Section 1: 8-K (LADDER CAPITAL CORP 8-K)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): **May 2, 2018**

Ladder Capital Corp
(Exact name of registrant as specified in its charter)

Delaware	**001-36299**	**80-0925494**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)
345 Park Avenue, 8th Floor **New York, New York**		**10154**
(Address of principal executive offices)		(Zip Code)

Registrant's telephone number, including area code: **212-715-3170**

Not Applicable
Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

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

Item 2.02. Results of Operations and Financial Condition.

On May 2, 2018, Ladder Capital Corp ("Ladder") issued a press release disclosing financial results for the quarter ended March 31, 2018. The information in Exhibit 99.1 shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

99.1 Press release of Ladder Capital Corp dated May 2, 2018.

SIGNATURES

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

Date: May 2, 2018

LADDER CAPITAL CORP

By: /s/ Marc Fox
Marc Fox
Chief Financial Officer

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Section 2: EX-99.1 (EXHIBIT 99.1)

Exhibit 99.1

Ladder Capital Corp Reports First Quarter 2018 Results

Financial Highlights

GAAP disclosures for the first quarter:

- **GAAP Income before Taxes of $71.7 million and Diluted EPS of $0.53**
  - **Up from $18.3 million and $0.18 in the first quarter of 2017**
- **After-Tax GAAP Return on Average Equity of 16.0%**
  - **Up from 5.3% in the first quarter of 2017**
- **GAAP Book Value per Share of $13.37 at March 31, 2018**
  - **Up from $13.19 at December 31, 2017**

Core (non-GAAP) disclosures for the first quarter:

- **Core Earnings of $63.8 million and Core EPS of $0.55**
  - **Highest quarterly earnings since IPO**
- **After-Tax Core Return on Average Equity of 16.3%**
  - **Up from 9.0% in the first quarter of 2017**
- **Undepreciated Book Value per Share of $14.82 at March 31, 2018**
  - **Up from $14.60 at December 31, 2017**

Operating and financing statistics for the first quarter:

- **Declared a first quarter dividend of $0.315/share of Class A common stock paid on April 2, 2018**
- **Originated a total of $967.5 million of commercial mortgage loans, including $434.6 million of mortgage loans held for investment and $532.9 million of mortgage loans held for sale**
- **Made $24.5 million in real estate equity investments, and received $97.5 million of proceeds from sales of real estate**
- **Contributed $436.5 million of loans to 2 securitization transactions in the first quarter**

NEW YORK--(BUSINESS WIRE)--May 2, 2018--Ladder Capital Corp (NYSE:LADR) ("we," "Ladder," or the "Company") today announced operating results for the quarter ended March 31, 2018. GAAP Income/(loss) before taxes for the three months ended March 31, 2018 was $71.7 million compared to $18.3 million for the three months ended March 31, 2017. The results for the first quarter of 2018 reflect higher net interest income on our portfolio of loans and higher net rental income on our real estate investments, higher gains on sale of loans and real estate than in the prior year, and a favorable net result from derivative positions. Diluted EPS for the three months ended March 31, 2018 was $0.53 compared to $0.18 for the three months ended March 31, 2017. After-tax GAAP return on average equity was 16.0% in the first quarter of 2018.

Core Earnings, a non-GAAP financial measure, was $63.8 million for the first quarter of 2018, compared to $31.6 million earned in the first quarter of 2017. The results of the first quarter of 2018 reflect higher net interest income on our portfolio of loans and higher net rental income on our real estate investments, as well as higher gains on sale of loans and real estate than in the prior year. We believe core earnings, which adjusts GAAP income before taxes for certain non-cash expenses, unrecognized derivative results, and the economic gains on securitization transactions not recognized for GAAP accounting for which risk has substantially transferred, is useful in evaluating our earnings from operations across reporting periods. Core EPS, a non-GAAP financial measure, was $0.55 for the first quarter of 2018 compared to $0.31 for the three months ended March 31, 2017.

Portfolio Overview

The following table summarizes the book value of our investment portfolio as of the dates indicated below ($ in thousands):

	March 31, 2018		December 31, 2017	
Loans				
Balance sheet loans:				
Balance sheet first mortgage loans	$ 3,370,086	54.1 %	$ 3,123,268	51.9 %
Other commercial real estate-related loans	158,099	2.5 %	159,194	2.6 %
Provision for loan losses	(7,000)	(0.1)%	(4,000)	(0.1)%
Total balance sheet loans	3,521,185	56.5 %	3,278,462	54.4 %
Conduit first mortgage loans	273,636	4.4 %	230,180	3.8 %
Total loans	3,794,821	60.9 %	3,508,642	58.2 %
Securities				
CMBS investments	1,061,318	17.0 %	1,066,570	17.7 %
U.S. Agency Securities investments	38,787	0.6 %	39,947	0.7 %
Total securities	1,100,105	17.6 %	1,106,517	18.4 %
Real Estate				
Real estate and related lease intangibles, net	980,859	15.7 %	1,032,041	17.1 %
Total real estate	980,859	15.7 %	1,032,041	17.1 %
Other Investments				
Investments in unconsolidated joint ventures	34,564	0.6 %	35,441	0.6 %
FHLB stock	77,915	1.3 %	77,915	1.3 %
Total other investments	112,479	1.9 %	113,356	1.9 %
Total investments	5,988,264	96.1 %	5,760,556	95.6 %
Cash, cash equivalents and restricted cash	113,160	1.8 %	182,683	3.0 %
Other assets	129,870	2.1 %	82,376	1.4 %
Total assets	**$ 6,231,294**	**100.0 %**	**$ 6,025,615**	**100.0 %**

Note: CMBS investments and U.S. Agency Securities are carried at fair value.

Liquidity and Capital Resources

The following table summarizes our debt obligations as of the following dates ($ in thousands):

	March 31, 2018	December 31, 2017
Committed loan repurchase facilities	$ 550,523	$ 398,653
Committed securities repurchase facility	98,762	—
Uncommitted securities repurchase facilities	105,092	74,757
Total repurchase facilities	754,377	473,410
Revolving credit facility	—	—
Mortgage loan financing	683,487	692,696
CLO debt(1)	683,095	688,479
Participation financing - mortgage loan receivable	2,815	3,107
Borrowings from the FHLB	1,348,000	1,370,000
Senior unsecured notes(2)	1,152,834	1,152,134
Total debt obligations	**$ 4,624,608**	**$ 4,379,826**

(1) Presented net of unamortized debt issuance costs of $5.4 million and $6.0 million as of March 31, 2018 and December 31, 2017, respectively.

(2) Presented net of unamortized debt issuance costs of $13.4 million and $14.1 million at March 31, 2018 and December 31, 2017, respectively.

Conference Call and Webcast

We will host a conference call on Wednesday, May 2, 2018 at 5:00 p.m. Eastern Time to discuss first quarter 2018 results. The conference call can be accessed by dialing (877) 407-4018 domestic or (201) 689-8471 international. Individuals who dial in will be asked to identify themselves and their affiliations. For those unable to participate, an audio replay will be available from 8:00 p.m. Eastern Time on Wednesday, May 2, 2018 through midnight Wednesday, May 16, 2018. To access the replay, please call (844) 512-2921 domestic or (412) 317-6671 international, access code 13678564. The conference call will also be webcast though a link on Ladder Capital Corp's Investor Relations website at ir.laddercapital.com/event. A web-based archive of the conference call will also be available at the above website.

Ladder Capital Corp
Consolidated Balance Sheets
(Dollars in Thousands)

	March 31, 2018(1)	December 31, 2017(1)
	(Unaudited)	
Assets		
Cash and cash equivalents	$ 68,373	$ 76,674
Restricted cash	44,786	106,009
Mortgage loan receivables held for investment, net, at amortized cost:		
Mortgage loans held by consolidated subsidiaries	3,528,185	3,282,462
Provision for loan losses	(7,000)	(4,000)
Mortgage loan receivables held for sale	273,636	230,180
Real estate securities	1,100,105	1,106,517
Real estate and related lease intangibles, net	980,859	1,032,041
Investments in unconsolidated joint ventures	34,564	35,441
FHLB stock	77,915	77,915
Derivative instruments	92	888
Accrued interest receivable	27,225	25,875
Other assets	102,554	55,613
Total assets	**$ 6,231,294**	**$ 6,025,615**
Liabilities and Equity		
Liabilities		
Debt obligations, net:		
Secured and unsecured debt obligations	$ 4,624,608	$ 4,379,826
Due to brokers	—	14
Derivative instruments	—	2,606
Amount payable pursuant to tax receivable agreement	1,570	1,656
Dividends payable	1,228	30,528
Accrued expenses	38,941	59,619
Other liabilities	61,655	63,220
Total liabilities	**4,728,002**	**4,537,469**
Commitments and contingencies	—	—
Equity		
Class A common stock, par value $0.001 per share, 600,000,000 shares		

authorized; 100,634,049 and 96,258,847 shares issued and 97,956,103 and 93,641,260 shares outstanding	99	94
Class B common stock, par value $0.001 per share, 100,000,000 shares authorized; 13,317,419 and 17,667,251 shares issued and outstanding	13	18
Additional paid-in capital	1,368,548	1,306,136
Treasury stock, 2,677,947 and 2,617,587 shares, at cost	(32,684)	(31,956)
Dividends in Excess of Earnings	(18,659)	(39,112)
Accumulated other comprehensive income (loss)	(7,880)	(212)
Total shareholders' equity	**1,309,437**	**1,234,968**
Noncontrolling interest in operating partnership	184,201	240,861
Noncontrolling interest in consolidated joint ventures	9,654	12,317
Total equity	**1,503,292**	**1,488,146**
Total liabilities and equity	**$ 6,231,294**	**$ 6,025,615**

(1) Includes amounts relating to consolidated variable interest entities.

Ladder Capital Corp
Consolidated Statements of Income
(Dollars in Thousands, Except Per Share and Dividend Data)
(Unaudited)

	Three Months Ended March 31, 2018	2017
Net interest income		
Interest income	$ 78,206	$ 57,512
Interest expense	44,713	31,415
Net interest income	**33,493**	**26,097**
Provision for loan losses	3,000	—
Net interest income after provision for loan losses	**30,493**	**26,097**
Other income		
Operating lease income	24,560	19,630
Tenant recoveries	3,577	1,579
Sale of loans, net	4,888	(999)
Realized gain (loss) on securities	(1,099)	5,361
Unrealized gain (loss) on Agency interest-only securities	204	159
Realized gain on sale of real estate, net	31,010	2,331
Fee and other income	6,252	4,466
Net result from derivative transactions	14,959	(1,981)
Earnings (loss) from investment in unconsolidated joint ventures	52	(74)
Gain (loss) on extinguishment of debt	(69)	(54)
Total other income	**84,334**	**30,418**
Costs and expenses		
Salaries and employee benefits	17,096	16,042
Operating expenses	5,548	5,479
Real estate operating expenses	8,817	7,454
Fee expense	843	693
Depreciation and amortization	10,823	8,592
Total costs and expenses	**43,127**	**38,260**
Income (loss) before taxes	**71,700**	**18,255**
Income tax expense (benefit)	3,902	(1,375)
Net income (loss)	**67,798**	**19,630**
Net (income) loss attributable to noncontrolling interest in consolidated joint ventures	(8,422)	(322)
Net (income) loss attributable to noncontrolling interest in operating partnership	(8,501)	(5,838)
Net income (loss) attributable to Class A common shareholders	**$ 50,875**	**$ 13,470**
Earnings per share:		
Basic	$ 0.53	$ 0.18
Diluted	$ 0.53	$ 0.18

Weighted average shares outstanding:				
Basic		95,187,316		72,871,990
Diluted		95,389,219		109,334,847
Dividends per share of Class A common stock:	$	0.315	$	0.300

Non-GAAP Financial Measures

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 they may be useful performance measures 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. Similarly, 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.

Core earnings

We define core earnings as income before taxes adjusted for (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) economic gains on securitization transactions not recognized under GAAP accounting for which risk has substantially transferred during the period and the exclusion of resultant GAAP recognition of the related economics during the subsequent periods, (v) non-cash stock-based compensation and (vi) certain one-time transactional items.

For core earnings, we include adjustments for economic gains on securitization transactions not recognized under GAAP accounting for which risk has substantially transferred during the period and exclusion of resultant GAAP recognition of the related economics during the subsequent periods. This adjustment is reflected in core earnings when there is a true risk transfer on the mortgage loan transfer and settlement. Historically, this has represented the impact of economic gains on (discounts) on intercompany loans secured by our own real estate which we had not previously recognized because such gains were eliminated in consolidation. Conversely, if the economic risk was not substantially transferred, no adjustments to net income would be made relating to those transactions for core earnings purposes. Management believes recognizing these amounts for core earnings purposes in the period of transfer of economic risk is a reasonable supplemental measure of our performance.

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 ($ in thousands):

	Three Months Ended March 31,			
	2018		2017	
Net income (loss)	$	67,798	$	19,630
Income tax expense (benefit)		3,902		(1,375)
Income (loss) before taxes		71,700		18,255
Net (income) loss attributable to noncontrolling interest in consolidated joint ventures				

and operating partnership (GAAP) (1)	(8,430)	(330)
Our share of real estate depreciation, amortization and gain adjustments (2)	6,058	7,795
Adjustments for unrecognized derivative results (3)	(8,110)	(1,933)
Unrealized (gain) loss on Agency IO securities	(204)	(159)
Adjustment for economic gain on securitization transactions not recognized under GAAP for which risk has been substantially transferred, net of reversal/amortization	(291)	(226)
Non-cash stock-based compensation	3,083	8,149
Core earnings	63,806	31,551
Core estimated corporate tax benefit (expense) (4)	(3,452)	2,137
After-tax Core Earnings	**$ 60,354**	**$ 33,688**

(1) Includes $8 thousand 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 consolidated statements of income for the three months ended March 31, 2018 and 2017.

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

	Three Months Ended March 31,	
	2018	**2017**
Total GAAP depreciation and amortization	$ 10,823	$ 8,592
Less: Depreciation and amortization related to non-rental property fixed assets	(19)	(23)
Less: Non-controlling interest in consolidated joint ventures' share of accumulated depreciation and amortization	(358)	(375)
Our share of real estate depreciation and amortization	10,446	8,194
Realized gain from accumulated depreciation and amortization on real estate sold (see below)	(5,194)	(402)
Less: Non-controlling interest in consolidated joint ventures' share of accumulated depreciation and amortization on real estate sold	1,188	3
Our share of accumulated depreciation and amortization on real estate sold	(4,006)	(399)
Less: Operating lease income on above/below market lease intangible amortization	(382)	—
Our share of real estate depreciation, amortization and gain adjustments	**$ 6,058**	**$ 7,795**

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

	Three Months Ended March 31,	
	2018	**2017**
GAAP realized gain on sale of real estate, net	$ 31,010	$ 2,331
Adjusted gain/loss on sale of real estate for purposes of Core Earnings	(27,004)	(1,932)
Our share of accumulated depreciation and amortization on real estate sold	**$ 4,006**	**$ 399**

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

	Three Months Ended March 31,	
	2018	**2017**
Net results from derivative transactions	$ 14,959	$ (1,981)
Hedging interest expense	2,889	3,728
Hedging realized result	(9,738)	186
Adjustments for unrecognized derivative results	**$ 8,110**	**$ 1,933**

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

Core EPS

Core EPS is defined as after-tax core earnings divided by the adjusted weighted average diluted shares outstanding during the period. The adjusted weighted average diluted shares outstanding is defined as the GAAP weighted average diluted shares outstanding, 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 diluted shares outstanding to adjusted weighted average diluted shares outstanding (in thousands):

	Three Months Ended March 31,	
	2018	**2017**
Weighted average diluted shares outstanding	95,389	109,335
Weighted average shares issuable to converted Class B shareholders	14,901	—
Adjusted weighted average diluted shares outstanding	**110,290**	**109,335**

Set forth below is an unaudited computation of core EPS ($ in thousands, except per share date):

	Three Months Ended March 31,			
	2018		**2017**	
After-tax core earnings	$	60,354	$	33,688
Adjusted weighted average diluted shares outstanding		110,290		109,335
Core EPS	**$**	**0.55**	**$**	**0.31**

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 ($ in thousands):

	Three Months Ended March 31,			
	2018		**2017**	
After-tax core earnings	$	60,354	$	33,688
Average shareholders' equity and NCI in operating partnership		1,484,734		1,490,355
After-tax core ROAE		**16.3%**		**9.0%**

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. 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 our 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 consolidated financial statements and an unaudited reconciliation of hedge gain/(loss) relating to loans securitized to net results from derivative transactions as reported in our consolidated financial statements ($ in thousands except for number of loans and securitizations):

	Three Months Ended March 31,	
	2018	2017
Number of loans	28	—
Face amount of loans sold into securitizations	$ 436,547	$ —
Number of securitizations	2	—
Income from sales of securitized loans, net (1)	$ 5,351	$ —
Hedge gain/(loss) related to loans securitized (2)	6,567	—
Income from sales of securitized loans, net of hedging	**11,918**	**—**
Adjustment for economic gain on securitization transactions not recognized under GAAP for which risk has been substantially transferred	(38)	—
Core gain on sale of securitized loans	**$ 11,880**	**$ —**

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

	Three Months Ended March 31,	
	2018	2017
Income from sales of loans, net	$ 4,888	$ (999)
Unrealized losses on loans related to lower of cost or market adjustments	463	999
(Income) loss from sale of loans (non-securitized), net	—	—
Income from sales of securitized loans, net	**$ 5,351**	**$ —**

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

	Three Months Ended March 31,	
	2018	2017
Net results from derivative transactions	$ 14,959	$ (1,981)
Hedge gain/(loss) related to lending and securities positions	(8,392)	3,130
Hedge gain/(loss) related to loans (non-securitized)	—	(1,149)
Hedge gain/(loss) related to loans securitized	**$ 6,567**	**$ —**

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 ($ in thousands except per share data):

	March 31, 2018	December 31, 2017

Total shareholders' equity	$	1,309,437	$	1,234,968
Noncontrolling interest in operating partnership		184,201		240,861
Our share of accumulated real estate depreciation and amortization (1)		155,161		149,494
Undepreciated book value		1,648,799		1,625,323
Class A shares outstanding		97,956		93,641
Class B shares outstanding		13,317		17,667
Total shares outstanding		111,273		111,308
GAAP book value per share	**$**	**13.37**	**$**	**13.19**
Undepreciated book value per share	**$**	**14.82**	**$**	**14.60**

(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 ($ in thousands):

	March 31, 2018		December 31, 2017	
GAAP accumulated real estate depreciation and amortization	$	165,874	$	161,063
Less: Noncontrolling interest in consolidated joint ventures' share of accumulated real estate depreciation and amortization		(10,713)		(11,569)
Our share of accumulated real estate depreciation and amortization	**$**	**155,161**	**$**	**149,494**

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 our performance. We define core gain on sale of loans as income from sales of loans, and the economic gains on the transfer of loans not considered sold for accounting purposes, net of the realized hedging result related to the hedging of loans sold or transferred. 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 ($ in thousands):

	Three Months Ended March 31,			
	2018		2017	
GAAP sale of loans, net	$	4,888	$	(999)
Adjustment for economic gain on securitization transactions not recognized under GAAP for which risk has been substantially transferred (1)		(38)		—
Hedging gain/(loss) related to loans securitized and other loan activity		7,030		2,148
Core gain on sale of loans	**$**	**11,880**	**$**	**1,149**

(1) For core gain on sale of loans, we include adjustments for economic gains on securitization transactions not recognized for GAAP accounting. Management believes recognizing these amounts for core purposes in the period of economic transfer of risk is a reasonable supplemental measure of our performance.

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 our 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 ($ in thousands):

	Three Months Ended March 31,	
	2018	2017

GAAP realized gain (loss) on securities	$ (1,099)	$ 5,361
Plus: Other than temporary impairment, net of hedging	134	—
Hedging realized result - security sales	2,708	(2,333)
Core gain on sales of securities	**$ 1,743**	**$ 3,028**

Net rental income

We present net rental income, which is a non-GAAP financial measure, as a supplemental measure of our 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 our 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.

Set forth below is an unaudited reconciliation of operating lease income to net rental income ($ in thousands):

	Three Months Ended March 31,	
	2018	**2017**
Operating lease income	$ 24,560	$ 19,630
Plus: Tenant recoveries	3,577	1,579
Less: Real estate operating expenses	(8,817)	(7,454)
Net rental income	**$ 19,320**	**$ 13,755**

Adjusted leverage

We present adjusted leverage, which is a non-GAAP financial measure, as a supplemental measure of our performance. We define adjusted leverage as the ratio of debt obligations, net of deferred financing costs, adjusted for non-recourse debt obligations related to securitizations that are consolidated on our GAAP balance sheet. We believe adjusted leverage assists investors in comparing our leverage across reporting periods on a consistent basis by excluding non-recourse debt related to securitized loans.

Set forth below is an unaudited computation of adjusted leverage ($ in thousands):

	March 31, 2018	**December 31, 2017**
GAAP debt obligations, net	$ 4,624,608	$ 4,379,826
Less: CLO Debt(1)	(683,095)	(688,479)
Adjusted debt obligations	3,941,513	3,691,347
GAAP total equity	1,503,292	1,488,146
Adjusted leverage	**2.6**	**2.5**

(1) In the fourth quarter of 2017, we contributed over $888.4 million of balance sheet loans into two CLO securitizations that remain on our balance sheet for accounting purposes, but should be excluded from debt obligations for adjusted leverage calculation purposes.

Non-GAAP Measures - Limitations

Our non-GAAP financial measures 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 our effective tax rate, including the impact of Unincorporated Business Tax and the impact of our 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. Our 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 our 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.

For additional information about our non-GAAP financial measures, please refer to the disclosures available on our website or in our Quarterly Report on Form 10-Q.

About Ladder

Ladder is an internally-managed real estate investment trust that is a leader in commercial real estate finance. Ladder originates and invests in a diverse portfolio of commercial real estate and real estate-related assets, focusing on senior secured assets. Ladder’s investment activities include: (i) direct origination of commercial real estate first mortgage loans; (ii) investments in investment grade securities secured by first mortgage loans on commercial real estate; and (iii) investments in net leased and other commercial real estate equity. Founded in 2008, Ladder is run by a highly experienced management team with extensive expertise in all aspects of the commercial real estate industry, including origination, credit, underwriting, structuring, capital markets and asset management. Led by Brian Harris, the Company’s Chief Executive Officer, Ladder is headquartered in New York City with a West Coast office in Santa Monica.

Forward-Looking Statements

Certain statements in this release may constitute “forward-looking” statements. These statements are based on management’s current opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results. These forward-looking statements are only predictions, not historical fact, and involve certain risks and uncertainties, as well as assumptions. Actual results, levels of activity, performance, achievements and events could differ materially from those stated, anticipated or implied by such forward-looking statements. While Ladder believes that its assumptions are reasonable, it is very difficult to predict the impact of known factors, and, of course, it is impossible to anticipate all factors that could affect actual results. There are a number of risks and uncertainties that could cause actual results to differ materially from forward-looking statements made herein including, most prominently, the risks discussed under the heading “Risk Factors” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017, as well as its consolidated financial statements, related notes, and other financial information appearing therein, and its other filings with the U.S. Securities and Exchange Commission. Such forward-looking statements are made only as of the date of this release. Ladder expressly disclaims any obligation or undertaking to release any updates or revisions to any forward-looking statements contained herein to reflect any change in its expectations with regard thereto or changes in events, conditions, or circumstances on which any such statement is based.

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