) / 72.5% (GBP) / 72.1% (EUR) / 80.4% (SEK)), respectively.

(14) (15) As of **June 30, 2024** **September 30, 2024** and December 31, 2023, approximately **50** **48%** and 58%, respectively, is the outstanding balance under these secured borrowings were recourse to us.

Terms of our secured credit facilities are designed to keep each lender's credit exposure generally constant as a percentage of the underlying value of the assets pledged as security to the facility. If the credit of the underlying collateral value decreases, the amount of leverage to us may be reduced. As of **June 30, 2024** **September 30, 2024** and December 31, 2023, the weighted-average haircut under our secured debt arrangements was approximately **30.9** **29.1%** and 31.6%, respectively. Our secured credit facilities do not contain capital markets-based mark-to-market provisions.

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 ("Atlas Facility"). For full discussion of this transaction, refer to "Note 15" **Related Party Transactions**."

Revolving Credit Facility

On March 3, 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 **\$170.0** **160.0** million of borrowings secured by qualifying commercial mortgage loans and real property owned assets. As of September 30, 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 **June 30, 2024** **September 30, 2024** and December 31, 2023, we had **\$17.0** **51.1** million and \$147.0 million, respectively, outstanding on the Revolving Credit Facility. During the three and **six** **nine** months ended **June 30, 2024** **September 30, 2024**, we recorded **\$77.1** **84.7** thousand and **\$110.7** **195.3** thousand in unused fees and **\$0.4** **0.1** million and **\$2.3** **2.4** million in

contractual interest expense, respectively. During the three and **six** months ended **June 30, 2023** **September 30, 2023**, we recorded **\$85.9** **86.9** thousand and **\$113.3** **200.2** thousand in unused fees, 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.

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The table below provides principal balances and the carrying value for commercial mortgage loans pledged to the Barclays Private Securitization as of **June 30, 2024** **September 30, 2024** and December 31, 2023 (\$ in thousands):

Local Currency	June 30, 2024			September 30, 2024		
	Outstanding			Outstanding		
	Count	Principal	Carrying Value	Count	Principal	Carrying Value
GBP	7	\$ 1,765,416	\$ 1,746,563	6	\$ 1,745,874	\$ 1,726,495
EUR	5	861,624	854,049	3	743,480	734,207
SEK	1	234,334	232,965	1	244,074	242,893
Total	13	\$ 2,861,374	\$ 2,833,577	10	\$ 2,733,428	\$ 2,703,595

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Local Currency	December 31, 2023		
	Count	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 **June 30, 2024** **September 30, 2024** (\$ in thousands):

	Borrowings	Fully-Extended	Borrowings	Fully-Extended
	Outstanding ⁽¹⁾	Maturity ⁽²⁾	Outstanding ⁽¹⁾	Maturity ⁽²⁾
Total/Weighted-Average GBP	\$ 1,302,697	July 2026	\$ 1,288,941	August 2026
Total/Weighted-Average EUR	603,397	September 2026 ⁽³⁾	550,425	October 2027 ⁽³⁾
Total/Weighted-Average SEK	187,467	May 2026	195,530	May 2026
Total/Weighted-Average Securitization	\$ 2,093,561	July 2026	\$ 2,034,897	December 2026

(1) As of **June 30, 2024** **September 30, 2024**, we had £1.0963.7 billion, million, €563.2494.3 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.

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

	June 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
Assets:				
Cash	\$ 251	\$ 924	\$ 1,366	\$ 924
Commercial mortgage loans, net ⁽¹⁾	2,833,577	2,903,186	2,703,595	2,903,186
Other Assets ⁽²⁾	41,074	41,180	142,208	41,180
Total Assets	<u>\$ 2,874,902</u>	<u>\$ 2,945,290</u>	<u>\$ 2,847,170</u>	<u>\$ 2,945,290</u>
Liabilities:				
Secured debt arrangements, net (net of deferred financing costs of \$1.6 million and \$2.0 million in 2024 and 2023, respectively)	\$ 2,091,979	\$ 2,155,197		
Secured debt arrangements, net (net of deferred financing costs of \$1.3 million and \$2.0 million in 2024 and 2023, respectively)	\$ 2,033,613	\$ 2,155,197		
Accounts payable, accrued expenses and other liabilities ⁽²⁾⁽⁴⁾	9,174	9,083	89,090	9,083
Total Liabilities	<u>\$ 2,101,153</u>	<u>\$ 2,164,280</u>	<u>\$ 2,122,703</u>	<u>\$ 2,164,280</u>

(1) Net of the General CECL Allowance of \$12.3 million and \$8.3 million as of June 30, 2024 September 30, 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 \$2.6 million and \$2.5 million as of June 30, 2024 September 30, 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 condensed consolidated statement of operations (\$ in thousands):

Three months ended June 30,	Six months ended June 30,	Three months ended September 30,	Nine months ended September 30,
--------------------------------	------------------------------	-------------------------------------	------------------------------------

	2024	2023	2024	2023	2024	2023	2024	2023
Net interest income:								
Interest income from commercial mortgage loans	\$ 63,596	\$ 52,781	\$ 128,119	\$ 99,758	\$ 69,455	\$ 56,537	\$ 197,574	\$ 156,295
Interest expense	(36,019)	(27,241)	(72,102)	(50,374)	(39,343)	(30,379)	(111,445)	(80,753)
Net interest income	\$ 27,577	\$ 25,540	\$ 56,017	\$ 49,384	\$ 30,112	\$ 26,158	\$ 86,129	\$ 75,542
General and administrative expense	\$ (2)	\$ (7)	\$ (2)	\$ (7)	\$ (4)	\$ (2)	\$ (6)	\$ (9)
Decrease (increase) in current expected credit loss allowance, net	(1,574)	(774)	(4,139)	(575)	(176)	1,744	(4,315)	1,169
Foreign currency translation gain (loss)	(487)	10,709	(13,410)	20,711	38,209	(24,266)	24,799	(3,555)
Net income	\$ 25,514	\$ 35,468	\$ 38,466	\$ 69,513	\$ 68,141	\$ 3,634	\$ 106,607	\$ 73,147

At **June 30, 2024** **September 30, 2024**, our borrowings had the following remaining maturities (\$ in thousands):

	Less than	1 to 3	3 to 5	More than	Total	Less than	1 to 3	3 to 5	More than	Total
	1 year	years	years	5 years		1 year	years	years	5 years	
JPMorgan Facility	\$ 27,299	\$ 1,006,233	\$ —	\$ —	\$ 1,033,532	\$ 197,798	\$ 634,859	\$ —	\$ —	\$ 832,657
Deutsche Bank Facility	—	177,979	—	—	177,979	—	183,397	—	—	183,397
Atlas Facility	—	756,416	—	—	756,416	105,109	517,679	—	—	622,788
HSBC Facility	500,938	153,524	—	—	654,462	527,665	144,757	—	—	672,422
Goldman Sachs Facility - GBP	—	—	158,863	—	158,863	—	—	390,163	—	390,163
Barclays Facility	—	353,153	—	—	353,153	—	353,153	—	—	353,153
MUFG Securities Facility	203,308	—	—	—	203,308	194,203	—	—	—	194,203
Churchill Facility	—	123,902	—	—	123,902	—	122,595	—	—	122,595
Santander Facility - USD	67,500	—	—	—	67,500	67,500	—	—	—	67,500
Barclays Private Securitization	446,764	1,451,855	194,942	—	2,093,561	122,275	1,710,368	202,254	—	2,034,897
Revolving Credit Facility	—	17,000	—	—	17,000	37,500	13,550	—	—	51,050
Total	\$ 1,245,809	\$ 4,040,062	\$ 353,805	\$ —	\$ 5,639,676	\$ 1,252,050	\$ 3,680,358	\$ 592,417	\$ —	\$ 5,524,825

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 **June 30, 2024** **September 30, 2024**, as well as the maximum and average month-end balances for the **six** **nine** months ended **June 30, 2024** **September 30, 2024** for our borrowings under secured debt arrangements (\$ in thousands).

	As of June 30, 2024		For the six months ended June 30, 2024		As of September 30, 2024		For the nine months ended September 30, 2024			
	Balance	Collateral ⁽¹⁾	Maximum		Average		Balance	Collateral ⁽¹⁾	Maximum	
			Month-End	Balance	Month-End	Balance			Month-End	Balance
JPMorgan Facility	\$ 1,033,532	1,832,152	1,063,261	\$ 1,050,021	\$ 832,657	1,552,582	1,063,261	\$ 981,865	1,063,261	\$ 981,865
Deutsche Bank Facility	177,979	283,753	278,703	229,539	183,397	288,425	278,703	—	278,703	213,556
Goldman Sachs Facility - USD	—	—	11,620	5,806	—	—	11,620	—	11,620	3,871
Goldman Sachs Facility - GBP	158,863	210,043	160,082	158,750	390,163	505,785	390,163	—	390,163	209,010
Atlas Facility	756,416	1,106,774	758,201	716,764	622,788	770,590	758,201	—	758,201	693,554
HSBC Facility	654,462	852,491	660,827	655,723	672,422	896,872	672,422	—	672,422	657,656
Barclays Facility	353,153	458,646	353,153	142,967	353,153	459,048	353,153	—	353,153	213,029
MUFG Securities Facility	203,308	276,781	204,867	203,163	194,203	282,548	211,057	—	211,057	203,437
Churchill Facility	123,902	164,987	126,080	124,991	122,595	163,416	126,080	—	126,080	124,338

Santander Facility - USD	67,500	99,824	67,500	67,500	67,500	99,912	67,500	67,500
Santander Facility - EUR	—	—	54,677	45,368	—	—	54,677	30,245
Barclays Private Securitization	2,093,561	2,845,877	2,146,965	2,082,679	2,034,897	2,716,314	2,249,538	2,108,953
Revolving Credit Facility	17,000	27,089	150,000	66,167	51,050	103,276	150,000	51,728
Total	<u>\$ 5,639,676</u>	<u>\$ 8,158,417</u>			<u>\$ 5,524,825</u>	<u>\$ 7,838,768</u>		

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(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	Average	
				Month-End	Month-End	
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	<u>\$ 5,551,809</u>	<u>\$ 8,093,030</u>				

(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 (ratio is 4.00:1 for the 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. The Revolving Credit Facility contains an additional financial covenant to maintain a minimum interest coverage ratio. As of 1.4:1. During October 2023, we modified our September 30, 2024, the interest coverage ratio covenant related to the Revolving Credit Facility to a minimum of shall be not less than 1.3:1, and shall be not less than 1.4:1 from a minimum of 1.5:1. effective June 30, 2025.

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We were in compliance with the covenants under each of our secured debt arrangements at June 30, 2024 September 30, 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 senior secured term loan (the "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 senior secured term loan, with substantially the same terms as the 2026 Term Loan, (the "2028 Term Loan" and, together with the 2026 Term Loan, the "Term Loans") 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 three and **six** **nine** months ended **June 30, 2024** **September 30, 2024** and 2023, we repaid \$1.3 million and **\$2.5** **3.8** million of principal, respectively, related to the 2026 Term Loan. During the three and **six** **nine** months ended **June 30, 2024** **September 30, 2024** and 2023, we repaid \$750 thousand and **\$1.5** **2.3** million of principal respectively related to the 2028 Term Loan.

The following table summarizes the terms of the Term Loans as of **June 30, 2024** **September 30, 2024** (\$ in thousands):

	Deferred						Deferred					
	Principal Amount	Unamortized Issuance Discount ⁽¹⁾	Financing Costs ⁽¹⁾	Carrying Value	Rate	Maturity Date	Principal Amount	Unamortized Issuance Discount ⁽¹⁾	Financing Costs ⁽¹⁾	Carrying Value	Rate	Maturity Date
2026 Term Loan	\$ 475,000	\$ (655)	\$ (3,545)	\$ 470,800	2.86 %	5/15/2026	\$ 473,750	\$ (565)	\$ (3,162)	\$ 470,023	2.86 %	5/15/2026
2028 Term Loan	290,250	(1,571)	(2,806)	285,873	3.61 %	3/11/2028	289,500	(1,464)	(2,618)	285,418	3.61 %	3/11/2028
Total	\$ 765,250	\$ (2,226)	\$ (6,351)	\$ 756,673			\$ 763,250	\$ (2,029)	\$ (5,780)	\$ 755,441		

(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):

	Unamortized			Deferred Financing			Rate	Maturity Date
	Principal Amount	Issuance Discount ⁽¹⁾	Costs ⁽¹⁾	Carrying Value				
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 **June 30, 2024** **September 30, 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 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%. 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% Senior Secured Notes due 2029 (the "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 \$496.0 million and \$495.6 million, net of deferred financing costs of \$4.0 million and \$4.4 million, as of **June 30, 2024** **September 30, 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 **June 30, 2024** **September 30, 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 three and **six** **nine** months ended **June 30, 2023** **September 30, 2023**, we repurchased \$36.8 million and \$43.9 million of aggregate principal amount of the 2023 Notes at a weighted-average price of 99.3% and 98.9%, respectively. These transactions happened in the open market as a result of reverse inquiries from investors with no solicitation by us. As a result of this transaction, during the three and nine months ended September 30, 2023, we recorded a gain of \$0.3 million thousand and \$0.5 million, respectively, within realized gain on extinguishment of debt in our **September 30, 2023** condensed consolidated statement of operations for the three and six months ended June 30, 2023, respectively. 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 third quarter of 2023, we repurchased an additional \$10.0 million of aggregate principal amount of the 2023 Notes at a weighted-average price of 99.7%. During the fourth quarter of 2023, we repaid the remaining \$176.1 million outstanding principal of the 2023 Notes in cash at par. All repurchase transactions occurred in the open market as a result of reverse inquiries from investors with no solicitation from us.

The aggregate contractual interest expense was approximately \$2.8 million and \$5.8 million for the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023**, 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 \$0.4 million and \$0.8 million for the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023**, 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** **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 June 30, 2024** **September 30, 2024**, we were in a net liability position with our derivative counterparties and posted collateral of \$11.6 million included within other assets on our condensed consolidated balance sheet. As of December 31, 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 **June 30, 2024** **September 30, 2024**:

Type of Derivatives	June 30, 2024						September 30, 2024					
	Number of Contracts	Aggregate			Weighted-Average	Number of Contracts	Aggregate			Weighted-Average	Number of Contracts	Weighted-Average
		Notional Amount (in thousands)	Notional Currency	Maturity			Notional Amount (in thousands)	Notional Currency	Maturity			
Fx contracts - GBP	85	963,399	GBP	July 2024 - February 2027	1.00	96	734,843	GBP	October 2024 - August 2027	0.97		
Fx contracts - EUR	114	481,209	EUR	July 2024 - August 2026	0.69	61	376,876	EUR	October 2024 - August 2026	1.08		
Fx contracts - SEK	16	663,828	SEK	August 2024 - May 2026	1.75	15	648,530	SEK	November 2024 - May 2026	1.54		
Interest rate cap	2	238,535	USD	October 2024 - July 2025	0.49	2	238,535	USD	July 2025 - October 2025	0.92		

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

Type of Derivatives	December 31, 2023					
	Number of Contracts	Aggregate		Notional Currency	Maturity	Weighted-Average Years to Maturity
		Notional Amount (in thousands)	Notional Currency			
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

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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 condensed consolidated statements of operations related to our forward currency contracts for the three and **six** nine months ended **June 30, 2024** **September 30, 2024** and 2023 (\$ in thousands):

Location of Gain (Loss) Recognized	Amount of gain (loss)									
	recognized in income		Amount of gain (loss) recognized in income		Amount of gain (loss) recognized in income		Amount of gain (loss) recognized in income			
	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended			
	June 30,		June 30,		September 30,		September 30,			
in Income	2024	2023	2024	2023	2024	2023	2024	2023		
Forward currency contracts	Unrealized gain (loss) on derivative instruments	\$ 911	\$ (20,102)	\$ 18,964	\$ (55,953)	Unrealized gain (loss) on derivative instruments	\$ (57,621)	\$ 28,244	\$ (38,657)	\$ (27,709)
Forward currency contracts	Realized gain (loss) on derivative instruments	5,466	2,986	10,811	24,702	Realized gain (loss) on derivative instruments	(1,914)	11,246	8,897	35,948
Total		\$ 6,377	\$ (17,116)	\$ 29,775	\$ (31,251)		\$ (59,535)	\$ 39,490	\$ (29,760)	\$ 8,239

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 condensed consolidated statement of operations. During 2023, through the three and six months ended June 30, 2023, interest rate cap maturity, LIBOR exceeded the cap rate of 0.75%. As such, during the three and six months ended June 30, 2023 September 30, 2023, we realized a gain from the interest rate cap in the amount of \$4.4 million and \$9.1 million, respectively, which is included in gain (loss) on interest rate hedging instruments in our condensed consolidated statement of operations. The realized gain was a result of the

increase in the current interest rate forward curve, partially offset by the nearing maturity of the cap. As the interest rate cap matured during the second quarter of 2023, there was no realized gain or loss recorded during three months ended September 30, 2023.

On September 26, 2023, we entered into an interest rate cap that matures on with an original maturity of October 1, 2024 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 (loss) on interest rate hedging instruments in our condensed consolidated statement of operations. During the three and six nine months ended June 30, 2024,

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September 30, 2024, SOFR exceeded the cap rate of 4.00%. As such, during the three and six nine months ended June 30, 2024 September 30, 2024, we realized a gain from the interest rate cap in the amount of \$0.60.5 million and \$1.11.6 million, respectively, which is included in gain (loss) on interest rate hedging instruments in our condensed consolidated statement of operations. On September 30, 2024, we extended our interest rate cap to October 1, 2025.

On June 13, 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 condensed consolidated statement of operations. During the three and nine months ended June 30, 2024 September 30, 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 condensed consolidated statements of operations related to our interest rate caps for the three and six nine months ended June 30, 2024 September 30, 2024 and 2023 (\$ in thousands):

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		Amount of gain (loss) recognized in income				Amount of gain (loss) recognized in income			
		Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
		2024	2023	2024	2023	2024	2023	2024	2023
Location of Gain (Loss) recognized in Income									
Interest rate caps	Unrealized gain (loss) on interest rate hedging instruments	\$ (457)	\$ (4,328)	\$ (651)	\$ (9,141)	Unrealized gain (loss) on interest rate hedging instruments	\$ (562)	\$ (70)	\$ (1,213)
Interest rate caps	Realized gain on interest rate hedging instruments	551	4,383	1,101	9,089	Realized gain on interest rate hedging instruments	548	—	1,649
Total		\$ 94	\$ 55	\$ 450	\$ (52)		\$ (14)	\$ (70)	\$ 436
									\$ (122)

The following tables summarize the gross asset and liability amounts related to our derivatives at June 30, 2024 September 30, 2024 and December 31, 2023 (\$ in thousands):

June 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
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	Net Amounts						Net Amounts					
	Gross		of Assets		Net Amounts		Gross		of Assets		Net Amounts	
	Amounts	Presented in	Gross	of Assets	Amounts	Presented	Amounts	Presented in	Gross	of Assets	Amounts	Presented
	Offset in our	our	Offset in our	in our	Offset in our	in our	Offset in our	our	Offset in our	in our	Offset in our	in our
	Gross	Condensed	Condensed	Gross	Offset in our	in our	Gross	Condensed	Condensed	Gross	Offset in our	in our
	Amount of	Consolidated	Consolidated	Amount of	Consolidated	Consolidated	Amount of	Consolidated	Consolidated	Amount of	Consolidated	Consolidated
Forward currency contracts	\$ 67,325	\$ (20,296)	\$ 47,029	\$ 55,102	\$ (27,037)	\$ 28,065	\$ 23,334	\$ (33,926)	\$ (10,592)	\$ 55,102	\$ (27,037)	\$ 28,065
Interest rate caps	720	—	720	1,360	—	1,360	577	—	577	1,360	—	1,360
Total derivative assets (liabilities)	\$ 68,045	\$ (20,296)	\$ 47,749	\$ 56,462	\$ (27,037)	\$ 29,425	\$ 23,911	\$ (33,926)	\$ (10,015)	\$ 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 condensed 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 condensed 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 **June 30, 2024** **September 30, 2024** or December 31, 2023.

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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):

	June 30, 2024	December 31, 2023	September 30, 2024	December 31, 2023
Collateral held under derivative agreements	\$ 51,610	\$ 25,820	\$ —	\$ 25,820
Accrued dividends payable	51,894	53,407	37,716	53,407
Accrued interest payable	31,983	31,012	39,715	31,012
Accounts payable and other liabilities ⁽¹⁾	10,004	6,078	11,291	6,078
General CECL Allowance on unfunded commitments ⁽²⁾	3,622	4,017		
Secured debt repayments pending servicer remittance ⁽²⁾	73,278	—		
General CECL Allowance on unfunded commitments ⁽³⁾	3,850	4,017		
Total	\$ 149,113	\$ 120,334	\$ 165,850	\$ 120,334

(1) Includes \$9.4 **10.4** million and \$5.5 million of accounts payable and other liabilities on the balance sheet of the Real Estate Owned, Held for Investment at **June 30, 2024** **September 30, 2024** and December 31, 2023, respectively.

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(2) Represents pending transfers from our third party loan servicers that were remitted to our secured credit facility counterparties during the subsequent remittance cycle.
 (3) 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 **June 30, 2024** **September 30, 2024** and December 31, 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 three and **six** **nine** months ended **June 30, 2024** **September 30, 2024**, we recorded a current income tax provision of **\$0.1** **66.0** **million** **thousand** and **\$0.2** **0.3** million, respectively, related to activities of our taxable REIT subsidiaries. We **did not record any** **recorded a current** income tax provision of **\$0.5** million **during both** the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023**.

There was a \$0.4 million and \$0.6 million income tax asset related to the operating activities of our TRS entities as of **June 30, 2024** **September 30, 2024** and December 31, 2023, respectively. As of **June 30, 2024** **September 30, 2024** and December 31, 2023, there were no material deferred tax assets or liabilities.

As of **June 30, 2024** **September 30, 2024**, 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 **June 30, 2024** **September 30, 2024**, 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

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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 March 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 **\$9.2** **8.8** million and **\$18.6** **27.4** million in base management fees under the Management Agreement for the three and **six** **nine** months ended **June 30, 2024** **September 30, 2024**, respectively, as compared to **\$9.4** **9.5** million and **\$18.9** **28.4** million for the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023**, respectively.

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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 three and **six** **nine** months ended **June 30, 2024** **September 30, 2024** we paid expenses totaling **\$2.0** **1.1** million and **\$3.8** **4.9** million, respectively, related to reimbursements for certain expenses paid by the Manager on our behalf under the Management Agreement as compared to **\$1.4** **0.8** million and **\$2.6** **2.1** million for three and **six** **nine** months ended **June 30, 2023** **September 30, 2023**, respectively. Expenses incurred by the Manager and reimbursed by us are reflected in the respective condensed consolidated statement of operations expense category or our condensed consolidated balance sheets based on the nature of the item.

Included in payable to related party on our condensed consolidated balance sheets at **June 30, 2024** **September 30, 2024** and December 31, 2023 is approximately **\$9.2** **8.8** million and \$9.6 million, respectively, for base management fees incurred but not yet paid under the Management Agreement.

Loans receivable

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 "Note 4 – Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net" for additional disclosure.

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 the three and **six** **nine** months ended **June 30, 2024** **September 30, 2024** and 2023, respectively were de minimis. As of **June 30, 2024** **September 30, 2024** and December 31, 2023, the fees payable to the AIFM were de minimis.

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

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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 **June 30, 2024** **September 30, 2024** and December 31, 2023, respectively, we had **\$756.4** **622.8** million and \$669.3 million of secured debt on the Atlas Facility consisting of five and four commercial mortgage loans. Refer to "Note 7 – Secured Debt Arrangements, Net" for additional discussion.

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On September 4, 2024, we, along with the Apollo Co-Lenders, formed a joint venture of which we held a 41.2% equity interest. Through this joint venture, we and the Apollo Co-Lenders foreclosed on one of the eight Massachusetts hospitals that previously secured our loan. In accordance with ASC 323, "Investments – Equity Method and Joint Ventures" our 41.2% interest in the joint venture was deemed an equity method investment. See "Massachusetts Healthcare" within "Note 4 – Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net" for full discussion.

Note 16 – Share-Based Payments

On June 17, 2024, our board of directors adopted the Apollo Commercial Real Estate Finance, Inc. 2024 Equity Incentive Plan ("2024 LTIP"). Following the approval of the 2024 LTIP by our stockholders at our 2024 annual meeting of stockholders on June 7, 2024, 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 2024 LTIP, the "LTIPs" or "Equity Incentive Plans") and all outstanding awards granted under the 2019 LTIP remain in effect in accordance with the terms in the 2019 LTIP.

The 2024 LTIP provides for grants of restricted common stock, restricted stock units ("RSUs") and other equity-based awards up to an aggregate of 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 related to restricted stock and RSU vesting of \$4.2 million and \$8.3 12.5 million during the three and six nine months ended June 30, 2024 September 30, 2024, respectively, and \$4.4 million and \$8.7 13.1 million during the three and six nine months ended June 30, 2023 September 30, 2023, respectively.

The following table summarizes the grants, vesting and forfeitures of restricted common stock and RSUs during the six nine months ended June 30, 2024 September 30, 2024:

Type	Restricted Stock	RSUs	Grant Date Fair Value (\$ in millions)	Restricted Stock	RSUs	Grant Date Fair Value (\$ in millions)
Outstanding at December 31, 2023	79,088	2,538,332		79,088	2,538,332	
Granted	63,980	—	0.7	63,980	—	0.7
Vested	(75,754)	(37,548)	N/A	(79,088)	(46,716)	N/A
Forfeiture	—	(21,112)	N/A	—	(45,390)	N/A
Outstanding at June 30, 2024	67,314	2,479,672				
Outstanding at September 30, 2024	63,980	2,446,226				

Below is a summary of restricted stock and RSU vesting dates as of June 30, 2024 September 30, 2024:

Vesting Year	Restricted Stock	RSUs	Total Awards	Restricted Stock	RSUs	Total Awards
2024	3,334	1,264,867	1,268,201	—	1,244,343	1,244,343
2025	63,980	857,826	921,806	63,980	849,208	913,188
2026	—	356,979	356,979	—	352,675	352,675
Total	67,314	2,479,672	2,546,986	63,980	2,446,226	2,510,206

At June 30, 2024 September 30, 2024, we had unrecognized compensation expense of approximately \$0.5 0.4 million and \$22.2 17.9 million related to the vesting of restricted stock awards and RSUs, respectively, noted in the table above. The unrecognized compensation

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expense related to the vesting of restricted awards and RSUs are expected to be recognized over a weighted-average period of 1.4 1.3 years.

RSU Deliveries

During the six nine months ended June 30, 2024 September 30, 2024 and 2023, we delivered 739,620 759,984 and 671,428 681,384 shares of common stock for 1,360,779 1,395,966 and 1,236,071 1,255,184 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 condensed consolidated statement of changes in stockholders' equity. The adjustment was \$7.3 7.4 million and \$6.7 6.8 million for the six nine months ended June 30, 2024 September 30, 2024 and 2023, respectively. The adjustment is a reduction of capital related to our equity incentive plan and is presented net of increases of capital related to our equity incentive plan in our condensed consolidated statement of changes in stockholders' equity.

Note 17 – Stockholders' Equity

Our authorized capital stock consists of 450,000,000 shares of common stock, \$0.01 par value per share and 50,000,000 shares of preferred stock, \$0.01 par value per share. As of June 30, 2024 September 30, 2024, 138,438,433 138,169,164 shares of common stock were issued and

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

Dividends. The following table details our dividend activity:

Dividends declared per share of:	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
Common Stock	\$ 0.35	\$ 0.35	\$ 0.70	\$ 0.70	\$ 0.25	\$ 0.35	\$ 0.95	\$ 1.05
Series B-1 Preferred Stock	\$ 0.45	\$ 0.45	\$ 0.90	\$ 0.90	\$ 0.45	\$ 0.45	\$ 1.35	\$ 1.35

Common Stock Repurchases. During the three and **six** **nine** months ended **June 30, 2024** **September 30, 2024**, we repurchased **3,723,772** **289,633** and **4,013,405** shares, respectively, of our common stock at a weighted-average price of **\$10.16** **9.96** and **\$10.15** per share. As of **June 30, 2024** **September 30, 2024**, the approximate dollar value of shares that may yet be purchased under our stock repurchase program was **\$134.5** **131.6** million.

Note 18 – Commitments and Contingencies

Legal Proceedings. Proceedings

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

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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 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 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 of Massachusetts, as well as Governor Maura Healey and the Massachusetts 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. The court has set an expedited schedule, with a trial scheduled to begin on February 18, 2025. The lawsuit is separate from any future action that could be filed over the valuation of the property and any 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 **June 30, 2024** **September 30, 2024**, we had **\$436.6** **503.9** 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 **2.6** **3.1** years weighted-average tenor of these loans.

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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 condensed consolidated balance sheets at **June 30, 2024** **September 30, 2024** and December 31, 2023 (\$ in thousands):

	June 30, 2024		December 31, 2023		September 30, 2024		December 31, 2023	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	\$ 174,703	\$ 174,703	\$ 225,438	\$ 225,438	\$ 194,287	\$ 194,287	\$ 225,438	\$ 225,438
Cash and cash equivalents	7,909,125	7,791,941	7,925,359	7,813,304	7,456,389	7,373,832	7,925,359	7,813,304
Commercial mortgage loans, net	384,777	384,777	432,734	432,458	374,222	374,222	432,734	432,458
Subordinate loans, net	(5,628,925)	(5,628,925)	(5,538,476)	(5,538,476)	(5,513,945)	(5,513,945)	(5,538,476)	(5,538,476)
Secured debt arrangements, net	(756,673)	(747,834)	(759,150)	(754,197)	(755,441)	(748,643)	(759,150)	(754,197)
Senior secured term loans, net	(496,033)	(419,375)	(495,637)	(418,750)	(496,233)	(446,250)	(495,637)	(418,750)
Senior secured notes, net	(235,418)	(235,418)	(161,586)	(161,586)	(278,837)	(278,837)	(161,586)	(161,586)
Debt related to real estate owned, held for investment, net								

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 notes**, **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" 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 securities. Under the two-class method,

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all earnings (distributed and undistributed) are allocated to common shares and participating securities according to 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 For the three and nine months ended, September 30, 2024, **dilutive** earnings per share **is was** calculated under the more dilutive computation of the treasury stock method and the **if-converted****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 divided by the average stock price from the unvested RSUs. **For the three and nine months ended, September 30, 2023, dilutive earnings per share was calculated under the if-converted method for periods with convertible interest expense.**

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The table below presents the computation of basic and diluted net income (loss) per share of common stock for the three and **six****nine** months ended **June 30, 2024** **September 30, 2024** and 2023 (\$ in thousands except per share data):

Basic Earnings	Three Months Ended June 30,				Three Months Ended September 30,		Nine Months Ended September 30,	
	2024		2023		2024		2023	
	\$ 35,785	\$ (83,400)	\$ (68,739)	\$ (34,484)	\$ (91,549)	\$ 46,071	\$ (160,288)	\$ 11,587
Net income (loss)	(3,068)	(3,068)	(6,136)	(6,136)	(3,068)	(3,068)	(9,204)	(9,204)
Less: Preferred dividends	—	—	—	—	—	—	—	—
Less: Earnings attributable to participating securities	—	—	—	—	—	—	—	—

Less: Dividends on participating securities	(880)	(997)	(1,766)	(2,000)	(614)	(989)	(2,380)	(2,989)
Basic Earnings (Loss)	\$ 31,837	\$ (87,465)	\$ (76,641)	\$ (42,620)	\$ (95,231)	\$ 42,014	\$ (171,872)	\$ (606)
Dilutive Earnings								
Basic Earnings (Loss)	\$ 31,837	\$ (87,465)	\$ (76,641)	\$ (42,620)	\$ (95,231)	\$ 42,014	\$ (171,872)	\$ (606)
Add: Dividends on participating securities	—	—	—	—	—	—	—	—
Diluted Earnings (Loss)	\$ 31,837	\$ (87,465)	\$ (76,641)	\$ (42,620)	\$ (95,231)	\$ 42,014	\$ (171,872)	\$ (606)
Number of Shares:								
Basic weighted-average shares of common stock outstanding	140,438,676	141,341,238	141,154,140	141,207,597	138,246,827	141,350,428	140,177,962	141,255,730
Diluted weighted-average shares of common stock outstanding	140,611,532	141,341,238	141,154,140	141,207,597	138,246,827	141,350,428	140,177,962	141,255,730
Earnings (Loss) Per Share Attributable to Common Stockholders								
Basic	\$ 0.23	\$ (0.62)	\$ (0.54)	\$ (0.30)	\$ (0.69)	\$ 0.30	\$ (1.23)	\$ —
Diluted	\$ 0.23	\$ (0.62)	\$ (0.54)	\$ (0.30)	\$ (0.69)	\$ 0.30	\$ (1.23)	\$ —

For the three months ended **June 30, 2024** **September 30, 2024**, **172,857** **519,184** incremental shares were included excluded in the calculation of diluted net income per share because the effect was dilutive. anti-dilutive. For the **six** **nine** months ended **June 30, 2024** **September 30, 2024**, **283,433** **355,339** incremental shares were excluded in the calculation of diluted net income per share because the effect was anti-dilutive.

For the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023**, **10,485,087** **8,741,770** and **10,835,571** **10,129,968**, respectively, weighted-average potentially issuable shares with respect to the Convertible Notes were excluded in the dilutive earnings per share denominator because the effect was anti-dilutive.

For the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023**, **2,849,286** **2,832,265** and **3,034,394** **2,966,277** weighted-average unvested RSUs were excluded in the calculation of diluted net income per share because the effect was anti-dilutive.

Note 21 – Subsequent Events

Subsequent to the quarter ended **June 30, 2024** **September 30, 2024**, the following events took place:

Investment Activity:

- Originated two first mortgage loans, consisting of a £117.5 million (\$149.6 assuming conversion into USD) commitment to a floating-rate commercial mortgage loan secured by a portfolio of luxury senior care homes across Greater London, United Kingdom and a £150.4 million (\$191.9 million assuming conversion into USD) floating-rate commercial mortgage loan secured by a portfolio of senior care homes throughout the United Kingdom in connection with a refinance.
- Funded approximately \$49.6 **33.1** million for previously closed loans. loans and capitalized an additional \$ 9.8 million of construction and financing costs related to our real estate owned, held for investment.

Loan Repayments: We received approximately \$463.6 **6.3** million from loan repayments, including \$421.0 million of full repayments across three first mortgage loans and one subordinate loan. repayments.

Share Repurchases: We repurchased 157,424 shares of our common stock at a weighted-average price of \$9.92 per share. As of the date of this quarterly report, the approximate dollar value of shares that may yet to be purchased under our stock repurchase program was \$132.9 million.

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Massachusetts Healthcare: In March 2022, we **October 1, 2024**, five of the seven hospitals were sold to third parties, and the total consideration was allocated among us and other Apollo-managed entities co-originated a 55% loan-to-cost first mortgage loan secured by eight hospitals in Massachusetts. At origination, Apollo Co-Lenders based on our portion of the loan totaled \$378.7 million. The loan was made in connection with the capitalization of a joint venture between two parties to own the hospitals. That joint venture - through its subsidiaries, which were the mortgage borrowers under the loan – then leased the properties to Steward Health Care ("Steward"), who served as the operator. We and other Apollo-managed entities did not lend to Steward and do not have any involvement in Steward's operation of the hospitals or performance under the lease. The structure and covenants pro-rata interests in the loan have provided for cash collateral and amortization since origination that represents commercial mortgage loan. We received consideration of

approximately 11% of the original loan balance, and our amortized cost basis was \$341.9 133.1 million, as of June 30, 2024. As of the date of this quarterly report, the loan remains current on all contractual interest payments.

Steward filed for Chapter 11 bankruptcy in May 2024. During the three months ended June 30, 2024, we downgraded the loan's risk rating from which included a three to a four. Subsequent to the date of these condensed consolidated financial statements but prior to the date of this quarterly report, bids for the hospitals were received and the bid process and negotiations are continuing to evolve with multiple constituencies. While there still is a high degree of uncertainty, based upon the information available as of the date of this quarterly report, and taking into account Steward's bankruptcy court documents made publicly available on July 30, 2024, we anticipate recording a Specific CECL Allowance in a subsequent quarter, which we currently estimate to be approximately \$90 41.2 million. The actual Specific CECL Allowance may differ materially based on continuing developments from the date of this quarterly report. million promissory note.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING INFORMATION

We make forward-looking statements herein and will make forward-looking statements in future filings with the 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 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 our most recent 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.

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 \$696.3 billion as of June 30, 2024.

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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 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, 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" in our most recent Annual Report on Form 10-K.

Results of Operations

Net Income (Loss) Available to Common Stockholders

For the three months ended **June 30, 2024** **September 30, 2024** and 2023, our net income (loss) available to common stockholders was **\$32.7 million**, **(\$94.6) million**, or **\$0.23** **\$0.69** per diluted share of common stock, and **(\$86.5) million**, **\$43.0 million**, or **(\$0.62)** **\$0.30** per diluted share of common stock, respectively.

For the **six nine** months ended **June 30, 2024** **September 30, 2024** and 2023, our net income (loss) available to common stockholders was **(\$74.9)** **169.5** million, or **(\$0.54)** **1.23** per diluted share of common stock, and **(\$40.6) million**, **\$2.4 million**, or **(\$0.30)** **\$0.00** per diluted share of common stock, respectively.

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Operating Results

The following table sets forth information regarding our condensed consolidated results of operations and certain key operating metrics compared to the most recently reported period (\$ in thousands):

	Three Months Ended			Three Months Ended		
	June 30, 2024	March 31, 2024	Change	September 30, 2024	June 30, 2024	Change
Net interest income:						
Interest income from commercial mortgage loans	\$ 179,388	\$ 183,716	\$ (4,328)	\$ 179,921	\$ 179,388	\$ 533
Interest income from subordinate loans and other lending assets	842	849	(7)	1,210	842	368
Interest expense	(128,472)	(127,887)	(585)	(134,088)	(128,472)	(5,616)
Net interest income	51,758	56,678	(4,920)	47,043	51,758	(4,715)
Operations related to real estate owned:						
Revenue from real estate owned operations	29,350	23,857	5,493	24,530	29,350	(4,820)
Operating expenses related to real estate owned	(21,767)	(19,893)	(1,874)	(19,879)	(21,767)	1,888
Depreciation and amortization on real estate owned	(2,287)	(4,656)	2,369	(2,342)	(2,287)	(55)
Net income (loss) related to real estate owned	5,296	(692)	5,988			
Net income related to real estate owned	2,309	5,296	(2,987)			
Operating expenses:						
General and administrative expenses	(7,488)	(7,373)	(115)	(7,547)	(7,488)	(59)
Management fees to related party	(9,173)	(9,421)	248	(8,801)	(9,173)	372
Total operating expenses	(16,661)	(16,794)	133	(16,348)	(16,661)	313

Other income, net	641	570	71	1,573	641	932
(Reversal of) valuation allowance, commercial mortgage loan held for sale	679	(679)	1,358	—	679	(679)
Net realized loss on investment	(679)	—	(679)	(127,512)	(679)	(126,833)
Increase in Specific CECL Allowance	(7,500)	(142,000)	134,500	—	(7,500)	7,500
Increase in General CECL Allowance, net	(2,758)	(5,684)	2,926			
Gain on foreign currency forward contracts	6,377	23,398	(17,021)			
Foreign currency translation loss	(1,362)	(19,563)	18,201			
Gain on interest rate hedging instruments	94	356	(262)			
Decrease (increase) in General CECL Allowance, net	899	(2,758)	3,657			
Gain (loss) on foreign currency forward contracts	(59,535)	6,377	(65,912)			
Foreign currency translation gain (loss)	60,102	(1,362)	61,464			
Gain (loss) on interest rate hedging instruments	(14)	94	(108)			
Net income (loss) before taxes	\$ 35,885	\$ (104,410)	\$ 140,295	\$ (91,483)	\$ 35,885	\$ (127,368)
Income tax provision	(100)	(114)	14	(66)	(100)	34
Net income (loss)	\$ 35,785	\$ (104,524)	\$ 140,309	\$ (91,549)	\$ 35,785	\$ (127,334)

Net Interest Income

Net interest income decreased by \$4.9 million \$4.7 million during the three months ended June 30, 2024 September 30, 2024 compared to the three months ended March 31, 2024, primarily driven by a decrease in interest income from commercial mortgage loans. This June 30, 2024. The decrease was primarily due to loan modifications closed during the quarter, which transitioned two commercial mortgage loans from floating interest rates to lower fixed interest rates, placing our Massachusetts Healthcare Loan on non-accrual status as of July 1, 2024. Refer to "Note 4 – Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net" for full discussion of our loans additional detail.

Operations Related to Real Estate Owned

For the three months ended June 30, 2024 September 30, 2024, we recorded net income related to real estate owned of \$5.3 million \$2.3 million, compared to a net loss income of \$0.7 million \$5.3 million for the three months ended March 31, 2024 June 30, 2024. The increase decrease in net income was primarily due to the seasonality of the D.C. Hotel's operations which led to \$3.7 million higher \$3.2 million lower net income from operations, prior to depreciation, during the three months ended June 30, 2024 September 30, 2024 as compared to the three months ended March 31, 2024 June 30, 2024. The increase in net income was also due to a decrease in depreciation recorded relating to the Atlanta Hotel during the three months ended June 30, 2024 as compared to the three months ended March 31, 2024 as a result of reclassification from held for sale to held for investment as of March 31, 2024. On the date of reclassification, we recorded \$3.6 million in depreciation, representing the amount that would have been recorded had the asset remained as held for investment throughout 2023 and in the first quarter of 2024. Refer to "Note 5 – Real Estate Owned" for full discussion of the reclassification and operations related to real estate owned.

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Operating Expenses

General and administrative expenses and management fees to related party remained generally the same for the three months ended June 30, 2024 September 30, 2024 compared to the three months ended March 31, 2024 June 30, 2024.

Other income, net

Other income, net remained generally the same for increased by \$0.9 million during the three months ended June 30, 2024 September 30, 2024 compared to the three months ended March 31, 2024 June 30, 2024. This increase was due to an increase in bank interest earned on our cash balances, money market funds, and cash reserves held by our loan servicer.

Reversal of valuation allowance, commercial mortgage loan held for sale and Net realized loss on investment

During the three months ended March 31, 2024 June 30, 2024, we reclassified sold one of our commercial mortgage loans collateralized by a hotel property located in Honolulu, HI to HI. The loan was classified as held for sale during the three months ended March 31, 2024 and recorded a \$0.7 million valuation allowance of \$0.7 million was recorded to carry the loan at its fair value which reflected in the agreed upon selling price first quarter of 99.5%. Loans held for 2024. At the time of sale, are carried at the lower of

amortized cost or fair value less costs to sell. We subsequently sold the loan during the three months ended June 30, 2024, and we reversed the full valuation allowance recording and recorded a \$0.7 million realized loss within realized loss on investments on our condensed consolidated statement of operations.

Net realized loss on investment

During the three months ended September 30, 2024, we recognized a \$127.5 million realized loss on the extinguishment of the Massachusetts Healthcare Loan. Refer to "Note 4 - Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net" for full discussion.

Increase in Specific CECL Allowance, net

During the three months ended September 30, 2024, there was no net change to our Specific CECL Allowance. 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 on our September 30, 2024 condensed consolidated statement of operations.

Comparatively, during the three months ended June 30, 2024, we recorded a \$7.5 million Specific CECL Allowance on a subordinate loan secured by our interest in a Class A office building in Troy, MI. This allowance was attributable to low occupancy and limited leasing activity in the property's submarket. Comparatively, during the three months ended March 31, 2024, there was an increase of \$142.0 million in our Specific CECL Allowance related to a mezzanine loan secured by an ultra-luxury residential property in Manhattan, NY. The additional Specific CECL Allowance was primarily attributable to a reduction in list pricing of remaining units. Refer to "Note 4 - Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net" for additional information related to our Specific CECL Allowance and further detail on the mezzanine loan.

Increase Decrease in General CECL Allowance, net

Our General CECL Allowance decreased by \$0.9 million during the three months ended September 30, 2024, primarily driven by the favorable impacts of portfolio seasoning, earlier than expected loan repayments, and transfer of the Massachusetts Healthcare Loan to the loans evaluated for Specific CECL Allowances. The decrease was partially offset by the effects of loan originations and a more adverse macroeconomic outlook on our office portfolio. Comparatively, our General CECL Allowance increased by \$2.8 million during the three months ended June 30, 2024, which was primarily driven by new loan originations as well as a more adverse outlook on our office portfolio. The increase was partially offset by the favorable impacts of portfolio seasoning. Comparatively, our General CECL Allowance increased by \$5.7 million during the three months ended March 31, 2024, which was primarily driven by an increase in our view of the remaining expected term of certain of our loans and an increase in the historical loss rate derived from Trepp's data.

Refer to "Note 4 - Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net" for additional information related to our General CECL Allowance.

Foreign currency translation loss gain and gain/loss on derivative instruments

We use forward currency contracts to economically hedge net interest and principal repayments under our loans denominated in currencies other than USD. Foreign currency gains and losses on derivative instruments are evaluated on a combined basis and the net impact for the three months ended June 30, 2024 September 30, 2024 and March 31, 2024 the three months ended June 30, 2024

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were net gains of \$5.0 million \$0.6 million and \$3.8 million \$5.0 million, respectively. The change in net gain (loss) for the three months ended June 30, 2024 September 30, 2024 compared to the three months ended March 31, 2024 June 30, 2024 was predominantly due to lower higher forward point estimates and gains/losses on forward currency contracts related to our net interest hedges for the three months ended June 30, 2024 September 30, 2024 compared to the three months ended March 31, 2024 June 30, 2024.

During the three months ended June 30, 2024 September 30, 2024, Fx rates fell at a greater rate increased in relation to USD compared while Fx rates slightly decreased in relation to USD during the three months ended March 31, 2024 June 30, 2024. The decrease/increase in Fx rates resulted in a gain/loss on our foreign currency forward contracts and a loss/gain related to foreign currency translation. Gains and losses on our forward currency contracts are derived from changes in market spot rates, forward point estimates, and discount factors. Gains and losses related to foreign currency translation are derived only from changes in market spot rates. Forward currency contract gains and losses derived from market spot rates offset the gains and losses related to foreign currency translation except for the gains and losses from forward currency contracts related to our net

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interest hedges which have no offset in foreign currency translation. A net gain or loss arises each period due to the change in forward point estimates and discount factors as well as gains and losses from forward currency contracts related to our net interest hedges.

Gain (loss) on interest rate hedges

During the three months ended **June 30, 2024** **September 30, 2024**, we recorded a net gain loss of **\$0.1 million** **\$14.0 thousand** on our interest rate caps compared to a net gain of **\$0.4 million** **\$0.1 million** recorded during the three months ended **March 31, 2024** **June 30, 2024**. The **\$0.3 million** net decrease loss was primarily driven by unrealized losses attributable to a decline in fair value of our construction financing interest rate cap as it **approaches** **approached** its October 1, 2024 **original** maturity. These unrealized losses were partially offset by realized gains, attributable to SOFR exceeding the interest rate cap's strike rate.

Income tax provision

Income tax provision remained generally the same for the three months ended **June 30, 2024** **September 30, 2024** compared to the three months ended **March 31, 2024** **June 30, 2024**. Refer to "Note 5 **Real Estate Owned**" for additional detail.

The following table sets forth information regarding our condensed consolidated results of operations and certain key operating metrics for the **six nine** months ended **June 30, 2024** **September 30, 2024** and 2023 (\$ in thousands):

	Six Months Ended			Nine Months Ended		
	June 30, 2024	June 30, 2023	Change	September 30, 2024	September 30, 2023	Change
Net interest income:						
Interest income from commercial mortgage loans	\$ 363,104	\$ 340,271	\$ 22,833	\$ 543,025	\$ 520,712	\$ 22,313
Interest income from subordinate loans and other lending assets	1,691	14,817	(13,126)	2,901	16,416	(13,515)
Interest expense	(256,359)	(221,146)	(35,213)	(390,447)	(342,963)	(47,484)
Net interest income	108,436	133,942	(25,506)	155,479	194,165	(38,686)
Operations related to real estate owned:						
Revenue from real estate owned operations	53,207	45,339	7,868	77,737	66,273	11,464
Operating expenses related to real estate owned	(41,660)	(33,967)	(7,693)	(61,539)	(52,917)	(8,622)
Depreciation and amortization on real estate owned	(6,943)	(6,188)	(755)	(9,285)	(7,208)	(2,077)
Net income related to real estate owned	4,604	5,184	(580)	6,913	6,148	765
Operating expenses:						
General and administrative expenses	(14,861)	(14,486)	(375)	(22,408)	(22,150)	(258)
Management fees to related party	(18,594)	(18,907)	313	(27,395)	(28,425)	1,030
Total operating expenses	(33,455)	(33,393)	(62)	(49,803)	(50,575)	772
Other income, net	1,211	3,072	(1,861)	2,784	4,537	(1,753)
Net realized loss on investments	(679)	(86,604)	85,925	(128,191)	(86,604)	(41,587)
Realized gain on extinguishment of debt	—	465	(465)	—	495	(495)
Increase in Specific CECL Allowance	(149,500)	(59,500)	(90,000)	(149,500)	(59,500)	(90,000)
Increase in General CECL Allowance, net	(8,442)	(6,538)	(1,904)	(7,543)	(705)	(6,838)
Gain (loss) on foreign currency forward contracts	29,775	(31,251)	61,026	(29,760)	8,239	(37,999)
Foreign currency translation gain (loss)	(20,925)	40,191	(61,116)	39,177	(3,974)	43,151
Gain (loss) on interest rate hedging instruments	450	(52)	502	436	(122)	558
Net loss before taxes	\$ (68,525)	\$ (34,484)	\$ (34,041)			
Net income (loss) before taxes	\$ (160,008)	\$ 12,104	\$ (172,112)			
Income tax provision	(214)	—	(214)	(280)	(517)	237
Net loss	\$ (68,739)	\$ (34,484)	\$ (34,255)			
Net income (loss)	\$ (160,288)	\$ 11,587	\$ (171,875)			

Net Interest Income

Net interest income decreased by **\$25.5 million** **\$38.7 million** during the **six nine** months ended **June 30, 2024** **September 30, 2024** compared to the **six nine** months ended **June 30, 2023** **September 30, 2023**. The decrease in net interest income was primarily driven by a decrease in interest income from placing a first mortgage loan and subordinate

loan collateralized by the same ultra-luxury residential-for-sale property in Manhattan on non-accrual status as of May 1, 2023 and placing the Massachusetts Healthcare Loan on non-accrual status as of July 1, 2024. Additionally, we modified two of our loans to convert from floating rate loans to fixed rate loans, which resulted in a decrease in net interest income earned during the six nine months ended June 30, 2024 September 30, 2024 compared to the six nine months ended June 30, 2023 September 30, 2023. Refer to "Note 4 – Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net" for additional detail.

Operations Related to Real Estate Owned

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Net income related to real estate owned decreased increased by \$0.6 million \$0.8 million during the six nine months ended June 30, 2024 September 30, 2024 compared to the six nine months ended June 30, 2023 September 30, 2023. This decrease The increase was a result of greater net income attributable to the D.C. Hotel during the nine months ended September 30, 2024 primarily driven by a due to catch-up depreciation recorded upon reclassification of the asset from held-for-sale to held-for-investment as of March 31, 2023. Additionally, the increase in depreciation and amortization recorded at the Atlanta Hotel. We acquired legal net income related to real estate owned is a result of taking title of to the Atlanta Hotel on March 31, 2023 and as such, recorded. Given the timing of title acquisition, there was no related net income or depreciation for associated with the three months ended March 31, 2023.

Atlanta Hotel during the first quarter of 2023. Refer to "Note 5 – Real Estate Owned" for full discussion of operations related to real estate owned.

Operating Expenses

General and administrative expenses and management fees to related party remained generally the same for the six nine months ended June 30, 2024 September 30, 2024 compared to the six nine months ended June 30, 2023 September 30, 2023.

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Management fees expense decreased by \$1.0 million for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. The decrease was primarily due to a decrease in stockholders' equity (as defined in the Management Agreement) as a result of increased Specific CECL Allowance and realized losses on investments recorded during the nine months ended September 30, 2024.

Other income, net

Other income, net decreased by \$1.9 million \$1.8 million during the six nine months ended June 30, 2024 September 30, 2024 compared to the six nine months ended June 30, 2023 September 30, 2023. This decrease was due to a decrease in bank interest earned on our cash balances and money market funds, as we deployed capital into loan originations and stock repurchases during 2024.

Net realized loss on investments

During the six nine months ended June 30, 2024 September 30, 2024, we recorded a \$0.7 million \$128.2 million net realized loss on investments, consisting of i) a \$0.7 million realized loss related to the sale of a commercial mortgage loan collateralized by a hotel property located in Honolulu, HI. The loan HI, which was previously classified as held for sale and was sold at a price of 99.5% and ii) a \$127.5 million realized loss related to the extinguishment of the Massachusetts Healthcare Loan. Refer to "Note 4 – Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net" for additional detail.

Comparatively, during the six nine months ended June 30, 2023 September 30, 2023, we recorded a net realized loss on investments of \$86.6 million, 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 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, UK.

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

Gain on Extinguishment of Debt

During the six nine months ended June 30, 2023 September 30, 2023, we repurchased \$43.9 million \$53.9 million aggregate principal amount of the 2023 Notes. As a result of this transaction, we recognized a \$0.5 million gain on extinguishment of debt. We repaid the remaining principal of the 2023 Notes in full during the fourth quarter of 2023.

Increase in Specific CECL Allowance, net

During the **six nine** months ended **June 30, 2024** **September 30, 2024**, we recorded **a net increase** in our Specific CECL Allowance of \$149.5 million, related to two of our subordinate loans. During the three months ended March 31, 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 three months ended June 30, 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 September 30, 2024 condensed consolidated statement of operations.**

During the **six nine** months ended **June 30, 2023** **September 30, 2023**, we recorded a net increase to our Specific CECL Allowance of \$59.5 million. We recorded a \$141.5 million 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 million related to the most junior mezzanine loan was deemed unrecoverable. Accordingly, \$82.0 million of previously recorded Specific CECL was written-off and recorded as a realized loss within net realized loss on investments in our June 30, 2023 condensed consolidated statement of operations.

Refer to "Note 4 **Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net**" for additional detail.

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Increase in General CECL Allowance, net

For the **six nine** months ended **June 30, 2024** **September 30, 2024**, we recorded a net increase in our General CECL Allowance of **\$8.4 million** **\$7.5 million**. The increase was primarily driven by new loan originations as well as a more adverse macroeconomic **outlook**. **outlook on our office portfolio**. The increase was partially offset by the favorable impacts of portfolio seasoning.

During the **six nine** months ended **June 30, 2023** **September 30, 2023**, we recorded a net increase in our General CECL Allowance of **\$6.5 million** **\$0.7 million** primarily driven by **an increase in our view of the remaining expected term of certain of our loans and a more adverse macroeconomic outlook**, which was partially offset by the effects of portfolio **seasoning**, **seasoning and loan repayment activity outpacing origination activity**.

Refer to "Note 4 **Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net**" for additional detail.

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 **both** the **six nine** months ended **June 30, 2024** **September 30, 2024** and **six nine** months ended **June 30, 2023** **September 30, 2023** was a net gain of **\$8.9 million**, **\$9.4 million** and **\$4.3 million**, respectively.

During the **six nine** months ended **June 30, 2024** **September 30, 2024**, the GBP and EUR rates rose in relation to USD while the GBP rate rose and the EUR rate fell **in relation to USD while both rates rose** during the **six nine** months ended **June 30, 2023** **September 30, 2023**. The increase in Fx rates during the **nine** months ended **September 30, 2024** resulted in a loss on our foreign currency forward contracts and a gain related to foreign currency translation. The slight overall decrease in Fx rates during the **six nine** months ended **June 30, 2024** **September 30, 2023** resulted in a gain on our foreign currency forward contracts and a loss related to foreign currency translation. **The increase in Fx rates during the six months ended June 30, 2023 resulted in a loss on our foreign currency forward contracts and a gain related to foreign currency translation. The net gain both for the six nine months ended June 30, 2024 September 30, 2024 and the six nine months ended June 30, 2023 September 30, 2023 was due to lower forward point estimates.**

Gain (loss) on interest rate hedges

During the **six nine** months ended **June 30, 2024** **September 30, 2024**, we recorded a net gain of **\$0.5 million** **\$0.4 million** on our interest rate hedges or caps. The net gain was primarily driven by a **\$1.1 million** **\$1.6 million** realized gain recorded in relation to our construction financing interest rate cap, which we purchased in September 2023. The realized gain is attributable to SOFR exceeding the interest rate cap's strike rate. Additionally, we recorded a partially offsetting unrealized loss of **\$0.6 million** **\$1.2 million**, driven by a decrease in the interest rate cap's fair value, as it approaches its maturity.

During the **six nine** months ended **June 30, 2023** **September 30, 2023**, we recorded a net loss of \$0.1 million on our interest rate cap related to our 2026 Term Loan. Though we recorded a realized gain of \$9.1 million driven by an increase in **LIBOR** over the **applicable index rate above the interest rate cap strike rate**, this gain was offset by unrealized losses of \$9.2 million, resulting from a decrease in the interest rate cap's fair value as it reached its June 2023 maturity.

Refer to "Note 11 **Derivatives**" for full discussion of interest rate caps.

Income tax provision

During the **six nine** months ended **June 30, 2024** **September 30, 2024**, we recorded an income tax provision of **\$0.2 million** **\$0.3 million**. Comparatively, we did not record an income tax provision of **\$0.5 million** for the **six nine** months ended **June 30, 2023** **September 30, 2023**. The income tax **provision** recorded during the

six nine months ended June 30, 2024 reflects September 30, 2024 and 2023 reflect our expectations of aggregate projected taxable income of one of our TRS entities for the taxable year years ending December 31, 2024, and 2023, respectively.

Subsequent Events

Refer to "Note 21 – Subsequent Events" to the accompanying condensed consolidated financial statements for disclosure regarding significant transactions that occurred subsequent to June 30, 2024 September 30, 2024.

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Non-GAAP Financial Measures

Distributable Earnings

Distributable Earnings 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

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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, (iii) unrealized income from unconsolidated joint ventures, (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 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 three and six nine months ended June 30, 2024 September 30, 2024, our Distributable Earnings were \$49.4 million, (\$83.2) million, or \$0.35 (\$0.59) per share, and \$99.8 million \$16.6 million, or \$0.69 \$0.12 per share, respectively, as compared to (\$15.9) million, \$52.7 million, or (\$0.11) \$0.37 per share, and \$53.3 million \$106.0 million, or \$0.37 \$0.73 per share, respectively, for the same period in 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 for 2023. The Convertible Notes were fully repaid during the fourth quarter 2023, and as such, no adjustment is 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. 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 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; (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:

	Three Months Ended June 30,				Three Months Ended September 30,		Nine Months Ended September 30,	
	2024		2023		2024	2023	2024	2023
	Shares	Shares	Shares	Shares	Shares	Shares	Shares	Shares
Weighted-Averages								
Diluted shares - GAAP	140,611,532	141,341,238	141,154,140	141,207,597	138,246,827	141,350,428	140,177,962	141,255,730
Potential shares issued under conversion of the Convertible Notes	—	—	—	—	—	—	—	—
Unvested RSUs, net ⁽¹⁾	2,342,992	2,849,286	2,733,740	3,034,394	2,485,258	2,832,265	2,650,308	2,966,277
Diluted shares - Distributable Earnings	142,954,524	144,190,524	143,887,880	144,241,991	140,732,086	144,182,693	142,828,270	144,222,007

(1) Unvested RSUs are net of incremental shares assumed repurchased under the treasury stock method, if dilutive. There were 172,857 and no incremental shares included in the three and six months ended respectively, September 30, 2024. For 2023, the weighted-average diluted shares for GAAP were determined using the if-converted method.

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. Given these requirements and our belief that dividends are generally one of the principal reasons stockholders invest in a REIT, we generally intend over time to pay dividends to our stockholders in an amount equal to our net taxable income, if and to the extent authorized by our board of directors.

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Distributable Earnings is a key factor considered by the board of directors in setting the dividend and as such we believe Distributable Earnings is useful to investors.

We believe it is useful to our investors to present Distributable Earnings prior to net realized loss on investments and realized 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. We believe that our investors use Distributable Earnings and Distributable Earnings prior to net realized loss on investments and

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realized gain on extinguishment of debt, or a comparable supplemental performance measure, to evaluate and compare the performance of our company and our peers.

2024 Realized Losses

During the three months and nine months ended June 30, 2024 September 30, 2024, we recorded a realized loss on investments of \$127.5 million and \$128.2 million, respectively. We recorded a \$127.5 million realized loss on the extinguishment of our Massachusetts Healthcare Loan during the three months ended September 30, 2024. Additionally, in April 2024, we sold a commercial mortgage loan collateralized by a hotel property located in Honolulu, HI. The loan was previously classified as held for sale and was sold HI, at a price of 99.5%. We recorded, resulting in a realized loss of \$0.7 million within. These losses comprised the total realized loss on investments on our condensed consolidated statement of operations \$128.2 million for the three and six nine months ended June 30, 2024 September 30, 2024. Refer to "Note 4 - Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net" for additional detail.

2023 Realized Losses & Gain on Extinguishment of Debt

During the three nine months ended June 30, 2023 September 30, 2023, we recorded a net realized loss on investments of \$86.6 million consisting of i) \$4.8 million realized loss related to the acquisition of a hotel property through a deed-in-lieu of foreclosure, ii) \$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, NY, iii) which was partially offset by a \$0.2 million net realized gain on loan sales. No realized loss on investments was recorded during the three months ended September 30, 2023. Refer to "Note 4 - Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net" for additional detail. Additionally, during

During the three months and nine months ended June 30, 2023 September 30, 2023, we recorded a gain realized gains on extinguishment of debt of \$0.3 million related to a \$30.0 thousand and \$0.5 million, respectively in connection with partial repurchase repurchases of our 2023 Notes. See "Note 10 - Convertible Senior Notes, Net" for full discussion of this transaction.

During the three months ended March 31, 2023, we recorded a net realized loss of \$4.6 million on investments consisting of a realized loss related to the acquisition of a hotel property through a deed-in-lieu of foreclosure which was partially offset by a realized 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 further detail. Additionally, during the three months ended March 31, 2023, we recorded a realized gain on extinguishment of debt of \$0.2 million related to a partial repurchase of our 2023 Notes. See "Note 10 - Convertible Senior Notes, Net" for full discussion of this transaction. these transactions.

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.

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

	Three Months Ended June 30,				Three Months Ended September 30,		Nine Months Ended September 30,									
	2024		2023		2024		2023									
	\$	32,717	\$	(86,468)	\$	(74,875)	\$	(40,620)	\$	(94,617)	\$	43,003	\$	(169,492)	\$	2,383
Net income (loss) available to common stockholders	\$	32,717	\$	(86,468)	\$	(74,875)	\$	(40,620)	\$	(94,617)	\$	43,003	\$	(169,492)	\$	2,383
Adjustments:																
Equity-based compensation expense		4,157		4,377		8,345		8,735		4,165		4,356		12,510		13,091
Loss (gain) on foreign currency forwards		(6,377)		17,116		(29,775)		31,251		59,535		(39,490)		29,760		(8,239)
Foreign currency loss (gain), net		1,362		(21,557)		20,925		(40,191)		(60,102)		44,165		(39,177)		3,974
Unrealized loss on interest rate cap		457		4,328		651		9,141		562		70		1,213		9,211
Realized gains relating to interest income on foreign currency hedges, net		1,314		2,341		2,410		7,074		195		2,594		2,604		9,668
Realized gains relating to forward points on foreign currency hedges, net		3,855		76		7,236		5,677		5,587		2,784		12,823		8,461
Depreciation and amortization on real estate owned		2,287		2,202		6,943		6,188		2,342		1,020		9,285		7,208
Increase in current expected credit loss allowance, net		10,258		61,648		157,942		66,038								
(Reversal of) valuation allowance, loan held for sale		(679)		—		—		—								
Increase (decrease) in current expected credit loss allowance, net		(899)		(5,833)		157,043		60,205								
Gain on extinguishment of debt		—		(252)		—		(465)		—		(30)		—		(495)
Net realized loss on investments		679		81,980		679		86,604		127,512		—		128,191		86,604
Total adjustments:		17,313		152,259		175,356		180,052		138,897		9,636		314,252		189,688
Distributable Earnings prior to net realized loss on investments and gain on extinguishment of debt	\$	50,030	\$	65,791	\$	100,481	\$	139,432	\$	44,280	\$	52,639	\$	144,760	\$	192,071
Net realized loss on investments	\$	(679)	\$	(81,980)	\$	(679)	\$	(86,604)	\$	(127,512)	\$	—	\$	(128,191)	\$	(86,604)
Gain on extinguishment of debt	—	252	—	—	—	465	—	—	—	30	—	—	—	—	—	495
Distributable Earnings	\$	49,351	\$	(15,937)	\$	99,802	\$	53,293	\$	(83,232)	\$	52,669	\$	16,569	\$	105,962
Diluted Distributable Earnings per share prior to net realized loss on investments and gain on extinguishment of debt	\$	0.35	\$	0.46	\$	0.70	\$	0.97	\$	0.31	\$	0.37	\$	1.01	\$	1.33
Diluted Distributable Earnings per share of common stock	\$	0.35	\$	(0.11)	\$	0.69	\$	0.37	\$	(0.59)	\$	0.37	\$	0.12	\$	0.73
Weighted-average diluted shares - Distributable Earnings		142,954,524		144,190,524		143,887,880		144,241,991		140,732,086		144,182,693		142,828,270		144,222,007

Book Value Per Share

The following table calculates our book value per share (\$ in thousands, except per share data):

	June 30, 2024		December 31, 2023		September 30, 2024		December 31, 2023	
	\$	1,997,048	\$	2,208,733	\$	1,868,388	\$	2,208,733
Stockholders' Equity								
Series B-1 Preferred Stock (Liquidation Preference)								
\$	(169,260)			(169,260)			(169,260)	
Common Stockholders' Equity								
\$	1,827,788			2,039,473			1,699,128	

Common Stock	138,438,433	141,358,605	138,169,164	141,358,605
Book value per share	\$ 13.20	\$ 14.43	\$ 12.30	\$ 14.43

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The following table shows the changes in our book value per share:

	Book value per share	Book value per share
Book value per share at December 31, 2023	\$ 14.43	\$ 14.43
General CECL Allowance and accumulated depreciation	0.30	0.30
Book value per share at December 31, 2023 prior to General CECL Allowance	\$ 14.73	
Book value per share at December 31, 2023 prior to General CECL Allowance and accumulated depreciation	\$ 14.73	
Diluted Distributable Earnings per share prior to net realized loss on investments	0.70	1.01
Impact of share repurchases	0.11	0.12
Net increase in Specific CECL Allowance	(1.06)	(1.06)
Common dividends declared	(0.70)	(0.95)
Vesting and delivery of RSUs	(0.13)	(0.14)
Net loss on currency and interest rate hedges ⁽¹⁾	(0.01)	(0.05)
Other ⁽²⁾	(0.02)	
Book value per share at June 30, 2024 prior to General CECL Allowance and accumulated depreciation	\$ 13.62	
Realized loss on investments	(0.93)	
Book value per share at September 30, 2024 prior to General CECL Allowance and accumulated depreciation	\$ 12.73	
General CECL Allowance and accumulated depreciation	(0.42)	(0.43)
Book value per share at June 30, 2024	\$ 13.20	
Book value per share at September 30, 2024	\$ 12.30	

(1) Includes net unrealized loss on forward currency contracts and interest hedges, and realized gain/loss on forward currency contracts related to principal outside impact of forward points.

(2) Includes realized loss on sale of a commercial mortgage.

We believe that presenting book value per share with sub-totals prior to the CECL Allowances and depreciation and amortization is useful for investors for various reasons, including, among other things, analyzing our compliance with financial covenants related to tangible net worth and debt-to-equity under our secured debt arrangements and senior secured term loan, which permit us to add the General CECL Allowance to our GAAP stockholders' equity. Given that our lenders consider book value per share prior to the General CECL Allowance as an important metric related to our debt covenants, we believe disclosing book value per share prior to the General CECL Allowance is important to investors such that they have the same visibility. We further believe that presenting book value before depreciation and amortization is useful to investors since it is a non-cash expense included in net income and is not representative of our core business and ongoing operations.

Investment Guidelines

Our current investment guidelines, approved by our board of directors, are comprised of the following:

- no investment will be made that would cause us to fail to qualify as a REIT for U.S. federal income tax purposes;
- no investment will be made that would cause us to register as an investment company under the 1940 Act;
- investments will be predominantly in our target assets;
- no more than 20% of our net equity (on a consolidated basis) will be invested in any single investment at the time of the investment; in determining compliance with investment guidelines, the amount of the investment is the net equity in the investment (gross investment less amount of third-party financing) plus the amount of recourse on the financing secured by the investment; and
- until appropriate investments can be identified, the Manager may invest the proceeds of any offering in interest bearing, short-term investments, including money market accounts and/or funds, that are consistent with our intention to qualify as a REIT.

The board of directors must approve any change in or waiver to these investment guidelines.

Investment Activity

During the **six** nine months ended **June 30, 2024** **September 30, 2024**, we committed **\$504.6 million** **\$1.1 billion** of capital to new loans (**\$495.3 million** was funded at closing), and provided **\$437.8 million** **\$530.7 million** of add-on fundings, including \$212.9 million to a first mortgage loan secured by a portfolio of pubs across the United Kingdom, that was originated in December 2023. During the **six** nine months ended **June 30, 2024** **September 30, 2024**, we received **\$758.9 million** **\$1.7 billion** in loan repayments and sales.

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Loan Portfolio Overview

Loan Portfolio Details

The following table sets forth certain information regarding our loan portfolio as of **June 30, 2024** **September 30, 2024** (\$ in thousands):

Description	Weighted-						Weighted-						Secured Debt		
	Carrying Value	Average Coupon ⁽¹⁾	Weighted-Average All-in Yield ⁽¹⁾⁽²⁾	Secured Debt Arrangements ⁽³⁾	Cost of Funds ⁽⁴⁾	Equity at cost ⁽⁵⁾	Carrying Value	Average Coupon ⁽¹⁾	Weighted-Average All-in Yield ⁽¹⁾⁽²⁾	Arrangements ⁽³⁾	Cost of Funds ⁽⁴⁾	Equity at cost ⁽⁵⁾			
Commercial mortgage loans, net	\$ 7,909,125	8.7%	9.3 %	\$ 5,639,676	7.3 %	\$ 2,269,449	\$ 7,456,389	8.4%	9.1 %	\$ 5,524,825	7.1 %	\$ 1,931,564			
Subordinate loans, net	384,777	0.7 %	0.7 %	—	—	384,777	374,222	0.0 %	0.0 %	—	—	374,222			
Total/Weighted-Average	\$ 8,293,902	8.3 %	8.9 %	\$ 5,639,676	7.3 %	\$ 2,654,226	\$ 7,830,611	8.0 %	8.5 %	\$ 5,524,825	7.1 %	\$ 2,305,786			

(1) Weighted-Average Coupon and Weighted-Average All-in Yield are based on the applicable benchmark rates as of **June 30, 2024** **September 30, 2024** on the floating rate loans.

(2) Weighted-Average All-in Yield includes the amortization of deferred origination fees, loan origination costs and accrual of both extension and exit fees. Weighted-Average All-in Yield excludes the benefit of forward price currency hedges relating to loans denominated in currencies other than USD.

(3) Gross of deferred financing costs of **\$10.8 million** **\$10.9 million**.

(4) Cost of funds includes weighted-average spread and applicable benchmark rates as of **June 30, 2024** **September 30, 2024** on secured debt arrangements.

(5) Represents loan portfolio at **amortized cost** **carrying value** less secured debt outstanding.

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The following table provides loan-by-loan details of our commercial mortgage loan portfolio and subordinate loan portfolio as of **June 30, 2024** **September 30, 2024** (\$ in millions):

Commercial Mortgage Loan Portfolio

#	Property Type	Risk Rating	Origination Date	Amortized Cost	Unfunded Commitment	Construction Loan	Subordinate Debt	Maturity	Location	3rd Party		Fully-		3rd Party		Fully-	
										Property Type	Rating	Date	Cost	Commitment	Loan	Debt	Maturity
1	Hotel	3	10/2019	\$ 266	\$ 17	—	Y	08/2024	Spain	Various, Office	2	02/2022	\$ 461	\$ 209	Y	02/2022	
2	Hotel	3	12/2023	265	—	—	—	12/2028	Europe	Various, Office	3	03/2022	249	17	—	04/2028	
3	Hotel	3	11/2021	229	9	—	Y	11/2026	UK/Ireland	Various, Office	3	01/2020	223	28	—	03/2026	
4	Hotel	3	05/2022	195	10	—	Y	06/2027	Valley, CA	Napa, Various, Office	4	06/2019	222	—	—	08/2027	
5	Hotel	3	07/2021	179	1	—	—	08/2026	US	Various, Office	3	02/2020	184	5	—	02/2026	

6							St. Thomas,						
7	Hotel	3	11/2021	165	—		12/2026 USVI	Office	3	02/2022	165	—	06/202
8	Hotel	3	09/2015	140	—		12/2026 NY	Office	3	11/2022	100	—	01/202
9	Hotel	3	06/2024	131	—		06/2029 FL	Office	4	03/2018	76	—	Y 01/202
10	Hotel	3	06/2024	105	9		07/2029 NY	Hotel	3	12/2023	275	—	12/202
11	Hotel	3	06/2022	98	—		06/2025 Rome, Italy	Hotel	3	10/2019	265	18	08/202
12	Hotel	3	10/2021	92	—		11/2026 LA	Hotel	3	05/2022	195	9	Y 06/202
13	Hotel	3	05/2019	46	—		12/2025 Chicago, IL	Hotel	3	07/2021	180	—	08/202
14	Hotel	2	12/2015	42	—		08/2026 USVI	Hotel	3	11/2021	165	—	12/202
15	Hotel	3	02/2018	27	—		11/2024 PA	Hotel	3	09/2015	140	—	12/202
16	Office	2	02/2022	390	242	Y	02/2027 UK	Hotel	3	06/2024	131	—	06/202
17	Office	3	03/2022	249	17	Y	04/2027 NY	Hotel	3	06/2024	105	9	07/202
18	Office	3	01/2020	220	32	Y	03/2028 City, NY	Hotel	3	10/2021	92	—	11/202
19	Office	3	06/2019	214	—		08/2026 Germany	Hotel	3	05/2019	46	—	12/202
20	Office	3	02/2020	174	5		02/2025 UK	Hotel	3	02/2018	27	—	11/202
21	Office	3	02/2022	158	—		06/2025 Milan, Italy	Retail	3	04/2022	510	24	04/202
22	Office	3	11/2022	100	—		01/2025 Chicago, IL	Retail	3	10/2021	435	—	10/202
23	Office	4	03/2018	78	—		Y 01/2026 Chicago, IL	Retail	3	08/2019	250	—	Y 09/202
24	Retail	3	04/2022	480	24		Various, 04/2027 UK	Retail	3	05/2022	124	—	06/202
25	Retail	3	10/2021	411	—		Various, 10/2026 UK	Retail ⁽¹⁾	5	11/2014	98	—	09/202
26	Retail	3	08/2019	250	—		Various, 09/2025 NY	Residential	3	12/2021	241	12	12/202
27	Retail	3	05/2022	124	—		Various, 06/2027 US	Residential	3	03/2023	163	—	04/202
28	Retail ⁽¹⁾	5	11/2014	99	—		Various, 09/2025 OH	Residential	3	04/2024	156	—	05/202
29	Residential	3	12/2021	228	11		Various, 12/2026 UK	Residential	3	06/2024	99	—	07/202
30	Residential	3	03/2023	165	—		Various, 04/2026 US	Residential	3	05/2022	94	—	06/202
31	Residential	3	04/2024	156	—		Various, 05/2029 CA	Residential	3	05/2021	76	—	05/202
	Residential	3	06/2024	99	—		Various, 07/2029 UK	Residential	2	12/2021	15	—	01/202

32	Residential	3	05/2022	94	—	06/2027	NY	Mixed Use	3	12/2019	283	1	Y	08/202		
33	Residential	3	05/2021	76	—	05/2027	OH	Mixed Use	3	03/2022	151	27	Y	03/202		
34	Residential	2	12/2021	24	—	01/2027	NY	Industrial	3	03/2021	243	—		05/202		
35	Mixed Use	3	12/2019	322	8	Y	Y	08/2025	UK	Industrial	3	08/2024	128	127	Y	08/202
36	Mixed Use	3	03/2022	146	31	Y	03/2027	NY	Healthcare	3	07/2024	200	—		07/202	
37	Mixed Use	3	12/2019	44	—	07/2024	UK	Healthcare	3	08/2024	156	—		08/202		
38	Healthcare	4	03/2022	342	—	03/2027	MA	Pubs	3	12/2023	222	—	Y	01/202		
39	Healthcare	3	10/2019	159	—	10/2024	UK	Caravan Parks	3	02/2021	215	—		02/202		
40	Industrial	3	03/2021	233	—	05/2026	Sweden	Portfolio ⁽³⁾	3	06/2021	197	18		06/202		
41	Pubs	3	12/2023	210	—	Y	01/2029	UK	Predevelopment	3	12/2022	133	—		01/202	
42	Caravan Parks	3	02/2021	203	—	02/2028	UK									
43	Parking Garages	3	05/2021	193	—	05/2026	US									
44	Portfolio ⁽³⁾	3	06/2021	190	19	06/2026	Germany									
45	Urban Predevelopment	3	12/2022	132	2	01/2026	Miami, FL									
	General CECL Allowance							General CECL Allowance								
	Subtotal / Weighted-Average Commercial Mortgage							Subtotal / Weighted-Average Commercial Mortgage								
	Loans	3.0		\$ 7,909				Years	3.0		\$ 7,457					

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Subordinate Loan Portfolio

#	3rd Party Fully-extended								3rd Party Fully-extended								
	Property Type	Risk Rating	Origination Date	Amortized Cost	Unfunded Commitment	Construction Loan	Subordinate Debt	Maturity	Location	Property Type	Risk Rating	Origination Date	Amortized Cost	Unfunded Commitment	Construction Loan	Subordinate Debt	Maturity
1	Residential ⁽²⁾	3	06/2015	\$ 261	—	11/2025	NY	Manhattan,	Residential ⁽²⁾	3	06/2015	\$ 273	—	11/2025	NY	Manhattan,	
2	Residential ⁽²⁾	3	08/2022	74	—	11/2025	NY	Manhattan,	Residential ⁽²⁾	3	08/2022	74	—	11/2025	NY	Manhattan,	
3	Residential ⁽¹⁾					11/2025	NY	Manhattan,	Residential ⁽¹⁾								Manhattan,
	⁽²⁾	5	05/2020	28	—	11/2025	NY		⁽²⁾	5	05/2020	28	—	11/2025	NY		

4							Phoenix,					
Hotel	2	06/2015	23	—	07/2025	AZ	Office(1)(4)	5	08/2017	—	—	09/2024 Troy
5 Office(1)	5	08/2017	—	—	09/2024	Troy, MI						
General					General							
CECL					CECL							
Allowance			(1)		Allowance			(1)				
Subtotal /					Subtotal /							
Weighted-					Weighted-							
Average					Average							
Subordinate				1.3	Subordinate							1.1
Loans	3.1	\$ 385	\$ —	Years	Loans	3.1	\$ 374	\$ —	Years			
Total /					Total /							
Weighted-					Weighted-							
Average					Average							
Loan				2.3	Loan							2.5
Portfolio(4)	3.0	\$ 8,294	\$ 437	Years	Portfolio(5)	3.0	\$ 7,831	\$ 504	Years			

(1) Amortized cost for these loans is net of the recorded Specific CECL Allowance.

(2) Loans are secured by the same property.

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(3) Includes portfolio of office, industrial, and retail property types.

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

(5) Total may not foot due to rounding.

Our average asset and debt balances for the **six** **nine** months ended **June 30, 2024** **September 30, 2024** were (\$ in thousands):

Description	Average month-end balances for the six months ended June 30, 2024			Average month-end balances for the nine months ended September 30, 2024		
	Assets		Related debt	Assets		Related debt
Commercial mortgage loans, net	\$ 7,965,160	\$ 5,501,595		\$ 7,941,002	\$ 5,526,845	
Commercial mortgage loan, held for sale	68,073	47,843		45,382	31,895	
Subordinate loans, net	615,810	—		627,762	—	

Portfolio Management

Our portfolio benefits from our core investment strategy whereby we target assets that are secured by institutional quality real estate throughout the United States and Europe. As discussed in Item 1. "Business—Investment Strategy" in our most recent Annual Report on Form 10-K, the Manager has implemented underwriting standards which place a particular emphasis on due diligence of prospective investments' sponsors and borrowers, as well as assessment of the risk/return profile and appropriate structure of each investment opportunity. As of **June 30, 2024** **September 30, 2024**, our portfolio's weighted-average origination LTV ratio was 58%, excluding risk-rated five loans. This reflects significant equity value which we believe our loan sponsors would be committed to protect during periods of volatility and market disruption.

We maintain a strong relationship with our borrowers and actively manage the assets in our portfolio on an ongoing basis. A dedicated team of asset management professionals performs surveillance of all loans in our portfolio, on an individual basis, from closing through final repayment. This robust monitoring process includes continuous assessment of asset level performance against underwritten criteria, changes in borrowers' financial position, as well as the impact of macroeconomic trends and microeconomic developments on loan assets and respective underlying collateral performance.

In addition to ongoing asset management, as further described in "Note 4—4 – Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net" to our condensed consolidated financial statements, we perform a quarterly review of our portfolio whereby each loan is assigned a risk rating of "1" through "5," from less risk to greater risk, respectively. This analysis includes assessment of loans based on a variety of factors, including, without limitation, LTV ratio, debt yield, property type, geographic and local market dynamics, physical condition, cash flow volatility, leasing and tenant profile, loan structure and exit plan, and project sponsorship. In performing the analysis with respect to each loan, these various factors are assessed holistically, with a focus on their interplay, whereby no single factor on its own (whether quantitative or qualitative) is given more weight in the assessment or is prescriptive as to which specific risk rating is assigned to a specific loan. We apply these various factors on a case-by-case basis depending on the facts and circumstances for each loan, and the different factors may be given different weightings in different situations. As of **June 30, 2024** **September 30, 2024**, the weighted-average risk rating of the loan portfolio was 3.0.

The following table presents the carrying value of our loans by internal risk rating as of **June 30, 2024** **September 30, 2024** (\$ in thousands):

Risk Rating	Number of Loans	Total	% of Portfolio	Number of Loans	Total ⁽¹⁾	% of Portfolio
1	—	\$ —	— %	—	\$ —	— %
2	4	479,843	5.8%	2	474,460	6.0%
3	41	7,302,939	87.7%	38	6,966,537	88.6%
4	2	420,049	5.0%	2	297,806	3.8%
5	3	126,390	1.5%	3	126,000	1.6%
Total	50	\$ 8,329,221	100.0%	45	\$ 7,864,803	100.0%
General CECL Allowance^{(1) (2)}		(35,319)			(34,192)	
Total carrying value, net		\$ 8,293,902			\$ 7,830,611	

(1) Net of Specific CECL Allowance.

(2) \$3.6 3.9 million of the General CECL Allowance for 2024 is excluded from this table because it relates to unfunded commitments and has been recorded as a liability under accounts payable, accrued expenses and liabilities in our condensed consolidated balance sheets.

Leverage Policies

We use leverage for the sole purpose of financing our portfolio and not for the purpose of speculating on changes in interest rates. In addition to our secured debt arrangements and senior secured term loan, we access additional sources of borrowings. Our charter and bylaws do not limit the amount of indebtedness we can incur; however, we are subject to and carefully monitor the limits placed on us by our credit providers and those that assign ratings on our company.

At **June 30, 2024** **September 30, 2024**, our debt-to-equity ratio was **3.4** **3.5** and our portfolio was comprised of **\$7.9 billion** **\$7.5 billion** of commercial mortgage loans and \$0.4 billion of subordinate loans. 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 loan portfolio given built-in inherent structural leverage. Consequently, depending on our portfolio mix, our debt-to-equity ratio may exceed our previously disclosed thresholds.

Debt-to-Equity Ratio

The following table presents our debt-to-equity ratio:

	June 30, 2024	December 31, 2023
Debt to Equity Ratio ⁽¹⁾	3.4	3.0
	September 30, 2024	December 31, 2023
Debt to Equity Ratio ⁽¹⁾	3.5	3.0

(1) Represents total debt less cash and net loan proceeds held by servicer (recorded with Other Assets, see "Note 6 — Other Assets" for more information) to total stockholders' equity.

Contractual Obligations, Liquidity, and Capital Resources

Liquidity is a measure of our ability to meet potential cash requirements, including ongoing commitments to fund and maintain our assets and operations, repay borrowings, make distributions to our stockholders and other general business needs. We utilize various sources of cash in order to meet our liquidity needs in the next twelve months, which is considered the short-term, and the longer term.

Our current debt obligations consist of \$1.3 billion, at face value, of corporate debt, **\$5.6 billion** **\$5.5 billion** of asset specific financings, and **\$235.4 million** **\$282.4 million** of debt related to real estate owned. Our corporate debt includes **\$765.3 million** **\$763.3 million** of term loan borrowings and \$500.0 million of senior secured notes. Our asset specific

financings are generally tied to the underlying loans, and we anticipate repayments of \$1.2 billion \$1.3 billion of secured debt arrangements in the short term. Specifics about our secured debt arrangements and corporate debt maturities and obligations are discussed below.

In addition to our debt obligations, as of June 30, 2024 September 30, 2024, we had \$436.6 million \$503.9 million of unfunded loan commitments. We expect that approximately \$423.1 million \$440.7 million will be funded to existing borrowers in the short term.

As of June 30, 2024 September 30, 2024, we had \$174.7 million \$194.3 million of cash on hand, \$105.8 million of loan proceeds held by servicer and held approximately \$507.2 million \$375.1 million of unencumbered assets, consisting assets. We also had \$2.0 billion of \$45.7 million undrawn capacity under our Secured Debt Arrangements and \$179.7 million of senior mortgage loans, \$385.9 million of mezzanine loans, and \$75.6 million of real estate owned additional capacity on our construction financing secured by our Brooklyn Development property which is available to fund future construction costs.

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We maintain policies relating to our use of leverage. See "Leverage Policies" above. In the future, we may seek to raise further equity or debt capital or engage in other forms of borrowings in order to fund future investments or to refinance expiring indebtedness.

We generally intend to hold our assets for investment, although we may sell certain of our investments in order to manage our interest rate risk and liquidity needs, meet other operating objectives and adapt to market conditions.

To maintain our qualification as a REIT under the Internal Revenue Code, we must distribute annually at least 90% of our REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gain. These distribution requirements limit our ability to retain earnings and replenish or increase capital for operations.

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Borrowings Under Various Financing Arrangements

The following table summarizes the outstanding balances and maturities for our various financing arrangements:

	June 30, 2024		December 31, 2023		September 30, 2024		December 31, 2023	
	Borrowings		Borrowings		Borrowings		Borrowings	
	Outstanding ⁽¹⁾	Maturity ⁽²⁾						
Secured Credit Facilities		September				November		
Barclays Private Securitization ⁽³⁾	3,529,115	2026	\$ 3,247,652	June 2026	3,438,878	2026	\$ 3,247,652	June 2026
Revolving Credit Facility	2,093,561	July 2026	2,157,157	June 2026	2,034,897	2026	2,157,157	June 2026
Total Secured Debt Arrangements	17,000	March 2026	147,000	2025	51,050	March 2026	147,000	2025
Senior Secured Term Loans	5,639,676		5,551,809		5,524,825		5,551,809	
Senior Secured Notes	765,250	January 2027	769,250	2027	763,250	January 2027	769,250	2027
Total Borrowings	\$ 6,904,926		\$ 6,821,059		\$ 6,788,075		\$ 6,821,059	

(1) Borrowings Outstanding represent principal balances as of the respective reporting periods.

(2) Maturity dates represent weighted-average maturities based on borrowings outstanding and assumes extensions at our option are exercised with consent of financing providers, where applicable.

(3) As of June 30, 2024 September 30, 2024, we had £1.0 billion, €563.2 million €494.3 million, and kr2.0 billion (\$2.12.0 billion assuming conversion into USD) USD as of September 30, 2024) of borrowings outstanding under Barclays Private Securitization secured by certain of our commercial mortgage loans.

Secured Credit Facilities

As of June 30, 2024 September 30, 2024, we had nine secured credit counterparties through wholly-owned subsidiaries. During the six months ended June 30, 2024, In January 2024, we entered into a new secured credit facility with Goldman Sachs. The facility is secured by a first mortgage loan on a European portfolio of pubs and provides Sachs

that provided £125.6 million (\$158.9 million, in assuming conversion into USD) of additional borrowing capacity. During the three months ended September 30, 2024, we further upsized the facility by £242.1 million (\$314.6 million, assuming conversion into USD).

Additionally, during the **six** nine months ended **June 30, 2024** September 30, 2024, we upsized the Atlas Facility by \$113.5 million and the Barclays facility by \$300.0 million. Furthermore, we have repaid the full amount of borrowings outstanding on both the Goldman Sachs USD and Santander EUR facilities.

Refer to "Note 7 – Secured Debt Arrangements, Net" of our condensed consolidated financial statements for additional disclosure regarding our secured credit facilities.

Barclays Private Securitization

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

Refer to "Note 7 – Secured Debt Arrangements, Net" of our condensed consolidated financial statements for additional disclosure regarding our Barclays Private Securitization.

Revolving Credit Facility

In March 2023, we entered into a **\$170.0 million** Revolving Credit Facility administered by Bank of America, N.A. The Revolving Credit Facility matures in March 2026 and is secured by certain of our qualifying commercial mortgage loans and real property owned assets. As of September 30, 2024, our Revolving Credit Facility had a capacity of **\$160.0 million** and requires that we maintain an interest coverage ratio of 1.3:1. See "Debt Covenants" below for additional discussion.

Refer to "Note 7 – Secured Debt Arrangements, Net" of our condensed consolidated financial statements for additional disclosure regarding our **secured credit facilities**, Revolving Credit Facility.

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Senior Secured Term Loans

In May 2019, we entered into the \$500.0 million 2026 Term Loan and in March 2021, we entered into the \$300.0 million 2028 Term Loan. The outstanding Term Loans principal balance as of **June 30, 2024** September 30, 2024 and December 31, 2023 was **\$765.3 million** \$763.3 million and \$769.3 million, respectively.

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Refer to "Note 8 – Senior Secured Term Loans, Net" of our condensed consolidated financial statements for additional disclosure regarding our 2026 Term Loan and 2028 Term Loan.

Senior Secured Notes

In June 2021, we issued \$500.0 million of the 4.625% 2029 Notes, for which we received net proceeds of \$495.0 million, after deducting initial purchasers' discounts and commissions. The 2029 Notes had a carrying value of **\$496.0 million** \$496.2 million and \$495.6 million, net of deferred financing costs of **\$4.0 million** \$3.8 million and \$4.4 million, as of **June 30, 2024** September 30, 2024 and December 31, 2023, respectively.

Refer to "Note 9 – Senior Secured Notes, Net" of our condensed consolidated financial statements for additional disclosure regarding our 2029 Notes.

Debt Related to Real Estate Owned

In August 2022, we obtained \$164.8 million in construction financing on the Brooklyn Development property when we acquired legal title of the property. As of **June 30, 2024** September 30, 2024, the construction financing had a carrying value of **\$163.1 million** \$206.4 million, net of **\$2.6 million** \$2.3 million in deferred financing costs.

In June 2024, we obtained a \$73.7 million mortgage secured by our the D.C. Hotel property. As of **June 30, 2024** September 30, 2024, the mortgage loan had a carrying value of **\$72.3 million** \$72.5 million, net of **\$1.4 million** \$1.2 million in deferred financing costs.

Refer to "Note 5 – Real Estate Owned" of our condensed consolidated financial statements for additional disclosure regarding our debt related to real estate owned.

Dividends

We intend to continue to make regular quarterly distributions to holders of our common stock. U.S. federal income tax law generally requires that a REIT 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 generally intend over time to pay dividends to our stockholders in an amount equal to our net taxable income, if and to the extent authorized by our board of directors. Any distributions we make are at the discretion of our board of directors and depend upon, among other things, our actual results of operations. These results and our ability to pay distributions are affected by various factors, including the net interest and other income from our portfolio, our operating expenses and any other expenditures. If our cash available for distribution is less than our net taxable income, we could be required to sell assets or borrow funds to make cash distributions or we may make a portion of the required distribution in the form of a taxable stock distribution or distribution of debt securities.

As of **June 30, 2024** **September 30, 2024** and December 31, 2023, we had 6,770,393 shares of our Series B-1 Preferred Stock outstanding. The Series B-1 Preferred Stock pay cumulative cash dividends, which are payable quarterly in equal amounts in arrears on the 15th day of each January, April, July and October: at a rate of 7.25% per annum of the \$25.00 per share liquidation preference. Except under certain limited circumstances, the Series B-1 Preferred Stock is generally not convertible into or exchangeable for any other property or any other of our securities at the election of the holders. On and after July 15, 2026, we may, at our option, redeem the shares at a redemption price of \$25.00, plus any accrued unpaid dividends to, but not including, the date of the redemption.

The following table details our dividend activity:

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Dividends declared per share of:	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
Common Stock	\$ 0.35	\$ 0.35	\$ 0.70	\$ 0.70	\$ 0.25	\$ 0.35	\$ 0.95	\$ 1.05
Series B-1 Preferred Stock	\$ 0.45	\$ 0.45	\$ 0.90	\$ 0.90	\$ 0.45	\$ 0.45	\$ 1.35	\$ 1.35

Repurchases of Equity Securities

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In March 2020, our board of directors approved a stock repurchase program for up to \$150.0 million of our common stock and in February 2021, approved the repurchase of an additional \$150.0 million of our common stock. During the three and **six** **nine** months ended **June 30, 2024** **September 30, 2024**, we repurchased **3,723,772** **289,633** and **4,013,405** shares, **respectively**, of our common stock under this program at a weighted-average price of **\$10.16** **\$9.96** and **\$10.15** per **share**, **share**, **respectively**.

Critical Accounting Policies and Use of Estimates

Our financial statements are prepared in accordance with GAAP, which requires the use of estimates and assumptions that involve the exercise of judgment and use of assumptions as to future uncertainties. The most critical accounting policies involve decisions and assessments that affect our reported assets and liabilities, as well as reported revenues and expenses. We believe that all of the decisions and assessments upon which these financial statements are based are reasonable based upon information currently available to us. The accounting policies and estimates that we consider to be most critical to an investor's understanding of our financial results and condition and require complex management judgment are discussed below.

There have been no material changes to our Critical Accounting Policies described in our most recent Annual Report on Form 10-K under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" **– Critical Accounting Policies and Use of Estimates**."

For a complete listing and description of our significant accounting policies, refer to "Note 2 **– Summary of Significant Accounting Policies**" to our consolidated financial statements of our most recent Annual Report on Form 10-K.

Real Estate Owned (and Related Debt)

In order to maximize recovery against a defaulted loan, we may assume legal title or physical possession of the underlying collateral through foreclosure or deed-in-lieu of foreclosure. Foreclosed properties are classified as real estate owned and recognized at fair value on our condensed consolidated balance sheets in accordance with the acquisition method under ASC 805. Real estate assets acquired may include land, building, FF&E, and intangible assets. In accordance ASC 820, we may utilize the income, market or cost approach (or combination thereof) to determine fair value.

When determining the fair value of a real estate asset under the income approach, we make certain assumptions including, but not limited to, consideration of projected operating cash flows, comparable selling prices and projected cash flows from the eventual disposition of the real estate asset based upon our estimate of a capitalization rate and discount rate.

When determining the fair value of real estate assets under the market or sales comparison approach, we compare the property to similar properties in the marketplace. Although we exercise significant judgment to identify similar properties, and may also consult independent third-party valuation experts to assist, our assessment of fair value is subject to uncertainty and sensitive to our selection of comparable properties.

When determining the fair value of real estate assets under the cost approach, we measure fair value as the replacement cost of these assets. This approach also requires significant judgment, and our estimate of replacement cost could vary from actual replacement costs.

At times we may classify real estate assets as held for sale in the period in which they meet the criteria under ASC 360 as discussed in "Note 2 – Summary of Significant Accounting Policies" to our consolidated financial statements of our most recent Annual Report on Form 10-K. Once a real estate asset is classified as held for sale, depreciation is no longer recorded, and the asset is reported at the lower of its carrying value or fair value less cost to sell. The fair value of real estate assets classified as held for sale is determined using the appropriate methodologies noted in the preceding paragraph and the real estate asset's fair value is subject to uncertainty, as the actual sales price of the real estate asset could differ from those assumed in our valuations.

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Once real estate assets have been recorded at fair value, they are evaluated for impairment on a quarterly basis. A real estate asset is considered impaired when the sum of estimated future undiscounted cash flows to be generated by the real estate asset over the estimated remaining holding period is less than the carrying value of such real estate asset. An impairment charge is recorded equal to the excess of the carrying value of the real estate asset over the fair value. When determining the fair value of a real estate asset for the purpose of assessing impairment, we make certain assumptions including, but not limited to:

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consideration of projected operating cash flows, intended holding period of the real estate, comparable selling prices and projected cash flows from the eventual disposition of the real estate based upon our estimate of a capitalization rate and discount rate. While we exercise significant judgment in generating our assumptions, the asset's fair value is subject to uncertainty, as actual operating cash flows and disposition proceeds could differ from those assumed in our valuations. Additionally, the output is sensitive to the assumptions used in calculating any potential impairment.

Please refer to "Note 3 – Fair Value Disclosure" and "Note 5 – Assets and Liabilities Related to Real Estate Owned" for more information regarding real estate owned and our valuation methodology as well as "Note 2 – Summary of Significant Accounting Policies" to our consolidated financial statements of our most recent Annual Report on Form 10-K.

Current Expected Credit Losses

We measure and record potential expected credit losses related to our loan portfolio in accordance with the CECL Standard. The CECL Standard requires an entity to consider historical loss experience, current conditions, and a reasonable and supportable forecast of the macroeconomic environment. We have adopted the WARM method to determine a General CECL Allowance for the majority of loans in our portfolio, applied on a collective basis by assets with similar risk characteristics. If we determine that a borrower or sponsor is experiencing financial difficulty, we will record loan-specific allowances (our Specific CECL Allowance) in accordance with a practical expedient prescribed by the CECL Standard.

General CECL Allowance

There are a number of significant assumptions required to estimate our General CECL Allowance which include deriving and applying an annual historical loss rate, estimating the impacts of current and future macroeconomic conditions and forecasting the timing of expected repayments, satisfactions and future fundings.

We derive an annual historical loss rate based on a CMBS database with historical losses from 1998 through the first quarter of 2024 provided by Trepp. We apply various filters to arrive at a CMBS dataset most analogous to our current portfolio from which we determine an appropriate historical loss rate. This historical loss rate, and ultimately the General CECL Allowance we derive, is sensitive to the CMBS dataset we select.

We adjust our determined annual historical loss rate based on our outlook of the macroeconomic environment, for a reasonable and supportable forecast period. Selection of a forecast period is a matter of judgment and our General CECL Allowance is sensitive to this input.

We develop our expectations for the future macroeconomic environment and its potential impact on the performance of loans in our portfolio, by analyzing various market factors, such as unemployment rate, market liquidity and price indexes relevant to commercial real estate sector. This assessment requires the use of significant judgment in selecting relevant market factors and analyzing their correlation with historical loss rates. The future macroeconomic environment is subject to uncertainty as the actual future macroeconomic environment could vary from our expectations.

Additionally, there are assumptions provided to us by the Manager that represent their best estimate as to loan expected term, future fundings, and timing of loan repayments. These assumptions, although made with the most available information at the time of the estimate, are subjective and actual activity may not follow the estimated schedule. These assumptions impact the future balances that the loss rate will be applied to and as such impact our General CECL Allowance. As we acquire new loans and the Manager monitors loan and sponsor performance, these estimates may change each period. Refer to "Note 2 – Summary of Significant Accounting Policies" and "Note 4  Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net" for further discussion regarding our General CECL Allowance.

Specific CECL Allowance

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When we determine that a borrower or sponsor is experiencing financial difficulty, we evaluate the related loan for loan-specific allowances, under the practical expedient prescribed by the CECL Standard. Determining that a borrower or sponsor is experiencing financial difficulty requires the use of significant judgment and can be based on several factors subject to uncertainty. These factors can include, but are not limited to, whether cash from the borrower's operations are sufficient to cover current and future debt service requirements, the borrower's ability to potentially refinance the loan, and other circumstances that

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can affect the borrower's ability to satisfy their obligations in accordance the terms of the loan. When utilizing the practical expedient for collateral dependent loans, the current expected credit losses is determined as the difference between the fair value of the underlying collateral, adjusted for estimated costs to sell when applicable, and the carrying value of the loan (prior to the current expected credit losses), as repayment or satisfaction of a loan is dependent on a sale of the underlying collateral. Collateral-dependent loans evaluated for a Specific CECL Allowance are removed from the General CECL Allowance pool.

The fair value of the underlying collateral is determined by using method(s) such as discounted cash flow, the market approach, or direct capitalization approach. These methods require the use of key unobservable inputs, which are inherently uncertain and subjective. Our estimate of fair value is sensitive to both the valuation methodology selected and inputs used. Determining a suitable valuation method and selecting the appropriate key unobservable inputs and assumptions requires significant judgment and consideration of factors specific to the underlying collateral being assessed. Additionally, the key unobservable inputs and assumptions used may vary depending on the information available to us and market conditions as of the valuation date. As such, the fair value that we derive and use in calculating our Specific CECL Allowance, is subject to uncertainty and any actual losses, if incurred, could differ materially from our current expected credit losses. Refer to "Note 2 – Summary of Significant Accounting Policies" and "Note 4  Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net" for further discussion regarding our Specific CECL Allowance.

Refer to "Note 2  Summary of Significant Accounting Policies" to our consolidated financial statements of our most recent Annual Report on Form 10-K for the complete listing and description of our significant accounting policies.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

We seek to manage our risks related to the credit quality of our assets, interest rates, liquidity, prepayment speeds, and market value, while, at the same time, seeking to provide an opportunity to stockholders to realize attractive risk-adjusted returns through ownership of our capital stock. While risks are inherent in any business enterprise, we seek to quantify and justify risks in light of available returns and to maintain capital levels consistent with the risks we undertake.

Credit Risk

One of our strategic focuses is acquiring assets that we believe to be of high credit quality. We believe this strategy will generally keep our credit losses and financing costs low. However, we are subject to varying degrees of credit risk in connection with our other target assets. We seek to mitigate this risk by seeking to acquire high quality assets, at

appropriate prices given anticipated and unanticipated losses, and by deploying a value-driven approach to underwriting and diligence, consistent with the Manager's historical investment strategy, with a focus on current cash flows and potential risks to cash flow. The Manager seeks to enhance its due diligence and underwriting efforts by accessing the Manager's knowledge base and industry contacts. Nevertheless, unanticipated credit losses could occur, which could adversely impact our operating results.

Interest Rate Risk

Interest rates are highly sensitive to many factors, including fiscal and monetary policies, and domestic and international economic and political considerations, as well as other factors beyond our control. We are subject to interest rate risk in connection with our target assets and our related financing obligations.

To the extent consistent with maintaining our REIT qualification, we seek to manage risk exposure to protect our portfolio of financial assets against the effects of major interest rate changes. We generally seek to manage this risk by:

- attempting to structure our financing agreements to have a range of different maturities, terms, amortization and interest rate adjustment periods;
- using hedging instruments and interest rate swaps, when we deem appropriate; and
- to the extent available and appropriate, using securitization financing to better match the maturity of our financing with the duration of our assets.

The following table estimates the hypothetical impact on our net interest income for the twelve-month period following **June 30, 2024** **September 30, 2024**, assuming an immediate increase or decrease of 50 basis points in the applicable interest rate benchmark by currency (\$ in thousands, except per share data):

Currency	50 basis point increase					50 basis point decrease					50 basis point increase					50 basis point decrease				
	Net floating rate	assets subject to interest rate	interest income	(per share)	Decrease to net interest income	interest income	(per share) (2)	Net floating rate	assets subject to interest rate	interest income	(per share)	Decrease to net interest income	interest income	(per share) (2)	Net floating rate	assets subject to interest rate	interest income	(per share)	Decrease to net interest income	(per share) (2)
USD	\$ (351,425)	\$ (1,757)	\$ (0.01)	\$ 1,757	\$ 0.01	\$ (184,024)	\$ (920)	\$ (0.01)	\$ 920	\$ 0.01										
GBP	761,258	3,221	0.02	(3,221)	(0.02)	772,459	3,435	0.02	(3,435)	(0.02)										
EUR	357,183	1,786	0.01	(1,786)	(0.01)	310,723	1,554	0.01	(1,554)	(0.01)										
SEK	46,867	234	—	(234)	—	48,544	243	0.00	(243)	(0.00)										
Total:	\$ 813,883	\$ 3,484	\$ 0.02	\$ (3,484)	\$ (0.02)	\$ 947,702	\$ 4,312	\$ 0.03	\$ (4,312)	\$ (0.03)										

(1) Excludes floating rate loans on non-accrual

(2) Any such hypothetical impact on interest rates on our variable rate borrowings does not consider the effect of any change in overall economic activity that could occur in a rising or falling interest rate environment. Further event of a change in interest rates of that magnitude, we may take actions to further mitigate our exposure to such a change. However, due to the uncertainty of the specific actions that would be taken and their possible this analysis assumes no changes in our financial structure.

(3) Certain of our floating rate loans are subject to index floors.

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Prepayment Risk

Prepayment risk is the risk that principal will be repaid at a different rate than anticipated, causing the return on an asset to be less than expected. In certain cases, we adapt to prepayment risk by stating prepayment penalties in loan agreements.

Market Risk

Commercial mortgage assets are subject to volatility and may be affected adversely by a number of factors, including, but not limited to, national, regional and local economic conditions (which may be adversely affected by industry slowdowns and other factors); local real estate conditions; changes or continued weakness in specific industry segments; construction quality, age and design; demographic factors; retroactive changes to building or similar codes; pandemics; natural disasters and other acts of god. In addition, decreases in property values reduce the value of the collateral and the potential proceeds available to a borrower to repay the underlying loans or loans, as the case may be, which could also cause us to suffer losses. Market volatility has been particularly heightened due to the COVID-19 pandemic. COVID-19 and its variants have disrupted economic activities and could have a continued significant adverse effect on economic and market conditions including rising inflation, increases in interest rates, limited lending from financial institutions, depressed asset values, and limited market liquidity.

Inflation

Virtually all of our assets and liabilities are interest rate sensitive in nature. As a result, interest rates and other factors influence our performance far more so than does inflation. Changes in interest rates do not necessarily correlate with inflation rates or changes in inflation rates. Our financial statements are prepared in accordance with GAAP and distributions are determined by our board of directors consistent with our obligation to distribute to our stockholders at least 90% of our REIT taxable income, excluding net capital gains and determined without regard to the dividends paid deduction, on an annual basis in order to maintain our REIT qualification. In each case, our activities and balance sheets are measured with reference to historical cost and/or fair market value without considering inflation.

Currency Risk

Some of our loans and secured debt arrangements are denominated in a foreign currency and subject to risks related to fluctuations in currency rates. We seek to mitigate this exposure through foreign currency forward contracts, which match the net principal and interest of our foreign currency loans and secured debt arrangements.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer, based on their evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) required by paragraph (b) of Rule 13a-15 or Rule 15d-15, have concluded that as of the end of the period covered by this report, our disclosure controls and procedures were effective to give reasonable assurances to the timely collection, evaluation and disclosure of information relating to our company that would potentially be subject to disclosure under the Exchange Act, and the rules and regulations promulgated thereunder.

During the period ended **June 30, 2024** **September 30, 2024**, there was no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Notwithstanding the foregoing, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within our company to disclose material information otherwise required to be set forth in our periodic reports.

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PART II - OTHER INFORMATION

Item 1. 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.

Item 1A. Risk Factors

For information regarding factors that could affect our results of operations, financial condition and liquidity, see the risk factors discussed in "Item 1A. Risk Factors" in our most recent Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table sets forth the Company's repurchases of common stock during the three months ended **June 30, 2024** **September 30, 2024** (\$ in thousands, except per share data):

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares of Common Stock Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
April 1 - April 30, 2024	-	\$ —	-	\$ —
May 1 - May 31, 2024	3,246,504	10.19	3,246,504	139,227
June 1 - June 30, 2024	477,268	9.98	477,268	134,463
Total	3,723,772	\$ 10.16	3,723,772	\$ 134,463

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares of Common Stock Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
July 1, 2024 - July 31, 2024	112,040	\$ 9.93	112,040	\$ 133,350

August 1, 2024 - August 31, 2024	177,593	9.97	177,593	131,579
September 1, 2024 - September 30, 2024	—	—	—	131,579
Total	289,633	\$ 9.96	289,633	\$ 131,579

(1) On March 16, 2020, the Company announced that the board of directors approved a stock repurchase program to authorize the Company to repurchase up to an aggregate of \$150.0 million of the Company's common stock. This repurchase program has no expiration date and may be suspended or terminated by the Company at any time without prior notice. This \$150.0 million program replaced the previous program authorized in November 2013, which was terminated. On February 9, 2021, the Company's board of directors authorized the Company to repurchase up to an additional \$150.0 million of common stock under this repurchase program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

On **June 6, 2024**, **August 9, 2024**, **Stuart Rothstein**, President and Chief Executive Officer of the Company and member of our board of directors, **adopted** **terminated** a Rule 10b5-1 trading arrangement that **is** **was** intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Exchange Act. The **plan** **provides** **terminated** arrangement was adopted on **June 6, 2024** and provided for the sale of up to 119,522 shares of the Company's common stock and up to 150,960 shares of the Company's common stock underlying outstanding restricted stock unit awards held by Mr. Rothstein (net of shares withheld to satisfy the minimum tax withholding obligations in connection with settlement of such outstanding awards). The plan **provides** **provided** for sales in several tranches with the first commencing on November 15, 2024 and sales continuing through December 31, 2025.

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Item 6. Exhibits and Financial Statement Schedules.

- 3.1 [Articles of Amendment and Restatement of Apollo Commercial Real Estate Finance, Inc., incorporated by reference to Exhibit 3.1 of the Registrant's Form S-11, as amended \(Registration No. 333-160533\).](#)
- 3.2 [Amended and Restated Bylaws of Apollo Commercial Real Estate Finance, Inc., incorporated by reference to Exhibit 3.2 of the Registrant's Form 10-Q filed on April 29, 2024 \(File No.: 001-34452\).](#)
- 3.3 [Articles Supplementary designating Apollo Commercial Real Estate Finance, Inc.'s 7.25% Series B-1 Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \\$25.00 per share, par value \\$0.01 per share, incorporated by reference to Exhibit 3.1 of the Registrant's Form 8-K filed on July 20, 2021 \(File No.: 001-34452\).](#)
- 4.1 [Specimen Stock Certificate of Apollo Commercial Real Estate Finance, Inc., incorporated by reference to Exhibit 4.1 of the Registrant's Form S-11, as amended \(Registration No. 333-160533\).](#)
- 4.2 [Indenture, dated as of March 17, 2014, between the Registrant and Wells Fargo Bank, National Association, as Trustee, incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-K filed on March 21, 2014 \(File No.: 001-34452\).](#)
- 4.3 [Third Supplemental Indenture, dated as of October 5, 2018 between the Registrant and Wells Fargo Bank, National Association, as Trustee \(including the form of 5.375% Convertible Senior Note due 2023\), incorporated by reference to Exhibit 4.2 of the Registrant's Form 8-K filed on October 5, 2018 \(File No.: 001-34452\).](#)

4.4	Indenture dated as of June 29, 2021, by and among Apollo Commercial Real Estate Finance, Inc., as issuer, ACREFI Operating, LLC, ARM Operating, LLC and ACREFI Mortgage Lending, LLC, as guarantors, Wells Fargo Bank, National Association, as trustee and notes collateral agent (including the form of Apollo Commercial Real Estate Finance, Inc.'s 4.625% Senior Secured Notes due 2029), incorporated by reference to Exhibit 4.1 of the Registrant's Form 8-K filed on July 6, 2021 (File No.: 001-34452).
31.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of 18 U.S.C. Section 1350 as adopted pursuant to the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema
101.CAL*	Inline XBRL Taxonomy Extension Calculation With Embedded Linkbase
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Documents
104*	Cover Page Interactive Data File (embedded with the Inline XBRL document)

* Filed herewith.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Apollo Commercial Real Estate Finance, Inc.

August 6, October 30, 2024

By: /s/ Stuart A. Rothstein
Stuart A. Rothstein
President and Chief Executive Officer (Principal Executive Officer)

August 6, October 30, 2024

By: /s/ Anastasia Mironova
Anastasia Mironova
Chief Financial Officer, Treasurer and Secretary (Principal Financial Officer and Principal Accounting Officer)

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Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Stuart A. Rothstein, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Apollo Commercial Real Estate Finance, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's audit committee and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2024 October 30, 2024

By: /s/ Stuart A. Rothstein
Name: Stuart A. Rothstein
Title: President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Anastasia Mironova, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Apollo Commercial Real Estate Finance, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that

material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

- b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **August 6, 2024** **October 30, 2024**

By: **/s/ Anastasia Mironova**

Name: **Anastasia Mironova**

Title: **Chief Financial Officer, Treasurer and Secretary**

Exhibit 32.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO
18 U.S. C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, the President and Chief Executive Officer of Apollo Commercial Real Estate Finance, Inc. (the "Company"), hereby certifies on the date hereof, pursuant to 18 U.S.C. 1350(a), as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q for the period ended **June 30, 2024** **September 30, 2024** (the "Form 10-Q"), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **August 6, 2024** **October 30, 2024**

By: **/s/ Stuart A. Rothstein**

Name: **Stuart A. Rothstein**

Title: **President and Chief Executive Officer**

The undersigned, the Chief Financial Officer, Treasurer and Secretary of Apollo Commercial Real Estate Finance, Inc. (the "Company"), hereby certifies on the date hereof, pursuant to 18 U.S.C. 1350(a), as adopted pursuant to Section 906 of The Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q for the period ended **June 30, 2024** **September 30, 2024** (the "Form 10-Q"), filed concurrently herewith by the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **August 6, 2024** **October 30, 2024**

By: **/s/ Anastasia Mironova**

Name: **Anastasia Mironova**

Title: Chief Financial Officer, Treasurer and Secretary

Pursuant to the Securities and Exchange Commission Release 33-8238, dated June 5, 2003, this certification is being furnished and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended or incorporated by reference in any registration statement of the Company filed under the Securities Act of 1933, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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