

**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 March 31, 2024

OR

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

For the transition period from _____ to _____

Commission File Number: 001-34452

Apollo Commercial Real Estate Finance, Inc.

(Exact name of registrant as specified in its charter)

Maryland
(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:

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Each Exchange on Which Registered</u>
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 April 26, 2024, there were 142,162,205 shares, \$0.01 par value per share, of the registrant's common stock issued and outstanding.

Table of Contents

	<u>Page</u>
<u>Part I - Financial Information</u>	
<u>Item 1. Financial Statements</u>	<u>4</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>36</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>53</u>
<u>Item 4. Controls and Procedures.</u>	<u>54</u>
<u>Part II - Other Information</u>	
<u>Item 1. Legal Proceedings.</u>	<u>55</u>
<u>Item 1A. Risk Factors</u>	<u>55</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>55</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>55</u>
<u>Item 4. Mine Safety Disclosures.</u>	<u>55</u>
<u>Item 5. Other Information</u>	<u>55</u>
<u>Item 6. Exhibits</u>	<u>55</u>

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)

	March 31, 2024	December 31, 2023
Assets:		
Cash and cash equivalents	\$ 161,190	\$ 225,438
Commercial mortgage loans, net ⁽¹⁾⁽³⁾	7,846,460	7,925,359
Subordinate loans, net ⁽²⁾⁽³⁾	303,965	432,734
Commercial mortgage loan, held for sale ⁽⁴⁾	135,465	—
Real estate owned, held for investment, net ⁽⁵⁾ (net of \$16,254 and \$10,404 accumulated depreciation in 2024 and 2023, respectively)	627,099	519,498
Other assets	103,529	85,623
Derivative assets, net	47,284	29,425
Assets related to real estate owned, held for sale	—	78,653
Total Assets	\$ 9,224,992	\$ 9,296,730
Liabilities and Stockholders' Equity		
Liabilities:		
Secured debt arrangements, net	\$ 5,596,967	\$ 5,538,476
Senior secured term loans, net	757,912	759,150
Senior secured notes, net	495,835	495,637
Accounts payable, accrued expenses and other liabilities ⁽⁶⁾	155,542	120,334
Debt related to real estate owned, held for investment, net	161,878	161,562
Payable to related party	9,423	9,553
Liabilities related to real estate owned, held for sale	—	3,285
Total Liabilities	7,177,557	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
Common stock, \$0.01 par value, 450,000,000 shares authorized, 142,096,715 and 140,595,995 shares issued and outstanding in 2024 and 2023, respectively	1,421	1,414
Additional paid-in-capital	2,724,395	2,727,488
Accumulated deficit	(678,449)	(520,237)
Total Stockholders' Equity	2,047,435	2,208,733
Total Liabilities and Stockholders' Equity	\$ 9,224,992	\$ 9,296,730

(1) Includes \$7,642,848 and \$7,705,491 pledged as collateral under secured debt arrangements in 2024 and 2023, respectively.

(2) Includes \$246,725 and \$232,991 pledged as collateral under secured debt arrangements in 2024 and 2023, respectively.

(3) Net of \$367,558 and \$219,482 CECL Allowances comprised of \$335,000 and \$193,000 Specific CECL Allowance and \$32,558 and \$26,482 General CECL Allowance in 2024 and 2023, respectively.

(4) Includes \$135,465 pledged as collateral under secured debt arrangements in 2024.

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

(6) Includes \$3,625 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 March 31,	
	2024	2023
Net interest income:		
Interest income from commercial mortgage loans	\$ 183,716	\$ 166,147
Interest income from subordinate loans and other lending assets	849	9,707
Interest expense	(127,887)	(104,868)
Net interest income	\$ 56,678	\$ 70,986
Revenue from real estate owned operations	23,857	16,131
Total net revenue	\$ 80,535	\$ 87,117
Operating expenses:		
General and administrative expenses (includes equity-based compensation of \$4,188 and \$4,358 in 2024 and 2023, respectively)	\$ (7,373)	\$ (7,015)
Management fees to related party	(9,421)	(9,517)
Operating expenses related to real estate owned	(19,893)	(14,006)
Depreciation and amortization on real estate owned	(4,656)	(3,986)
Total operating expenses	\$ (41,343)	\$ (34,524)
Other income, net	\$ 570	\$ 732
Increase in current expected credit loss allowance, net	(147,684)	(4,390)
Foreign currency translation gain (loss)	(19,563)	18,634
Gain (loss) on foreign currency forward contracts (includes unrealized gains (losses) of \$18,053 and \$(35,851) in 2024 and 2023 respectively)	23,398	(14,135)
Gain (loss) on interest rate hedging instruments (includes unrealized gains (losses) of \$(194) and \$(4,813) 2024 and 2023 respectively)	356	(107)
Valuation allowance, commercial mortgage loan held for sale	(679)	—
Net realized loss on investments	—	(4,624)
Gain on extinguishment of debt	—	213
Net income (loss) before taxes	\$ (104,410)	\$ 48,916
Income tax provision	(114)	—
Net income (loss)	\$ (104,524)	\$ 48,916
Preferred dividends	(3,068)	(3,068)
Net income (loss) available to common stockholders	\$ (107,592)	\$ 45,848
Net income (loss) per share of common stock:		
Basic	\$ (0.76)	\$ 0.32
Diluted	\$ (0.76)	\$ 0.32
Basic weighted-average shares of common stock outstanding	141,869,604	141,072,471
Diluted weighted-average shares of common stock outstanding	141,869,604	155,483,979
Dividend declared per share of common stock	\$ 0.35	\$ 0.35

See notes to unaudited condensed consolidated financial statements.

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 Paid-In- Capital	Accumulated Deficit	Total
	Shares	Par	Shares	Par			
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

	Preferred Stock		Common Stock		Additional Paid-In- Capital	Accumulated Deficit	Total
	Shares	Par	Shares	Par			
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

See notes to unaudited condensed consolidated financial statements.

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

	For the three months ended	
	March 31,	
	2024	2023
Cash flows from operating activities:		
Net income (loss)	\$ (104,524)	\$ 48,916
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Amortization of discount/premium and payment-in-kind interest	(6,716)	(10,012)
Amortization of deferred financing costs	4,027	3,807
Equity-based compensation	4,188	4,358
Increase in current expected credit loss allowance, net	147,684	4,390
Valuation allowance, commercial mortgage loan held for sale	679	—
Foreign currency (gain) loss	20,881	(1,525)
Unrealized loss (gain) on foreign currency contracts	(18,053)	35,851
Unrealized loss on interest rate hedging instruments	194	4,813
Depreciation and amortization on real estate owned	4,656	3,986
Gain on extinguishment of debt	—	(213)
Net realized loss (gain) on investment	—	4,624
Changes in operating assets and liabilities:		
Proceeds received from payment-in-kind interest	—	3,573
Other assets	(12,575)	1,012
Accounts payable, accrued expenses and other liabilities	12,532	6,864
Payable to related party	(130)	(194)
Net cash provided by operating activities	\$ 52,843	\$ 110,250
Cash flows from investing activities:		
New funding of commercial mortgage loans	—	(181,017)
Add-on funding of commercial mortgage loans	(308,032)	(76,421)
Add-on funding of subordinate loans	(13,734)	(37,400)
Proceeds received from the repayment and sale of commercial mortgage loans	168,526	435,442
Proceeds received from the repayment of subordinate loans and other lending assets	102	6,611
Origination and exit fees received on commercial mortgage loans, and subordinate loans, net	4,346	4,290
Increase (decrease) in collateral related to derivative contracts, net	20,020	(50,830)
Capital expenditures on real estate assets	(37,901)	(14,131)
Cash received from hotel title assumption	—	569
Net cash provided by (used in) investing activities	\$ (166,673)	\$ 87,113
Cash flows from financing activities:		
Proceeds from secured debt arrangements	548,557	173,919
Repayments of secured debt arrangements	(433,604)	(191,681)
Repayments of senior secured term loan principal	(2,000)	(2,000)
Repayments and repurchases of convertible notes	—	(6,877)
Payment of deferred financing costs	(3,454)	(5,873)
Payment of withholding tax on RSU delivery	(7,274)	(6,703)
Dividends on common stock	(50,839)	(50,643)
Dividends on preferred stock	(3,068)	(3,068)
Net cash provided by (used in) financing activities	\$ 48,318	\$ (92,926)

See notes to unaudited condensed consolidated financial statements.

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

	For the three months ended March 31,	
	2024	2023
Net increase (decrease) in cash and cash equivalents, including cash classified within assets related to real estate owned, held for sale	\$ (65,512)	\$ 104,437
Decrease (increase) in cash classified within assets related to real estate owned, held for sale	577	5,677
Net increase (decrease) in cash and cash equivalents	\$ (64,935)	\$ 110,114
Cash and cash equivalents beginning of period	225,438	222,030
Effects of foreign currency translation on cash and cash equivalents	687	(611)
Cash and cash equivalents end of period	<u>\$ 161,190</u>	<u>\$ 331,533</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ 116,463	\$ 89,983
Supplemental disclosure of non-cash financing activities:		
Dividend declared, not yet paid	\$ 53,688	\$ 53,514
Change in participation sold	—	(25,130)
Change in loan proceeds held by servicer	1,624	(2,327)
Assumption of real estate	—	75,000
Assumption of other assets related to real estate owned	—	2,827
Assumption of accounts payable, accrued expenses and other liabilities related to real estate owned	—	(3,396)
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
Transfer of assets related to real estate owned, held for sale to other assets	2,280	4,357
Transfer of liabilities related to real estate owned, held for sale to accounts payable, accrued expenses and other liabilities	3,937	7,163
Transfer of commercial mortgage loan to commercial mortgage loan, held for sale	135,465	—

See notes to unaudited condensed consolidated financial statements.

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 months ended March 31, 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.

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.

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.

Reference Rate Reform

In response to concerns about structural risks of interbank offered rates, including the London Interbank Offered Rate ("LIBOR"), regulators and market participants in various jurisdictions have undertaken efforts, generally referred to as reference rate reform, to eliminate certain reference rates, and introduce new reference rates that are based on a larger and more liquid population of observable transactions. As of December 31, 2023, all our floating rate loans and related financings have transitioned to the applicable replacement benchmark rate or reference a benchmark rate.

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, "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 value of our interest rate cap is determined by using the market standard methodology of discounting the future expected cash receipts that occur when variable interest rates rise above the strike rate of the interest rate cap. The variable interest rates used in the calculation of projected receipts on the interest rate cap 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 March 31, 2024 and December 31, 2023, we held one interest rate cap related to our construction financing which was purchased on September 26, 2023. Refer to "Note 5 – Real Estate Owned" and "Note 11 – Derivatives" for further detail.

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 March 31, 2024 and December 31, 2023 (\$ in thousands):

	Fair Value as of March 31, 2024				Fair Value as of December 31, 2023			
	Level I	Level II	Level III	Total	Level I	Level II	Level III	Total
Recurring fair value measurements:								
Foreign currency forward, net	\$ —	\$ 46,118	\$ —	\$ 46,118	\$ —	\$ 28,065	\$ —	\$ 28,065
Interest rate cap asset	—	1,166	—	1,166	—	1,360	—	1,360
Total financial instruments	\$ —	\$ 47,284	\$ —	\$ 47,284	\$ —	\$ 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 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 March 31, 2024, we entered into an agreement to sell a commercial mortgage loan collateralized by a hotel property located in Honolulu, HI at a price of 99.5%. We recorded a fair value adjustment of \$0.7 million (representing the difference between the loan's amortized cost and the loan's fair value at the agreed upon price),

which is included within valuation allowance, commercial mortgage loan held for sale on our condensed consolidated statement of operations. The loan is carried at fair value of \$135.5 million on our condensed consolidated balance sheet, as of March 31, 2024. The loan sale subsequently closed in April 2024.

Refer to "Note 21 – Subsequent Events" for additional detail.

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 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 March 31, 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 March 31, 2024 or December 31, 2023.

On May 24, 2021, we acquired legal title to a full-service luxury hotel in Washington D.C. ("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 repaid 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 March 31, 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 March 31, 2024 and December 31, 2023 (\$ in thousands):

Loan Type	March 31, 2024	December 31, 2023
Commercial mortgage loans, net ⁽¹⁾	\$ 7,846,460	\$ 7,925,359
Commercial mortgage loan, held for sale	135,465	—
Subordinate loans, net	303,965	432,734
Carrying value, net	\$ 8,285,890	\$ 8,358,093

(1) Includes \$83.5 million and \$95.5 million in 2024 and 2023, respectively, of contiguous financing structured as subordinate loans.

Our loan portfolio consisted of 99% floating rate loans, based on amortized cost, as of both March 31, 2024 and December 31, 2023.

Activity relating to our loan portfolio for the three months ended March 31, 2024 was as follows (\$ in thousands):

	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
Add-on loan fundings ⁽¹⁾	321,766	—	—	321,766

Loan repayments	(175,731)	—	—	(175,731)
Gain (loss) on foreign currency translation	(72,337)	289	—	(72,048)
Increase in Specific CECL Allowance, net	—	—	(142,000)	(142,000)
Valuation allowance, loan held for sale	(679)	—	—	(679)
Deferred fees and other items ⁽²⁾	—	(4,936)	—	(4,936)
Amortization of fees	—	7,501	—	7,501
March 31, 2024	<u>\$ 8,683,129</u>	<u>\$ (29,681)</u>	<u>\$ (335,000)</u>	<u>\$ 8,318,448</u>
General CECL Allowance ⁽³⁾				(32,558)
Carrying value, net				<u>\$ 8,285,890</u>

- (1) Represents fundings committed prior to 2024.
- (2) Other items primarily consist of purchase discounts or premiums, cost recovery interest, exit fees, deferred origination expenses, and the activity of unconsolidated joint ventures.
- (3) \$3.6 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):

	March 31, 2024	December 31, 2023
Number of loans	49	50
Principal balance	\$ 8,683,129	\$ 8,610,110
Carrying value, net	\$ 8,285,890	\$ 8,358,093
Unfunded loan commitments ⁽¹⁾	\$ 555,596	\$ 868,582
Weighted-average cash coupon ⁽²⁾	8.4 %	8.3 %
Weighted-average remaining fully-extended term ⁽³⁾	2.3 years	2.3 years
Weighted-average expected term ⁽⁴⁾	2.0 years	1.8 years

- (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 in certain cases to an 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 5 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	March 31, 2024		December 31, 2023	
	Carrying Value	% of Portfolio ⁽¹⁾	Carrying Value	% of Portfolio ⁽¹⁾
Hotel	\$ 1,978,794	23.7 %	\$ 2,128,256	25.4 %
Office	1,635,450	19.7	1,593,320	19.0
Retail	1,394,228	16.8	1,407,764	16.8
Residential	1,099,134	13.2	1,247,238	14.9
Mixed Use	696,048	8.4	679,303	8.1
Healthcare	504,075	6.1	511,803	6.1
Industrial	276,350	3.3	293,133	3.5
Other ⁽²⁾	734,369	8.8	523,758	6.2
Total	<u>\$ 8,318,448</u>	<u>100.0 %</u>	<u>\$ 8,384,575</u>	<u>100.0 %</u>
General CECL Allowance ⁽³⁾	(32,558)		(26,482)	
Carrying value, net	<u>\$ 8,285,890</u>		<u>\$ 8,358,093</u>	

- (1) Percentage of portfolio calculations are made prior to consideration of General CECL Allowance.
- (2) Other property types include pubs (2.5%), parking garages (2.3%), caravan parks (2.4%) and urban predevelopment (1.6%) in 2024, and parking garages (2.3%), caravan parks (2.4%) and urban predevelopment (1.5%) in 2023.
- (3) \$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.

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	March 31, 2024		December 31, 2023	
	Carrying Value	% of Portfolio ⁽¹⁾	Carrying Value	% of Portfolio ⁽¹⁾
United Kingdom	\$ 2,937,602	35.3 %	\$ 2,675,097	31.9 %
New York City	1,597,081	19.2	1,736,856	20.7
Other Europe ⁽²⁾	1,509,453	18.2	1,686,425	20.1
Southeast	537,333	6.5	535,054	6.4
Midwest	519,395	6.2	522,137	6.2
West	484,581	5.8	484,842	5.8
Other ⁽³⁾	733,003	8.8	744,164	8.9
Total	\$ 8,318,448	100.0 %	\$ 8,384,575	100.0 %
General CECL Allowance ⁽⁴⁾	(32,558)		(26,482)	
Carrying value, net	\$ 8,285,890		\$ 8,358,093	

- (1) Percentage of portfolio calculations are made prior to consideration of General CECL Allowance.
- (2) Other Europe includes Germany (7.3%), Italy (3.3%), Spain (4.1%), Sweden (2.8%), Ireland (0.5%) 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 (4.9%), Southwest (1.7%), Mid-Atlantic (1.1%) and Other (1.1%) in 2024 and Northeast (5.0%), Southwest (1.7%), Mid-Atlantic (1.1%) and Other (1.1%) in 2023.
- (4) \$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.

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 March 31, 2024 and December 31, 2023, respectively (\$ in thousands):

March 31, 2024	
Amortized Cost by Year Originated	

Risk Rating	Number of Loans	Total	% of Portfolio	2024	2023	2022	2021	2020	Prior
1	—	\$ —	— %	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
2	4	447,202	5.4 %	—	—	332,059	49,729	—	65,414
3	41	7,658,452	92.1 %	—	642,657	2,412,096	2,206,805	389,815	2,007,079
4	2	85,612	1.0 %	—	—	—	—	—	85,612
5	2	127,182	1.5 %	—	—	—	—	27,881	99,301
Total	49	\$8,318,448	100.0 %	\$ —	\$ 642,657	\$2,744,155	\$2,256,534	\$ 417,696	\$2,257,406
General CECL Allowance ⁽¹⁾		(32,558)							
Total carrying value, net		\$8,285,890							
Weighted-Average Risk Rating		3.0							
Gross write-offs		\$ —		\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

December 31, 2023

Risk Rating	Number of Loans	Total	% of Portfolio	Amortized Cost 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	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	\$ 795,739
General CECL Allowance ⁽¹⁾		(26,482)							
Total carrying value, net		\$8,358,093							
Weighted-Average Risk Rating		3.0							
Gross write-offs		\$ 81,890		\$ —	\$ —	\$ —	\$ —	\$ —	\$ 81,890

(1) \$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," 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 three months ended March 31, 2024 (\$ in thousands):

	Specific CECL Allowance ⁽¹⁾	General CECL Allowance			Total CECL Allowance	CECL Allowance as % of Amortized Cost	
		Funded	Unfunded	Total		General ⁽¹⁾	Total
December 31, 2023	\$ 193,000	\$ 26,482	\$ 4,017	\$ 30,499	\$ 223,499	0.38 %	2.61 %
Changes:							
Allowances (Reversals), net	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 %

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

The following schedule illustrates changes in CECL Allowances for the three months ended March 31, 2023 (\$ in thousands):

	Specific CECL Allowance ⁽¹⁾	General CECL Allowance			Total CECL Allowance	CECL Allowance as % of Amortized Cost	
		Funded	Unfunded	Total		General ⁽¹⁾	Total
December 31, 2022	\$ 133,500	\$ 26,224	\$ 4,347	\$ 30,571	\$ 164,071	0.36 %	1.86 %
Changes:							
Allowances	—	4,043	348	4,391	4,391		
March 31, 2023	\$ 133,500	\$ 30,267	\$ 4,695	\$ 34,962	\$ 168,462	0.42 %	1.95 %

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

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 first 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.

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 March 31, 2024 and December 31, 2023, accrued interest receivable was \$85.1 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 March 31, 2024 and December 31, 2023 (\$ in thousands):

	March 31, 2024	December 31, 2023
Commercial mortgage loans, net	\$ 31,397	\$ 25,723
Subordinate loans, net	1,161	759
Unfunded commitments ⁽¹⁾	3,625	4,017
Total General CECL Allowance	\$ 36,183	\$ 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.

Our General CECL Allowance increased by \$5.7 million during the quarter ended March 31, 2024. 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.

Specific CECL Allowance

For collateral-dependent loans where we have deemed the borrower/sponsor to be experiencing financial difficulty, 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 5 loans as of March 31, 2024, which were analyzed for Specific CECL Allowances (\$ in thousands):

Type	Property type	Location	Amortized cost prior to Specific CECL Allowance	Specific CECL Allowance	Amortized cost	Interest recognition status/ as of date	Risk rating
Mortgage							
	Retail ⁽¹⁾⁽²⁾	Cincinnati, OH	\$166,301	\$67,000	\$99,301	Non-Accrual/ 10/1/2019	5
Mortgage total:			\$166,301	\$67,000	\$99,301		
Mezzanine							
	Residential ⁽³⁾	Manhattan, NY	\$295,881	\$268,000	\$27,881	Non-Accrual/ 7/1/2021	5
Mezzanine total:			\$295,881	\$268,000	\$27,881		
Total:			\$462,182	\$335,000	\$127,182		

(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 three months ended March 31, 2024 and 2023, \$0.6 million and \$0.7 million, respectively, of interest paid was applied towards reducing the carrying value of the loan. During the second quarter of 2023, the loan's maturity was extended from September 2023 to September 2024.
- (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%.

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

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 for loans on non-accrual was \$556.0 million and \$693.7 million as of March 31, 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 months ended March 31, 2024 and 2023, we received \$0.6 million and \$0.7 million, respectively, in interest that reduced amortized cost under the cost recovery method.

As of March 31, 2024 and December 31, 2023, the amortized cost basis for loans with accrued interest past due 90 or more days was \$556.0 million and \$693.7 million, respectively. As of March 31, 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

ASC 326, "Financial Instruments – Credit Losses," requires disclosure of loan modifications made to borrowers experiencing financial difficulty in the form of principal forgiveness, interest rate reductions, other-than-insignificant payment delays, or term extensions in the current reporting period. As of March 31, 2024 and December 31, 2023, the aggregate amortized cost basis of such modified receivables was \$534.8 million and \$674.5 million, respectively, or 6.4% and 8.0% of our aggregate commercial mortgage loans and subordinate loans by amortized cost, respectively. There were no unfunded commitments as of both March 31, 2024 and December 31, 2023 related to these loans.

Chicago Office

In March 2018, we originated a first mortgage loan secured by an office property in Chicago, IL. In July 2023, we deemed the borrower to be experiencing financial difficulty and 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 March 31, 2024. The loan is performing pursuant to its contractual terms and its risk rating remains a four as of March 31, 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 310-20 "Receivables – Nonrefundable Fees and Other Costs" ("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 quarter ended March 31, 2024. Refer to "CECL" section above for additional information regarding our calculation of CECL Allowances.

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.

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.

Subsequent to the quarter ended March 31, 2024, our Senior Loan was refinanced by a third party lender, and we received a \$108.3 million repayment. Refer to "Note 21 – Subsequent Events" for additional information.

Other Loan Activity

During the three months ended March 31, 2023, we recorded \$1.2 million of interest income related to a subordinate risk retention interest in a securitization vehicle. During the third quarter of 2023, this subordinate risk retention interest was repaid in full.

We recognized \$0.1 million in pre-payment penalties and accelerated fees for the three months ended March 31, 2024 and none for the three months ended March 31, 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 860, "Transfers and Servicing" ("ASC 860").

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. We recorded a net gain of approximately \$0.2 million in connection with these sales during the first quarter of 2023 within net realized loss on investments in our condensed consolidated statement of operations. Refer to "Note 12 – Participations Sold" for additional detail related to the subordinate interest.

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. Loans classified as held for sale are carried at the lower of amortized cost or fair value less costs to sell, unless the fair value option is elected at origination. Additionally, held for sale loans are not subject to the General CECL Allowance.

During the three months ended March 31, 2024, we entered into an agreement to sell a commercial mortgage loan collateralized by a hotel property located in Honolulu, HI at a price of 99.5%. We recorded a fair value adjustment of \$0.7 million (representing the difference between the loan's amortized cost and the loan's fair value at the agreed upon price of 99.5%), which is included within valuation allowance, commercial mortgage loan held for sale on our condensed consolidated statement of operations. The loan is carried at fair value of \$135.5 million and has a risk rating of a three as of March 31, 2024. The sale subsequently closed in April 2024. Refer to "Note 21 – Subsequent Events" for additional detail.

Note 5 – Real Estate Owned

Real Estate Owned, Held for Investment

As of March 31, 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." 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 Topic 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 three months ended March 31, 2023. No realized gain or loss was recorded in connection with this reclassification.

As of March 31, 2024 and December 31, 2023, the value of net real estate assets related to the D.C. Hotel was \$153.5 million and \$152.4 million, respectively. As of March 31, 2024, our net real estate assets included depreciable assets of \$80.1 million, net of \$7.2 million in accumulated depreciation, attributable to the building, and \$5.9 million, net of \$4.2 million in 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.

We recorded net profit from hotel operations of \$1.1 million for three months ended March 31, 2024 and net loss of \$1.9 million for the three months ended March 31, 2023.

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 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 \$37.5 million and \$13.9 million during the three months ended March 31, 2024 and 2023, respectively. As of March 31, 2024 and December 31, 2023, our cost basis in the property was \$411.7 million and \$374.2 million, respectively. As of March 31, 2024 and December 31, 2023, our cost basis included construction costs of \$190.4 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 March 31, 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 \$161.9 million, net of \$3.0 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 term one-month Secured Overnight Financing Rate ("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 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 March 31, 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. As of March 31, 2024, the fair value of the interest rate cap is \$1.2 million and it is 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 "Fair Value Measurements and Disclosures." 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.

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 Topic 360, "Property, Plant, and Equipment." In accordance with ASC Topic 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 meets the criteria to be classified as held for sale under ASC Topic 360, "Property, Plant, and Equipment." In accordance with ASC Topic 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 March 31, 2024, the value of net real estate assets related to the Atlanta Hotel was \$72.1 million. As of March 31, 2024, our net real estate assets included depreciable assets of \$47.0 million, net of \$3.1 million in accumulated depreciation, attributable to the building, and \$7.0 million, net of \$1.7 million in accumulated depreciation, attributable to FF&E. For the three months ended March 31, 2024, we recorded net loss from the hotel's operations of \$1.8 million.

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):

	March 31, 2024	December 31, 2023
Interest receivable	\$ 85,072	\$ 72,354
Loan proceeds held by servicer ⁽¹⁾	7,820	6,271
Other ⁽²⁾	10,637	6,998
Total	\$ 103,529	\$ 85,623

(1) Includes loan principal and interest 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 March 31, 2024 and December 31, 2023, respectively. Refer to "Note 5 – Real Estate Owned" for additional information.

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 three months ended March 31, 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 \$158.6 million of additional borrowing capacity. Additionally, during the three months ended March 31, 2024, we upsized our secured credit facility with Atlas Securitized Products Holdings ("Atlas") by \$113.5 million, as discussed further below.

Our borrowings under secured debt arrangements at March 31, 2024 and December 31, 2023 are detailed in the following table (\$ in thousands):

	March 31, 2024			December 31, 2023		
	Maximum Amount of Borrowings ⁽¹⁾	Borrowings Outstanding ⁽¹⁾	Maturity ⁽²⁾	Maximum Amount of Borrowings ⁽¹⁾	Borrowings Outstanding ⁽¹⁾	Maturity ⁽²⁾
JPMorgan Facility - USD ⁽³⁾⁽⁴⁾	\$ 1,482,730	\$ 1,036,803	September 2026	\$ 1,482,584	\$ 1,043,964	September 2026
JPMorgan Facility - GBP ⁽³⁾⁽⁴⁾	17,270	17,270	September 2026	17,416	17,416	September 2026
Deutsche Bank Facility - USD ⁽³⁾	700,000	278,703	March 2026	700,000	275,815	March 2026
Atlas Facility - USD ⁽⁵⁾	800,000	751,207	March 2027 ⁽⁶⁾	686,527	669,302	April 2027 ⁽⁷⁾⁽⁸⁾
HSBC Facility - GBP	380,740	380,740	May 2025	383,967	383,967	May 2025
HSBC Facility - EUR	275,027	275,027	January 2026 ⁽⁸⁾	281,401	281,401	January 2026
Goldman Sachs Facility - USD	11,605	11,605	November 2025 ⁽⁹⁾	13,437	13,437	November 2025 ⁽⁹⁾
Goldman Sachs Facility - GBP	158,599	158,599	January 2029	—	—	N/A
Barclays Facility - USD	200,000	99,817	June 2027 ⁽⁷⁾	200,000	107,929	June 2027 ⁽⁷⁾
MUFG Securities Facility - GBP	202,970	202,970	June 2025 ⁽⁷⁾	204,690	204,690	June 2025 ⁽⁷⁾
Churchill Facility - USD	130,000	125,209	April 2026	130,000	126,515	March 2026
Santander Facility - USD	300,000	67,500	February 2026 ⁽⁷⁾	300,000	67,500	February 2026 ⁽⁷⁾
Santander Facility - EUR	58,261	54,677	August 2024	59,611	55,716	August 2024
Total Secured Credit Facilities	4,717,202	3,460,127		4,459,633	3,247,652	
Barclays Private Securitization - GBP, EUR, SEK	2,056,364	2,056,364	July 2026 ⁽⁸⁾	2,369,125	2,157,157	June 2026 ⁽⁸⁾
Revolving Credit Facility - USD ⁽¹⁰⁾	170,000	94,000	March 2026	170,000	147,000	March 2026
Total Secured Debt Arrangements	6,943,566	5,610,491		6,998,758	5,551,809	
Less: deferred financing costs	N/A	(13,524)		N/A	(13,333)	
Total Secured Debt Arrangements, net⁽¹¹⁾⁽¹²⁾⁽¹³⁾	\$ 6,943,566	\$ 5,596,967		\$ 6,998,758	\$ 5,538,476	

(1) As of March 31, 2024, British Pound Sterling ("GBP"), Euro ("EUR"), and Swedish Krona ("SEK") borrowings were converted to USD at a rate of 1.26, 1.08, and 0.09, 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.

(4) The JPMorgan Facility allows for \$1.5 billion of maximum borrowings in total as of March 31, 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 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.
- (10) 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 and (ii) 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.
- (11) Weighted-average borrowing costs as of March 31, 2024 and December 31, 2023 were applicable benchmark rates and credit spread adjustments, plus spreads of USD: +2.64% / GBP: +2.25% / EUR: +1.86% / SEK: +1.50% and USD: +2.49% / GBP: +2.21% / EUR: +1.86% / SEK: +1.50%, respectively.
- (12) Weighted-average advance rates based on cost as of March 31, 2024 and December 31, 2023 were 68.1% (62.4% (USD) / 72.2% (GBP) / 71.7% (EUR) / 80.4% (SEK)) and 68.4% (62.9% (USD) / 72.5% (GBP) / 72.1% (EUR) / 80.4% (SEK)), respectively.
- (13) As of March 31, 2024 and December 31, 2023, approximately 52.2% and 58.3%, 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 March 31, 2024 and December 31, 2023, the weighted-average haircut under our secured debt arrangements was approximately 31.9% 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, of certain warehouse assets and liabilities of the Credit Suisse AG Securitized Products Group ("Credit Suisse AG")(the "Transaction"), the Credit Suisse Facility was acquired by Atlas ("Atlas Facility"). In order to effect the assignment of the Credit Suisse Facility and related agreements, the Company and one of its subsidiaries, similar to the other sellers and guarantors party to the subject agreements in the Transaction, entered into an Omnibus Assignment, Assumption and Amendment Agreement as well as certain related agreements with Credit Suisse AG and Atlas. Refer to "Note 15 - Related Party Transactions" for further discussion regarding the transaction.

During the three months ended March 31, 2024, we executed an amendment to upsize the Atlas Facility by \$113.5 million. The amendment 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.

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 million of borrowings secured by qualifying commercial mortgage loans and real property owned assets. The Revolving Credit Facility has a term of three years, maturing in March 2026. The Revolving Credit Facility enables us to borrow on qualifying commercial mortgage loans for up to two years and real property owned assets for up to six months. As of March 31, 2024 and December 31, 2023, we had \$94.0 million and \$147.0 million, respectively, outstanding on the Revolving Credit Facility. During the three months ended March 31, 2024, we recorded \$33.6 thousand in unused fees and \$1.9 million in contractual interest expense. During the three months ended March 31, 2023, we recorded \$27.4 thousand in unused fees related to the Revolving Credit Facility.

Barclays Private Securitization

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

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

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

March 31, 2024			
Local Currency	Count	Outstanding Principal	Carrying Value
GBP	7	\$ 1,704,318	\$ 1,685,240
EUR	5	867,551	859,740
SEK	1	232,117	230,524
Total	13	\$ 2,803,986	\$ 2,775,504

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

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

	Borrowings Outstanding ⁽¹⁾	Fully-Extended Maturity ⁽²⁾
Total/Weighted-Average GBP	\$ 1,261,051	July 2026
Total/Weighted-Average EUR	609,619	September 2026 ⁽³⁾
Total/Weighted-Average SEK	185,694	May 2026
Total/Weighted-Average Securitization	\$ 2,056,364	July 2026

- (1) As of March 31, 2024, we had £998.9 million, €565.0 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 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 assets and liabilities of the Barclays Private Securitization VIE included in our condensed consolidated balance sheets (\$ in thousands):

	March 31, 2024	December 31, 2023
Assets:		
Cash	\$ 327	\$ 924
Commercial mortgage loans, net ⁽¹⁾	2,775,504	2,903,186
Other Assets	46,490	41,180
Total Assets	\$ 2,822,321	\$ 2,945,290
Liabilities:		
Secured debt arrangements, net (net of deferred financing costs of \$1.7 million and \$2.0 million in 2024 and 2023, respectively)	\$ 2,054,681	\$ 2,155,197
Accounts payable, accrued expenses and other liabilities ⁽²⁾	11,328	9,083
Total Liabilities	\$ 2,066,009	\$ 2,164,280

(1) Net of the General CECL Allowance of \$10.8 million and \$8.3 million as of March 31, 2024 and December 31, 2023, respectively.

(2) Includes General CECL Allowance related to unfunded commitments on commercial mortgage loans, net of \$2.6 million and \$2.5 million as of March 31, 2024 and December 31, 2023, respectively.

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

	Three months ended March 31,	
	2024	2023
Net interest income:		
Interest income from commercial mortgage loans	\$ 64,523	\$ 46,977
Interest expense	(36,083)	(23,133)
Net interest income	\$ 28,440	\$ 23,844
Decrease (increase) in current expected credit loss allowance, net	(2,565)	199
Foreign currency translation gain (loss)	(12,923)	10,002
Net income	\$ 12,952	\$ 34,045

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

	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
JPMorgan Facility	\$ 27,271	\$ 1,026,802	\$ —	\$ —	\$ 1,054,073
Deutsche Bank Facility	95,686	183,017	—	—	278,703
Atlas Facility	—	751,207	—	—	751,207
HSBC Facility	—	655,767	—	—	655,767
Goldman Sachs Facility - USD	—	11,605	—	—	11,605
Goldman Sachs Facility - GBP	—	—	158,599	—	158,599
Barclays Facility	—	—	99,817	—	99,817
MUFG Securities Facility	—	202,970	—	—	202,970
Churchill Facility	—	125,209	—	—	125,209
Santander Facility - USD	67,500	—	—	—	67,500
Santander Facility - EUR	54,677	—	—	—	54,677
Barclays Private Securitization	379,765	1,480,142	196,456	—	2,056,364
Revolving Credit Facility	76,385	17,615	—	—	94,000
Total	\$ 701,284	\$ 4,454,334	\$ 454,872	\$ —	\$ 5,610,491

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 March 31, 2024, as well as the maximum and average month-end balances for the three months ended March 31, 2024 for our borrowings under secured debt arrangements (\$ in thousands).

	As of March 31, 2024		For the three months ended March 31, 2024	
	Balance	Collateral ⁽¹⁾	Maximum Month-End Balance	Average Month-End Balance
JPMorgan Facility	\$ 1,054,073	\$ 1,869,057	\$ 1,063,261	\$ 1,058,968
Deutsche Bank Facility	278,703	421,949	278,703	277,741
Goldman Sachs Facility - USD	11,605	25,242	11,620	11,612
Goldman Sachs Facility - GBP	158,599	209,523	159,403	158,872
Atlas Facility	751,207	1,098,342	751,207	676,229
HSBC Facility	655,767	849,268	658,434	656,800
Barclays Facility	99,817	124,107	102,598	101,671
MUFG Securities Facility	202,970	275,579	203,999	203,318
Churchill Facility	125,209	166,563	126,080	125,644
Santander Facility - USD	67,500	99,736	67,500	67,500
Santander Facility - EUR	54,677	72,302	54,677	54,666
Barclays Private Securitization	2,056,364	2,786,288	2,146,965	2,085,304
Revolving Credit Facility	94,000	181,130	150,000	112,667
Total	<u>\$ 5,610,491</u>	<u>\$ 8,179,086</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.

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

	As of December 31, 2023		For the year ended December 31, 2023	
	Balance	Collateral ⁽¹⁾	Maximum Month-End Balance	Average Month-End Balance
JPMorgan Facility	\$ 1,061,380	\$ 1,871,854	\$ 1,324,226	\$ 1,190,651
Deutsche Bank Facility	275,815	419,170	385,818	322,676
Goldman Sachs Facility	13,437	28,533	70,249	30,482
Atlas Facility	669,302	933,085	688,126	667,794
HSBC Facility	665,368	860,134	667,430	651,758
Barclays Facility	107,929	129,439	111,909	110,729
MUFG Securities Facility	204,690	278,223	206,362	200,447
Churchill Facility	126,515	168,138	130,000	128,094
Santander Facility - USD	67,500	99,648	75,000	68,125
Santander Facility - EUR	55,716	74,288	55,716	54,347
Barclays Private Securitization	2,157,157	2,911,470	2,157,157	1,896,144
Revolving Credit Facility	147,000	319,048	147,000	93,500
Total	<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 of 1.4:1. During October

2023, we modified our interest coverage ratio covenant related to the Revolving Credit Facility to a minimum of 1.4:1 from a minimum of 1.5:1.

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

Note 8 – Senior Secured Term Loans, Net

In May 2019, we entered into a \$500.0 million 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 months ended March 31, 2024 and 2023, we repaid \$1.3 million of principal, respectively, related to the 2026 Term Loan. During the three months ended March 31, 2024 and 2023, we repaid \$0.8 million of principal respectively related to the 2028 Term Loan.

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

	Principal Amount	Unamortized Issuance Discount ⁽¹⁾	Deferred Financing Costs ⁽¹⁾	Carrying Value	Rate	Maturity Date
2026 Term Loan	\$ 476,250	\$ (743)	\$ (3,923)	\$ 471,584	2.86 %	5/15/2026
2028 Term Loan	291,000	(1,679)	(2,993)	286,328	3.61 %	3/11/2028
Total	\$ 767,250	\$ (2,422)	\$ (6,916)	\$ 757,912		

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

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

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

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

Covenants

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

Interest Rate Cap

During the three months ended March 31, 2023, LIBOR exceeded the cap rate of 0.75%. As such, during the three months ended March 31, 2023, we realized a gain from the interest rate cap in the amount of \$4.7 million, which is included in gain (loss) on interest rate hedging instruments in our condensed consolidated statement of operations.

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

Note 9 – Senior Secured Notes, Net

In June 2021, we issued \$500.0 million of 4.625% 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 \$495.8 million and \$495.6 million, net of deferred financing costs of \$4.2 million and \$4.4 million, as of March 31, 2024 and December 31, 2023, respectively.

Covenants

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

Note 10 – Convertible Senior Notes, Net

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

During the three months ended March 31, 2023, we repurchased \$7.1 million aggregate principal amount of the 2023 Notes at a price of 97%. As a result of this transaction, we recorded a gain of \$0.2 million within gain on extinguishment of debt in our March 31, 2023 condensed consolidated statement of operations. The gain represents the difference between the repurchase price and the carrying amount of the 2023 Notes, net of the proportionate amount of unamortized debt issuance costs. During the second and third quarter of 2023, we repurchased an additional \$36.8 million and \$10.0 million of aggregate principal amount of the 2023 Notes at a weighted-average price of 99.3% and 99.7%, respectively. 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 \$3.0 million for the three months ended March 31, 2023. 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 for the three months ended March 31, 2023.

Note 11 – Derivatives

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

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

The agreements with our derivative counterparties require that we post collateral to secure net liability positions. As of both March 31, 2024 and 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 March 31, 2024:

March 31, 2024

Type of Derivatives	Number of Contracts	Aggregate Notional Amount (in thousands)	Notional Currency	Maturity	Weighted-Average Years to Maturity
Fx contracts - GBP	111	1,013,469	GBP	April 2024 - February 2027	1.01
Fx contracts - EUR	130	519,322	EUR	April 2024 - August 2026	0.90
Fx contracts - SEK	17	678,464	SEK	May 2024 - May 2026	1.96
Interest rate cap	1	164,835	USD	October 2024	0.50

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

December 31, 2023

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

We have not designated any of our derivative instruments as hedges as defined in ASC 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 months ended March 31, 2024 and 2023 (\$ in thousands):

		Amount of gain (loss) recognized in income	
		Three months ended March 31,	
Location of Gain (Loss) Recognized in Income		2024	2023
Forward currency contracts	Unrealized gain (loss) on derivative instruments	\$ 18,053	\$ (35,851)
Forward currency contracts	Realized gain (loss) on derivative instruments	5,345	21,716
Total		\$ 23,398	\$ (14,135)

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 the three months ended March 31, 2023, LIBOR exceeded the cap rate of 0.75%. As such, during the three months ended March 31, 2023, we realized a gain from the interest rate cap in the amount of \$4.7 million, 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.

On September 26, 2023, we entered into an interest rate cap that matures on 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 months ended March 31, 2024, SOFR exceeded the cap rate of 4.00%. As such, during the three months ended March 31, 2024, we realized a gain from the interest rate cap in the amount of \$0.6 million, which is included in gain (loss) on interest rate hedging instruments in our condensed consolidated statement of operations.

The following table summarizes the amounts recognized on our condensed consolidated statements of operations related to our interest rate caps for the three months ended March 31, 2024 and 2023 (\$ in thousands):

		Amount of gain (loss) recognized in income	
		Three months ended March 31,	
Location of Gain (Loss) recognized in Income		2024	2023
Interest rate cap	Unrealized gain (loss) on interest rate hedging instruments	\$ (194)	\$ (4,813)
Interest rate cap	Realized gain on interest rate hedging instruments	550	4,706
Total		\$ 356	\$ (107)

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

	March 31, 2024			December 31, 2023		
	Gross Amount of Recognized Assets	Amounts Offset in our Consolidated Balance Sheet	Net Amounts of Assets Presented in our Condensed Consolidated Balance Sheet	Gross Amount of Recognized Assets	Gross Amounts Offset in our Consolidated Balance Sheet	Net Amounts of Assets Presented in our Consolidated Balance Sheet
Forward currency contracts	\$ 67,402	\$ (21,284)	\$ 46,118	\$ 55,102	\$ (27,037)	\$ 28,065
Interest rate cap	—	1,166	1,166	1,360	—	1,360
Total derivative assets (liabilities)	\$ 67,402	\$ (20,118)	\$ 47,284	\$ 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 the three months ended March 31, 2024 and December 31, 2023.

Note 13 – Accounts Payable, Accrued Expenses and Other Liabilities

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

	March 31, 2024	December 31, 2023
Collateral held under derivative agreements	\$ 45,840	\$ 25,820
Accrued dividends payable	53,180	53,407
Accrued interest payable	42,072	31,012
Accounts payable and other liabilities ⁽¹⁾	10,825	6,078
General CECL Allowance on unfunded commitments ⁽²⁾	3,625	4,017
Total	\$ 155,542	\$ 120,334

(1) Includes \$10.2 million and \$5.5 million of accounts payable and other liabilities on the balance sheet of the Real Estate Owned, Held for Investment at March 31, 2024 and December 31, 2023, respectively.

(2) Refer to "Note 4 - Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net" for additional disclosure related to the General CECL Allowance on unfunded commitments as of March 31, 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 months ended March 31, 2024, we recorded a current income tax provision of \$0.1 million related to activities of our taxable REIT subsidiaries. We did not record any income tax provision during the three months ended March 31, 2023.

There was a \$0.5 million and \$0.6 million income tax asset related to the operating activities of our TRS entities as of March 31, 2024 and December 31, 2023, respectively. As of March 31, 2024 and December 31, 2023, there were no material deferred tax assets or liabilities.

As of March 31, 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 March 31, 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 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 \$9.4 million and \$9.5 million in base management fees under the Management Agreement for the three months ended March 31, 2024 and 2023, respectively.

In addition to the base management fee, we are also responsible for reimbursing the Manager for certain expenses paid by the Manager on our behalf or for certain services provided by the Manager to us. For the three months ended March 31, 2024 and 2023 we paid expenses totaling \$1.8 million and \$1.2 million, respectively, related to reimbursements for certain expenses paid by the Manager on our behalf under the Management Agreement. Expenses incurred by the Manager and reimbursed by us are reflected in the respective 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 March 31, 2024 and December 31, 2023 is approximately \$9.4 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 months ended March 31, 2024 and 2023, respectively were de minimis. As of March 31, 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 the assignment of the Credit Suisse Facility and related agreements, the Company and one of its subsidiaries, similar to the other sellers and guarantors party to the subject agreements in the transaction, entered into an Omnibus Assignment, Assumption and Amendment Agreement as well as certain related agreements with Credit Suisse AG and Atlas. At the time of acquisition, we had \$632.3 million of secured debt on the Credit Suisse Facility consisting of four commercial mortgage loans.

During the three months ended March 31, 2024, the terms of the Atlas Facility were amended to, among other things, convert the facility from a six month "evergreen" feature to a two-year initial term with an additional one-year extension option, reduce recourse percentages and add one commercial mortgage loan to the facility totaling \$115.5 million in secured debt. As of March 31, 2024, we had \$751.2 million of secured debt on the Atlas Facility consisting of five commercial mortgage loans. Refer to "Note 7 – Secured Debt Arrangements, Net" for additional discussion.

Note 16 – Share-Based Payments

On September 23, 2009, our board of directors approved the Apollo Commercial Real Estate Finance, Inc. 2009 Equity Incentive Plan ("2009 LTIP") and on April 16, 2019, our board of directors approved the Amended and Restated Apollo Commercial Real Estate Finance, Inc. 2019 Equity Incentive Plan ("2019 LTIP," and together with the 2009 LTIP, the "LTIPs"), which amended and restated the 2009 LTIP. Following the approval of the 2019 LTIP by our stockholders at our 2019 annual meeting of stockholders on June 12, 2019, no additional awards have been or will be granted under the 2009 LTIP and all outstanding awards granted under the 2009 LTIP remain in effect in accordance with the terms in the 2009 LTIP.

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

We recognized stock-based compensation expense of \$4.2 million and \$4.4 million during the three months ended March 31, 2024 and 2023, respectively, related to restricted stock and RSU vesting.

The following table summarizes the grants, vesting and forfeitures of restricted common stock and RSUs during the three months ended March 31, 2024:

Type	Restricted Stock	RSUs	Grant Date Fair Value (\$ in millions)
Outstanding at December 31, 2023	79,088	2,538,332	
Granted	—	—	N/A
Vested	—	—	N/A
Forfeiture	—	(18,995)	N/A
Outstanding at March 31, 2024	<u>79,088</u>	<u>2,519,337</u>	

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

Vesting Year	Restricted Stock	RSUs	Total Awards
2024	79,088	1,293,354	1,372,442
2025	—	865,113	865,113
2026	—	360,870	360,870
Total	<u>79,088</u>	<u>2,519,337</u>	<u>2,598,425</u>

At March 31, 2024, we had unrecognized compensation expense of approximately \$12.8 thousand and \$26.2 million related to the vesting of restricted stock awards and RSUs, respectively, noted in the table above. The unrecognized compensation expense related to the vesting of restricted awards and RSUs are expected to be recognized over a weighted-average period of 1.5 years.

RSU Deliveries

During the three months ended March 31, 2024 and 2023, we delivered 738,110 and 670,044 shares of common stock for 1,358,418 and 1,233,711 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 million and \$6.7 million for the three months ended March 31, 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 March 31, 2024, 142,096,715 shares of common stock were issued and 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 March 31,	
	2024	2023
Common Stock	\$0.35	\$0.35
Series B-1 Preferred Stock	\$0.45	\$0.45

Common Stock Repurchases. There was no common stock repurchase activity during the three months ended March 31, 2024 and 2023. As of March 31, 2024, there was \$172.2 million remaining authorized under our stock repurchase program.

Note 18 – Commitments and Contingencies

Legal Proceedings. 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 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.

Loan Commitments. As described in "Note 4 - Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net" at March 31, 2024, we had \$555.6 million of unfunded commitments related to our commercial mortgage and subordinate loans. The timings and amounts of fundings are uncertain as these commitments relate to loans for construction costs, capital expenditures, leasing costs, interest and carry costs, among others. As such, the timings and amounts of future fundings depend on the progress and performance of the underlying assets of our loans. Certain of our lenders are contractually obligated to fund their ratable portion of these loan commitments over time, while other lenders have some degree of discretion over future loan funding obligations. The total unfunded commitment is expected to be funded over the remaining 2.8 years weighted-average tenor of these loans.

Note 19 – Fair Value of Financial Instruments

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

	March 31, 2024		December 31, 2023	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Cash and cash equivalents	\$ 161,190	\$ 161,190	\$ 225,438	\$ 225,438
Commercial mortgage loans, net	7,846,460	7,722,188	7,925,359	7,813,304
Subordinate loans, net	303,965	303,909	432,734	432,458
Secured debt arrangements, net	(5,596,967)	(5,596,967)	(5,538,476)	(5,538,476)
Term loans, net	(757,912)	(761,099)	(759,150)	(754,197)
Senior secured notes, net	(495,835)	(418,125)	(495,637)	(418,750)
Debt related to real estate owned, held for investment, net	(161,878)	(161,878)	(161,586)	(161,586)

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, 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 260, "Earnings per share" requires the use of the two-class method of computing earnings (loss) per share for all periods presented for each class of common stock and participating securities. Under the two-class method, 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 2019 Equity Incentive Plan 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.

For the three months ended March 31, 2024, the dilutive effect to earnings per share was determined using the two-class method because it was more dilutive than the treasury stock method. Dilutive earnings per share is calculated under the more dilutive computation of the two-class method and the treasury stock method, or if-converted method in periods with convertible interest expense. 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 months ended March 31, 2023, the dilutive effect to earnings per share was determined using the "if-converted" method whereby interest expense on the outstanding Convertible Notes was added back to the diluted earnings per share numerator, and all of the potentially dilutive shares were included in the diluted earnings per share denominator. The denominator included all outstanding shares of common stock and all potential shares of common stock assumed issued if they are dilutive. The numerator was adjusted for any changes in income or loss that would result from the assumed conversion of these potential shares of common stock.

The table below presents the computation of basic and diluted net income (loss) per share of common stock for the three months ended March 31, 2024 and 2023 (\$ in thousands except per share data):

	Three months ended March 31,	
	2024	2023
Basic Earnings		
Net income (loss)	\$ (104,524)	\$ 48,916
Less: Preferred dividends	(3,068)	(3,068)
Less: Earnings attributable to participating securities	—	—
Less: Dividends on participating securities	(886)	(1,003)
Basic Earnings (Loss)	\$ (108,478)	\$ 44,845
Dilutive Earnings		
Basic Earnings (Loss)	\$ (108,478)	\$ 44,845
Add: Dividends on participating securities	—	1,003
Add: Interest expense on Convertible Notes	—	3,445
Diluted Earnings (Loss)	\$ (108,478)	\$ 49,293
Number of Shares:		
Basic weighted-average shares of common stock outstanding	141,869,604	141,072,471
Diluted weighted-average shares of common stock outstanding	141,869,604	155,483,979
Earnings (Loss) Per Share Attributable to Common Stockholders		
Basic	\$ (0.76)	\$ 0.32
Diluted	\$ (0.76)	\$ 0.32

For the three months ended March 31, 2024, 423,784 incremental shares were excluded in the calculation of diluted net income per share because the effect was anti-dilutive. For the three months ended March 31, 2023, 3,221,559 weighted-average unvested RSUs were included in the calculation of diluted net income per share because the effect was dilutive.

For the three months ended March 31, 2023, 11,189,949 weighted-average potentially issuable shares with respect to the Convertible Notes were included in the dilutive earnings per share denominator because the effect was dilutive. Refer to "Note 10 - Convertible Senior Notes, Net" for further discussion.

Note 21 – Subsequent Events

Subsequent to the quarter ended March 31, 2024, the following events took place:

Investment Activity: We funded approximately \$41.3 million for previously closed loans and capitalized an additional \$13.9 million of construction and financing costs related to our real estate owned, held for investment.

We originated a \$157.5 million first mortgage loan secured by a luxury multifamily property in Emeryville, CA.

Loan Repayments and Sale: We received approximately \$269.3 million of loan proceeds, including:

- \$135.5 million from the sale of a first mortgage loan secured by a hotel in Honolulu, HI, which was classified as held for sale as of March 31, 2024. We recorded a realized loss of \$0.7 million in connection with the sale.
- \$108.3 million repayment in connection with the refinancing by a third-party lender of our Senior Loan secured by an ultra-luxury residential property in Manhattan, NY. All proceeds were utilized to repay the outstanding balance of the related secured financing. The remaining Senior Loan was modified into a subordinate loan ("Senior Mezzanine A Loan"), and our total amortized cost basis across the Senior Mezzanine A Loan, Senior Mezzanine Loan and Junior Mezzanine A Loan decreased from \$456.7 million as of March 31, 2024 to \$356.9 million, inclusive of protective advances subsequent to quarter end. Additionally, the contractual maturities for all three loans were extended to November 2025.

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 \$650.8 billion as of December 31, 2023.

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 March 31, 2024 and 2023, our net income (loss) available to common stockholders was \$(107.6) million, or \$(0.76) per diluted share of common stock, and \$45.8 million, or \$0.32 per diluted share of common stock, respectively.

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		Q1'24 vs. Q4'23
	March 31, 2024	December 31, 2023	
Net interest income:			
Interest income from commercial mortgage loans	\$ 183,716	\$ 180,290	\$ 3,426
Interest income from subordinate loans and other lending assets	849	864	(15)
Interest expense	(127,887)	(123,147)	(4,740)
Net interest income	56,678	58,007	(1,329)
Operations related to real estate owned:			
Revenue from real estate owned operations	23,857	26,146	(2,289)
Operating expenses related to real estate owned	(19,893)	(19,842)	(51)
Depreciation and amortization on real estate owned	(4,656)	(1,040)	(3,616)
Net income (loss) related to real estate owned	(692)	5,264	(5,956)
Operating expenses:			
General and administrative expenses	(7,373)	(7,370)	(3)
Management fees to related party	(9,421)	(9,553)	132
Total operating expenses	(16,794)	(16,923)	129
Other income, net	570	79	491
Valuation allowance, commercial mortgage loan held for sale	(679)	—	(679)
Increase in Specific CECL Allowance	(142,000)	—	(142,000)
Decrease (increase) in General CECL Allowance, net	(5,684)	778	(6,462)
Gain (loss) on foreign currency forward contracts	23,398	(56,452)	79,850
Foreign currency translation gain (loss)	(19,563)	56,004	(75,567)
Gain (loss) on interest rate hedging instruments	356	(292)	648
Net income (loss) before taxes	\$(104,410)	\$46,465	\$(150,875)
Income tax provision	(114)	75	(189)
Net income (loss)	\$(104,524)	\$46,540	\$(151,064)

Net Interest Income

Net interest income decreased by \$1.3 million during the three months ended March 31, 2024 compared to the three months ended December 31, 2023, primarily driven by an increase in interest expense. The increase in interest expense was mainly attributable to increased utilization of the Revolving Credit Facility, which included interest expense related to

borrowings associated with one of our real estate owned assets. Refer to "Note 4 – Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net" and "Note 7 - Secured Debt Arrangements, Net" for full discussion of our loans and Revolving Credit Facility, respectively.

Operations Related to Real Estate Owned

For the three months ended March 31, 2024, we recorded a net loss related to real estate owned of \$0.7 million, compared to net income of \$5.3 million for the three months ended December 31, 2023. The net loss was primarily due to an increase in depreciation relating to the Atlanta Hotel as a result of reclassification 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. The decrease was also due to the seasonality of the D.C. Hotel and Atlanta Hotel's operations which led to \$2.3 million lower net income from operations, prior to depreciation, during the three months ended March 31, 2024 as compared to the three months ended December 31, 2023. Refer to "Note 5 - Real Estate Owned" for full discussion of the reclassification and operations related to real estate owned.

Operating Expenses

Management fees to related party and general and administrative expenses remained generally the same for the three months ended March 31, 2024 compared to the three months ended December 31, 2023.

Other income, net

Other income, net remained generally the same for the three months ended March 31, 2024 compared to the three months ended December 31, 2023.

Valuation allowance, commercial mortgage loan held for sale

During the three months ended March 31, 2024, we reclassified one of our commercial mortgage loans collateralized by a hotel property located in Honolulu, HI to held for sale. Loans held for sale are carried at the lower of amortized cost or fair value less costs to sell. Accordingly, we recorded a valuation allowance of \$0.7 million to carry the loan at its fair value which reflected the agreed upon selling price of 99.5%. Refer to "Note 4 - Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net" for full discussion.

No loans were classified as held for sale during the three months ended December 31, 2023.

Increase in Specific CECL Allowance, net

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 reduction in list pricing of remaining units. Comparatively, during the three months ended December 31, 2023, we recorded no change in our Specific CECL Allowance. Refer "Note 4 - Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net" for additional information related in our Specific CECL Allowance and further detail on the mezzanine loan.

Increase in General CECL Allowance, net

Our General CECL Allowance increased by \$5.7 million during the three months ended March 31, 2024, primarily driven by an increase in our view of remaining expected term of certain of our loans and an increase in the historical loss rate derived from Trepp's data, compared to a decrease of \$0.8 million recorded during the three months ended December 31, 2023. This decrease was primarily driven by the impacts of portfolio seasoning and a more positive economic outlook, which was partially offset by loan originations outpacing repayments.

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

Foreign currency gain and 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 March 31, 2024, and three months ended December 31, 2023 was a net gain of \$3.8 million and a net loss of \$0.4 million, respectively.

During the three months ended March 31, 2024, Fx rates fell in relation to USD compared to a rise in relation to USD

during the three months ended December 31, 2023. The decrease in Fx rates resulted in a gain on our foreign currency forward contracts and a loss 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 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. The change in net gain (loss) for the three months ended March 31, 2024 compared to the three months ended December 31, 2023 is predominantly due to lower forward point estimates and gains on forward currency contracts related to our net interest hedges for the three months ended March 31, 2024 compared to the three months ended December 31, 2023.

Gain (loss) on interest rate hedges

During the three months ended March 31, 2024, we recorded a net gain of \$0.4 million on our interest rate cap, which includes realized gain of \$0.6 million. This realized gain is due to SOFR exceeding the strike rate on our construction financing interest rate cap, which was entered into during the third quarter of 2023. The unrealized loss represents the decrease in fair value of the interest rate cap as a result of nearing maturity, partially offset by an increase in the forward curve.

During the three months ended December 31, 2023, we recorded a net loss of \$0.3 million on our interest rate cap, which included a realized gain of \$0.6 million. This realized gain was due to SOFR exceeding the strike rate on our construction financing interest rate cap during the fourth quarter of 2023. The unrealized loss represents the decrease in fair value of the interest rate cap as a result of nearing maturity and a decrease in the forward curve.

Income tax provision

During the three months ended March 31, 2024, we recorded an income tax provision of \$0.1 million which reflects our expectations of aggregate projected taxable income of one of our TRS entities for the taxable year ending December 31, 2024. The income tax provision reversal during the three months ended December 31, 2023 was a result of a change in the projected taxable income of our TRS entities due to a delay in expected sale of our Atlanta Hotel. 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 three months ended March 31, 2024 and 2023 (\$ in thousands):

	Three months ended		Q1'24 vs. Q1'23
	March 31, 2024	March 31, 2023	
Net interest income:			
Interest income from commercial mortgage loans	\$ 183,716	\$ 166,147	\$ 17,569
Interest income from subordinate loans and other lending assets	849	9,707	(8,858)
Interest expense	(127,887)	(104,868)	(23,019)
Net interest income	56,678	70,986	(14,308)
Operations related to real estate owned:			
Revenue from real estate owned operations	23,857	16,131	7,726
Operating expenses related to real estate owned	(19,893)	(14,006)	(5,887)
Depreciation and amortization on real estate owned	(4,656)	(3,986)	(670)
Net loss related to real estate owned	(692)	(1,861)	1,169
Operating expenses:			
General and administrative expenses	(7,373)	(7,015)	(358)
Management fees to related party	(9,421)	(9,517)	96
Total operating expenses	(16,794)	(16,532)	(262)
Other income, net	570	732	(162)
Valuation allowance, commercial mortgage loan held for sale	(679)	—	(679)
Net realized loss on investments	—	(4,624)	4,624
Realized gain on extinguishment of debt	—	213	(213)
Increase in Specific CECL Allowance, net	(142,000)	—	(142,000)
Increase in General CECL Allowance, net	(5,684)	(4,390)	(1,294)
Gain (loss) on foreign currency forward contracts	23,398	(14,135)	37,533
Foreign currency translation gain (loss)	(19,563)	18,634	(38,197)
Gain (loss) on interest rate hedging instruments	356	(107)	463
Net income (loss) before taxes	\$(104,410)	\$48,916	\$(153,326)
Income tax provision	(114)	—	(114)
Net income (loss)	\$(104,524)	\$48,916	\$(153,212)

Net Interest Income

Net interest income decreased by \$14.3 million during the three months ended March 31, 2024 compared to the three months ended March 31, 2023. Interest income decreased as a result of 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.

Operations Related to Real Estate Owned

Net loss related to real estate owned decreased by \$1.2 million during the three months ended March 31, 2024 compared to the three months ended March 31, 2023. This decrease was primarily driven by net income from hotel operations, prior to depreciation, of \$1.8 million attributable to the Atlanta Hotel. We did not acquire legal title of the Atlanta Hotel until March 31, 2023 and as such, recorded no related income for the three months ended March 31, 2023.

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

Operating Expenses

Management fees to related party and general and administrative expenses remained generally the same for the three months ended March 31, 2024 compared to the three months ended March 31, 2023.

Other income, net

Other income, net remained generally the same during the three months ended March 31, 2024 compared to the three months ended March 31, 2023.

Valuation allowance, commercial mortgage loan held for sale

During the three months ended March 31, 2024, we reclassified one of our commercial mortgage loans collateralized by a hotel property located in Honolulu, HI to held for sale. Loans held for sale are carried at the lower of amortized cost or fair value less costs to sell. Accordingly, we recorded a valuation allowance of \$0.7 million to carry the loan at its fair value less costs to sell. Refer to "Note 4 - Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net" for full discussion.

No loans were classified as held for sale during the three months ended March 31, 2023. Refer to "Note 4 - Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net" for additional detail.

Net realized loss on investments

During the three months ended March 31, 2024, we recorded no net realized gains or losses on investments. Comparatively, during the three months ended March 31, 2023, we recorded a net realized loss on investments of \$4.6 million, comprised of a \$4.8 million realized loss and a \$0.2 million realized gain. We recorded a \$4.8 million realized loss in connection with the acquisition of legal title of the Atlanta Hotel through a deed-in-lieu of foreclosure and a \$0.2 million realized gain related to loan sales. Refer to "Note 4 - Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net" and "Note 5 - Real Estate Owned" for additional detail.

Realized Gain on Extinguishment of Debt

During the three months ended March 31, 2023, we repurchased \$7.1 million aggregate principal amount of the 2023 Notes at a price of 97%. As a result of this transaction, we recognized a \$0.2 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 three months ended March 31, 2024, we recorded an increase in our Specific CECL Allowance of \$142.0 million related to a mezzanine loan secured by an ultra-luxury residential property in Manhattan, NY. Comparatively, during the three months ended March 31, 2023, there was no change in our Specific CECL Allowance. Refer to Note 4 - Commercial Mortgage Loans, Subordinate Loans and Other Lending Assets, Net" for additional detail.

Increase in General CECL Allowance, net

For the three months ended March 31, 2024, we recorded a net increase in our General CECL Allowance of \$5.7 million. The increase was primarily driven by an increase in our view of the remaining expected term of certain of our loans and an increase to the historical loss rate derived from Trepp's data.

During the three months ended March 31, 2023, the net increase in our General CECL Allowance of \$4.4 million was driven by an increase in our view of the remaining expected term of our loan portfolio based on the macroeconomic outlook, partially offset by the effects of portfolio seasoning and loan repayments and sales.

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

Foreign currency gain and loss on derivative instruments

Foreign currency gains and losses on derivative instruments are evaluated on a combined basis and the net impact for the three months ended March 31, 2024 and three months ended March 31, 2023 was a net gain of \$3.8 million and \$4.5 million, respectively.

During the three months ended March 31, 2024, the GBP rate and the EUR rate fell in relation to USD while both rates rose during the three months ended March 31, 2023. The decrease in Fx rates during the three months ended March 31, 2024 resulted in a gain on our foreign currency forward contracts and a loss related to foreign currency translation. The change in net gain for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 is predominantly due to lower forward point estimates and gains on forward currency contracts related to our net interest hedges for the three months ended March 31, 2024 compared to the three months ended March 31, 2023.

Gain (loss) on interest rate hedges

During the three months ended March 31, 2024, we recorded a net gain of \$0.4 million on our interest rate cap, which is primarily driven by a \$0.6 million realized gain. The realized gain is attributable to SOFR exceeding the cap's strike rate. We purchased this cap in September 2023, in connection with our construction financing.

During the three months ended March 31, 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 \$4.7 million driven by an increase in LIBOR over the cap strike rate, this gain was offset by unrealized losses of \$4.8 million, resulting from a decrease in the cap's fair value as it continued to approach its June 2023 maturity.

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

Income tax provision

During the three months ended March 31, 2024, we recorded an income tax provision of \$0.1 million. Comparatively, we did not record an income tax provision for the three months ended March 31, 2023. The income tax provision recorded during the three months ended March 31, 2024 reflects our expectations of aggregate projected taxable income of one of our TRS entities for the taxable year ending December 31, 2024.

Subsequent Events

Refer to "Note 21 - Subsequent Events" to the accompanying condensed consolidated financial statements for disclosure regarding significant transactions that occurred subsequent to March 31, 2024.

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 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 months ended March 31, 2024, our Distributable Earnings were \$50.5 million, or \$0.35 per share, as compared to \$69.2 million, or \$0.48 per share, 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 March 31,	
	2024	2023
Weighted-Averages	Shares	Shares
Diluted shares - GAAP	141,869,604	155,483,979
Potential shares issued under conversion of the Convertible Notes	—	(11,189,949)
Unvested RSUs, net ⁽¹⁾	2,951,631	—
Diluted shares - Distributable Earnings	144,821,235	144,294,030

(1) Unvested RSUs are net of incremental shares assumed repurchased under the treasury stock method, if dilutive. There were no incremental shares included in 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. 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 realized gain on extinguishment of debt, or a comparable supplemental performance measure, to evaluate and compare the performance of our company and our peers.

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.

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.

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 March 31,	
	2024	2023
Net income (loss) available to common stockholders	\$ (107,592)	\$ 45,848
Adjustments:		
Equity-based compensation expense	4,188	4,358
Loss (gain) on foreign currency forwards	(23,398)	14,135
Foreign currency loss (gain), net	19,563	(18,634)
Unrealized loss on interest rate cap	194	4,813
Realized gains relating to interest income on foreign currency hedges, net	1,095	4,733
Realized gains relating to forward points on foreign currency hedges, net	3,382	5,602
Depreciation and amortization on real estate owned	4,656	3,986
Increase in current expected credit loss allowance, net	147,684	4,390
Valuation allowance, loan held for sale	679	—
Gain on extinguishment of debt	—	(213)
Net realized loss on investments	—	4,624
Total adjustments:	158,043	27,794
Distributable Earnings prior to net realized loss on investments and gain on extinguishment of debt	\$ 50,451	\$ 73,642
Net realized loss on investments	\$ —	\$ (4,624)
Gain on extinguishment of debt	—	213
Distributable Earnings	\$ 50,451	\$ 69,231
Diluted Distributable Earnings per share prior to net realized loss on investments and gain on extinguishment of debt	\$ 0.35	\$ 0.51
Diluted Distributable Earnings per share of common stock	\$ 0.35	\$ 0.48
Weighted-average diluted shares - Distributable Earnings	144,821,235	144,294,030

Book Value Per Share

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

	March 31, 2024	December 31, 2023
Stockholders' Equity	\$ 2,047,435	\$ 2,208,733
Series B-1 Preferred Stock (Liquidation Preference)	\$ (169,260)	\$ (169,260)
Common Stockholders' Equity	\$ 1,878,175	\$ 2,039,473
Common Stock	142,096,715	141,358,605
Book value per share	\$ 13.22	\$ 14.43

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

	Book value per share
Book value per share at December 31, 2023	\$ 14.43
General CECL Allowance and depreciation and amortization	0.30
Book value per share at December 31, 2023 prior to General CECL Allowance	\$ 14.73
Diluted Distributable Earnings per share prior to net realized loss on investments and realized gain on extinguishment of debt	0.35
Common dividends declared	(0.35)
Net increase in Specific CECL Allowance	(1.00)
Vesting and delivery of RSUs	(0.12)
Net loss on currency and interest rate hedges ⁽¹⁾	(0.01)
Other ⁽²⁾	(0.01)
Book value per share at March 31, 2024 prior to General CECL Allowance and depreciation and amortization	\$ 13.59

General CECL Allowance and depreciation and amortization	(0.37)
Book value per share at March 31, 2024	<u>\$ 13.22</u>

- (1) Includes net unrealized loss on forward currency contracts and interest hedges, and realized gain on forward currency contracts related to principal outside impact of forward points.
- (2) Includes valuation allowance on a commercial mortgage loan held for sale as of March 31, 2024.

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 the 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 any 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 three months ended March 31, 2024, we funded \$321.8 million of loans closed prior to 2024, including \$212.9 million to fund a commitment closed in December 2023, to a first mortgage loan secured by a portfolio of pubs across the United Kingdom. We received \$175.7 million in repayments during the three months ended March 31, 2024.

Loan Portfolio Overview

Loan Portfolio Details

The following table sets forth certain information regarding our loan portfolio as of March 31, 2024 (\$ in thousands):

Description	Carrying Value	Weighted-Average Coupon ⁽¹⁾	Weighted-Average All-in Yield ⁽¹⁾⁽²⁾	Secured Debt Arrangements ⁽³⁾	Cost of Funds ⁽⁴⁾	Equity at cost ⁽⁵⁾
Commercial mortgage loans, net	\$ 7,846,460	8.7 %	9.4 %	\$ 5,514,805	7.3 %	\$ 2,331,655
Commercial mortgage loan, held for sale	135,465	9.6 %	9.1 %	95,686	8.3 %	39,779
Subordinate loans, net	303,965	1.1 %	1.2 %	—	—	303,965
Total/Weighted-Average	<u>\$ 8,285,890</u>	<u>8.4 %</u>	<u>9.1 %</u>	<u>\$ 5,610,491</u>	<u>7.4 %</u>	<u>\$ 2,675,399</u>

- (1) Weighted-Average Coupon and Weighted-Average All-in Yield are based on the applicable benchmark rates as of March 31, 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 points on currency hedges relating to loans denominated in currencies other than USD.
- (3) Gross of deferred financing costs of \$13.5 million.
- (4) Cost of funds includes weighted-average spread and applicable benchmark rates as of March 31, 2024 on secured debt arrangements.
- (5) Represents loan portfolio at amortized cost less secured debt outstanding.

The following table provides loan-by-loan details of our commercial mortgage loan portfolio and subordinate loan portfolio as of March 31, 2024 (\$ in millions):

Commercial Mortgage Loan Portfolio

#	Property Type	Risk Rating	Origination Date	Amortized Cost	Unfunded Commitment	Construction Loan	3rd Party Subordinate Debt	Fully-extended Maturity	Location
1	Hotel	3	10/2019	\$340	\$23		Y	08/2024	Various, Spain
2	Hotel	3	12/2023	267	—			12/2028	Various, Europe
3	Hotel	3	11/2021	228	9		Y	11/2026	Various, UK/Ireland
4	Hotel	3	05/2022	190	14		Y	06/2027	Napa Valley, CA
5	Hotel	3	07/2021	179	1			08/2026	Various, US
6	Hotel	3	11/2021	164	—			12/2026	St. Thomas, USVI
7	Hotel	3	09/2015	140	—			12/2026	Manhattan, NY
8	Hotel	3	10/2021	100	—			11/2026	New Orleans, LA
9	Hotel	3	06/2022	98	—			06/2025	Rome, Italy
10	Hotel	3	05/2019	46	—			12/2025	Chicago, IL
11	Hotel	2	12/2015	42	—			08/2026	St. Thomas, USVI
12	Hotel	3	02/2018	27	—			11/2024	Pittsburgh, PA
13	Office	2	02/2022	332	298	Y		02/2027	London, UK
14	Office	3	03/2022	244	22		Y	04/2027	Manhattan, NY
15	Office	3	01/2020	216	36		Y	03/2028	Long Island City, NY
16	Office	3	06/2019	215	—			08/2026	Berlin, Germany
17	Office	3	02/2020	174	5			02/2025	London, UK
18	Office	3	02/2022	159	—			06/2025	Milan, Italy
19	Office	3	11/2022	100	—			01/2025	Chicago, IL
20	Office	4	03/2018	78	—		Y	01/2026	Chicago, IL
21	Retail	3	04/2022	475	37			04/2027	Various, UK
22	Retail	3	10/2021	410	—			10/2026	Various, UK
23	Retail	3	08/2019	250	—		Y	09/2025	Manhattan, NY
24	Retail	3	05/2022	124	—			06/2027	Various, US
25	Retail ⁽¹⁾	5	11/2014	99	—			09/2024	Cincinnati, OH
26	Residential	3	12/2021	226	12			12/2026	Various, UK
27	Residential ⁽²⁾	3	08/2022	182	—			09/2024	Manhattan, NY
28	Residential	3	03/2023	167	—			04/2026	Various, US
29	Residential	3	05/2022	93	—			06/2027	Manhattan, NY
30	Residential	3	05/2021	81	—			05/2026	Cleveland, OH
31	Residential	2	12/2021	50	1			01/2027	Manhattan, NY
32	Residential	3	12/2019	25	3			11/2025	Boston, MA
33	Mixed Use	3	12/2019	379	23	Y	Y	08/2025	London, UK
34	Mixed Use	3	03/2022	141	36		Y	03/2027	Brooklyn, NY
35	Mixed Use	3	06/2022	132	8	Y	Y	06/2026	London, UK
36	Mixed Use	3	12/2019	44	—			05/2024	London, UK
37	Healthcare	3	03/2022	345	—			03/2027	Various, MA
38	Healthcare	3	10/2019	159	—			10/2024	Various, UK
39	Industrial	3	03/2021	231	—			05/2026	Various, Sweden
40	Pubs	3	12/2023	210	—		Y	01/2029	Various, UK
41	Caravan Parks	3	02/2021	203	—			02/2028	Various, UK
42	Parking Garages	3	05/2021	193	5			05/2026	Various, US
43	Portfolio ⁽³⁾	3	06/2021	191	19			06/2026	Various, Germany
44	Urban Predevelopment	3	12/2022	129	4			01/2026	Miami, FL
General CECL Allowance				(32)					
Subtotal / Weighted-Average Commercial Mortgage Loans		3.0		\$7,846	\$556			2.4 Years	
Commercial Mortgage Loan, Held For Sale									
45	Hotel	3	04/2018	\$135	\$—			04/2024	Honolulu, HI

Subtotal / Weighted-Average Commercial Mortgage Loan, Held For Sale

3.0

\$135

\$—

**0.0
Years**

Subordinate Loan Portfolio

#	Property Type	Risk Rating	Origination Date	Amortized Cost	Unfunded Commitment	Construction Loan	3rd Party Subordinate Debt	Fully-extended Maturity	Location
1	Residential ⁽²⁾	3	06/2015	\$246	—			09/2024	Manhattan, NY
2	Residential ⁽¹⁾⁽²⁾	5	05/2020	28	—			09/2024	Manhattan, NY
3	Hotel	2	06/2015	23	—			07/2025	Phoenix, AZ
4	Office	4	08/2017	8	—			09/2024	Troy, MI
	General CECL Allowance			(1)					
Subtotal / Weighted-Average Subordinate Loans		3.1		\$304	\$—			0.5 Years	
Total / Weighted-Average Loan Portfolio⁽⁴⁾		3.0		\$8,286	\$556			2.3 Years	

- (1) Amortized cost for these loans is net of the recorded Specific CECL Allowance.
(2) Loans are secured by the same property.
(3) Includes portfolio of office, industrial, and retail property types.
(4) Total may not foot due to rounding.

Our average asset and debt balances for the three months ended March 31, 2024 were (\$ in thousands):

Description	Average month-end balances for the three months ended March 31, 2024	
	Assets	Related debt
Commercial mortgage loans, net	\$ 8,022,693	\$ 5,495,306
Commercial mortgage loan, held for sale	136,146	95,686
Subordinate loans, net	571,356	—

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 March 31, 2024, our portfolio's weighted-average origination LTV ratio was 57%, excluding risk-rated 5 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—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 March 31, 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 March 31, 2024 (\$ in thousands):

Risk Rating	Number of Loans	Total	% of Portfolio
1	—	\$ —	— %
2	4	447,202	5.4 %
3	41	7,658,452	92.1 %
4	2	85,612	1.0 %
5	2	127,182	1.5 %
Total	49	\$ 8,318,448	100.0 %
General CECL Allowance ⁽¹⁾		(32,558)	
Total carrying value, net		\$ 8,285,890	

(1) \$3.6 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 other 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 March 31, 2024, our debt-to-equity ratio was 3.3 and our portfolio was comprised of \$8.0 billion of commercial mortgage loans and \$0.3 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:

	March 31, 2024	December 31, 2023
Debt to Equity Ratio ⁽¹⁾	3.3	3.0

(1) Represents total debt less cash and 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 and \$5.6 billion of asset specific financings. Our corporate debt includes \$767.3 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 \$701.3 million 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 March 31, 2024, we had \$555.6 million of unfunded loan commitments. We expect that approximately \$315.7 million will be funded to existing borrowers in the short term.

As of March 31, 2024, we had \$161.2 million of cash on hand and held approximately \$368.8 million of unencumbered assets, consisting of \$235.0 million of senior mortgage loans, \$58.4 million of mezzanine loans, and \$75.4 million of real estate owned.

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.

Borrowings Under Various Financing Arrangements

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

	March 31, 2024		December 31, 2023	
	Borrowings Outstanding ⁽¹⁾	Maturity ⁽²⁾	Borrowings Outstanding ⁽¹⁾	Maturity ⁽²⁾
Secured Credit Facilities	\$ 3,460,127	August 2026	\$ 3,247,652	June 2026
Barclays Private Securitization ⁽³⁾	2,056,364	July 2026	2,157,157	June 2026
Revolving Credit Facility	94,000	March 2026	147,000	February 2025
Total Secured Debt Arrangements	5,610,491		5,551,809	
Senior Secured Term Loans	767,250	January 2027	769,250	January 2027
Senior Secured Notes	500,000	June 2029	500,000	June 2029
Total Borrowings	\$ 6,877,741		\$ 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 March 31, 2024, we had £998.9 million, €565.0 million, and kr2.0 billion (\$2.1 billion assuming conversion into USD) of borrowings outstanding under the Barclays Private Securitization secured by certain of our commercial mortgage loans.

Secured Credit Facilities

As of March 31, 2024, we had nine secured credit counterparties through wholly-owned subsidiaries. During the three months ended March 31, 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 \$158.6 million of additional borrowing capacity. Additionally, during the three months ended March 31, 2024, we up-sized the Atlas Facility by \$113.5 million.

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.

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

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 March 31, 2024 and December 31, 2023 was \$767.3 million and \$769.3 million, respectively.

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 \$495.8 million and \$495.6 million, net of deferred financing costs of \$4.2 million and \$4.4 million, as of March 31, 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.

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 March 31, 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:

Dividends declared per share of:	Three months ended	
	March 31, 2024	March 31, 2023
Common Stock	\$0.35	\$0.35
Series B-1 Preferred Stock	\$0.45	\$0.45

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, "Fair Value Measurements and Disclosures," 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 replacements costs.

At times we may classify real estate assets as held for sale in the period in which they meet the criteria under ASC Topic 360, "Property, Plant, and Equipment" 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.

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: 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 judgement 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

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 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.

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, amortizations 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 March 31, 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	Net floating rate assets subject to interest rate sensitivity	50 basis point increase		50 basis point decrease	
		Increase to net interest income ⁽¹⁾⁽²⁾	Increase to net interest income (per share) ⁽¹⁾⁽²⁾	Decrease to net interest income ⁽¹⁾⁽²⁾	Decrease to net interest income (per share) ⁽¹⁾⁽²⁾
USD	\$ 127,712	\$ 639	\$ 0.01	\$ (639)	\$ (0.01)
GBP	918,755	3,720	0.03	(3,720)	(0.03)
EUR	651,190	3,256	0.02	(3,256)	(0.02)
SEK	46,423	232	—	(232)	—
Total:	\$ 1,744,080	\$ 7,847	\$ 0.06	\$ (7,847)	\$ (0.06)

- (1) 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, in the 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 effects, this analysis assumes no changes in our financial structure.
- (2) Certain of our floating rate loans are subject to index floors.

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 March 31, 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.

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

Not Applicable.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

Amended and Restated Bylaws

On April 25, 2024, our board of directors approved and adopted our Amended and Restated Bylaws (the "Bylaws"). The Bylaws were amended and restated in response to the new universal proxy rules approved by the SEC that became effective in 2022. The changes in the Bylaws, among other items, address certain procedural matters arising out of the new universal proxy rules and also enhance the information required to be submitted in connection with the nomination of alternative directors to serve on our board of directors. We believe the amendments included in the Bylaws are in the best interests of our Company and our stockholders because they, among other reasons, provide our board of directors and our stockholders with greater information to evaluate the merits of any proposals and alternative director nominations by stockholders.

The foregoing description of the Company's Bylaws does not purport to be complete and is qualified in its entirety by reference to the full text of the Bylaws, a copy of which is filed as Exhibit 3.2 to this Quarterly Report on Form 10-Q and is incorporated by reference herein.

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.](#)
- 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 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
- 104*** Cover Page Interactive Data File (embedded with the Inline XBRL document)

* **Filed herewith.**

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.

April 29, 2024

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

April 29, 2024

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