LADDER CAPITAL

Ladder Capital Corp

February 23, 2017

Reconciliation of Non-GAAP Financial Measures for the Quarter and Year Ended December 31, 2016

We present Core Earnings, Core EPS, and After-Tax Core Return on Average Equity ("After-Tax Core ROAE"), which are non-GAAP financial measures, as supplemental measures of our performance. We believe Core Earnings, Core EPS and After-Tax Core ROAE assist investors in comparing our performance across reporting periods on a consistent basis by excluding non-cash expenses and unrecognized results from derivatives and Agency interest-only securities, which we believe makes comparisons across reporting periods more relevant by eliminating timing differences related to changes in the values of assets and derivatives. In addition, we use Core Earnings, Core EPS and After-Tax Core ROAE: (i) to evaluate our earnings from operations and (ii) because management believes that it may be a useful performance measure for us. Core Earnings is also used as a factor in determining the annual incentive compensation of our senior managers and other employees.

We consider the Class A common shareholders of the Company and limited partners of Ladder Capital Finance Holdings LLLP other than Ladder Capital Corp ("Continuing LCFH Limited Partners") to have fundamentally equivalent interests in our pre-tax earnings and net income. Accordingly, for purposes of computing Core Earnings, Core EPS and After-Tax Core ROAE, we start with pre-tax earnings or net income and adjust for other noncontrolling interest in consolidated joint ventures but we do not adjust for amounts attributable to noncontrolling interest held by Continuing LCFH Limited Partners.

Core Earnings

We define Core Earnings as income before taxes adjusted to exclude (i) real estate depreciation and amortization, (ii) the impact of derivative gains and losses related to the hedging of assets on our balance sheet as of the end of the specified accounting period, (iii) unrealized gains/(losses) related to our investments in Agency interest-only securities, (iv) the premium (discount) on mortgage loan financing and the related amortization of premium (discount) on mortgage loan financing recorded during the period, (v) non-cash stock-based compensation and (vi) certain one-time transactional items.

We do not designate derivatives as hedges to qualify for hedge accounting and therefore any net payments under, or fluctuations in the fair value of, our derivatives are recognized currently in our income statement. However, fluctuations in the fair value of the related assets are not included in our income statement. We consider the gain or loss on our hedging positions related to assets that we still own as of the reporting date to be “open hedging positions.” While recognized for GAAP purposes, we exclude the results on the hedges from Core Earnings until the related asset is sold and the hedge position is considered “closed,” whereupon they would then be included in Core Earnings in that period. These are reflected as “Adjustments for unrecognized derivative results” for purposes of computing Core Earnings for the period. We believe that excluding these specifically identified gains and losses associated with the open hedging positions adjusts for timing differences between when we recognize changes in the fair values of our assets and changes in the fair value of the derivatives used to hedge such assets.

Our investments in Agency interest-only securities are recorded at fair value with changes in fair value recorded in current period earnings. We believe that excluding these specifically identified gains and losses associated with the Agency interest-only securities adjusts for timing differences between when we recognize changes in the fair values of our assets. Set forth below is an unaudited reconciliation of Net Income to After-Tax Core Earnings:

	Three Months Ended December 31,		Year Ended December 31,	
	2016	2015	2016	2015
	($ in thousands)			
Net income (loss)	$ 71,621	$ 56,676	$ 113,720	$ 146,134
Income tax expense (benefit)	773	$ 10,457	6,320	14,557
Income (loss) before taxes	72,394	67,133	120,040	160,691
Net (income) loss attributable to noncontrolling interest in consolidated joint ventures and operating partnership (GAAP) (1)	(306)	(2,146)	109	(1,568)
Our share of real estate depreciation, amortization and gain adjustments (2)	9,207	3,905	33,828	28,704
Adjustments for unrecognized derivative results (3)	(41,657)	(20,717)	(11,105)	(10,213)
Unrealized (gain) loss on Agency IO securities	85	611	56	1,249
Premium (discount) on mortgage loan financing, net of amortization	(509)	(982)	(482)	802
Non-cash stock-based compensation	5,512	2,338	19,039	10,277
One-time transactional adjustments	(90) (4)	—	(3,272) (4)	1,509 (5)
Core Earnings	**44,636**	**50,142**	**158,213**	**191,451**
Core estimated corporate tax benefit (expense) (6)	(4,202)	$ (6,189)	627	(10,884)
After-Tax Core Earnings	**$ 40,434**	**$ 43,953**	**$ 158,840**	**$ 180,567**

(1) Includes $7,639 and $29,036 of net income attributable to noncontrolling interest in consolidated joint ventures which are included in net (income) loss attributable to noncontrolling interest in operating partnership on the combined consolidated statements of income for the fourth quarter and year ended December 31, 2016, respectively.

(2) The following is a reconciliation of GAAP depreciation and amortization to our share of real estate depreciation, amortization and gain adjustments amounts presented in the computation of Core Earnings in the preceding table:

	Three Months Ended December 31,		Year Ended December 31,	
	2016	2015	2016	2015
	($ in thousands)			
Total GAAP depreciation and amortization	$ 10,658	$ 9,823	$ 39,447	$ 39,061
Less: Depreciation and amortization related to non-rental property fixed assets	(28)	(28)	(114)	(108)
Less: Non-controlling interest in consolidated joint ventures' share of accumulated depreciation and amortization	(726)	(675)	(2,519)	(2,830)
Our share of real estate depreciation and amortization	9,904	9,120	36,814	36,123
Realized gain from accumulated depreciation and amortization on real estate sold (see below)	(702)	(5,748)	(3,007)	(7,965)
Less: Non-controlling interests in consolidated joint ventures' share of accumulated depreciation and amortization on real estate sold	5	533	21	546
Our share of accumulated depreciation and amortization on real estate sold	(697)	(5,215)	(2,986)	(7,419)
Our share of real estate depreciation and amortization and gain adjustments	**$ 9,207**	**$ 3,905**	**$ 33,828**	**$ 28,704**

GAAP gains/losses on sales of real estate include the effects of previously recognized real estate depreciation and amortization. For purposes of Core Earnings, real estate depreciation and amortization are eliminated and, accordingly, the resultant gain/losses must also be adjusted. Following is a reconciliation of the related consolidated GAAP amounts to the amounts reflected in Core Earnings.

	Three Months Ended December 31,		Year Ended December 31,	
	2016	**2015**	**2016**	**2015**
	($ in thousands)			
GAAP realized gain on sale of real estate, net	$ 5,020	$ 19,039	$ 20,636	$ 40,386
Adjusted gain/loss on sale of real estate for purposes of Core Earnings	4,323	13,824	17,650	32,967
Our share of accumulated depreciation and amortization on real estate sold	**$ 697**	**$ 5,215**	**$ 2,986**	**$ 7,419**

(3) The following is a reconciliation of GAAP net results from derivative transactions to our hedging unrecognized result presented in the computation of Core Earnings in the preceding table:

	Three Months Ended December 31,		Year Ended December 31,	
	2016	**2015**	**2016**	**2015**
	($ in thousands)			
Net results from derivative transactions	$ 64,739	$ 15,657	$ (1,409)	$ (38,937)
Plus: Hedging interest expense	6,625	6,490	29,870	26,820
Plus: Hedging realized result	(29,707)	(1,430)	(17,356)	22,330
Adjustments for unrecognized derivative results	**$ 41,657**	**$ 20,717**	**$ 11,105**	**$ 10,213**

(4) We recorded an additional $0.1 million and $3.3 million income tax expense for the fourth quarter and year ended December 31, 2016, respectively, for a proposed tax settlement for pre-acquisition liabilities on certain corporate entities acquired in certain transactions effected immediately prior to our initial public offering. We also recorded other income of $0.1 million and $3.3 million for the fourth quarter and year ended December 31, 2016, respectively, relating to the expected recovery of these amounts pursuant to an indemnification. While these items are presented on a gross basis, there was no impact to either net income or core earnings. Accordingly, since pre-tax income excludes the tax effect but includes the recovery pursuant to indemnification, the recovery amount must also be excluded from Core Earnings.

(5) One-time transactional adjustment for costs related to restructuring the Company for REIT-related operations. All costs were expensed and accrued for in the period incurred.

(6) Core estimated corporate tax benefit (expense) based on effective tax rate applied to Core Earnings generated by the activity within our taxable REIT subsidiaries.

Core EPS

Core EPS is defined as After-Tax Core Earnings divided by the Adjusted weighted average shares outstanding (diluted) during the period. The Adjusted weighted average shares outstanding (diluted) is defined as the GAAP weighted average shares outstanding (diluted), adjusted for shares issuable upon conversion of all Class B shares, if excluded from the GAAP measure because they would have an anti-dilutive effect. The inclusion of shares issuable upon conversion of Class B shares is consistent with the inclusion of income attributable to noncontrolling interest in operating partnership in Core Earnings and After-Tax Core Earnings.

Set forth below is an unaudited reconciliation of Weighted average shares outstanding (diluted) to Adjusted weighted average shares outstanding (diluted):

	Three Months Ended December 31,		Year Ended December 31,	
	2016	2015	2016	2015
	(in thousands)			
Weighted average shares outstanding (diluted)	66,037	97,975	107,639	51,871
Weighted average shares issuable to converted Class B shareholders	42,582	—	—	45,933
Adjusted weighted average shares outstanding (diluted)	**108,619**	**97,975**	**107,639**	**97,804**

Set forth below is an unaudited computation of Core EPS:

	Three Months Ended December 31,		Year Ended December 31,	
	2016	2015	2016	2015
	($ in thousands, except per share data)			
After-Tax Core Earnings	$ 40,434	$ 43,953	$ 158,840	$ 180,567
Adjusted weighted average shares outstanding (diluted)	108,619	97,975	107,639	97,804
Core EPS	**$ 0.37**	**$ 0.45**	**$ 1.48**	**$ 1.85**

After-Tax Core ROAE

After-Tax Core ROAE is presented on an annualized basis and is defined as After-Tax Core Earnings divided by the average Total shareholders' equity and Noncontrolling interest in operating partnership during the period. The inclusion of Noncontrolling interest in operating partnership is consistent with the inclusion of income attributable to noncontrolling interest in operating partnership in After-Tax Core Earnings. Set forth below is an unaudited computation of After-Tax Core ROAE:

	Three Months Ended December 31,		Year Ended December 31,	
	2016	2015	2016	2015
	($ in thousands)			
After-Tax Core Earnings	$ 40,434	$ 43,953	$ 158,840	$ 180,567
Average shareholders' equity and NCI in operating partnership	1,500,134	1,488,864	1,486,772	1,498,268
After-Tax Core ROAE	**10.8%**	**11.8%**	**10.7%**	**12.1%**

Income from sales of securitized loans, net of hedging

We present income from sales of securitized loans, net of hedging, a non-GAAP financial measure, as a supplemental measure of the performance of our loan securitization business. Income from sales of securitized loans, net is a key component of our results. Since our loans sold into securitizations to date are comprised of long-term fixed-rate loans, the result of hedging those exposures prior to securitization represents a substantial portion of our securitization profitability. Therefore, we view these two components of our profitability together when assessing the performance of this business activity and find it a meaningful measure of the Company’s performance as a whole. When evaluating the performance of our sale of loans into securitization business, we generally consider the income from sales of securitized loans, net, in conjunction with other income statement items that are directly related to such securitization transactions, including portions of the realized net result from derivative transactions that are specifically related to hedges on the securitized or sold loans, which we reflect as hedge gain/(loss) related to loans securitized, a non-GAAP financial measure, in the table below.

Set forth below is an unaudited reconciliation of income from sale of securitized loans, net to income from sale of loans, net as reported in our combined consolidated financial statements included herein and an unaudited reconciliation of hedge gain/(loss) relating to loans securitized to net results from derivative transactions as reported in our combined consolidated financial statements:

	Three Months Ended December 31,		Year Ended December 31,	
	2016	2015	2016	2015
	($ in thousands, except number of loans and securitizations)			
Number of loans	44	57	104	210
Face amount of loans sold into securitizations	$ 663,798	$ 603,556	$ 1,327,856 (1)	$ 2,584,939
Number of securitizations	3	3	6	10
Income from sales of securitized loans, net (2)	$ (4,088)	$ 11,349	$ 23,098	$ 71,066
Hedge gain/(loss) related to loans securitized (3)	22,087	1,605	15,271	(6,475)
Income from sales of securitized loans, net of hedging	**$ 17,999**	**$ 12,954**	**$ 38,369**	**$ 64,591**

(1) Excludes one $21.7 million loan acquired from a third party and sold into a securitization at equal values.

(2) The following is a reconciliation of the non-GAAP financial measure of income from sales of securitized loans, net to income from sale of loans, net, which is the closest GAAP measure, as reported in our combined consolidated financial statements included herein:

	Three Months Ended December 31,		Year Ended December 31,	
	2016	2015	2016	2015
	($ in thousands)			
Income from sales of loans (non-securitized), net	$ (168)	$ —	$ 2,911	$ —
Income from sales of securitized loans, net	(4,088)	11,349	23,098	71,066
Income from sales of loans, net	**$ (4,256)**	**$ 11,349**	**$ 26,009**	**$ 71,066**

(3) The following is a reconciliation of the non-GAAP financial measure of hedge gain/(loss) related to loans securitized to net results from derivative transactions, which is the closest GAAP measure, as reported in our combined consolidated financial statements included herein:

	Three Months Ended December 31,		Year Ended December 31,	
	2016	2015	2016	2015
	($ in thousands)			
Hedge gain/(loss) related to lending and securities positions	$ 42,307	$ 14,052	$ (15,971)	$ (32,462)
Hedge gain/(loss) related to loans (non-securitized)	345	—	(709)	—
Hedge gain/(loss) related to loans securitized	22,087	1,605	15,271	(6,475)
Net results from derivative transactions	**$ 64,739**	**$ 15,657**	**$ (1,409)**	**$ (38,937)**

Cost of funds

We present Cost of funds, which is a non-GAAP financial measure, as a supplemental measure of the Company's cost of debt financing. We define Cost of funds as interest expense as reported on our combined consolidated statements of income adjusted to include the net interest expense component resulting from our hedging activities, which is currently included in net results from derivative transactions on our combined consolidated statements of income. Interest income, net of cost of funds, which is a non-GAAP financial measure, is defined as interest income, less Cost of funds.

Set forth below is an unaudited reconciliation of interest expense to Cost of funds:

	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015	Year Ended December 31, 2016	Year Ended December 31, 2015
	($ in thousands)			
Interest expense	$ (32,204)	$ (29,457)	$ (120,827)	$ (113,303)
Net interest expense component of hedging activities (1)	(6,625)	(6,490)	(29,870)	(26,820)
Cost of funds	**$ (38,829)**	**$ (35,947)**	**$ (150,697)**	**$ (140,123)**
Interest income	$ 60,721	$ 62,903	$ 236,372	$ 241,539
Cost of funds	(38,828)	(35,947)	(150,697)	(140,123)
Interest income, net of cost of funds	**$ 21,893**	**$ 26,956**	**$ 85,675**	**$ 101,416**

	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015	Year Ended December 31, 2016	Year Ended December 31, 2015
	($ in thousands)			
(1) Net result from derivative transactions	$ 64,739	$ 15,657	$ (1,409)	$ (38,937)
Plus: Hedging realized result				
Securitization	(22,087)	(1,605)	(15,272)	6,475
Loan activity	(2,940)	—	(1,884)	—
Security sales	(4,680)	175	(200)	15,855
Total Hedging realized result	(29,707)	(1,430)	(17,356)	22,330
Plus: Hedging unrecognized result	(41,657)	(20,717)	(11,105)	(10,213)
Net interest expense component of hedging activities	**$ (6,625)**	**$ (6,490)**	**$ (29,870)**	**$ (26,820)**

Net Revenues

We present Net Revenues, which is a non-GAAP financial measure, as a supplemental measure of the Company's performance, excluding operating expenses. We define Net Revenues as net interest income after provision for loan losses and total other income, which are both disclosed on the Company's combined consolidated statements of income. We present interest income on investments, net and income from sales of loans, net as a percent of Net Revenues to determine the impact of the net interest from our investments and the securitization activity on our Net Revenues.

	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015	Year Ended December 31, 2016	Year Ended December 31, 2015
	($ in thousands)			
Net interest income after provision for loan losses	$ 28,518	$ 33,297	$ 115,245	$ 127,636
Total other income (expense)	89,212	72,183	163,312	201,221
Net Revenues	**$ 117,730**	**$ 105,480**	**$ 278,557**	**$ 328,857**

Core gain on sale of loans

We present core gain on sale of loans, which is a non-GAAP financial measure, as a supplemental measure of the Company's performance. We define core gain on sale of loans as income from sales of loans net of the realized hedging result related to the hedging of loans sold. We believe core gain on sale of loans assists investors in comparing our performance across reporting periods on a consistent basis by eliminating timing differences related to changes in values of assets and derivatives.

Set forth below is an unaudited reconciliation of GAAP sale of loans, net to core gain on sale of loans:

	Three Months Ended December 31,		Year Ended December 31,	
	2016	2015	2016	2015
	($ in thousands)			
GAAP - Sale of loans, net	$ (4,256)	$ 11,349	$ 26,009	$ 71,066
Hedging realized result - securitization and loan activity	25,027	1,605	17,156	(6,475)
Core gain on sale of loans	**$ 20,771**	**$ 12,954**	**$ 43,165**	**$ 64,591**

Core gain on sale of securities

We present core gain on sale of securities, which is a non-GAAP financial measure, as a supplemental measure of the Company's performance. We define core gain on sale of loans as income from sales of securities net of the realized hedging result related to the hedging of securities sold. We believe core gain on sale of securities assists investors in comparing our performance across reporting periods on a consistent basis by eliminating timing differences related to changes in values of assets and derivatives.

Set forth below is an unaudited reconciliation of GAAP realized gain (loss) on securities to core gain on sale of securities:

	Three Months Ended December 31,		Year Ended December 31,	
	2016	2015	2016	2015
	($ in thousands)			
GAAP Gain (loss) on securities	$ (1,800)	$ 327	$ 7,724	$ 24,007
Plus: GAAP - Other than temporary impairment included in Gain (loss) on securities	59	—	643	1,602
Hedging realized result - security sales	4,680	(175)	200	(15,855)
Core gain on sales of securities	**$ 2,939**	**$ 152**	**$ 8,567**	**$ 9,754**

Net rental income

We present net rental income, which is a non-GAAP financial measure, as a supplemental measure of the Company's performance. We define net rental income as the total of operating lease income and tenant recoveries, less real estate operating expenses, all of which are disclosed on the Company's consolidated statements of income. We present net rental income as a measure of the recurring income from our real estate investments before non-recurring items such as gains on sale or fee income, which we believe assists investors in analyzing our performance across reporting periods.

	Three Months Ended December 31,		Year Ended December 31,	
	2016	2015	2016	2015
	($ in thousands)			
Operating lease income	19,432	20,258	77,277	80,466
Plus: Tenant recoveries	2,113	2,024	5,957	9,907
Less: Real estate operating expenses	(7,340)	(7,909)	(29,953)	(35,884)
Net rental income	**$ 14,205**	**$ 14,373**	**$ 53,281**	**$ 54,489**

Undepreciated book value per share

We present Undepreciated book value per share, which is a non-GAAP financial measure, as a supplemental measure of our financial condition. We believe Undepreciated book value per share assists investors in comparing our financial condition across reporting periods on a consistent basis by excluding accumulated depreciation on real estate, which implicitly assumes that the value of our real estate diminishes in value predictably over time, whereas real estate values have historically risen or fallen with market conditions.

We consider the Class A common shareholders of the Company and Continuing LCFH Limited Partners to have fundamentally equivalent interests in our pre-tax earnings and net income. Accordingly, when calculating Undepreciated book value per share we include Total shareholders' equity and the noncontrolling interest held by Continuing LCFH Limited Partners but exclude noncontrolling interest in consolidated joint ventures.

We define Undepreciated book value per share as the sum of Total shareholders' equity, Noncontrolling interest in operating partnership, and Our share of accumulated real estate depreciation and amortization, divided by the total Class A and Class B shares outstanding. Set forth below is an unaudited reconciliation of Total shareholders' equity to Undepreciated book value, and an unaudited computation of Undepreciated book value per share:

	December 31, 2016	December 31, 2015
	($ in thousands, except per share data)	
Total shareholders' equity	$ 971,390	$ 828,215
Noncontrolling interest in operating partnership	533,246	657,380
Our share of accumulated real estate depreciation and amortization (1)	112,606	76,473
Undepreciated book value	1,617,242	1,562,068
Class A shares outstanding	71,586	55,210
Class B shares outstanding	38,002	44,056
Total shares outstanding	109,588	99,266
GAAP book value per share	**$ 13.57**	**$ 15.00**
Undepreciated book value per share	**$ 14.76**	**$ 15.74**

(1) The following is a reconciliation of GAAP Accumulated real estate depreciation and amortization to Our share of accumulated real estate depreciation and amortization presented in the computation of Undepreciated book value per share in the preceding table.

	December 31, 2016	December 31, 2015
	($ in thousands)	
GAAP Accumulated real estate depreciation and amortization	$ 122,007	$ 83,056
Less: Noncontrolling interests' share of accumulated real estate depreciation and amortization	(9,401)	(6,583)
Our share of accumulated real estate depreciation and amortization	**$ 112,606**	**$ 76,473**

Our non-GAAP financial measures, including Core Earnings, Core EPS, After-Tax Core ROAE and Undepreciated book value per share have limitations as analytical tools. Some of these limitations are:

- Core Earnings, Core EPS and After-Tax Core ROAE do not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations and are not necessarily indicative of cash necessary to fund cash needs;
- Core EPS and After-Tax Core ROAE are based on a non-GAAP estimate of Ladder’s effective tax rate, including the impact of Unincorporated Business Tax and the impact of Ladder's election to be taxed as a REIT effective January 1, 2015, assuming the conversion of all shares of Class B common stock into shares of Class A common stock. Ladder’s actual tax rate may differ materially from this estimate;
- Undepreciated book value per share excludes accumulated real estate depreciation and amortization and may not reflect an accurate measure of the value of our real estate; and

- other companies in our industry may calculate non-GAAP financial measures differently than we do, limiting their usefulness as comparative measures.

Because of these limitations, our non-GAAP financial measures should not be considered in isolation or as a substitute for net income (loss) attributable to shareholders, earnings per share or book value per share, or any other performance measures calculated in accordance with GAAP. Our non-GAAP financial measures should not be considered an alternative to cash flows from operations as a measure of our liquidity. Undepreciated book value per share should not be considered a measure of the value of our assets upon an orderly liquidation of the Company.

In the future, we may incur gains and losses that are the same as or similar to some of the adjustments in this presentation. Our presentation of non-GAAP financial measures should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.