

Apollo Commercial Real Estate Finance, Inc.
Form 424B5
July 26, 2012
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**Filed Pursuant to Rule 424(b)(5)
Registration No. 333-174108**

PROSPECTUS SUPPLEMENT

(To Prospectus Dated September 16, 2011)

3,000,000 Shares

8.625% Series A Cumulative Redeemable Perpetual Preferred Stock

(Liquidation Preference \$25.00 Per Share)

We are offering 3,000,000 shares of our 8.625% Series A Cumulative Redeemable Perpetual Preferred Stock, \$0.01 par value per share, which we refer to in this prospectus supplement as the Series A Preferred Stock. This is the original issuance of the Series A Preferred Stock.

Dividends on the Series A Preferred Stock will be cumulative from the date of original issue and payable quarterly on or about the 15th day of each January, April, July and October at the rate of 8.625% per annum of its \$25.00 per share liquidation preference, which is equivalent to \$2.15625 per annum per share. The first dividend on the Series A Preferred Stock sold in this offering, which is payable in respect of the partial period ending on October 15, 2012, will be in the amount of \$0.4432 per share.

Generally, we may not redeem the Series A Preferred Stock until August 1, 2017, except under circumstances intended to preserve our qualification as a real estate investment trust, or REIT, for federal income tax purposes and except as described below upon the occurrence of a Change of Control (as defined herein). On and after August 1, 2017, we may, at our option, redeem the Series A Preferred Stock, in whole, at any time, or in part, from time to time, for cash at a redemption price of \$25.00 per share, plus any accrued and unpaid dividends (whether or not declared) to, but not including, the date of redemption. In addition, upon the occurrence of a Change of Control, as a result of which our common stock and the common securities of the acquiring or surviving entity (or American Depositary Receipts, or ADRs, representing such common securities) are not listed on the New York Stock Exchange, or NYSE, the NYSE MKT, or NYSE MKT, or the NASDAQ Stock Market, or NASDAQ, or listed or quoted on a successor exchange or quotation system we may, at our option, redeem the Series A Preferred Stock, in whole or in part within 120 days after the first date on which such Change of Control occurred, by paying \$25.00 per share, plus any accrued and unpaid dividends (whether or not declared) to, but not including, the date of redemption. To the extent we exercise our redemption right relating to the Series A Preferred Stock, holders of Series A Preferred Stock will not be permitted to exercise the conversion right described below in respect of their shares called for redemption. The Series A Preferred Stock has no maturity date and will remain outstanding indefinitely unless repurchased or redeemed by us or converted in connection with a Change of Control by the holders of Series A Preferred Stock.

Upon the occurrence of a Change of Control, as a result of which our common stock and the common securities of the acquiring or surviving entity (or ADRs representing such common securities) are not listed on the NYSE, the NYSEMKT or the NASDAQ, or listed or quoted on a successor exchange or quotation system, each holder of Series A Preferred Stock will have the right (subject to our right to redeem the Series A Preferred Stock in whole or in part, as described above, prior to the Change of Control Conversion Date (as defined herein)) to convert some or all of the Series A Preferred Stock held by such holder on the Change of Control Conversion Date into a number of shares of our common stock per share of Series A Preferred Stock to be converted equal to the lesser of:

the quotient obtained by dividing (i) the sum of the \$25.00 liquidation preference plus the amount of any accrued and unpaid dividends (whether or not declared) to, but not including, the Change of Control Conversion Date (unless the Change of Control Conversion Date is after the record date fixed for a Series A Preferred Stock dividend and prior to the corresponding Series A Preferred Stock dividend payment date, in which case no additional amount for such accrued and unpaid dividend will be included in this sum) by (ii) the Common Stock Price (as defined herein); and
3.012, or the Share Cap, subject to certain adjustments;

subject, in each case, to provisions for the receipt of alternative consideration as described in this prospectus supplement.

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No current market exists for the Series A Preferred Stock. We intend to file an application to list the Series A Preferred Stock on the NYSE under the symbol ARIPrA. If this application is approved, trading of the Series A Preferred Stock on the NYSE is expected to begin within 30 days following initial delivery of the Series A Preferred Stock. Our common stock is traded on the NYSE under the symbol ARI.

To ensure that we may continue to qualify as a REIT, for U.S. federal income tax purposes, among other purposes, our charter contains, and the Articles Supplementary establishing the Series A Preferred Stock will contain, restrictions on ownership and transfer of the Series A Preferred Stock. See [Description of the Series A Preferred Stock Restrictions on Ownership and Transfer](#) in this prospectus supplement and [Description of Common Stock Restrictions on Ownership and Transfer](#) in the accompanying prospectus. In addition, except under limited circumstances as described in this prospectus supplement, holders of the Series A Preferred Stock generally do not have any voting rights.

Investing in the Series A Preferred Stock involves a high degree of risk. See [Risk Factors](#) beginning on page S-9 of this prospectus supplement and page 1 of the accompanying prospectus, and the risks set forth under the caption [Item 1A. Risk Factors](#) included in our Annual Report on Form 10-K for the year ended December 30, 2011.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement and the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total ⁽¹⁾
Price to public	\$ 25.00	\$ 75,000,000
Underwriting discount	\$ 0.7875	\$ 2,362,500
Proceeds to us (before expenses)	\$ 24.2125	\$ 72,637,500

(1) Assumes no exercise of the underwriters' option to purchase additional shares.

We have granted the underwriters the option to purchase up to 450,000 additional shares of the Series A Preferred Stock from us on the same terms and conditions set forth above within 30 days of the date of this prospectus supplement.

The underwriters expect to deliver the shares on or about August 1, 2012, through The Depository Trust Company.

Joint Book-Running Managers

Citigroup

BofA Merrill Lynch

Joint Lead Managers

J.P. Morgan

RBC Capital Markets

Co-Managers

Barclays

Stifel Nicolaus Weisel

Prospectus Supplement dated July 25, 2012

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of this offering and also updates information contained in the accompanying prospectus and the documents incorporated by reference into the prospectus. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering. To the extent there is a conflict between the information contained in this prospectus supplement and the information contained in the accompanying prospectus, the information in this prospectus supplement shall control. In addition, any statement in a filing we make with the Securities and Exchange Commission, or the SEC, that adds to, updates or changes information contained in an earlier filing we made with the SEC shall be deemed to modify and supersede such information in the earlier filing.

You should read this document together with additional information described under the heading *Where You Can Find More Information and Incorporation by Reference* in this prospectus supplement. You should rely only on the information contained or incorporated by reference in this document. Neither we nor the underwriters have authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information in this prospectus supplement and the accompanying prospectus, as well as the information we have previously filed with the SEC and incorporated by reference in this document, is accurate only as of its date or the date which is specified in those documents.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

We make forward-looking statements in this prospectus supplement within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or 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 expressions, we intend to identify forward-looking statements. Statements regarding the following subjects, among others, may be forward-looking:

the use of proceeds of this offering;

market trends in our industry, interest rates, real estate values, the debt securities markets or the general economy or the demand for commercial real estate loans;

our business and investment strategy;

our operating results and potential asset performance;

actions and initiatives of the U.S. government and changes to U.S. government policies and the execution and impact of these actions, initiatives and policies;

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the state of the U.S. economy generally or in specific geographic regions;

economic trends and economic recoveries;

our ability to obtain and maintain financing arrangements, including securitizations;

the anticipated shortfall of debt financing from traditional lenders;

the volume of short-term loan extensions;

the demand for new capital to replace maturing loans;

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our 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 guidance and similar matters;

our ability to maintain our qualification as a real estate investment trust, or REIT, for U.S. federal income tax purposes;

our ability to maintain our exemption from registration under the Investment Company Act of 1940, or 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 its stockholders in the future; and

our understanding of our competition.

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

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expectations can change as a result of many possible events or factors, not all of which are known to us. Some of these factors are described in Risk Factors beginning on page S-9 of this prospectus supplement and page 1 of the accompanying prospectus, and set forth under the caption Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2011 (which is incorporated by reference into this prospectus supplement). 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 we do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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PROSPECTUS SUMMARY

This summary highlights some of the information in this prospectus supplement and the accompanying prospectus. It does not contain all of the information that you should consider before investing in the securities in this offering. You should read carefully the more detailed information in this prospectus supplement and the accompanying prospectus, and the information incorporated by reference into this prospectus supplement and the accompanying prospectus. Unless the context requires otherwise, references in this prospectus supplement to the company, we, us, our or our company are to Apollo Commercial Real Estate Finance, Inc., a Maryland corporation, together with its consolidated subsidiaries; references in this prospectus supplement to Apollo refer to Apollo Global Management, LLC, a Delaware limited liability company, together with its subsidiaries; and references in this prospectus supplement to our Manager refer to ACREFI Management, LLC, a Delaware limited liability company and an indirect subsidiary of Apollo Global Management, LLC. Unless indicated otherwise, the information in this prospectus supplement assumes no exercise by the underwriters of their option to purchase up to 450,000 additional shares of the Series A Preferred Stock from us.

Our Company

General

We are a Maryland corporation that has elected to qualify as a REIT for U.S. federal income tax purposes that primarily originates, acquires, invests in and manages performing commercial first mortgage loans, commercial mortgage-backed securities, or CMBS, subordinate financings and other commercial real estate-related debt investments in the United States. These asset classes are referred to as the company's target assets.

We are externally managed and advised by our Manager, an indirect subsidiary of Apollo, a leading global alternative investment manager with a contrarian and value oriented investment approach in private equity, credit-oriented capital markets and real estate. Apollo had total assets under management of over \$86 billion as of March 31, 2012. The Manager is led by an experienced team of senior real estate professionals who have significant experience in commercial property investing, financing and ownership. Our Manager benefits from the investment, finance and managerial expertise of Apollo's private equity, credit-oriented capital markets and real estate investment professionals. We believe our relationship with Apollo provides us with significant advantages in sourcing, evaluating, underwriting and managing investments in our target assets.

Our principal business objective is to make investments in our target assets in order to provide attractive risk adjusted returns to our stockholders over the long term, primarily through dividends and secondarily through capital appreciation.

We were organized in 2009 and have elected to be taxed as a REIT for U.S. federal income tax purposes, commencing with our year ended December 31, 2009. We are generally not subject to U.S. federal income taxes on our taxable income to the extent that we annually distribute our net taxable income to stockholders and satisfy certain other requirements that allow us to maintain our intended qualification as a REIT. We also intend to operate our business in a manner that will permit us to continue to maintain our exemption from registration under the 1940 Act.

Recent Developments

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In April 2012, we purchased two senior sub-participation interests (\$23.8 million of aggregate face value) in a first mortgage loan with a balance of \$120.0 million at the date of investment secured by over 20 acres of land in the South Boston Waterfront District, Massachusetts. The land is entitled for over 5.8 million buildable square feet and is currently used as parking with approximately 3,325 spaces. The aggregate purchase price of the two senior sub-participation interests was \$18.6 million (including a 3.0% brokerage fee which we intend to expense during the quarter ending June 30, 2012) and their loan-to-value ratio was 28.0% based upon the aggregate face value at the date of investment. The senior sub-participation interests each have an interest rate of one-month LIBOR +1.72% and mature in December 2012. Upon the repayment of \$33.0 million of the first mortgage loan (of which we will receive our pro-rata share) and the payment of an extension fee equal to 0.5% of the

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outstanding balance of the first mortgage loan, the maturity of the first mortgage loan, including the senior sub-participation interests, can be extended through December 2013. Assuming the extension occurs and after a one-time payment of expenses, the senior sub-participation interests are expected to generate an internal rate of return, or IRR, of approximately 21.9%. See Management's Discussion and Analysis of Financial Condition and Results of Operations Investments in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 for a discussion of how IRR is calculated and Risk Factors The Company may not achieve its targeted internal rate of return on its investments which may lead to future returns that may be significantly lower than anticipated in our Annual Report on Form 10-K for the year ended December 31, 2011 for a discussion of some of the factors that could adversely impact the returns received by us from this investment over time.

In June 2012, we purchased \$70.7 million of CMBS for which the obligors are certain special purpose entities formed to hold substantially all of the assets of Hilton Worldwide, Inc. The Hilton CMBS's loan-to-value is estimated to be in the range of 35.0% to 45.0%. The Hilton CMBS have a current interest rate of one-month LIBOR+1.75% which increases to LIBOR +2.30% on November 12, 2012, LIBOR +3.30% on November 12, 2013 and LIBOR +3.80% on November 12, 2014. The Hilton CMBS receives principal repayments according to a schedule which is approximately equivalent to a 16-year amortization schedule and is expected to generate an IRR of approximately 12.0%. We deployed \$21.2 million of equity to purchase the Hilton CMBS and the remainder of the acquisition was financed utilizing borrowings under the Wells Facility, which was amended to provide up to \$100.0 million of additional financing for the Hilton CMBS. The \$49.5 million of borrowings under the Wells Facility for the acquisition is coterminous with the Hilton CMBS, assuming full extension of the Hilton CMBS. See

Management's Discussion and Analysis of Financial Condition and Results of Operations Investments in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 for a discussion of how IRR is calculated and Risk Factors The Company may not achieve its targeted internal rate of return on its investments which may lead to future returns that may be significantly lower than anticipated in our Annual Report on Form 10-K for the year ended December 31, 2011 for a discussion of some of the factors that could adversely impact the returns received by us from this investment over time.

In April 2012, a \$24.0 million two-year fixed rate first mortgage loan on a 155-room boutique hotel in midtown Manhattan was repaid. The loan had an interest rate of 8.00%. We repaid \$15.4 million of borrowings under our \$100 million master repurchase facility entered into with JPMorgan Chase Bank, N.A., or the JPMorgan Facility, in conjunction with this repayment. As of June 30, 2012, following the repayment of this first mortgage loan and the purchase of the senior sub-participation interests in April 2012, first mortgage loans and subordinate loans secured by properties located in New York, New York comprised 40% of the aggregate carrying value of our first mortgage loans and subordinate loans.

For the quarter ended June 30, 2012, we received \$54.5 million of repayments from CMBS and the repurchase agreement investment secured by CDO bonds, generating \$16.0 million of equity for reinvestment.

In June 2012, we provided covenant relief for a \$40.0 million subordinate loan secured by an equity interest in an entity that owns a ski resort in California. The modification was completed in connection with a modification of both the senior and junior loans in order to provide covenant relief to the borrower under the subordinate loan. In connection with the modification, we recognized a \$200,000 fee in June 2012 and the borrower has agreed to pay us a \$400,000 exit fee upon repayment of the subordinate loan. In addition, the interest rate on the subordinate loan was increased by 0.75% to 14.0% until the earlier of (i) the subordinate loan being back in compliance with its original covenants and (ii) April 2014. As of the date of this prospectus, the subordinate loan is current on its interest payments.

In April 2012, we amended the JPMorgan Facility, to reduce the interest rate spread by 0.5% to LIBOR +2.50%.

Our Corporate Information

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Our principal executive offices are located at 9 West 57th Street, 43rd Floor, New York, New York 10019. Our telephone number is (212) 515-3200. Our website is www.ApolloREIT.com. The information on our website is not intended to form a part of or be incorporated by reference into this prospectus supplement.

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THE OFFERING

Issuer	Apollo Commercial Real Estate Finance, Inc.
Securities Offered	3,000,000 shares of 8.625% Series A Cumulative Redeemable Perpetual Preferred Stock, \$0.01 par value per share, plus up to an additional 450,000 shares if the underwriters exercise their option to purchase additional shares. We reserve the right to reopen this series and issue additional shares of Series A Preferred Stock either through public or private sales at any time.
Dividends	Holders of the Series A Preferred Stock will be entitled to receive cumulative cash dividends on the Series A Preferred Stock at the rate of 8.625% per annum of the \$25.00 per share liquidation preference, which is equivalent to \$2.15625 per annum per share. Dividends on the Series A Preferred Stock will be payable quarterly in arrears on or about the 15 th day of January, April, July and October of each year. The first dividend on the Series A Preferred Stock sold in this offering, which is payable in respect of the partial period ending on October 15, 2012, will be in the amount of \$0.4432 per share.
No Maturity	The Series A Preferred Stock has no maturity date and we are not required to repurchase or redeem the Series A Preferred Stock. Accordingly, shares of Series A Preferred Stock will remain outstanding indefinitely, unless we decide to redeem them or, under circumstances where the holders of Series A Preferred Stock have a conversion right, those holders decide to convert their shares. We are not required to set aside funds to redeem the Series A Preferred Stock.
Ranking	The Series A Preferred Stock will rank, with respect to the payment of dividends and distribution of assets upon liquidation, dissolution or winding up: (1) senior to our common stock and any other classes or series of junior stock that we may issue in the future, if any; (2) on parity with any classes or series of parity preferred stock that we may issue in the future, if any; and (3) junior to all of our existing and future indebtedness and any senior equity securities, if any.
Optional Redemption	Except in instances relating to preservation of our qualification as a REIT or pursuant to our special optional redemption right discussed below, the Series A Preferred Stock is not redeemable prior to August 1, 2017. On and after August 1, 2017, we may, at our option, redeem the Series A Preferred Stock, in whole, at any time, or in part, from time to time, for cash at a redemption price of \$25.00 per share, plus any accrued and unpaid dividends (whether or not declared) to, but not including, the date of redemption (unless the applicable redemption date is after the record date fixed for a Series A Preferred Stock dividend and prior to the corresponding dividend payment date, in which case no additional amount for such accrued and unpaid dividend will be included in the redemption price). Any partial redemption will be selected by lot or pro rata or by any other equitable method we may choose (including by electing to redeem

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only those shares of Series A Preferred Stock tendered for conversion as described below). To the extent that we have exercised our optional redemption right relating to the Series A Preferred Stock before the applicable conversion date, holders of Series A Preferred Stock will not be permitted to exercise the conversion right described below in respect of their shares called for redemption.

Special Optional Redemption

Upon the occurrence of a Change of Control (as defined under "Conversion Rights" below), we will have the option to redeem the Series A Preferred Stock, in whole, at any time, or in part, from time to time, within 120 days after the first date on which such Change of Control has occurred for cash at a redemption price of \$25.00 per share, plus any accrued and unpaid dividends (whether or not declared) to, but not including, the redemption date (unless the applicable redemption date is after the record date fixed for a Series A Preferred Stock dividend and prior to the corresponding dividend payment date, in which case no additional amount for such accrued and unpaid dividend will be included in the redemption price). Any partial redemption will be selected by lot or pro rata or by any other equitable method we may choose (including by electing to redeem only those shares of Series A Preferred Stock tendered for conversion as described below). To the extent that we have exercised our special optional redemption right relating to the Series A Preferred Stock before the applicable conversion date, holders of Series A Preferred Stock will not be permitted to exercise the conversion right described below in respect of their shares called for redemption.

Conversion Rights

Upon the occurrence of a Change of Control, you will have the right (unless we elect to redeem your shares of Series A Preferred Stock before the applicable conversion date, and subject to the restrictions on ownership and transfer of our stock contained in our charter) to convert some or all of your Series A Preferred Stock into a number of shares of our common stock, per share of Series A Preferred Stock, equal to the lesser of (A) the quotient obtained by dividing (i) the sum of the \$25.00 liquidation preference plus the amount of any accrued and unpaid dividends (whether or not declared) to, but not including, the Change of Control Conversion Date (unless the Change of Control Conversion Date is after the record date fixed for a Series A Preferred Stock dividend and prior to the corresponding Series A Preferred Stock dividend payment date, in which case no additional amount for such accrued and unpaid dividend will be included in this sum) by (ii) the Common Stock Price; and (B) 3.012 (which we refer to as the Share Cap), subject, in each case, to certain adjustments and provisions for the receipt of alternative consideration of equivalent value as described in this prospectus supplement.

As a result of the Share Cap, subject to the immediately succeeding sentence, the aggregate number of shares of our common stock (or corresponding alternative consideration, as applicable) issuable or deliverable, as applicable, upon conversion of Series A Preferred Stock in connection with a Change of Control will not exceed

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9,036,000 shares of common stock (or corresponding alternative consideration, as applicable), or the Exchange Cap, in total for the 3,000,000 shares of Series A Preferred Stock that will be outstanding upon completion of this offering. The Exchange Cap is subject to pro rata adjustments for any splits, subdivisions or combinations of our common stock on the same basis as the corresponding adjustment to the Share Cap, and shall be increased on a pro rata basis with respect to any additional shares of Series A Preferred Stock designated and authorized for issuance pursuant to our charter.

If we have provided a redemption notice with respect to some or all of the Series A Preferred Stock, holders of any Series A Preferred Stock that we have called for redemption will not be permitted to exercise their Change of Control Conversion Right in respect of any of their shares of Series A Preferred Stock that have been called for redemption, and any share of Series A Preferred Stock subsequently called for redemption that has been tendered for conversion will be redeemed on the applicable date of redemption instead of converted on the Change of Control Conversion Date.

A Change of Control will be deemed to have occurred at such time after the original issuance of the Series A Preferred Stock when the following have occurred:

the acquisition by any person, including any syndicate or group deemed to be a person under Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchases, mergers or other acquisition transactions of shares of our capital stock entitling that person to exercise more than 50% of the total voting power of all shares of our capital stock entitled to vote generally in elections of directors (except that such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); and

following the closing of any transaction referred to in the bullet point above, neither we nor the acquiring or surviving entity has a class of common securities (or ADRs representing such common securities) listed on the NYSE, the NYSE MKT or the NASDAQ, or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE MKT or the NASDAQ.

For definitions of Change of Control Conversion Right, Change of Control Conversion Date and Common Stock Price and for a description of the adjustments and provisions for the receipt of alternative consideration that may be applicable to the Change of Control Conversion Right, see Description of the Series A Preferred Stock Conversion Rights.

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Liquidation Preference

If we liquidate, dissolve or wind up, holders of the Series A Preferred Stock will have the right to receive \$25.00 per share, plus an amount per share equal to accrued and unpaid dividends (whether or not earned or declared) to, but not including, the date of payment, before any payments are made to holders of our common stock or other junior securities.

Voting Rights

Holders of the Series A Preferred Stock will generally have no voting rights. However, if dividends on the Series A Preferred Stock are in arrears for six quarterly dividend periods (whether or not consecutive), the holders of the Series A Preferred Stock (voting together as a single class with the holders of any other class or series of parity preferred stock upon which like voting rights have been conferred and are exercisable) will have the right to elect two additional directors until we pay (or declare and set aside for payment) all dividends that are then in arrears. In addition, the affirmative vote of at least two-thirds of the votes entitled to be cast by holders of outstanding shares of Series A Preferred Stock (voting together as a single class with the holders of any other class or series of parity preferred stock upon which like voting rights have been conferred and are exercisable) is required for us to authorize, create or increase the number of any class or series of senior equity securities or to amend our charter (including the Articles Supplementary designating the Series A Preferred Stock, or the Articles Supplementary) in a manner that materially and adversely affects the rights of the Series A Preferred Stock.

Among other things, we may, without any vote of the holders of Series A Preferred Stock, issue additional shares of Series A Preferred Stock and we may authorize and issue shares of additional classes or series of parity equity securities.

Information Rights

During any period in which we are not subject to Section 13 or 15(d) of the Exchange Act, and any shares of the Series A Preferred Stock are outstanding, we will use our best efforts to (1) transmit by mail (or other permissible means under the Exchange Act) to all holders of Series A Preferred Stock, as their names and addresses appear in our record books and without cost to such holders, copies of the annual reports and quarterly reports that we would have been required to file with the SEC, pursuant to Section 13 or 15(d) of the Exchange Act if we were subject thereto (other than any exhibits that would have been required) and (2) promptly, upon request, supply copies of such reports to any prospective holder of Series A Preferred Stock. We will use our best efforts to mail (or otherwise provide) the information to the holders of Series A Preferred Stock within 15 days after the respective dates by which a periodic report on Form 10-K or Form 10-Q, as the case may be, in respect of such information would have been required to be filed with the SEC, if we were subject to Section 13 or 15(d) of the Exchange Act.

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Listing	We intend to file an application to list the Series A Preferred Stock on the NYSE. We expect trading of the shares of Series A Preferred Stock on the NYSE, if listing is approved, to commence within 30 days after the date of the initial delivery of the shares.
Use of Proceeds	We estimate that the net proceeds of this offering will be approximately \$72.3 million (or approximately \$83.2 million if the underwriters exercise their option to purchase additional shares in full), after deducting the underwriting discount and other estimated offering expenses payable by us. We intend to use the net proceeds from this offering to repay amounts outstanding under the JPMorgan Facility, and the balance, if any (including as a result of the underwriters' exercise of their option to purchase additional shares) to acquire our target assets and for general corporate purposes. See Use of Proceeds.
Restrictions on Ownership and Transfer	<p>To ensure that we may continue complying with the limitations on the concentration of ownership of a REIT imposed by the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code, among other purposes, our charter contains, and the Articles Supplementary will contain, restrictions on the ownership and transfer of our stock, including the Series A Preferred Stock. Our charter generally prohibits, among other prohibitions, any stockholder from beneficially or constructively owning more than 9.8% in value or in number of shares, whichever is more restrictive, of the outstanding shares of our common stock, or 9.8% in value or in number of shares, whichever is more restrictive, of the outstanding shares of our capital stock. Our Board of Directors has established exemptions from the common stock ownership limit that permit Apollo and certain of its affiliates to collectively hold up to 25% of our common stock and certain institutional investors and certain of their specified affiliates to collectively each hold up to 15% of our common stock. The Articles Supplementary will prohibit, among other prohibitions, any stockholder from beneficially or constructively owning more than 9.8% in value or in number of shares, whichever is more restrictive, of our outstanding Series A Preferred Stock.</p> <p>Notwithstanding any other provision of the Series A Preferred Stock, no holder of Series A Preferred Stock will be entitled to convert shares of Series A Preferred Stock into shares of our common stock to the extent that receipt of such shares of common stock would cause such holder (or any other person) to exceed the common stock ownership or the capital stock ownership limit contained in our charter, subject to exceptions for persons subject to Excepted Holder Limits as defined in our charter.</p>
Settlement Date	The underwriters expect to deliver the shares on or about August 1, 2012 through The Depository Trust Company.

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Form	The Series A Preferred Stock will be maintained in book-entry form registered in the name of the nominee of The Depository Trust Company, except in limited circumstances.
Risk Factors	Investing in the Series A Preferred Stock involves a high degree of risk and the purchasers of the Series A Preferred Stock may lose their entire investment. You should carefully read and consider the information set forth under Risk Factors on page S-9 and the other information included and incorporated by reference in this prospectus supplement and the accompanying prospectus before investing in the Series A Preferred Stock.

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RISK FACTORS

Investing in the Series A Preferred Stock will provide you with an equity ownership in our company. As one of our stockholders, you will be subject to risks inherent in our business. The trading price of the Series A Preferred Stock will be affected by the performance of our business relative to, among other things, competition, market conditions and general economic and industry conditions. The value of your investment may decrease, resulting in a loss. You should carefully consider the following factors as well as the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2011 (which is incorporated by reference into this prospectus supplement) before deciding to invest in the Series A Preferred Stock.

Risks Relating to this Offering

The Series A Preferred Stock has not been rated.

We have not sought to obtain a rating for the Series A Preferred Stock. No assurance can be given, however, that one or more rating agencies might not independently determine to issue such a rating or that such a rating, if issued, would not adversely affect the market price of the Series A Preferred Stock. In addition, we may elect in the future to obtain a rating of the Series A Preferred Stock, which could adversely affect the market price of the Series A Preferred Stock. Ratings only reflect the views of the rating agency or agencies issuing the ratings and such ratings could be revised downward, placed on a watch list or withdrawn entirely at the discretion of the issuing rating agency if in its judgment circumstances so warrant. Any such downward revision, placing on a watch list or withdrawal of a rating could have an adverse effect on the market price of the Series A Preferred Stock.

The Series A Preferred Stock is subordinate to our debt, and your interests could be diluted by the issuance of additional preferred stock, including additional Series A Preferred Stock, and by other transactions.

The Series A Preferred Stock is subordinate to all of our and our subsidiaries' existing and future debt. Our charter provides that we may issue up to 50,000,000 shares of preferred stock, \$0.01 par value per share. Subject to the limitations prescribed by our charter, our Board of Directors is authorized to classify any unissued shares of preferred stock and to reclassify any previously classified but unissued shares of any class or series of preferred stock previously authorized by our Board of Directors. The issuance of additional classes and series of preferred stock on parity with or senior to the Series A Preferred Stock would dilute the interests of the holders of the Series A Preferred Stock, and any issuance of shares of any class or series of preferred stock senior to the Series A Preferred Stock or of additional indebtedness could affect our ability to pay dividends on, redeem or pay the liquidation preference on the Series A Preferred Stock. Other than the conversion right afforded to holders of Series A Preferred Stock that may become exercisable in connection with a Change of Control described under "Description of the Series A Preferred Stock—Conversion Rights" below, none of the provisions relating to the Series A Preferred Stock contain any terms relating to or limiting our ability to incur indebtedness or affording the holders of the Series A Preferred Stock protection in the event of a highly leveraged or other transaction, including a merger or the sale, lease or conveyance of all or substantially all our assets or business, that might adversely affect the holders of the Series A Preferred Stock, so long as the rights of the Series A Preferred Stock are not materially and adversely affected.

As a holder of Series A Preferred Stock you have extremely limited voting rights.

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Your voting rights as a holder of Series A Preferred Stock will be extremely limited. Our common stock is the only class of our stock carrying full voting rights. Voting rights for holders of Series A Preferred Stock exist primarily with respect to the ability to elect, together with holders of our parity equity securities having similar voting rights, if any, two additional directors to our Board of Directors in the event that six quarterly dividends (whether or not consecutive) payable on the Series A Preferred Stock are in arrears, and with respect to voting on

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amendments to our charter, including the Articles Supplementary, that materially and adversely affect the rights of the Series A Preferred Stock or create or increase the authorized number of shares of classes or series of preferred stock that are senior to the Series A Preferred Stock. See Description of the Series A Preferred Stock Voting Rights below. Other than the limited circumstances described in this prospectus supplement, holders of Series A Preferred Stock will not have any voting rights.

You may not be permitted to exercise conversion rights upon a change of control of us. If exercisable, the change of control conversion feature of the Series A Preferred Stock may not adequately compensate you, and the change of control conversion and redemption features of the Series A Preferred Stock may make it more difficult for a third party to take over our company or discourage a third party from taking over our company.

Upon the occurrence of a Change of Control, as a result of which our common stock and the common securities of the acquiring or surviving entity (or ADRs representing such common securities) are not listed on the NYSE, the NYSE MKT or the NASDAQ, or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE MKT or the NASDAQ, holders of Series A Preferred Stock will have the right to convert some or all of their Series A Preferred Stock into our common stock (or equivalent value of alternative consideration). Notwithstanding that we generally may not redeem the Series A Preferred Stock prior to August 1, 2017, we have a special optional redemption right to redeem the Series A Preferred Stock in the event of a Change of Control, and holders of Series A Preferred Stock will not have the right to convert any shares that we have elected to redeem prior to the Change of Control Conversion Date. See Description of the Series A Preferred Stock Conversion Rights and Description of the Series A Preferred Stock Optional Redemption and Special Optional Redemption. Upon such a conversion, the holders will be limited to a maximum number of shares of our common stock equal to the Share Cap multiplied by the number of Series A Preferred Stock converted. If the Common Stock Price (as defined in Description of the Series A Preferred Stock Conversion Rights) is less than \$8.30 (which is approximately 50% of the per-share closing sale price of our common stock on July 24, 2012), subject to adjustment, each holder will receive a maximum of 3.012 shares of our common stock per share of Series A Preferred Stock, which may result in a holder receiving value that is less than the liquidation preference of the Series A Preferred Stock. In addition, those features of the Series A Preferred Stock may have the effect of inhibiting a third party from making an acquisition proposal for our company or of delaying, deferring or preventing a change of control of our company under circumstances that otherwise could provide the holders of our common stock and Series A Preferred Stock with the opportunity to realize a premium over the then-current market price or that our stockholders may otherwise believe is in their best interests.

There is no established trading market for the Series A Preferred Stock and listing on the NYSE does not guarantee a market for the Series A Preferred Stock.

The Series A Preferred Stock is a new issue of securities with no established trading market. We intend to file an application to list the Series A Preferred Stock on the NYSE, but there can be no assurance that the NYSE will approve the Series A Preferred Stock for listing. Even if the Series A Preferred Stock were to be listed, an active trading market on the NYSE for the Series A Preferred Stock may not develop or, if it does develop, may not last, in which case the trading price of the Series A Preferred Stock could be adversely affected. If an active trading market does develop on the NYSE, the Series A Preferred Stock may trade at prices lower than the initial offering price. In addition, we have been advised by the underwriters that they intend to make a market in the Series A Preferred Stock, but they are not obligated to do so and may discontinue market-making at any time without notice.

The market price and trading volume of the Series A Preferred Stock may fluctuate significantly and be volatile, due to numerous factors beyond our control.

The Series A Preferred Stock is a new issue of securities with no established trading market, which may result in significant volatility in the market price and trading volume of the Series A Preferred Stock. In addition, the market price of the Series A Preferred Stock will depend on

many factors beyond our control, including:

prevailing interest rates;

the market for similar securities;

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general economic and financial market conditions;

changes in financial estimates or recommendations by securities analysts with respect to us, our competitors or our industry;

if, and to the extent the Series A Preferred Stock is rated following the closing of this offering, changes in the credit ratings;

actual or anticipated variations in quarterly operating results of us and our competitors;

our issuance of additional preferred equity or debt securities; and

the financial condition, cash flows, results of operations and prospects of us and our competitors.

Increases in market interest rates may adversely affect the market price of the Series A Preferred Stock.

The trading prices of common and preferred equity securities issued by REITs and other real estate companies historically have been affected by changes in market interest rates. One of the factors that will influence the market price of the Series A Preferred Stock in public trading markets is the annual yield from distributions on the Series A Preferred Stock as compared to yields on other financial instruments. An increase in market interest rates generally will result in higher yields on other financial instruments, which could adversely affect the market price of the Series A Preferred Stock.

Our charter contains and the Articles Supplementary will contain restrictions upon ownership and transfer of the Series A Preferred Stock, which may impair the ability of holders to convert Series A Preferred Stock into our common stock upon a Change of Control.

Our charter contains and the Articles Supplementary will contain restrictions on ownership and transfer of the Series A Preferred Stock intended to assist us in maintaining our qualification as a REIT for U.S. federal income tax purposes. For example, to assist us in qualifying as a REIT, the Articles Supplementary will prohibit anyone from owning, or being deemed to own by virtue of the applicable constructive ownership provisions of the Internal Revenue Code, more than 9.8% in value or number of shares, whichever is more restrictive, of the outstanding Series A Preferred Stock. See [Description of the Series A Preferred Stock](#) [Restrictions on Ownership and Transfer](#) in this prospectus supplement. You should consider these ownership limitations prior to your purchase of the Series A Preferred Stock. In addition, the Articles Supplementary will provide that, notwithstanding any other provision of the Series A Preferred Stock, no holder of Series A Preferred Stock will be entitled to convert such stock into our common stock to the extent that receipt of our common stock would cause the holder to exceed the ownership limitations contained in our charter, which may limit your ability to convert the Series A Preferred Stock into our common stock upon a Change of Control. The restrictions could also have anti-takeover effects and could reduce the possibility that a third party will attempt to acquire control of us, which could adversely affect the market price of the Series A Preferred Stock.

Our ability to pay dividends is limited by the requirements of Maryland law.

Our ability to pay dividends on the Series A Preferred Stock is limited by the laws of Maryland. Under Maryland law, a Maryland corporation generally may not make a distribution if, after giving effect to the distribution, the corporation would not be able to pay its debts as they become

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due in the usual course of business, or the corporation's total assets would be less than the sum of its total liabilities plus, unless the corporation's charter provides otherwise, the amount that would be needed, if the corporation were dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of stockholders whose preferential rights are superior to those receiving the distribution. Accordingly, we generally may not make a distribution on the Series A Preferred Stock if, after giving effect to the distribution, we would not be able to pay our debts as they become due in the usual course of business or our total assets would be less than the sum of our total liabilities plus, unless the terms of such class or series of stock provide otherwise, the amount that would be needed to satisfy the preferential rights upon dissolution of the holders of shares of any class or series of stock then outstanding, if any, with preferential rights upon dissolution senior to those of the Series A Preferred Stock.

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Our business operations may not generate the cash needed to make distributions on our stock or to service our indebtedness.

Our ability to make distributions on our common stock and the Series A Preferred Stock and payments on our indebtedness and to fund planned acquisitions and capital expenditures will depend on our ability to generate cash in the future. We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to make distributions on our common stock and the Series A Preferred Stock to pay our indebtedness, or to fund our other liquidity needs.

Future offerings of debt or senior equity securities may adversely affect the market price of the Series A Preferred Stock.

If we decide to issue debt or senior equity securities in the future, it is possible that these securities will be governed by an indenture or other instrument containing covenants restricting our operating flexibility. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of the Series A Preferred Stock and may result in dilution to owners of the Series A Preferred Stock. We and, indirectly, our stockholders, will bear the cost of issuing and servicing such securities. Because our decision to issue debt or equity securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, holders of the Series A Preferred Stock will bear the risk of our future offerings reducing the market price of the Series A Preferred Stock and diluting the value of their holdings in us.

If our common stock is delisted, your ability to transfer or sell your Series A Preferred Stock may be limited and the market value of the Series A Preferred Stock will be materially adversely affected.

Other than in connection with certain change of control transactions, the Series A Preferred Stock does not contain provisions that protect you if our common stock is delisted from the NYSE. Since the Series A Preferred Stock has no stated maturity date, you may be forced to hold your Series A Preferred Stock and receive stated dividends on the shares when, as and if authorized by our Board of Directors and declared by us with no assurance as to ever receiving the liquidation preference. In addition, if our common stock is delisted, it is likely that the Series A Preferred Stock will be delisted, which will limit your ability to transfer or sell your Series A Preferred Stock and could have a material adverse effect on the market value of the Series A Preferred Stock.

The Series A Preferred Stock ranks junior to all of our indebtedness.

In the event of our bankruptcy, liquidation, dissolution or winding-up of our affairs, our assets will be available to pay obligations on the Series A Preferred Stock only after all of our indebtedness has been paid. The rights of holders of the Series A Preferred Stock to participate in the distribution of our assets will rank junior to the prior claims of our current and future creditors and any future series or class of preferred stock we may issue that ranks senior to the Series A Preferred Stock. If we are forced to liquidate our assets to pay our creditors, we may not have sufficient assets to pay amounts due on any or all of the Series A Preferred Stock then outstanding. Thus, the Series A Preferred Stock will be effectively subordinated to all of our indebtedness. Consequently, in the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding with respect to us, the holders of any indebtedness will be entitled to payment prior to our obligations on the Series A Preferred Stock. We have incurred and may in the future incur substantial amounts of debt and other obligations that will rank senior to the Series A Preferred Stock. At March 31, 2012, we had approximately \$366.8 million of indebtedness and other liabilities ranking senior to the Series A Preferred Stock, substantially all of which consisted of borrowings under our master repurchase agreements. Certain of our existing or future debt instruments may restrict the authorization, payment or setting apart of dividends on the Series A Preferred Stock.

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Future offerings of debt or senior equity securities may adversely affect the market price of the Series A Preferred Stock. If we decide to issue debt or senior equity securities in the future, it is possible that these securities will be governed by an indenture or other instrument containing covenants restricting our operating

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flexibility. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of the Series A Preferred Stock and may result in dilution to owners of the Series A Preferred Stock. We and, indirectly, our stockholders, will bear the cost of issuing and servicing such securities. Because our decision to issue debt or equity securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus holders of the Series A Preferred Stock will bear the risk of our future offerings reducing the market price of the Series A Preferred Stock and diluting the value of their holdings in us.

Disruptions in the financial markets could affect our ability to obtain financing on reasonable terms and have other adverse effects on us and the market price of the Series A Preferred Stock.

Our results of operations will be materially affected by conditions in the markets for mortgages and mortgage-related assets as well as the broader financial markets and the economy generally. Beginning in mid-2007, global financial markets encountered a series of events from the collapse of the sub-prime mortgage market to the ensuing dramatic widening of credit spreads and corresponding broad-scale freezing of corporate lending. These events led to a significant dislocation in capital markets and created a severe shortage of debt capital for commercial real estate, a deleveraging of the entire global financial system and the forced sale of large quantities of mortgage-related and other financial assets. As a result of these conditions, many traditional commercial mortgage loan and securities investors have suffered severe losses in their loan and securities portfolios and several major market participants have failed or been impaired, resulting in a severe contraction in market liquidity and in a sharp reduction in the availability of credit for real estate-related assets. Further, certain lenders have been impacted by the European sovereign debt crisis. In addition, unrest in certain Middle Eastern countries has added to the uncertainty in the capital markets. The resulting illiquidity has negatively affected both the terms and availability of financing for all real estate-related assets and has generally resulted in real estate-related assets trading at significantly lower prices and higher yields compared to prior periods. Further increased volatility and deterioration in the markets for mortgages and mortgage-related assets as well as the broader financial markets may adversely affect the performance and market value of our investments. Furthermore, if these conditions persist, institutions from which we may seek financing for our investments may become insolvent or tighten their lending standards, which could make it more difficult for us to obtain financing on favorable terms or at all. These types of events in the financial markets and the economy generally may make it more difficult or costly for us to raise capital through the issuance of our common stock, preferred stock or debt securities. The potential disruptions in the financial markets may have a material adverse effect on the market value of our common stock and preferred stock, including the Series A Preferred Stock offered pursuant to this prospectus supplement, the return we receive on our investments, as well as other unknown adverse effects on us or the economy in general.

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USE OF PROCEEDS

The net proceeds from this offering will be approximately \$72.3 million (or approximately \$83.2 million if the underwriters' option to purchase additional shares is exercised in full) after deducting the underwriting discount and our estimated offering expenses. We intend to use the net proceeds from this offering to repay amounts outstanding under the JPMorgan Facility.

As of the date of this prospectus supplement, the annual interest rate payable on the JPMorgan Facility was approximately 2.75% and the principal amount outstanding is approximately \$53.0 million. An affiliate of J.P. Morgan Securities LLC is the lender under the JPMorgan Facility and, as such, will receive a portion of the proceeds of this offering in connection with our repayment of amounts outstanding under such facility. See "Underwriting."

To the extent that there are additional net proceeds remaining after we repay amounts outstanding under the JPMorgan Facility, including as a result of the underwriters exercising their option to purchase additional shares, we intend to use the net proceeds of this offering to acquire our target assets and for general corporate purposes. Until appropriate assets can be identified, our Manager may invest the net proceeds of this offering in interest-bearing, short-term investments, including money market accounts, that are consistent with our intention to qualify as a REIT. These investments are expected to provide a lower net return than we will seek to achieve from our target assets. For further information about our objectives and strategies, please see "Business - Investment strategy," included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, which is incorporated by reference into this prospectus supplement.

Table of Contents**RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED DIVIDENDS**

The following table sets forth (i) our ratio of earnings to combined fixed charges and preferred stock dividends and (ii) our pro forma ratio of earnings to combined fixed charges and preferred stock dividends, which assumes the shares of the Series A Preferred Stock were issued on the first day of the applicable period and the application of the net proceeds of this offering, as discussed under Use of Proceeds. The ratio of earnings to combined fixed charges and preferred stock dividends was computed by dividing earnings by our fixed charges. For purposes of calculating this ratio, earnings include pre-tax income from continuing operations before extraordinary items plus fixed charges less interest capitalized. Fixed charges consists of interest expense and interest capitalized. This ratio is calculated in accordance with generally accepted accounting principles.

	Three months Ended March 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010	Period From September 29, 2009 (Commencement of Operations) to December 31, 2009 ⁽¹⁾
Ratio of earnings to combined fixed charges and preferred stock dividends ⁽²⁾	4.16x	2.66x	1.61x	(5.79x)
Pro forma ratio of earnings to combined fixed charges and preferred stock dividends ⁽²⁾⁽³⁾	3.25x	2.26x		

- (1) We were formed on June 29, 2009 and completed the initial public offering of our common stock on September 29, 2009.
- (2) We did not have any shares of preferred stock issued and outstanding for the periods presented and therefore there were no preferred dividends included in our calculation of ratios of earnings to combined fixed charges and no preferred stock dividends for these periods.
- (3) In calculating the pro forma ratio of earnings to combined fixed charges and preferred stock dividends, we have assumed that the shares of Series A Preferred Stock offered by this prospectus supplement were issued on the first day of the applicable period. For purposes of this pro forma calculation, we have assumed the repayment of all of our outstanding borrowings under the JPMorgan Facility (approximately \$53.0 million as of the date of this prospectus supplement) with the net proceeds from this offering; therefore, the pro forma ratio excludes the effect of the amount of the related interest expense for the period.

Table of Contents**CAPITALIZATION**

The following table sets forth our capitalization as of March 31, 2012 (1) on an actual basis and (2) as adjusted to reflect the offering and issuance of the Series A Preferred Stock, after deducting the underwriters' discounts and commissions and our estimated offering expenditures, and the application of the net proceeds as described above under "Use of Proceeds." You should read this table in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2011 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2012.

(In thousands, except share and per share data)	As of March 31, 2012	
	Actual	As Adjusted ⁽¹⁾ (unaudited)
Cash	\$ 31,452	\$ 50,679
Debt:		
Borrowings under repurchase agreements	\$ 355,257	\$ 302,197
Other debt	\$ 11,587	11,587
Total debt	\$ 366,844	\$ 313,784
Stockholders' Equity:		
Preferred stock, par value \$0.01 per share; 50,000,000 shares authorized, 0 shares issued and outstanding at March 31, 2012, 3,450,000 shares of Series A Preferred Stock authorized, 3,000,000 ⁽¹⁾ issued and outstanding, as adjusted		\$ 30
Common stock, par value \$0.01 per share; 450,000,000 shares authorized; 20,561,032 issued and outstanding at March 31, 2012 and as adjusted	\$ 206	206
Additional paid-in capital	\$ 337,789	410,047
Accumulated other comprehensive income	\$ 382	382
Total stockholders' equity	\$ 338,377	410,665
Total capitalization	\$ 705,221	\$ 724,448

(1) Assumes no exercise of the underwriters' option to purchase up to an additional 450,000 shares of the Series A Preferred Stock.

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DESCRIPTION OF THE SERIES A PREFERRED STOCK

The description of certain terms and provisions of the Series A Preferred Stock contained in this prospectus supplement does not purport to be complete and is in all respects subject to, and qualified in its entirety by reference to, our charter, including the Articles Supplementary setting forth the terms of the Series A Preferred Stock, our bylaws and Maryland law. The following description of the terms of the Series A Preferred Stock supplements, and to the extent inconsistent with, replaces, the description of the general terms and provisions of our preferred stock set forth in the accompanying prospectus.

For purposes of this section, references to we, our and our company refer only to Apollo Commercial Real Estate Finance, Inc. and not to any of its subsidiaries.

General

Our charter provides that we may issue up to 50,000,000 shares of preferred stock, \$0.01 par value per share. Our charter authorizes our Board of Directors to amend our charter to increase or decrease the number of authorized shares without stockholder approval.

Subject to the limitations prescribed by our charter, our Board of Directors is authorized to classify any unissued shares of preferred stock and to reclassify any previously classified but unissued shares of any series of preferred stock previously authorized by our Board of Directors. Prior to issuance of shares of each class or series of preferred stock, our Board of Directors is required by the Maryland General Corporation Law, or the MGCL, and our charter to fix the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series.

Prior to the closing of this offering, our Board of Directors will classify 3,450,000 of our authorized shares of preferred stock as shares of Series A Preferred Stock and authorize the issuance thereof, and we will file the Articles Supplementary, setting forth the terms of the Series A Preferred Stock, with the State Department of Assessments and Taxation of Maryland. When issued, the Series A Preferred Stock will be validly issued, fully paid and nonassessable. The holders of Series A Preferred Stock will have no preemptive rights with respect to any shares of our stock or any of our other securities convertible into or carrying rights or options to purchase any shares of our stock.

The Series A Preferred Stock will not be subject to any sinking fund and we will have no obligation to redeem or retire the Series A Preferred Stock. Unless converted by you in connection with a Change of Control or redeemed by us, the Series A Preferred Stock will have a perpetual term, with no maturity.

The Articles Supplementary permit us to reopen this series, without the consent of the holders of the Series A Preferred Stock, in order to issue additional shares of Series A Preferred Stock from time to time. Thus, we may in the future issue additional shares of Series A Preferred Stock without your consent. Any additional shares of Series A Preferred Stock will have the same terms as the shares of Series A Preferred Stock being issued in this offering. These additional shares of Series A Preferred Stock will, together with the shares of Series A Preferred Stock being issued in this offering, constitute a single class of securities.

Ranking

The Series A Preferred Stock will rank senior to the Junior Stock (as defined under "Dividends" below), including shares of our common stock, and on parity with any other parity stock that we may issue in the future with respect to payment of dividends and amounts upon our liquidation, dissolution or winding up. While any shares of Series A Preferred Stock are outstanding, we may not authorize or create, or increase the authorized number of shares of, any class or series of stock that ranks senior to the Series A Preferred Stock with respect to

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the payment of dividends or amounts upon our liquidation, dissolution or winding up without the affirmative vote of two-thirds of the votes entitled to be cast by holders of outstanding shares of Series A Preferred Stock, voting together as a single class with the holders of any other class or series of parity preferred stock upon which like voting rights have been conferred and are exercisable. However, we may, among other things, create additional classes or series of stock, amend our charter to increase the authorized number of shares of common or preferred stock or create or issue shares of a class or series of preferred stock ranking on parity with the Series A Preferred Stock with respect, in each case, to the payment of dividends and amounts upon our liquidation, dissolution or winding up, or Parity Stock, without the consent of any holder of Series A Preferred Stock. See [Voting Rights](#) below for a discussion of the voting rights applicable if we seek to create any class or series of preferred stock senior to the Series A Preferred Stock.

Dividends

Holders of Series A Preferred Stock will be entitled to receive, when, as and if authorized by our Board of Directors and declared by us, out of funds legally available for payment of distributions, cumulative cash dividends at the rate of 8.625% per annum per share of its liquidation preference (equivalent to \$2.15625 per annum per share of Series A Preferred Stock).

Dividends on each share of Series A Preferred Stock will be cumulative from the date of original issue and are payable quarterly in arrears on or about the 15th day of each January, April, July and October, commencing on or about October 15, 2012, at the then applicable annual rate; provided, however, that if any dividend payment date falls on any day other than a business day, as defined in the Articles Supplementary, the dividend due on such dividend payment date will be paid on the first business day immediately following such dividend payment date, without interest from the dividend payment date. Each dividend is payable to holders of record as they appear on our stock records at the close of business on the record date, not exceeding 30 days preceding the payment dates thereof as fixed by our Board of Directors. Dividends are cumulative from the date of original issue or the most recent dividend payment date to which dividends on the Series A Preferred Stock have been paid, whether or not in any dividend period or periods there shall be funds of ours legally available for the payment of such dividends, whether we have earnings or whether such dividends are authorized by our Board of Directors. Accumulations of dividends on the Series A Preferred Stock will not bear interest and holders of the Series A Preferred Stock will not be entitled to any dividends in excess of full cumulative dividends. Dividends payable on the Series A Preferred Stock for any period greater or less than a full dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends payable on the Series A Preferred Stock for each full dividend period will be computed by dividing the annual dividend rate by four.

No dividend may be declared and paid or set apart for payment on any Parity Stock unless full cumulative dividends have been declared and paid or are contemporaneously declared and funds sufficient for payment are set aside on the Series A Preferred Stock for all prior full dividend periods; provided, however, that if accrued dividends on the Series A Preferred Stock for all prior full dividend periods have not been paid in full or a sum sufficient for such payment is not set apart, then any dividend declared on the Series A Preferred Stock for any dividend period and on any Parity Stock must be declared and paid ratably in proportion to accrued and unpaid dividends on the Series A Preferred Stock and such Parity Stock. All dividends paid on the Series A Preferred Stock will be credited first to the earliest accrued and unpaid dividend.

We may not (i) pay or set apart funds for the payment of any dividend or other distribution with respect to any Junior Stock (other than dividends or distributions paid solely in Junior Stock, or in options, warrants or rights to subscribe for or purchase Junior Stock, or distributions required to preserve our qualification as a REIT) or (ii) redeem, purchase or otherwise acquire for consideration any Junior Stock through a sinking fund or otherwise (other than a redemption or purchase or other acquisition of shares of our common stock made for purposes of an employee incentive or benefit plan of our company or any subsidiary, a conversion into or exchange for Junior Stock or options, warrants or rights to subscribe for or purchase Junior Stock or redemptions or other acquisitions pursuant to the provisions of our charter (including the Articles Supplementary) relating to restrictions on the ownership and transfer of our stock intended to preserve our qualification as a REIT), unless,

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in either case, all cumulative dividends for all full prior dividend periods with respect to the Series A Preferred Stock outstanding at the time such dividends are payable have been paid or funds have been set apart for payment of such dividends.

Our Board of Directors may not authorize and we may not declare, pay or set apart funds for the payment of any dividend or other distribution (other than distributions required to preserve our qualification as a REIT) at any time the terms of any agreement of ours, including any agreement relating to our indebtedness, prohibits such authorization, declaration, payment or setting apart for payment or provides that such authorization, declaration, payment or setting apart for payment would constitute a breach or default under such agreement, or if such authorization, declaration, payment or setting apart for payment is restricted or prohibited by law.

As used herein, the term *Junior Stock* means our common stock, and any other class or series of our stock now or hereafter issued and outstanding that ranks junior to the Series A Preferred Stock as to the payment of dividends or amounts upon our liquidation, dissolution and winding up.

Optional Redemption and Special Optional Redemption

Optional Redemption

We may not redeem the Series A Preferred Stock prior to August 1, 2017, except in certain limited circumstances relating to the provisions of our charter (including the Articles Supplementary) relating to restrictions on the ownership and transfer of our stock intended to preserve our qualification as a REIT or in connection with our special optional redemption right to redeem Series A Preferred Stock upon a Change of Control (as defined under *Conversion Rights Definitions* below). For further information regarding these exceptions, see *Special Optional Redemption and Restrictions on Ownership and Transfer* below and *Description of Common Stock Restrictions on Ownership and Transfer* in the accompanying prospectus. On or after August 1, 2017, we, at our option, upon not less than 30 nor more than 60 days written notice, may redeem the Series A Preferred Stock, in whole, at any time, or in part, from time to time, for cash at a redemption price of \$25.00 per share, plus all accrued and unpaid dividends thereon (whether or not declared) to, but not including, the date fixed for redemption, unless the applicable redemption date is after the record date fixed for a Series A Preferred Stock dividend and prior to the corresponding dividend payment date, in which case no additional amount for such accrued and unpaid dividend will be included in the redemption price.

Special Optional Redemption

Upon the occurrence of a Change of Control (as defined under *Conversion Rights Definitions* below), we will have the option to redeem the Series A Preferred Stock, in whole, at any time, or in part, from time to time, within 120 days after the date on which such Change of Control has occurred for cash at a redemption price of \$25.00 per share, plus any accrued and unpaid dividends (whether or not declared) to, but not including, the redemption date, unless the applicable redemption date is after the record date fixed for a Series A Preferred Stock dividend and prior to the corresponding dividend payment date, in which case no additional amount for such accrued and unpaid dividend will be included in the redemption price. If we exercise our special optional redemption right in connection with a Change of Control before the applicable conversion date, you will not have the Change of Control Conversion Right described below with respect to any shares of Series A Preferred Stock called for redemption.

General Provisions Applicable to Redemptions

A notice of optional redemption (which may be contingent on the occurrence of a future event) or a notice of special optional redemption, as applicable, will be mailed, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, addressed to the holders of record of the Series A Preferred Stock at their

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addresses as they appear on our stock transfer records. A failure to give such notice or any defect in the notice or in its mailing will not affect the validity of the proceedings for the redemption of the shares of Series A Preferred Stock except as to the holder to whom notice was defective or not given. Each notice will state:

the redemption date;

the redemption price;

the number of shares of Series A Preferred Stock to be redeemed;

the place or places where the certificates, if any, representing the shares of Series A Preferred Stock are to be surrendered for payment;

whether the shares of Series A Preferred Stock are being redeemed pursuant to our special optional redemption right in connection with the occurrence of a Change of Control and, if so, a brief description of the transaction or transactions constituting such Change of Control;

if the shares of Series A Preferred Stock are being redeemed pursuant to our special optional redemption right in connection with the occurrence of a Change of Control, that the holders of shares of Series A Preferred Stock to which the notice relates will not be able to tender such shares of Series A Preferred Stock for conversion in connection with the Change of Control and each share of Series A Preferred Stock tendered for conversion that is selected, prior to the Change of Control Conversion Date, for redemption will be redeemed on the related date of redemption instead of converted on the Change of Control Conversion Date; and

that dividends on the shares of Series A Preferred Stock to be redeemed will cease to accrue on such redemption date.

If fewer than all the shares of Series A Preferred Stock held by any holder are to be redeemed, the notice mailed to such holder will also specify the number of shares of Series A Preferred Stock to be redeemed from such holder or the method for determining such number. If fewer than all of the outstanding shares of Series A Preferred Stock are to be redeemed, the shares to be redeemed shall be selected by lot or pro rata or by any other equitable method we may choose (including by electing to exercise our special optional redemption right only with respect to shares of the Series A Preferred Stock for which holders have exercised their Change of Control Conversion Right discussed below).

On the redemption date, we must pay on each share of Series A Preferred Stock to be redeemed any accrued and unpaid dividends (whether or not declared), to, but not including, the redemption date, unless a redemption date falls after the record date fixed for a Series A Preferred Stock dividend and prior to the corresponding dividend payment date, in which case, the holders of Series A Preferred Stock at the close of business on such record date will be entitled to receive the dividend payable on such shares on the corresponding dividend payment date, notwithstanding the redemption of such shares prior to such dividend payment date. Except as provided for in the preceding sentence, no payment or allowance will be made for unpaid dividends, whether or not in arrears, on any Series A Preferred Stock called for redemption.

If full cumulative dividends on the Series A Preferred Stock for all full prior dividend periods have not been paid or declared and set apart for payment, we may not purchase, redeem or otherwise acquire less than all of the outstanding shares of Series A Preferred Stock and any class or series of Parity Stock other than in exchange for Junior Stock or Parity Stock or in exchange for options, warrants or rights to subscribe for or purchase any Junior Stock or Parity Stock; provided, however, that the foregoing will not prevent a purchase or exchange offer made on the same terms to holders of all outstanding shares of Series A Preferred Stock and all classes and series of Parity Stock or the purchase or other acquisition by us of shares of our stock pursuant to the provisions of our charter (including the Articles Supplementary) relating to restrictions on

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the ownership and transfer of our stock intended to preserve our qualification as a REIT. See [Description of Common Stock](#) [Restrictions on Ownership and Transfer](#) in the accompanying prospectus and [Restrictions on Ownership and Transfer](#) below.

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On and after any date fixed for the redemption of shares of Series A Preferred Stock, provided that we have made available at the office of the registrar and transfer agent for the Series A Preferred Stock a sufficient amount of cash to effect the redemption of such shares, dividends will cease to accrue on the shares of Series A Preferred Stock called for redemption (except that, in the case of a redemption date that is after the record date fixed for a Series A Preferred Stock dividend and prior to the related dividend payment date, holders of Series A Preferred Stock on the dividend payment record date will be entitled on such dividend payment date to receive the dividend payable on such shares on the corresponding dividend payment date), such shares will no longer be deemed to be outstanding and all rights of the holders of such shares as holders of Series A Preferred Stock will cease except the right to receive the cash payable upon such redemption, without interest from the date of such redemption.

Liquidation Preference

The holders of Series A Preferred Stock will be entitled to receive in the event of any liquidation, dissolution or winding up of our company, whether voluntary or involuntary, \$25.00 per share of Series A Preferred Stock, which we refer to in this prospectus supplement as the Liquidation Preference, plus an amount per share of Series A Preferred Stock equal to all dividends (whether or not earned or declared) accrued and unpaid thereon to, but not including, the date of final distribution to such holders.

Until the holders of Series A Preferred Stock have been paid the Liquidation Preference and all accrued and unpaid dividends in full (whether or not earned or declared) to, but not including, the date of final distribution to such holders, no payment will be made to any holder of Junior Stock (other than dividends or distributions paid solely in Junior Stock, or in options, warrants or rights to subscribe for or purchase Junior Stock) upon the liquidation, dissolution or winding up of our company. If, upon any liquidation, dissolution or winding up of our company, our assets, or the proceeds thereof, distributable among the holders of the Series A Preferred Stock are insufficient to pay the full amount due to the holders of Series A Preferred Stock and any class or series of Parity Stock, then such assets, or the proceeds thereof, will be distributed among the holders of Series A Preferred Stock and any such other Parity Stock ratably in accordance with the respective amounts which would be payable on such shares of Series A Preferred Stock and any such other class or series Parity Stock if all amounts payable thereon were paid in full. None of (i) a consolidation or merger of our company with one or more entities, (ii) a statutory stock exchange by our company or (iii) a sale or transfer of all or substantially all of our assets will be considered a liquidation, dissolution or winding up, voluntary or involuntary, of our company. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Series A Preferred Stock will have no right or claim to any of the remaining assets of our company.

Voting Rights

Except as described below, the holders of Series A Preferred Stock will have no voting rights.

If and whenever six quarterly dividends (whether or not consecutive) payable on the Series A Preferred Stock are in arrears, whether or not declared, the number of our directors will be increased automatically by two (unless the number of our directors has previously been so increased pursuant to the terms of any class or series of Parity Stock upon which like voting rights have been conferred and are exercisable (any such other series, the Voting Preferred Stock) and with which the holders of Series A Preferred Stock are entitled to vote together as a single class in the election of such directors) and the holders of Series A Preferred Stock, voting together as a single class with the holders of the Series A Preferred Stock and any other class or series of Voting Preferred Stock with which the holders of Series A Preferred Stock are entitled to vote together as a single class in the election of such directors, will have the right to elect two additional directors of our company, or the Preferred Stock Directors, at any annual meeting of stockholders or properly called special meeting of the holders of the Series A Preferred Stock, until all such dividends and dividends for the then current quarterly period on the Series A Preferred Stock have been paid or declared and set aside for payment. Whenever all such dividends on the shares of Series A Preferred Stock then outstanding have been paid and full dividends on the Series A Preferred Stock for the then-current quarterly dividend period have been paid in full or declared and set apart for

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payment in full, then the right of the holders of the Series A Preferred Stock to elect the Preferred Stock Directors will cease and, unless there remain outstanding shares of Voting Preferred Stock of any class or series for which the right to vote in the election of Preferred Stock Directors remains exercisable, the terms of office of the Preferred Stock Directors will terminate automatically and the number of our directors will be reduced accordingly and automatically. However, the right of the holders of the Series A Preferred Stock to elect the Preferred Stock Directors will again vest if and whenever dividends are in arrears for six new quarterly periods, as described above. In no event will the holders of Series A Preferred Stock be entitled to nominate or elect a director if such individual's election as a director would cause us to fail to satisfy a requirement relating to director independence of any national securities exchange on which any class or series of our stock is listed. In class votes with other Voting Preferred Stock, preferred stock of different series shall vote in proportion to the liquidation preference of the preferred stock.

In addition, the approval of at least two-thirds of the votes entitled to be cast by the holders of outstanding shares of Series A Preferred Stock, voting together as a single class with the holders of all outstanding shares of Parity Stock of any class or series upon which like voting rights have been conferred and with which holders of Series A Preferred Stock are entitled to vote together as a single class on such matters, is required (i) to amend, alter or repeal any provisions of our charter (including the Articles Supplementary), whether by merger, consolidation or otherwise, to affect materially and adversely the voting powers, rights or preferences of the Series A Preferred Stock unless, in connection with any such amendment, alteration or repeal, the Series A Preferred Stock remains outstanding without the terms thereof being materially and adversely changed or is converted into or exchanged for equity securities of the surviving entity having preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption that are substantially similar to those of the Series A Preferred Stock (taking into account that we may not be the surviving entity), or (ii) to authorize, create, or increase the authorized number of shares of any class or series of stock having rights senior to the Series A Preferred Stock with respect to the payment of dividends or amounts upon our liquidation, dissolution or winding up (provided that if such amendment does not affect equally the rights, preferences, privileges or voting powers of one or more class or series of Parity Stock with which holders of Series A Preferred Stock are entitled to vote together as a single class, the consent of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock is required). In addition, the voting powers, rights or preferences of the Series A Preferred Stock will not be deemed to be materially and adversely affected by, and the holders of shares of Series A Preferred Stock will not be entitled to vote with respect to, any (A) amendment to our charter increasing or decreasing the total number of authorized shares of stock of all classes and series, common stock, preferred stock without further designation as to class or series, Series A Preferred Stock or any other class or series of Parity Stock or Junior Stock, (B) issuance of shares of Series A Preferred Stock or shares of any class or series of Parity Stock or Junior Stock or (C) classification or reclassification of authorized but unissued shares of Series A Preferred Stock or any classification or reclassification of shares of any class or series of Parity Stock or Junior Stock.

Information Rights

During any period in which we are not subject to Section 13 or 15(d) of the Exchange Act and any shares of Series A Preferred Stock are outstanding, we will use our best efforts to (i) transmit by mail (or other permissible means under the Exchange Act) to all holders of Series A Preferred Stock, as their names and addresses appear in our record books and without cost to such holders, copies of the annual reports on Form 10-K and quarterly reports on Form 10-Q that we would have been required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act if we were subject thereto (other than any exhibits that would have been required) and (ii) promptly, upon request, supply copies of such reports to any prospective holder of Series A Preferred Stock. We will use our best efforts to mail (or otherwise provide) the information to the holders of Series A Preferred Stock within 15 days after the respective dates by which a periodic report on Form 10-K or Form 10-Q, as the case may be, in respect of such information would have been required to be filed with the SEC if we were subject to Section 13 or 15(d) of the Exchange Act, in each case, based on the dates on which we would be required to file such periodic reports if we were a non-accelerated filer within the meaning of the Exchange Act.

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Conversion Rights

Definitions

As used in the prospectus supplement, the following terms shall have the following meanings:

A **Change of Control** will be deemed to have occurred at such time after the original issuance of the Series A Preferred Stock when the following have occurred:

- (i) the acquisition by any person, including any syndicate or group deemed to be a person under Section 13(d)(3) of the Exchange Act, of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchases, mergers or other acquisition transactions of shares of our stock entitling that person to exercise more than 50% of the total voting power of all shares of our stock entitled to vote generally in elections of directors (except that such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); and
- (ii) following the closing of any transaction referred to in clause (i) above, neither we nor the acquiring or surviving entity has a class of common securities (or ADRs representing such securities) listed on the NYSE, the NYSE MKT or the NASDAQ, or listed on an exchange that is a successor to the NYSE, NYSE MKT or the NASDAQ.

The **Common Stock Price** will be (i) if the consideration to be received in the Change of Control by holders of our common stock is solely cash, the amount of cash consideration per share of common stock, (ii) if the consideration to be received in the Change of Control by holders of our common stock is other than solely cash, the average of the closing prices per share of common stock on the ten consecutive trading days immediately preceding, but not including, the effective date of the Change of Control, and (iii) if there is not a readily determinable closing price for the common stock or Alternative Form Consideration (as defined below), the fair market value of our common stock or such Alternative Form Consideration (as determined by our Board of Directors or a committee thereof).

Conversion

Upon the occurrence of a Change of Control, each holder of Series A Preferred Stock will have the right, subject to our redemption rights and subject to the restrictions on ownership and transfer of our stock contained in our charter, to convert some or all of the shares of Series A Preferred Stock held by such holder, or the Change of Control Conversion Right, on the relevant Change of Control Conversion Date (as defined below) into a number of shares of our common stock per share of Series A Preferred Stock to be converted, or the Common Stock Conversion Consideration, equal to the lesser of (A) the quotient obtained by dividing (i) the sum of (x) \$25.00, plus (y) an amount equal to any accrued and unpaid dividends (whether or not declared) to, but not including, the Change of Control Conversion Date, except if such Change of Control Conversion Date is after a record date fixed for a Series A Preferred Stock dividend and prior to the corresponding Series A Preferred Stock dividend payment date, in which case, no amount for such accrued and unpaid dividend will be included in such sum, by (ii) the Common Stock Price, and (B) 3.012, which is the Share Cap.

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The Share Cap is subject to pro rata adjustments for any stock splits (including those effected pursuant to a common stock dividend), subdivisions or combinations (in each case, a Share Split) with respect to our common stock as follows: the adjusted Share Cap as the result of a Share Split will be the number of shares of our common stock that is equivalent to the product of (i) the Share Cap in effect immediately prior to such Share Split multiplied by (ii) a fraction, the numerator of which is the number of shares of our common stock outstanding after giving effect to such Share Split and the denominator of which is the number of shares of our common stock outstanding immediately prior to such Share Split.

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For the avoidance of doubt, subject to the immediately succeeding sentence, the aggregate number of shares of our common stock (or equivalent Alternative Conversion Consideration (as defined below), as applicable) issuable in connection with the exercise of the Change of Control Conversion Right will not exceed 9,036,000 shares of common stock (or equivalent Alternative Conversion Consideration, as applicable), subject to increase to the extent the underwriters' option to purchase additional Series A Preferred Stock is exercised, not to exceed 10,391,400 shares of common stock in total (or equivalent Alternative Conversion Consideration, as applicable), or the Exchange Cap. The Exchange Cap is subject to pro rata adjustments if the number of authorized shares of Series A Preferred Stock increases after the Series A Original Issue Date or for any Share Splits with respect to our common stock as follows: the adjusted Exchange Cap as the result of a Share Split will be the number of shares of our common stock that is equivalent to the product of (i) the Exchange Cap in effect immediately prior to such Share Split multiplied by (ii) a fraction, the numerator of which is the number of shares of our common stock outstanding after giving effect to such Share Split and the denominator of which is the number of shares of our common stock outstanding immediately prior to such Share Split.

In the case of a Change of Control as a result of which holders of our common stock are entitled to receive consideration other than solely shares of our common stock, including cash, other securities, other property or assets (or any combination thereof), with respect to or in exchange for shares of our common stock, or the Alternative Form Consideration, a holder of Series A Preferred Stock will be entitled thereafter to receive upon conversion of such shares of Series A Preferred Stock the kind and amount of Alternative Form Consideration which the holder of Series A Preferred Stock would have owned or been entitled to receive upon such Change of Control had such holder of Series A Preferred Stock held a number of shares of common stock equal to the Common Stock Conversion Consideration immediately prior to the effective time of the Change of Control (the Alternative Conversion Consideration, and the Common Stock Conversion Consideration or the Alternative Conversion Consideration, as may be applicable to a Change of Control, is referred to as the Conversion Consideration).

If the holders of our common stock have the opportunity to elect the form of consideration to be received in such Change of Control, the Conversion Consideration will be the kind and amount of consideration actually received by holders of a majority of the shares of our common stock that participated in such election (if electing between two types of consideration) or holders of a plurality of our common stock that voted for such an election (if electing between more than two types of consideration), as the case may be, and will be subject to any limitations to which all holders of our common stock are subject, including, without limitation, pro rata reductions applicable to any portion of the consideration payable in the Change of Control.

We will not issue fractional shares of common stock upon the conversion of the Series A Preferred Stock. Instead, we will pay the cash value of such fractional shares.

Within 15 days following the occurrence of a Change of Control, we will provide to holders of Series A Preferred Stock notice of the occurrence of the Change of Control that describes the resulting Change of Control Conversion Right. Any failure to give such notice or any defect in the notice or in its mailing will not affect the validity of the proceedings for the conversion of any shares of Series A Preferred Stock except as to the holder to whom notice was defective or not given. This notice will state the following:

the events constituting the Change of Control;

the date of the Change of Control;

the last date on which the holders of Series A Preferred Stock may exercise their Change of Control Conversion Right;

the method and period for calculating the Common Stock Price;

the Change of Control Conversion Date (defined below);

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that if, prior to the Change of Control Conversion Date, we have provided or we provide notice of our election to redeem all or any portion of the Series A Preferred Stock, the holder will not be able to convert any shares of Series A Preferred Stock called for redemption and such shares of Series A Preferred Stock will be redeemed on the related redemption date, even if they have already been tendered for conversion;

if applicable, the type and amount of Alternative Conversion Consideration entitled to be received per share of Series A Preferred Stock;

the name and address of the paying agent and the conversion agent;

the procedures that the holders of Series A Preferred Stock must follow to exercise the Change of Control Conversion Right; and

the last date on which holders of Series A Preferred Stock may withdraw shares surrendered for conversion and the procedures that such holders must follow to effect such a withdrawal.

We will issue a press release for publication on the Dow Jones & Company, Inc., Business Wire, PR Newswire, Marketwire or Bloomberg Business News (or, if such organizations are not in existence at the time of issuance of such press release, such other news or press organization as is reasonably calculated to broadly disseminate the relevant information to the public), or post notice on our website, in any event prior to the opening of business on the first business day following any date on which we provide the notice described above to the holders of Series A Preferred Stock.

In order to exercise the Change of Control Conversion Right, a holder of Series A Preferred Stock will be required to deliver, on or before the close of business on the Change of Control Conversion Date, the certificates (if any) representing the shares of Series A Preferred Stock to be converted, duly endorsed for transfer, together with a written conversion notice completed, to our transfer agent. The conversion notice must state:

the relevant Change of Control Conversion Date;

the number of shares of Series A Preferred Stock to be converted; and

that the shares of Series A Preferred Stock are to be converted pursuant to the applicable provisions of the Series A Preferred Stock.

The Change of Control Conversion Date will be a business day that is no less than 20 days nor more than 35 days after the date on which we provide the notice described above to the holders of Series A Preferred Stock.

Holders of Series A Preferred Stock may withdraw any notice of exercise of a Change of Control Conversion Right (in whole or in part) by a written notice of withdrawal delivered to our transfer agent prior to the close of business on the business day prior to the Change of Control Conversion Date. The notice of withdrawal must state:

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the number of withdrawn shares of Series A Preferred Stock;

if certificated shares of Series A Preferred Stock have been issued, the certificate numbers of the withdrawn shares of Series A Preferred Stock; and

the number of shares of Series A Preferred Stock, if any, which remain subject to the conversion notice.

Notwithstanding the foregoing, if the shares of Series A Preferred Stock are held in global form, the conversion notice and/or the notice of withdrawal, as applicable, must comply with applicable procedures of The Depository Trust Company, or DTC.

Shares of Series A Preferred Stock as to which the Change of Control Conversion Right has been properly exercised and for which the conversion notice has not been properly withdrawn will be converted into the applicable Conversion Consideration in accordance with the Change of Control Conversion Right on the Change of Control Conversion Date, unless, prior to the Change of Control Conversion Date, we have provided or we

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provide notice of our election to redeem such shares of Series A Preferred Stock. If the Change of Control Conversion date is after a record date fixed for a Series A Preferred Stock dividend and prior to the corresponding dividend payment date, the holders of Series A Preferred Stock at the close of business on such record date will be entitled to receive the dividend payable on such shares on the corresponding dividend payment date, notwithstanding the conversion of such shares prior to such dividend date.

In connection with the exercise of any Change of Control Conversion Right, we will comply with all U.S. federal and state securities laws and stock exchange rules in connection with any conversion of Series A Preferred Stock into common stock. Notwithstanding any other provision of the Series A Preferred Stock, no holder of the Series A Preferred Stock will be entitled to convert such Series A Preferred Stock for our common stock to the extent that receipt of such common stock would cause such holder (or any other person) to exceed the stock ownership limits contained in our charter. See Description of Common Stock Restrictions on Ownership and Transfer in the accompanying prospectus and Restrictions on Ownership and Transfer below.

These Change of Control conversion and redemption features may make it more difficult for, or discourage, a third party from taking over our company. See Risk Factors. Instead, the Change of Control conversion and redemption features are a result of negotiations between us and the underwriters.

Restrictions on Ownership and Transfer

Our charter contains, and the Articles Supplementary will contain, restrictions on the ownership and transfer of the Series A Preferred Stock that are intended to assist us in complying with the requirements for qualification as a REIT. The relevant sections of the Articles Supplementary will provide that, subject to the exceptions described below, no person or entity may beneficially own, or be deemed to own by virtue of the applicable constructive ownership provisions of the Internal Revenue Code, more than 9.8% (in value or in number of shares, whichever is more restrictive) of the outstanding shares of the Series A Preferred Stock, or the Series A Preferred Stock Ownership Limit. A person or entity who, but for the transfer to a trust described below, would have been beneficial or constructive and, if appropriate in the context, the record owner of the Series A Preferred Stock, is referred to as a purported owner.

Our Board of Directors may, in its sole discretion, waive the Series A Preferred Stock ownership limit (prospectively or retroactively) with respect to a particular stockholder if:

our Board of Directors obtains such representations and undertakings from such stockholder as are reasonably necessary to ascertain that no individual's beneficial or constructive ownership of our stock will result in our being closely held under Section 856(h) of the Internal Revenue Code or otherwise failing to qualify as a REIT;

such stockholder provides our Board of Directors with information including, to the extent necessary, representations and undertakings satisfactory to our Board of Directors in its reasonable discretion that demonstrates that such stockholder does not and will not own, actually or constructively, an interest in a tenant of ours (or a tenant of any entity owned or controlled by us) that would cause us to own, actually or constructively, more than a 9.9% interest (as set forth in Section 856(d)(2)(B) of the Internal Revenue Code) in such tenant (or our Board of Directors determines that revenue derived from such tenant will not affect our ability to qualify as a REIT); and

such stockholder agrees that any violation or attempted violation of such representations or undertakings may result in such stockholder's shares of Series A Preferred Stock being automatically transferred to a charitable trust.

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As a condition of its waiver, our Board of Directors may require the applicant to submit such information as the Board of Directors may reasonably need to make the determination regarding our REIT qualification and an

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opinion of counsel or Internal Revenue Service ruling satisfactory to our Board of Directors with respect to our REIT qualification and may impose such conditions and restrictions as it deems appropriate in connection with granting such an exception.

In connection with the waiver of the Series A Preferred Stock ownership limit or at any other time, our Board of Directors may from time to time increase or decrease the Series A Preferred Stock ownership limit for all other persons and entities; provided, however, that any decreased Series A Preferred Stock ownership limit will not be effective for any stockholder whose percentage ownership of Series A Preferred Stock is in excess of such decreased Series A Preferred Stock ownership limit at the time such limit is decreased, until such time as such stockholder's percentage of ownership of Series A Preferred Stock equals or falls below the decreased Series A Preferred Stock ownership limit, but any further acquisition of Series A Preferred Stock will be in violation of the reduced Series A Preferred Stock Ownership Limit; and the Series A Preferred Stock ownership limit may not be increased if, after giving effect to such increase, five or fewer individuals (including certain entities) could beneficially own or constructively own, in the aggregate, more than 49.9% in value of the shares of our stock then outstanding. Prior to any increase or decrease of the Series A Preferred Stock ownership limit, our Board of Directors may require such opinions of counsel, affidavits, undertakings or agreements as it may deem necessary or advisable in order to determine or ensure our status as a REIT.

Any person who acquires or attempts or intends to acquire beneficial or constructive ownership of shares of Series A Preferred Stock that will or may violate any of the foregoing restrictions on ownership and transfer must give written notice immediately to us or, in the case of an attempted or proposed transaction, give us at least 15 days prior written notice, and provide us with such other information as we may request in order to determine the effect of such transfer on our qualification as a REIT. The foregoing restrictions on ownership and transfer will not apply if our Board of Directors determines that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT.

If any transfer of shares of Series A Preferred Stock or other event occurs which, if effective, would result in any person beneficially or constructively owning shares of Series A Preferred Stock in excess or in violation of the above transfer or ownership limitations, then that number of shares of Series A Preferred Stock, the beneficial or constructive ownership of which otherwise would cause such person to violate such limitations (rounded up to the nearest whole share), will be deemed to be transferred to a trust for the exclusive benefit of one or more charitable beneficiaries, and the purported owner will not acquire any rights in such shares of Series A Preferred Stock. The automatic transfer will be deemed to be effective as of the close of business on the business day prior to the date of the violative transfer or other event that results in a transfer to the trust. Any dividend or other distribution paid to the purported owner, prior to our discovery that the shares had been automatically transferred to a trust as described above, must be repaid to the trustee upon demand for distribution to the beneficiary of the trust. The Articles Supplementary will provide that, if the transfer to the trust as described above is not automatically effective, for any reason, to prevent violation of the Series A Preferred Stock Ownership Limit or as otherwise permitted by our Board of Directors, then the transfer of that number of shares of Series A Preferred Stock that otherwise would cause a person to violate the Series A Preferred Stock Ownership Limit will be void.

Shares of Series A Preferred Stock transferred to the trustee are deemed to be offered for sale to us, or our designee, at a price per share equal to the lesser of (1) the price per share paid for the shares (or, if the event which resulted in the transfer to the trust did not involve a purchase of such shares of Series A Preferred Stock at market price, the last reported sales price on the NYSE on the day of the event which resulted in the transfer of such shares of Series A Preferred Stock to the trust) and (2) the market price on the date we accept, or our designee accepts, such offer. We may reduce the amount payable to the purported owner by the amount of dividends and other distributions which have been paid to the purported owner and are owed by the purported owner to the trustee, as discussed above. We have the right to accept such offer until the trustee has sold the shares of Series A Preferred Stock held in the trust pursuant to the clauses discussed below. Upon a sale to us, the interest of the charitable beneficiary in the shares sold terminates and the trustee must distribute the net proceeds of the sale to the purported owner, and any dividends or other distributions held by the trustee with respect to such Series A Preferred Stock will be paid to the charitable beneficiary.

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If we do not buy the shares, the trustee must, within 20 days of receiving notice from us of the transfer of shares to the trust, sell the shares to a person or entity designated by the trustee who could own the shares without violating the Series A Preferred Stock Ownership Limit. After that, the trustee must distribute to the purported owner an amount equal to the lesser of (1) the price paid by the purported owner for the shares (or, if the event which resulted in the transfer to the trust did not involve a purchase of such shares at market price, the last reported sales price on the NYSE on the date of such event) and (2) the sales proceeds (net of commissions and other expenses of sale) received by the trust for the shares. The purported owner has no rights in the shares held by the trustee.

The trustee shall be designated by us and shall be unaffiliated with us and with any purported owner. Prior to the sale of any shares by the trust, the trustee will receive, in trust for the beneficiary, all dividends and other distributions paid by us with respect to the shares held in trust, and may also exercise all voting rights with respect to such shares.

Any beneficial owner or constructive owner of shares of Series A Preferred Stock and any person or entity (including the stockholder of record) who is holding shares of Series A Preferred Stock for a beneficial owner or constructive owner must within 30 days after the end of each taxable year, provide us with a completed questionnaire containing the information regarding their ownership of such shares, as set forth in the applicable Treasury Regulations. In addition, any person or entity that is a beneficial owner or constructive owner of shares of Series A Preferred Stock and any person or entity (including the stockholder of record) who is holding shares of Series A Preferred Stock for a beneficial owner or constructive owner shall, on request, be required to disclose to us in writing such information as we may request in order to determine the effect, if any, of such stockholder's actual and constructive ownership of shares of Series A Preferred Stock on our qualification as a REIT and to ensure compliance with the Series A Preferred Stock Ownership Limit.

In addition, as discussed in **Description of Common Stock** **Restrictions on Ownership and Transfer** in the accompanying prospectus, our charter generally prohibits any stockholder from beneficially or constructively owning more than 9.8% in value or in number of shares, whichever is more restrictive, of the outstanding shares of our common stock, or 9.8% in value or in number of shares, whichever is more restrictive, of the outstanding shares of our stock and imposes certain other restrictions on the ownership and transfer of our stock.

Our Board of Directors, in its sole discretion, may exempt a person from these ownership limits. However, our Board of Directors may not grant an exemption to any person unless our Board of Directors obtains such representations, covenants and understandings as our Board of Directors may deem appropriate in order to determine that granting the exemption would not result in our losing our qualification as a REIT. As a condition of granting the exemption, our Board of Directors may require a ruling from the Internal Revenue Service or an opinion of counsel in either case in form and substance satisfactory to our Board of Directors, in its sole discretion in order to determine or ensure our qualification as a REIT. Our Board of Directors has established exemptions from the common stock ownership limit which permit Apollo and certain of its affiliates to collectively hold up to 25% of our common stock and certain institutional investors and certain of their specified affiliates to collectively hold up to 15% of our common stock.

Listing

We intend to file an application to list the Series A Preferred Stock on the NYSE under the symbol **ARIPrA**. We expect trading of the shares of Series A Preferred Stock on the NYSE, if listing is approved, to commence within 30 days after the date of initial delivery of the shares. See **Underwriting** for a discussion of the expected trading of the Series A Preferred Stock on the NYSE.

Book-Entry Procedures

The Depository Trust Company, which we refer to herein as DTC, will act as securities depository for the Series A Preferred Stock. We will issue one or more fully registered global securities certificates in the name of

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DTC's nominee, Cede & Co. These certificates will represent the total aggregate number of Series A Preferred Stock. We will deposit these certificates with DTC or a custodian appointed by DTC. We will not issue certificates to you for the Series A Preferred Stock that you purchase, unless DTC's services are discontinued as described below.

Title to book-entry interests in the Series A Preferred Stock will pass by book-entry registration of the transfer within the records of DTC in accordance with their respective procedures. Book-entry interests in the securities may be transferred within DTC in accordance with procedures established for these purposes by DTC.

Each person owning a beneficial interest in the Series A Preferred Stock must rely on the procedures of DTC and the participant through which such person owns its interest to exercise its rights as a holder of the Series A Preferred Stock.

DTC has advised us that it is a limited-purpose trust company organized under the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered under the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants, referred to as Direct Participants, deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly, referred to as Indirect Participants. The rules applicable to DTC and its Direct and Indirect Participants are on file with the SEC.

When you purchase the Series A Preferred Stock within the DTC system, the purchase must be by or through a Direct Participant. The Direct Participant will receive a credit for the Series A Preferred Stock on DTC's records. You, as the actual owner of the Series A Preferred Stock, are the beneficial owner. Your beneficial ownership interest will be recorded on the Direct and Indirect Participants' records, but DTC will have no knowledge of your individual ownership. DTC's records reflect only the identity of the Direct Participants to whose accounts Series A Preferred Stock are credited.

You will not receive written confirmation from DTC of your purchase. The Direct or Indirect Participants through whom you purchased the Series A Preferred Stock should send you written confirmations providing details of your transactions, as well as periodic statements of your holdings. The Direct and Indirect Participants are responsible for keeping an accurate account of the holdings of their customers such as you.

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