

Ladder Capital Corp
Form 10-Q
November 06, 2015
Table of Contents

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

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2015

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number:
001-36299

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

Delaware
(State or other jurisdiction of
incorporation or organization)

80-0925494
(IRS Employer
Identification No.)

345 Park Avenue, New York
(Address of principal executive offices)

10154
(Zip Code)

(212) 715-3170
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):
Yes No

Indicate the number of shares outstanding of each of the registrant’s classes of common stock, as of the latest practicable date.

Class	Outstanding at October 30, 2015
Class A Common Stock, \$0.001 par value	55,151,814
Class B Common Stock, \$0.001 par value	44,198,745

Table of Contents

LADDER CAPITAL CORP

FORM 10-Q

September 30, 2015

Index	Page
<u>PART I - FINANCIAL INFORMATION</u>	
<u>Item 1.</u>	<u>Financial Statements (Unaudited)</u>
	<u>Combined Consolidated Balance Sheets</u> 6
	<u>Combined Consolidated Statements of Income</u> 7
	<u>Combined Consolidated Statements of Comprehensive Income</u> 8
	<u>Combined Consolidated Statements of Changes in Equity/Capital</u> 9
	<u>Combined Consolidated Statements of Cash Flows</u> 11
	<u>Notes to Combined Consolidated Financial Statements</u> 13
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 70
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures about Market Risk</u> 104
<u>Item 4.</u>	<u>Controls and Procedures</u> 107
<u>PART II - OTHER INFORMATION</u>	
<u>Item 1.</u>	<u>Legal Proceedings</u> 108
<u>Item 1A.</u>	<u>Risk Factors</u> 108
<u>Item 2.</u>	<u>Unregistered Sales of Securities</u> 108
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u> 108
<u>Item 4.</u>	<u>Mine Safety Disclosures</u> 108
<u>Item 5.</u>	<u>Other Information</u> 108
<u>Item 6.</u>	<u>Exhibits and Financial Statement Schedules</u> 109
<u>SIGNATURES</u>	

Table of Contents

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this “Quarterly Report”) includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements other than statements of historical fact contained in this Quarterly Report, including statements regarding our future results of operations and financial position, strategy and plans, and our expectations for future operations, are forward-looking statements. The words “anticipate,” “estimate,” “expect,” “project,” “plan,” “intend,” “believe,” “may,” “might,” “will,” “should,” “can have,” “likely” and other words and terms of similar expressions are intended to identify forward-looking statements.

We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, strategy, short-term and long-term business operations and objectives and financial needs. Although we believe that the expectations reflected in our forward-looking statements are reasonable, actual results could differ from those expressed in our forward-looking statements. Our future financial position and results of operations, as well as any forward-looking statements are subject to change and inherent risks and uncertainties. You should consider our forward-looking statements in light of a number of factors that may cause actual results to vary from our forward-looking statements including, but not limited to:

risks discussed under the heading “Risk Factors” in the Company’s Annual Report on Form 10-K (the “Annual Report”), as well as our combined consolidated financial statements, related notes, and the other financial information appearing elsewhere in this Quarterly Report and our other filings with the United States Securities and Exchange Commission (“SEC”);

- changes in general economic conditions, in our industry and in the commercial finance and the real estate markets;
- changes to our business and investment strategy;
- our ability to obtain and maintain financing arrangements;
- the financing and advance rates for our assets;
- our actual and expected leverage;
- the adequacy of collateral securing our loan portfolio and a decline in the fair value of our assets;
- interest rate mismatches between our assets and our borrowings used to fund such investments;
- changes in interest rates and the market value of our assets;
- changes in prepayment rates on our assets;
- the effects of hedging instruments and the degree to which our hedging strategies may or may not protect us from interest rate and credit risk volatility;
- the increased rate of default or decreased recovery rates on our assets;
- the adequacy of our policies, procedures and systems for managing risk effectively;
- a potential downgrade in the credit ratings assigned to our investments;
- the impact of and changes in governmental regulations, tax laws and rates, accounting guidance and similar matters;
- our ability to maintain our qualification as a real estate investment trust (“REIT”) for U.S. federal income tax purposes and our ability and the ability of our subsidiaries to operate in compliance with REIT requirements;
- our ability and the ability of our subsidiaries to maintain our and their exemptions from registration under the Investment Company Act of 1940, as amended (the “Investment Company Act”);
- potential liability relating to environmental matters that impact the value of properties we may acquire or the properties underlying our investments;
- the inability of insurance covering real estate underlying our loans and investments to cover all losses;
- the availability of investment opportunities in mortgage-related and real estate-related instruments and other securities;
- fraud by potential borrowers;
- the availability of qualified personnel;

the degree and nature of our competition;
the market trends in our industry, interest rates, real estate values, the debt securities markets or the general economy;
and
the prepayment of the mortgages and other loans underlying our mortgage-backed and other asset-backed securities.

2

Table of Contents

You should not rely upon forward-looking statements as predictions of future events. In addition, neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. The forward-looking statements contained in this Quarterly Report are made as of the date hereof, and the Company assumes no obligation to update or supplement any forward-looking statements.

3

Table of Contents

REFERENCES TO LADDER CAPITAL CORP

Ladder Capital Corp is a holding company and its primary assets are a controlling equity interest in Ladder Capital Finance Holdings LLLP (“LCFH” or the “Operating Partnership”) and in each series thereof, directly or indirectly. Unless the context suggests otherwise, references in this report to “Ladder,” “Ladder Capital,” the “Company,” “we,” “us” and “our” (1) prior to the February 2014 initial public offering (“IPO”) of the Class A common stock of Ladder Capital Corp and related transactions, to LCFH (“Predecessor”) and its combined consolidated subsidiaries and (2) after our IPO and related transactions, to Ladder Capital Corp and its combined consolidated subsidiaries.

Table of Contents

Part I - Financial Information

Item 1. Financial Statements (Unaudited)

The combined consolidated financial statements of Ladder Capital Corp and Predecessor and the notes related to the foregoing combined consolidated financial statements are included in this Item 1.

Index to Combined Consolidated Financial Statements (Unaudited)

<u>Combined Consolidated Balance Sheets</u>	<u>6</u>
<u>Combined Consolidated Statements of Income</u>	<u>7</u>
<u>Combined Consolidated Statements of Comprehensive Income</u>	<u>8</u>
<u>Combined Consolidated Statements of Changes in Equity/Capital</u>	<u>9</u>
<u>Combined Consolidated Statements of Cash Flows</u>	<u>11</u>
<u>Notes to Combined Consolidated Financial Statements</u>	<u>13</u>

Table of Contents

Ladder Capital Corp and Predecessor
 Combined Consolidated Balance Sheets
 (Dollars in Thousands)

	September 30, 2015 (Unaudited)	December 31, 2014
Assets		
Cash and cash equivalents	\$ 181,540	\$ 76,218
Cash collateral held by broker	50,921	42,438
Mortgage loan receivables held for investment, net, at amortized cost	1,794,812	1,521,053
Mortgage loan receivables held for sale	333,531	417,955
Real estate securities, available-for-sale	2,415,382	2,815,566
Real estate held for sale	49,022	—
Real estate and related lease intangibles, net	791,577	768,986
Investments in unconsolidated joint ventures	33,793	6,041
FHLB stock	77,915	72,340
Derivative instruments	299	423
Due from brokers	4	4
Accrued interest receivable	22,220	24,658
Other assets	78,945	68,553
Total assets	\$ 5,829,961	\$ 5,814,235
Liabilities and Equity		
Liabilities		
Debt obligations	\$ 3,603,512	\$ 3,572,825
Senior unsecured notes	611,981	610,129
Due to brokers	2,012	—
Derivative instruments	21,942	13,445
Amount payable pursuant to tax receivable agreement	2,234	862
Dividends payable	1,380	—
Accrued expenses	57,753	91,993
Other liabilities	30,005	19,774
Total liabilities	4,330,819	4,309,028
Commitments and contingencies (Note 18)	—	—
Equity		
Class A common stock, par value \$0.001 per share, 600,000,000 shares authorized; 55,122,895 and 51,431,872 shares issued and outstanding	55	51
Class B common stock, par value \$0.001 per share, 100,000,000 shares authorized; 44,227,923 and 47,647,023 shares issued and outstanding	44	—
Additional paid-in capital	766,516	725,538
Retained earnings	49,571	44,187
Accumulated other comprehensive income	14,443	15,656
Total shareholders' equity	830,629	785,432
Noncontrolling interest in operating partnership	661,505	711,674
Noncontrolling interest in consolidated joint ventures	7,008	8,101
Total equity	1,499,142	1,505,207
Total liabilities and equity	\$ 5,829,961	\$ 5,814,235

The accompanying notes are an integral part of these combined consolidated financial statements.

6

Table of Contents

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net interest income				
Interest income	\$63,013	\$48,459	\$178,635	\$130,394
Interest expense	29,535	19,928	83,846	51,521
Net interest income	33,478	28,531	94,789	78,873
Provision for loan losses	150	150	450	450
Net interest income after provision for loan losses	33,328	28,381	94,339	78,423
Other income				
Operating lease income	20,671	12,810	60,207	38,827
Tenant recoveries	2,847	2,252	7,883	6,473
Sale of loans, net	15,165	20,414	59,717	107,135
Realized gain (loss) on securities	513	14,074	23,680	21,259
Unrealized gain (loss) on Agency interest-only securities	731	(1,282)	(639)	466
Realized gain on sale of real estate, net	6,406	8,471	21,347	24,225
Fee income	3,483	2,715	10,857	7,216
Net result from derivative transactions	(42,242)	) 1,125	(54,594)	) (50,435)
Earnings (loss) from investment in unconsolidated joint ventures	(25)	) 326	580	1,662
Gain on assignment of mortgage loan financing	—	432	—	432
Total other income	7,549	61,337	129,038	157,260
Costs and expenses				
Salaries and employee benefits	17,628	19,830	47,333	66,316
Operating expenses	4,951	6,190	20,487	12,896
Real estate operating expenses	8,975	7,150	27,976	22,131
Real estate acquisition costs	470	1,712	1,524	1,712
Fee expense	675	496	3,260	1,711
Depreciation and amortization	9,561	6,829	29,238	21,274
Total costs and expenses	42,260	42,207	129,818	126,040
Income (loss) before taxes	(1,383)	) 47,511	93,559	109,643
Income tax expense (benefit)	(4,181)	) 10,335	4,101	23,823
Net income	2,798	37,176	89,458	85,820
Net loss attributable to noncontrolling interest in consolidated joint ventures	85	306	578	451
Net loss attributable to predecessor unitholders	—	—	—	12,628
Net (income) loss attributable to noncontrolling interest in operating partnership	430	(22,826)	(43,338)	(59,086)
Net income attributable to Class A common shareholders	\$3,313	\$14,656	\$46,698	\$39,813
Earnings per share:				
Basic	\$0.06	\$0.30	\$0.91	\$0.81
Diluted	\$0.06	\$0.28	\$0.91	\$0.74

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Weighted average shares outstanding:

Basic	52,922,487	49,394,399	51,091,977	49,101,904
Diluted	53,348,858	97,918,235	51,388,851	97,750,385

Dividends per share of Class A common stock: \$0.275 \$— \$0.775 \$—

The accompanying notes are an integral part of these combined consolidated financial statements.

7

Table of Contents

Ladder Capital Corp and Predecessor
 Combined Consolidated Statements of Comprehensive Income
 (Dollars in Thousands)
 (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	\$2,798	\$37,176	\$89,458	\$85,820
Other comprehensive income (loss)				
Unrealized gains on securities, net of tax:				
Unrealized gain (loss) on real estate securities, available for sale (1)	16,697	(7,211)	20,732	30,511
Reclassification adjustment for (gains) included in net income (2)	(705)	(11,352)	(24,851)	(18,860)
Total other comprehensive income (loss)	15,992	(18,563)	(4,119)	11,651
Comprehensive income	18,790	18,613	85,339	97,471
Comprehensive (income) loss attributable to noncontrolling interest in consolidated joint ventures	85	306	578	451
Comprehensive income of combined Class A common shareholders and Predecessor unit holders	\$18,875	\$18,919	\$85,917	\$97,922
Comprehensive (income) attributable to predecessor unitholders	—	—	—	(4,380)
Comprehensive (income) attributable to noncontrolling interest in operating partnership	(6,810)	(11,418)	(41,245)	(55,859)
Comprehensive income attributable to Class A common shareholders	\$12,065	\$7,501	\$44,672	\$37,683

Amounts are net of provision for (benefit from) no income taxes and \$(2.0) million of income taxes for the three (1) months ended September 30, 2015 and 2014, respectively, and \$0.5 million and \$3.2 million for the nine months ended September 30, 2015 and 2014, respectively.

Amounts are net of (provision for) benefit of no income taxes and \$(3.2) million for the three months ended (2) September 30, 2015 and 2014, respectively, and \$(0.5) million and \$(4.5) million for the nine months ended September 30, 2015 and 2014, respectively.

The accompanying notes are an integral part of these combined consolidated financial statements.

Table of Contents

Ladder Capital Corp and Predecessor
 Combined Consolidated Statements of Changes in Equity/Capital
 (Dollars and Shares in Thousands)
 (Unaudited)

	Predecessor's Shareholders' Equity										Accumulated Other Comprehensive Income	Noncontrolling Interests		Total Share Equity/Partn Capital
	Class A Common Stock		Class B Common Stock			Additional Paid- in-Capital	Retained Earnings	Operating Partnership	Consolidated Joint Venture					
	Series A Preferred Shares	Series B Common LP Units	Par	Shares	Par									
Balance, December 31, 2014	\$—	\$—	\$—	51,432	\$51	47,647	\$—	\$725,538	\$44,187	\$15,656	\$711,674	\$8,101	\$1,505,2	
Contributions	—	—	—	—	—	—	—	—	—	—	—	74	74	
Distributions	—	—	—	—	—	—	—	—	—	—	(56,274)	(589)	(56,863	
Amendment of the par value of the Class B shares from no par value per share to \$0.001 per share	—	—	—	—	—	47	—	—	—	—	(47)	—	—	
Equity based compensation	—	—	—	—	—	—	308	—	—	—	11,034	—	11,342	
Grants of restricted stock	—	—	—	726	1	—	(1)	—	—	—	—	—	—	
Shares acquired to satisfy minimum required federal and state tax withholding on vesting restricted stock and units	—	—	—	(262)	—	(4)	—	(4,817)	—	—	(68)	—	(4,885	
Forfeitures	—	—	—	(188)	—	—	—	—	—	—	—	—	—	
Dividends declared	—	—	—	—	—	—	—	—	(41,314)	—	—	—	(41,314	
Exchange of noncontrolling interest for common stock	—	—	—	3,415	3	(3,415)	(3)	50,449	—	620	(51,069)	—	—	
Adjustment to tax receivable agreement as a result of the exchange of Class B shares	—	—	—	—	—	—	242	—	—	—	—	—	242	

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Net income	—	—	—	—	46,698	—	43,338	(578)	89,458
(loss)	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—
comprehensive	—	—	—	—	—	(2,027)	(2,092)	—	(4,119
income	—	—	—	—	—	—	—	—	—
Rebalancing of	—	—	—	—	—	—	—	—	—
ownership	—	—	—	—	—	—	—	—	—
percentage	—	—	—	—	—	—	—	—	—
between	—	—	—	(5,203)	—	194	5,009	—	—
Company and	—	—	—	—	—	—	—	—	—
Operating	—	—	—	—	—	—	—	—	—
Partnership	—	—	—	—	—	—	—	—	—
Balance,	—	—	—	—	—	—	—	—	—
September 30,	\$—	\$—	\$—	\$—	\$55,123	\$55	\$44,228	\$44	\$766,516
2015	\$—	\$—	\$—	\$—	\$49,571	\$14,443	\$661,505	\$7,008	\$1,499,1

The accompanying notes are an integral part of these combined consolidated financial statements.

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Table of Contents

Ladder Capital Corp and Predecessor
 Combined Consolidated Statements of Changes in Equity/Capital
 (Dollars and Shares in Thousands)

	Predecessor's Partners' Capital			Shareholders' Equity					Accumulated Other Comprehensive Income	Noncontrol Operating Partnership
	Series A Preferred Units	Series B Preferred Units	Common Units	Class A Common Stock LP Units Shares	Class B Common Stock Par	Class B Common Stock Shares	Class B Common Stock Par	Additional Paid- in-Capital			Retained Earnings
Balance, December 31, 2013	\$825,985	\$290,847	\$59,565	\$—	\$—	—	\$—	\$—	\$—	\$—
Contributions	—	—	—	—	—	—	—	—	—	—
Distributions	—	(369)	—	—	—	—	—	—	—	(47,926)
Equity based compensation	—	290	—	—	—	—	332	—	—	13,829
Issuance of common stock (IPO)	—	—	—	16,925	16	—	259,021	—	—	—
Shares acquired to satisfy minimum required federal and state tax withholding on vesting restricted stock and units	—	—	—	—	—	(10)	—	—	—	(125)
Forfeitures	—	—	—	(40)	—	(6)	—	—	—	—
Offering costs	—	—	—	—	—	—	(20,523)	—	—	—
Reorganization transactions	(828,577)	(291,680)	(60,441)	1,180,698	—	—	—	—	—	—
Exchange of capital for common stock	—	—	—	(483,306)	34	—	468,694	—	14,874	—
Exchange of predecessor LP Units for common stock	—	—	—	(697,096)	—	48,537	—	—	—	697,096
Exchange of noncontrolling interest for common stock	—	—	—	874	1	(874)	12,502	—	324	(12,827)
Adjustment to tax receivable agreement as a result of the exchange of	—	—	—	—	—	—	152	—	—	—

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Class B shares												
Net income	(7,471) (2,631) (2,526) —	—	—	—	—	44,187	—	66,437	
(loss)												
Other												
comprehensive	10,063	3,543	3,402	—	—	—	—	—	—	488	520	
income												
Rebalancing of												
ownership												
percentage												
between	—	—	—	—	—	—	—	5,360	—	(30	) (5,330
Company and												
Operating												
Partnership												
Balance,												
December 31,	\$—	\$—	\$—	\$—	51,432	\$51	47,647	\$—	725,538	\$44,187	\$15,656	\$711,67
2014												

The accompanying notes are an integral part of these combined consolidated financial statements.

Table of Contents

Ladder Capital Corp and Predecessor
 Combined Consolidated Statements of Cash Flows
 (Dollars in Thousands)
 (Unaudited)

	Nine Months Ended September	
	30, 2015	2014
Cash flows from operating activities:		
Net income	\$89,458	\$85,820
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	29,238	21,274
Unrealized (gain) loss on derivative instruments	8,407	2,753
Unrealized (gain) loss on Agency interest-only securities	639	(466)
Provision for loan losses	450	450
Amortization of equity based compensation	11,342	10,304
Amortization of deferred financing costs included in interest expense	4,167	4,081
Amortization of premium on mortgage loan financing	(678)	(471)
Amortization of above- and below-market lease intangibles	(201)	533
Accretion/amortization of discount, premium and other fees on loans	(8,584)	(4,342)
Accretion/amortization of discount, premium and other fees on securities	67,773	68,094
Capitalization of interest on investment in unconsolidated joint ventures	(128)	—
Realized gain on sale of mortgage loan receivables held for sale	(59,717)	(107,135)
Realized gain on real estate securities	(23,680)	(21,259)
Realized gain on sale of real estate, net	(21,347)	(24,225)
Realized gain on assignment of mortgage loan financing	—	(432)
Origination of mortgage loan receivables held for sale	(1,781,355)	(2,027,845)
Repayment of mortgage loan receivables held for sale	1,613	951
Proceeds from sales of mortgage loan receivables held for sale	1,923,883	2,379,818
Accrued interest receivable	2,438	(6,103)
Earnings on investment in unconsolidated joint ventures	(580)	(1,662)
Distributions from operations of investment in unconsolidated joint ventures	294	1,732
Deferred tax asset	(1,588)	(5,544)
Changes in operating assets and liabilities:		
Other assets	(4,278)	(26,292)
Amount payable pursuant to tax receivable agreement	—	672
Accrued expenses and other liabilities	(31,443)	16,006
Net cash provided by (used in) operating activities	206,123	366,712
Cash flows from investing activities:		
Reduction (addition) of cash collateral held by broker for derivatives	(4,877)	(791)
Purchase of derivative instruments	—	(7)
Purchases of real estate securities	(578,299)	(1,286,236)
Repayment of real estate securities	142,680	165,755
Proceeds from sales of real estate securities	788,964	565,097
Purchase of FHLB stock	(7,984)	(10,290)
Sale of FHLB stock	2,409	—
Origination and purchases of mortgage loan receivables held for investment	(840,652)	(951,438)

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Repayment of mortgage loan receivables held for investment	575,028	159,329	
Reduction (addition) of cash collateral held by broker	(3,605)	(25,214))
Addition of deposits received for loan originations	1,226	6,461	
Title deposits included in other assets	(3,382)	(5,289))
Capital contributions to investment in unconsolidated joint ventures	(31,085)	—)
Distributions of return of capital from investment in unconsolidated joint ventures	3,747	3,255	
Purchases of real estate	(166,763)	(126,997))
Capital improvements of real estate	(2,006)	(1,971))
Proceeds from sale of real estate	84,656	103,462	
Net cash provided by (used in) investing activities	(39,943)	(1,404,874))

11

Table of Contents

	Nine Months Ended September	
	30,	2014
	2015	2014
Cash flows from financing activities:		
Deferred financing costs paid	(1,924	) (7,215)
Proceeds from borrowings under debt obligations	12,833,258	11,484,815
Repayment of borrowings under debt obligations	(12,790,584	) (10,922,908)
Cash dividends paid to Class A common shareholders	(39,934) —
Proceeds from Notes issued	—	300,000
Partners' capital distributions	—	(369)
Capital distributed to noncontrolling interests in operating partnership	(56,274	) (44,829)
Capital contributed by noncontrolling interests in consolidated joint ventures	74	1,278
Capital distributed to noncontrolling interests in consolidated joint ventures	(589	) (2,046)
Payment of liability assumed in exchange for shares for the minimum withholding taxes on vesting restricted stock	(4,885	) (125)
Issuance of common stock	—	259,037
Common stock offering costs	—	(20,523)
Adjustment to tax receivable agreement as a result of the exchange of Class B shares	—	138
Net cash provided by (used in) financing activities	(60,858	) 1,047,253
Net increase (decrease) in cash	105,322	9,091
Cash and cash equivalents at beginning of period	76,218	78,742
Cash and cash equivalents at end of period	\$181,540	\$87,833
Supplemental information:		
Cash paid for interest	\$90,565	\$50,509
Cash paid for income taxes	\$19,676	\$9,539
Supplemental disclosure of non-cash investing activities:		
Securities purchased, not settled	\$(2,012) \$—
Securities sold, not settled	\$—	\$3
Supplemental disclosure of non-cash financing activities:		
Exchange of capital for common stock	\$—	\$483,568
Exchange of predecessor LP Units for common stock	\$—	\$697,097
Exchange of noncontrolling interest for common stock	\$51,072	\$—
Change in deferred tax asset related to change in tax receivable agreement	\$1,615	\$1,293
Mortgage debt assumed by buyer in real estate sale	\$11,310	\$—

The accompanying notes are an integral part of these combined consolidated financial statements.

Table of Contents

Ladder Capital Corp and Predecessor
Notes to Combined Consolidated Financial Statements
(Unaudited)

1. ORGANIZATION AND OPERATIONS

Ladder Capital Corp is an internally-managed real estate investment trust (“REIT”) that is a leader in commercial real estate finance. As the general partner of Ladder Capital Finance Holdings LLLP (“LCFH,” “Predecessor” or the “Operating Partnership”), Ladder Capital Corp, through LCFH and its subsidiaries, operates the Ladder Capital business. As of September 30, 2015, Ladder Capital Corp has a 55.5% economic interest in LCFH and controls the management of LCFH as a result of its ability to appoint its board members. As a result, Ladder Capital Corp consolidates the financial results of LCFH and records noncontrolling interest for the economic interest in LCFH held by the Continuing LCFH Limited Partners (as defined below). In addition, Ladder Capital Corp, through certain subsidiaries which are treated as taxable REIT subsidiaries (each a “TRS”), is indirectly subject to federal, state and local income taxes. Other than the noncontrolling interest in the Operating Partnership and such indirect federal, state and local income taxes, there are no material differences between Ladder Capital Corp’s combined consolidated financial statements and LCFH’s consolidated financial statements.

The IPO Transactions

Ladder Capital Corp was formed as a Delaware corporation on May 21, 2013. The Company conducted an initial public offering (“IPO”) which closed on February 11, 2014. The Company used the net proceeds from the IPO to purchase newly issued limited partnership units (“LP Units”) from LCFH. In connection with the IPO, Ladder Capital Corp also became a holding corporation and the general partner of, and obtained a controlling interest in, LCFH. Ladder Capital Corp’s only business is to act as the general partner of LCFH, and, as such, Ladder Capital Corp indirectly operates and controls all of the business and affairs of LCFH and its subsidiaries through its ability to appoint the LCFH board. The proceeds received by LCFH in connection with the sale of the LP Units have been and will be used for loan origination, real estate businesses and for general corporate purposes.

Ladder Capital Corp consolidates the financial results of LCFH and its subsidiaries. The ownership interest of certain existing owners of LCFH, who owned LP Units and an equivalent number of shares of Ladder Capital Corp Class B common stock as of the completion of the IPO (the “Continuing LCFH Limited Partners”) and continue to hold equivalent units in the Series of LCFH (as described below) and Ladder Capital Corp Class B common stock, is reflected as a noncontrolling interest in Ladder Capital Corp’s combined consolidated financial statements.

Immediately prior to the closing of the IPO on February 11, 2014, LCFH effectuated certain transactions intended to simplify its capital structure (the “Reorganization Transactions”). Prior to the Reorganization Transactions, LCFH’s capital structure consisted of three different classes of membership interests (Series A and Series B Participating Preferred Units and Class A Common Units), each of which had different capital accounts. The net effect of the Reorganization Transactions was to convert the multiple-class structure into LP Units, a single new class of units in LCFH, and an equal number of shares of Class B common stock of Ladder Capital Corp. The conversion of all of the different classes of LCFH occurred in accordance with conversion ratios for each class of outstanding units based upon the liquidation value of LCFH, as if it had been liquidated upon the IPO, with such value determined by the \$17.00 price per share of Class A common stock sold in the IPO. The distribution of LP Units per class of outstanding units was determined pursuant to the distribution provisions set forth in LCFH’s amended and restated Limited Liability Limited Partnership Agreement (the “Amended and Restated LLLP Agreement”). In addition, in connection with the IPO, certain of LCFH’s existing investors (the “Exchanging Existing Owners”) received 33,672,192 shares of

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Ladder Capital Corp Class A common stock in lieu of any or all LP Units and shares of Ladder Capital Corp Class B common stock that would otherwise have been issued to such existing investors in the Reorganization Transactions, which resulted in Ladder Capital Corp, or a wholly-owned subsidiary of Ladder Capital Corp, owning one LP Unit for each share of Class A Common Stock so issued to the Exchanging Existing Owners.

Table of Contents

The IPO resulted in the issuance by Ladder Capital Corp of 15,237,500 shares of Class A common stock to the public, including 1,987,500 shares of Class A common stock offered as a result of the exercise of the underwriters' over-allotment option, and net proceeds to Ladder Capital Corp of \$238.5 million (after deducting fees and expenses associated with the IPO). In addition, in connection with the IPO, the Company granted 1,687,513 shares of restricted Class A common stock to members of management, certain directors and certain employees. As a result, the equivalent number of LP Units were issued by LCFH to Ladder Capital Corp.

Pursuant to the Amended and Restated LLLP Agreement, and subject to the applicable minimum retained ownership requirements and certain other restrictions, including notice requirements, from time to time, Continuing LCFH Limited Partners (or certain transferees thereof) had the right to exchange their LP Units for shares of Ladder Capital Corp's Class A common stock on a one-for-one basis.

As a result of the Company's acquisition of LP Units of LCFH and LCFH's election under Section 754 of Internal Revenue Code of 1986, as amended (the "Code"), the Company expects to benefit from depreciation and other tax deductions reflecting LCFH's tax basis for its assets. Those deductions will be allocated to the Company and will be taken into account in reporting the Company's taxable income.

As a result of the transactions described above, at the time of the IPO:

Ladder Capital Corp became the general partner of LCFH and, through LCFH and its subsidiaries, operates the Ladder Capital business. Accordingly, Ladder Capital Corp had a 51.0% economic interest in LCFH (which has since increased), and Ladder Capital Corp has a majority voting interest and controls the management of LCFH;

50,597,205 shares of Ladder Capital Corp's Class A common stock were outstanding (comprised of 15,237,500 shares issued to the investors in the IPO, 33,672,192 shares issued to the Exchanging Existing Owners and 1,687,513 shares issued to certain directors, officers, and employees in connection with the IPO), and 48,537,414 shares of Ladder Capital Corp's Class B common stock were outstanding. Class B common stock has no economic interest but rather voting interest in the Company. At the time of the IPO, 99,134,619 LP Units of LCFH were outstanding, of which 50,597,205 LP Units were held by Ladder Capital Corp and its subsidiaries and 48,537,414 units were held by the Continuing LCFH Limited Partners; and

LP Units became exchangeable on a one-for-one basis for shares of Ladder Capital Corp Class A common stock. In connection with an exchange, a corresponding number of shares of Ladder Capital Corp Class B common stock were required to be provided and canceled. LP units and Ladder Capital Corp Class B common stock could not be legally separated. However, the exchange of LP Units for shares of Ladder Capital Corp Class A common stock would not affect the exchanging owners' voting power since the votes represented by the canceled shares of Ladder Capital Corp Class B common stock would be replaced with the votes represented by the shares of Class A common stock for which such LP Units were exchanged.

The Company accounted for the Reorganization Transactions as an exchange between entities under common control and recorded the net assets and shareholders' equity of the contributed entities at historical cost.

The Reorganization Transactions and the IPO are collectively referred to as the "IPO Transactions."

The REIT Structuring Transactions

In anticipation of the Company's election to be subject to tax as a REIT beginning with its 2015 taxable year (the "REIT Election"), we effected an internal realignment as of December 31, 2014 that we believe permits us to operate as a REIT, subject to the risk factors described in our Annual Report on Form 10-K (the "Annual Report") (see "Risk Factors—Risks Related to Our Taxation as a REIT"). As part of this realignment, LCFH and certain of its wholly-owned

subsidiaries were serialized in order to segregate our REIT-qualified assets and income from our non-REIT-qualified assets and income. Pursuant to such serialization, all assets and liabilities of LCFH and each such subsidiary were identified as TRS assets and liabilities (e.g., our conduit securitization and condominium sales businesses) and REIT assets and liabilities (e.g., balance sheet loans, real estate and most securities), and were allocated on our internal books and records into two pools within LCFH or such subsidiary, Series TRS and Series REIT (collectively, the “Series”), respectively.

Table of Contents

In connection with this serialization, the Amended and Restated LLLP Agreement was amended and restated, effective as of December 5, 2014 and again as of December 31, 2014 (the “Third Amended and Restated LLLP Agreement”). Pursuant to the Third Amended and Restated LLLP Agreement, as of December 31, 2014: all assets and liabilities of LCFH were allocated on LCFH’s internal books and records to either Series REIT or Series TRS of LCFH;

the Company serves as general partner of LCFH and of Series REIT of LCFH;

LC TRS I LLC (“LC TRS I”), a Delaware limited liability company wholly-owned by Series REIT of LCFH, serves as the general partner of Series TRS of LCFH;

each outstanding LP Unit was exchanged for one Series REIT LP Unit (which is entitled to receive profits and losses derived from REIT assets and liabilities) and one Series TRS LP Unit (which is entitled to receive profits and losses derived from TRS assets and liabilities) (collectively, “Series Units”);

as a result, Ladder Capital Corp owned, directly and indirectly, an aggregate of 51.9% of Series REIT of LCFH, and, through such ownership, the right to receive 51.9% of the profits and distributions of Series TRS;

the limited partners of LCFH owned the remaining 48.1% of each of Series REIT and Series TRS of LCFH;

Series REIT of LCFH, in turn, owns, directly or indirectly, 100% of the REIT series of each of its serialized subsidiaries as well as certain wholly-owned REIT subsidiaries;

Series TRS of LCFH owns, directly or indirectly, 100% of the TRS series of each of its serialized subsidiaries as well as certain wholly-owned TRSs;

Series TRS LP Units are exchangeable for an equal number of shares (“TRS Shares”) of LC TRS I (a “TRS Exchange”);

in order to effect the exchange of Series Units for shares of Class A common stock of the Company on a one-for-one basis (the “Class A Exchange”), holders are required to surrender (i) one share of the Company’s Class B common stock, (ii) one Series REIT LP Unit, and (iii) either one Series TRS LP Unit or one TRS Share; and

Series REIT and Series TRS have separate boards, officers, books and records, bank accounts, and tax identification numbers.

Each Series of LCFH also signed a separate joinder agreement, agreeing effective as of 11:59:59 pm on December 31, 2014 (the “Effective Time”), to assume and pay when due (i) any and all liabilities of LCFH incurred or accrued by LCFH as of the Effective Time and (ii) any and all obligations of LCFH arising under contracts, bonds, notes, guarantees, leases or other agreements to which LCFH was a party as of the Effective Time (collectively, the “Agreements”), regardless of whether such obligations arise under the applicable Agreement at, prior to, or after the Effective Time, in each case, with the same force and effect as if each Series had been a signatory to such Agreements on the date thereof.

Also in connection with the planned REIT Election, the Company’s certificate of incorporation was amended and restated, effective as of February 27, 2015, following approval by our shareholders (the “Charter Amendment”), to, among other things, impose ownership limitations and transfer restrictions to facilitate our compliance with the REIT requirements. To qualify as a REIT under the Code, our stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year (other than the first year for which an election to be a REIT has been made). Also, not more than 50% of the value of the outstanding shares of our capital stock may be owned, directly or indirectly, by five or fewer “individuals” (as defined to

include certain entities such as private foundations) during the last half of a taxable year (other than the first taxable year for which an election to be a REIT has been made). Finally, a person actually or constructively owning 10% or more of the vote or value of the outstanding shares of our capital stock could lead to a level of affiliation between the Company and one or more of its tenants that could disqualify our revenues from the affiliated tenants and possibly jeopardize or otherwise adversely impact our qualification as a REIT.

Table of Contents

To facilitate satisfaction of these requirements for qualification as a REIT, the Charter Amendment contains provisions restricting the ownership and transfer of shares of all classes or series of our capital stock. Including ownership limitations in a REIT's charter is the most effective mechanism to monitor compliance with the above-described provisions of the Code. The Charter Amendment provides that, subject to certain exceptions and the constructive ownership rules, no person may own, or be deemed to own by virtue of the attribution provisions of the Code, in excess of (i) 9.8% in value of the outstanding shares of all classes or series of our capital stock or (ii) 9.8% in value or number (whichever is more restrictive) of the outstanding shares of any class of our common stock. In addition, our Tax Receivable Agreement with the Continuing LCFH Limited Partners (the "TRA Members") was amended and restated in connection with our REIT Election, effective as of December 31, 2014 (the "TRA Amendment"), in order to preserve a portion of the potential tax benefits currently existing under the Tax Receivable Agreement that would otherwise be reduced in connection with our REIT Election. The TRA Amendment provides that, in lieu of the existing tax benefit payments under the Tax Receivable Agreement for the 2015 taxable year and beyond, LC TRS I will pay to the TRA Members 85% of the amount of the benefits, if any, that LC TRS I realizes or under certain circumstances (such as a change of control) is deemed to realize as a result of (i) the increases in tax basis resulting from the TRS Exchanges by the TRA Members, (ii) any incremental tax basis adjustments attributable to payments made pursuant to the TRA Amendment, and (iii) any deemed interest deductions arising from payments made by LC TRS I under the TRA Amendment. Under the TRA Amendment, LC TRS I expects to benefit from the remaining 15% of cash savings in income tax that it realizes, which is in the same proportion realized by the Company under the existing Tax Receivable Agreement. The purpose of the TRA Amendment was to preserve the benefits of the Tax Receivable Agreement to the extent possible in a REIT, although, as a result, the amount of payments made to the TRA Members under the TRA Amendment is expected to be less than would be made under the prior Tax Receivable Agreement. The TRA Amendment continues to share such benefits in the same proportions and otherwise has substantially the same terms and provisions as the prior Tax Receivable Agreement. See Note 2 and Note 16 for further discussion of the Tax Receivable Agreement.

As of March 4, 2015, the Company has made the necessary TRS and check-the-box elections and intends to elect to be taxed as a REIT on its tax return for the year ended December 31, 2015, expected to be filed in September 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Principles of Combination and Consolidation

The accompanying combined consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). In the opinion of management, the unaudited financial information for the interim periods presented in this report reflects all normal and recurring adjustments necessary for a fair statement of results of operations, financial position and cash flows. The interim combined consolidated financial statements should be read in conjunction with the audited combined consolidated financial statements for the year ended December 31, 2014, which are included in the Company's Annual Report on Form 10-K ("Annual Report"), as certain disclosures would substantially duplicate those contained in the audited combined consolidated financial statements have not been included in this interim report. Operating results for interim periods are not necessarily indicative of operating results for an entire fiscal year. The interim combined consolidated financial statements have been prepared, without audit, and do not necessarily include all information and footnotes necessary for a fair statement of our combined consolidated financial position, results of operations and cash flows in accordance with GAAP.

The combined consolidated financial statements include the Company's accounts and those of its subsidiaries which are majority-owned and/or controlled by the Company and variable interest entities for which the Company has determined itself to be the primary beneficiary, if any. All significant intercompany transactions and balances have been eliminated. The combined consolidated financial statements of the Company are comprised of the consolidation

of LCFH and its wholly-owned and majority owned subsidiaries, prior to the IPO Transactions, and the consolidated financial statements of Ladder Capital Corp, subsequent to the IPO Transactions.

Table of Contents

Accounting Standards Codification (“ASC”) Topic 810 — Consolidation (“ASC 810”), provides guidance on the identification of entities for which control is achieved through means other than voting rights (“variable interest entities” or “VIEs”) and the determination of which business enterprise, if any, should consolidate the VIEs. Generally, the consideration of whether an entity is a VIE applies when either: (1) the equity investors (if any) lack one or more of the essential characteristics of a controlling financial interest; (2) the equity investment at risk is insufficient to finance that entity’s activities without additional subordinated financial support; or (3) the equity investors have voting rights that are not proportionate to their economic interests and the activities of the entity involve or are conducted on behalf of an investor with a disproportionately small voting interest. The Company consolidates VIEs in which it is considered to be the primary beneficiary. The primary beneficiary is defined by the entity having both of the following characteristics: (1) the power to direct the activities that, when taken together, most significantly impact the variable interest entity’s performance; and (2) the obligation to absorb losses and right to receive the returns from the VIE that would be significant to the VIE.

Noncontrolling interests in consolidated subsidiaries are defined as “the portion of the equity (net assets) in the subsidiaries not attributable, directly or indirectly, to a parent.” Noncontrolling interests are presented as a separate component of capital in the combined consolidated balance sheets. In addition, the presentation of net income attributes earnings to shareholders/unitholders (controlling interest) and noncontrolling interests.

Use of Estimates

The preparation of the combined consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the balance sheets and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are reviewed periodically and the effects of resulting changes are reflected in the combined consolidated financial statements in the period the changes are deemed to be necessary. Significant estimates made in the accompanying combined consolidated financial statements include, but are not limited to the following:

- valuation of real estate securities;
- allocation of purchase price for acquired real estate;
- impairment, and useful lives, of real estate;
- useful lives of intangible assets;
- valuation of derivative instruments;
- valuation of deferred tax asset;
- amounts payable pursuant to the Tax Receivable Agreement;
- determination of effective yield for recognition of interest income;
- adequacy of provision for loan losses;
- determination of other than temporary impairment of real estate securities and investments in unconsolidated joint ventures;
- certain estimates and assumptions used in the accrual of incentive compensation and calculation of the fair value of equity compensation issued to employees;
- determination of the effective tax rate for income tax provision; and
- certain estimates and assumptions used in the allocation of revenue and expenses for our segment reporting.

Cash and Cash Equivalents

The Company considers all investments with original maturities of three months or less, at the time of acquisition, to be cash equivalents. The Company maintains cash accounts at several financial institutions, which are insured up to a

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maximum of \$250,000 per account as of September 30, 2015 and December 31, 2014. At September 30, 2015 and December 31, 2014 and at various times during the years, balances exceeded the insured limits.

Table of Contents

Cash Collateral Held by Broker

The Company maintains accounts with brokers to facilitate financial derivative and repurchase agreement transactions in support of its loan and securities investments and risk management activities. Based on the value of the positions in these accounts and the associated margin requirements, the Company may be required to deposit additional cash into these broker accounts. The cash collateral held by broker is considered restricted cash.

Restricted Cash

As of September 30, 2015 and December 31, 2014, included in other assets on the Company's combined consolidated balance sheets are \$27.6 million and \$24.4 million, respectively, of tenant security deposits, deposits related to real estate sales and acquisitions and required escrow balances on credit facilities, which are considered restricted cash.

Real Estate Securities

The Company designates its real estate securities investments on the date of acquisition of the investment. Real estate securities that the Company does not hold for the purpose of selling in the near-term, but may dispose of prior to maturity, are designated as available-for-sale and are carried at estimated fair value with the net unrealized gains or losses on all securities, except for Government National Mortgage Association ("GNMA") interest-only and Federal Home Loan Mortgage Corp ("FHLMC") interest-only securities (collectively, "Agency interest-only securities"), recorded as a component of other comprehensive income (loss) in shareholders' equity.

The Company's Agency interest-only securities are considered to be hybrid financial instruments that contain embedded derivatives. As a result, the Company accounts for them as hybrid instruments in their entirety at fair value with changes in fair value recognized in earnings in the combined consolidated statements of income in accordance with ASC 815. The Company's recognition of interest income from its Agency interest-only and all other securities, including effective interest from amortization of premiums, follows the Company's Revenue Recognition policy, as disclosed within this Note for recognizing interest income on its securities. The interest income recognized from the Company's Agency interest-only securities is recorded in interest income on the combined consolidated statements of income. The Company uses the specific identification method when determining the cost of securities sold and the amount reclassified out of accumulated other comprehensive income into earnings. The Company accounts for the changes in the fair value of the unfunded portion of its GNMA Construction securities, which are included in real estate securities, available-for-sale, on the combined consolidated balance sheet, as available for sale securities. Unrealized losses on securities that, in the judgment of management, are other than temporary are charged against earnings as a loss in the combined consolidated statements of income.

When the estimated fair value of an available-for-sale security is less than amortized cost, the Company will consider whether there is an other-than-temporary impairment in the value of the security. An impairment will be considered other-than-temporary based on consideration of several factors, including (i) if the Company intends to sell the security, (ii) if it is more likely than not that the Company will be required to sell the security before recovering its cost, or (iii) the Company does not expect to recover the security's cost basis (i.e., a credit loss). A credit loss will have occurred if the present value of cash flows expected to be collected from the debt security is less than the amortized cost basis. If the Company intends to sell an impaired debt security or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis less any current period credit loss, the impairment is other-than-temporary and will be recognized currently in earnings equal to the entire difference between fair value and amortized cost. If a credit loss exists, but the Company does not intend to, nor is it more likely than not that it will be required to sell before recovery, the impairment is other-than-temporary and will be separated into (i) the estimated amount relating to the credit loss, and (ii) the amount relating to all other factors. Only the estimated credit loss amount is recognized currently in earnings, with the remainder of the loss recognized in other comprehensive income.

Estimating cash flows and determining whether there is other-than-temporary impairment require management to exercise judgment and make significant assumptions, including, but not limited to, assumptions regarding estimated prepayments, loss assumptions, and assumptions regarding changes in interest rates. As a result, actual impairment losses, and the timing of income recognized on these securities, could differ from reported amounts.

Table of Contents

The Company utilizes an internal model as its primary pricing source to develop its prices for its commercial mortgage-backed securities (“CMBS”) and other commercial real estate securities guaranteed by a U.S. governmental agency or by a government sponsored entity (together, “U.S. Agency Securities”). Different judgments and assumptions could result in materially different estimates of fair value. To confirm its own valuations, the Company requests prices for each of its CMBS and U.S. Agency Securities investments from three different sources, including pricing services and brokers, although since broker quotes for the same or similar securities in which Ladder has invested are non-binding, the Company does not consider them to be a primary source for valuation. The Company may also develop a price for a security based on its direct observations of market activity and other observations. Typically, at least two prices per security are obtained.

Prior to using a third-party pricing service for valuation, the Company develops an understanding of the valuation methodologies used by such pricing services through discussions with their representatives and review of their valuation methodologies used for different types of securities. The Company understands that the pricing services develop estimates of fair value for CMBS and U.S. Agency Securities using various techniques, including discussion with their internal trading desks, proprietary models and matrix pricing approaches. The Company does not have access to, and is therefore not able to review in detail, the inputs used by the pricing services in developing their estimates of fair value. However, on at least a monthly basis as part of our closing process, the Company evaluates the fair value information provided by the pricing services by comparing this information for reasonableness against its direct observations of market activity for similar securities and anecdotal information obtained from market participants that, in its assessment, is relevant to the determination of fair value. This process may result in the Company “challenging” the estimate of fair value for a security if it is unable to reconcile the estimate provided by the pricing service with its assessment of fair value for the security. Accordingly, in following this approach, the Company’s objective is to ensure that the information used by pricing services in their determination of fair value of securities is reasonable and appropriate.

Since inception, the Company has not encountered significant variation in the values obtained from the various pricing sources. In the extremely limited occasions where the prices received were challenged, the challenge resulted in the prices provided by the pricing services being updated to reflect current market updates or cash flow assumptions.

Debt Issuance Costs

In April 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2015-03, Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs (“ASU 2015-03”), which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Beginning April 1, 2015, the Company elected to early adopt ASU 2015-03 and appropriately retrospectively applied the guidance to its senior unsecured notes, to all periods presented. Unamortized debt issuance costs of \$7.6 million are included in senior unsecured notes as of September 30, 2015, and unamortized debt issuance costs of \$9.4 million are included in senior unsecured notes as of December 31, 2014 (previously included in other assets on the combined consolidated balance sheets). This new guidance is framed around how to account for costs related to term debt and it does not address how to present fees paid to lenders or other costs to secure revolving lines of credit, which are, at the outset, not associated with an outstanding borrowing. In August 2015, FASB issued ASU 2015-15, Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements (“ASU 2015-15”), which amends ASC 835-30, Interest - Imputation of Interest. This update clarifies the presentation and subsequent measurement of debt issuance costs associated with lines of credit. These costs may be deferred and presented as an asset and subsequently amortized ratably over the term of the revolving debt arrangement. The Company considers its committed loan master repurchase facilities, borrowings under credit agreement and revolving credit facility to be revolving debt arrangements. Refer to Note 7, Debt Obligations and Note 8, Senior Unsecured Notes.

Revision

The Company had previously incorrectly included due to broker and due from broker amounts, which represent amounts related to purchases and sales of securities that had not settled as of the end of the period, as cash provided by (used in) operating activities rather than as non-cash investing activities. These transactions generally settle in three business days. Management evaluated the impact of the correction to the previously issued financial statements and concluded the effect was not material. However, for comparative purposes, the Company has revised the amounts in the prior quarter.

19

Table of Contents

Recently Issued and Adopted Accounting Pronouncements

In September 2015, FASB issued ASU 2015-16, Business Combinations: Simplifying the Accounting for Measurement-Period Adjustment (“ASU 2015-16”). This update requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. ASU 2015-16 applies to fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Entities must apply the new guidance prospectively to adjustments to provisional amounts that occur after the effective date of ASU 2015-16, with earlier adoption permitted for financial statements that have not yet been made available for issuance. The Company anticipates adopting this update in the quarter ending March 31, 2016 and does not expect the adoption to have a material impact on the Company’s combined consolidated financial statements.

As described above, in August 2015, FASB issued ASU 2015-15. The amendments in this ASU are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. The Company elected to early adopt this update in the quarter ended September 30, 2015. The adoption did not have a material impact on the Company’s combined consolidated financial statements.

In June 2015, FASB issued ASU 2015-10, Technical Corrections and Improvements (“ASU 2015-10”). The amendments in this update cover a wide range of topics in the codification and are generally categorized as follows: amendments related to differences between original guidance and the codification; guidance clarification and reference corrections; simplification, and minor improvements. The amendments are effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, but not required. As the objectives of this standard are to clarify the codification, correct unintended application of guidance, eliminate inconsistencies and to improve the codification’s presentation of guidance, the adoption of this standard is not expected to have a significant effect on current accounting practice or create a significant administrative cost on most entities. The Company anticipates adopting this update in the quarter ending March 31, 2016 and does not expect the adoption to have a material impact on the Company’s combined consolidated financial statements.

In May 2015, FASB issued ASU 2015-08, Business Combinations (Topic 805): Pushdown Accounting - Amendments to SEC Paragraphs Pursuant to Staff Accounting Bulletin No. 115 (“ASU 2015-08”). The amendments in ASU 2015-08 amend various SEC paragraphs included in the FASB’s Accounting Standards Codification (“ASC”) to reflect the issuance of Staff Accounting Bulletin No. 115 (“SAB 115”). SAB 115 rescinds portions of the interpretive guidance included in the SEC’s Staff Accounting Bulletins series and brings existing guidance into conformity with ASU 2014-17, Business Combinations (Topic 805): Pushdown Accounting, which provides an acquired entity with an option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity. The Company has adopted the amendments in ASU 2015-08, effective May 8, 2015, as the amendments in the update are effective upon issuance. The adoption did not have a material impact on the Company’s combined consolidated financial statements.

In April 2015, FASB issued ASU 2015-03, Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs (“ASU 2015-03”). The amended guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs is not affected by the amendments in this ASU. The amendments in this ASU are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption of this ASU is permitted for financial statements that have not been previously issued. Entities must apply the new guidance on a retrospective basis, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. Upon transition, an entity is required to comply with

the applicable disclosures for a change in an accounting principle. The Company elected to early adopt this update in the quarter ended June 30, 2015. The adoption did not have a material impact on the Company's combined consolidated financial statements.

Table of Contents

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis (“ASU 2015-02”). This ASU makes changes to the VIE model and voting interest (“VOE”) model consolidation guidance. The main provisions of the ASU include the following: i) adding a requirement that limited partnerships and similar legal entities must provide partners with either substantive kick-out rights or substantive participating rights over the general partner to qualify as a VOE rather than a VIE; ii) eliminating the presumption that the general partner should consolidate a limited partnership; iii) eliminating certain conditions that need to be met when evaluating whether fees paid to a decision maker or service provider are considered a variable interest; iv) excluding certain fees paid to decision makers or service providers when evaluating which party is the primary beneficiary of a VIE; and v) revising how related parties are evaluated under the VIE guidance. Lastly, the ASU eliminates the indefinite deferral of FAS 167, which allowed reporting entities with interests in certain investment funds to follow previous guidance in FIN 46 (R). However, the ASU permanently exempts reporting entities from consolidating registered money market funds that operate in accordance with Rule 2a-7 of the Investment Company Act. The ASU is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Entities may apply this ASU either using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning period of adoption or retrospectively to all prior periods presented in the financial statements. Early adoption is also permitted provided that the ASU is applied from the beginning of the fiscal year of adoption. The Company anticipates adopting this update in the quarter ending March 31, 2016 and does not expect the adoption to have a material impact on the Company’s combined consolidated financial statements.

In August 2014, FASB issued ASU 2014-15, Presentation of Financial Statements — Going Concern (Subtopic 205-40): Disclosure of Uncertainties About an Entity’s Ability to Continue as a Going Concern (“ASU 2014-15”). The guidance in ASU 2014-15 sets forth management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern as well as required disclosures. ASU 2014-15 indicates that, when preparing interim and annual financial statements, management should evaluate whether conditions or events, in the aggregate, raise substantial doubt about the entity’s ability to continue as a going concern for one year from the date the financial statements are issued or are available to be issued. This evaluation should include consideration of conditions and events that are either known or are reasonably knowable at the date the financial statements are issued or are available to be issued, and, if applicable, whether it is probable that management’s plans to address the substantial doubt will be implemented and, if so, whether it is probable that the plans will alleviate the substantial doubt. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and interim periods and annual periods thereafter. Early application is permitted. The Company anticipates adopting this update in the quarter ending March 31, 2017 and does not expect the adoption to have a material impact on the Company’s combined consolidated financial statements.

In August 2014, FASB issued ASU 2014-14, Receivables-Trouble Debt Restructurings by Creditor (ASC Subtopic 310-40): Classification of Certain Government-Guaranteed Mortgage Loans Upon Foreclosure (“ASU 2014-14”). The guidance in ASU 2014-14 requires that a mortgage loan be derecognized and that a separate other receivable be recognized upon foreclosure if the following conditions are met: (1) the loan has a government guarantee that is not separable from the loan before foreclosure; (2) at the time of foreclosure, the creditor has the intent to convey the real estate property to the guarantor and make a claim on the guarantee, and the creditor has the ability to recover under that claim; and (3) at the time of foreclosure, any amount of the claim that is determined on the basis of the fair value of the real estate is fixed. Upon foreclosure, the separate other receivable should be measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. The guidance is effective for fiscal years beginning after December 15, 2014, and the interim periods within those fiscal years. An entity should adopt the amendments in ASU 2014-14 using either a prospective transition method or a modified retrospective transition method. Early adoption, including adoption in an interim period, is permitted if the entity already has adopted ASU 2014-4. The Company adopted this update in the quarter ended March 31, 2015, and the adoption did not have a material effect on the Company’s combined consolidated financial condition, results of operations or cash flows.

In August 2014, FASB issued ASU 2014-13, Consolidation (Topic 810): Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity (“ASU 2014-13”). For entities that consolidate a collateralized financing entity within the scope of this update, an option to elect to measure the financial assets and the financial liabilities of that collateralized financing entity using either the measurement alternative included in ASU 2014-13 or Topic 820 on fair value measurement is provided. The guidance is effective for fiscal years beginning after December 15, 2015, and the interim periods within those fiscal years. Early adoption is permitted as of the beginning of an annual period. The Company anticipates adopting this update in the quarter ending March 31, 2016 and does not expect the adoption to have a material effect on the Company’s combined consolidated financial condition, results of operations or cash flows.

Table of Contents

In June 2014, FASB issued ASU 2014-12, Compensation-Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period, a consensus of the FASB Emerging Issues Task Force (“ASU 2014-12”). ASU 2014-12 requires that a performance target that affects vesting of share-based payment awards and that could be achieved after the requisite service period be treated as a performance condition. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the periods for which the requisite service has already been rendered. If the performance target becomes likely to be achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period. The total amount of compensation cost recognized during and after the requisite service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved. ASU 2014-12 is effective for all entities for interim and annual periods beginning after December 15, 2015, with early adoption permitted. An entity may apply the amendments in ASU 2014-12 either (i) prospectively to all awards granted or modified after the effective date or (ii) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. The Company anticipates adopting this update in the quarter ending March 31, 2016 and does not expect the adoption to have a material impact on the Company’s combined consolidated financial condition or results of operations.

In June 2014, FASB issued ASU 2014-11, Repurchase-to-Maturity Transactions, Repurchase Financings and Disclosures (“ASU 2014-11”). The pronouncement changes the accounting for repurchase-to-maturity transactions and linked repurchase financings to secured borrowing accounting, which is consistent with the accounting for other repurchase agreements. The pronouncement also requires two new disclosures. The first disclosure requires an entity to disclose information on transfers accounted for as sales in transactions that are economically similar to repurchase agreements. The second disclosure provides increased transparency about the types of collateral pledged in repurchase agreements and similar transactions accounted for as secured borrowings. The pronouncement is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. Early adoption is not permitted. The Company adopted this update in the quarter ended March 31, 2015, and the adoption did not have a material effect on the Company’s combined consolidated financial condition, results of operations or cash flows.

In May 2014, FASB issued ASU 2014-9, Revenue from Contracts with Customers (Topic 606) (“ASU 2014-9”). ASU 2014-9 is a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods or services. In adopting ASU 2014-9, companies may use either a full retrospective or a modified retrospective approach. Additionally, this guidance requires improved disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In August 2015, FASB issued ASU 2015-14, Deferral of the Effective Date (“ASU 2015-14”), which amends ASU 2014-09. As a result, the effective date for the amendments contained in ASU 2014-09 will be the first quarter of fiscal year 2018, with early adoption permitted in the first quarter of fiscal year 2017. The adoption will use one of two retrospective application methods. The Company anticipates adopting this update in the quarter ending March 31, 2018 and does not expect the adoption to have a material impact on the Company’s combined consolidated financial condition or results of operations.

3. MORTGAGE LOAN RECEIVABLES

September 30, 2015 (\$ in thousands)

Outstanding	Carrying	Weighted	Remaining
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	Face Amount	Value	Average Yield (1)	Maturity (years)
Mortgage loan receivables held for investment, at amortized cost	\$1,811,216	\$1,798,362	7.61	% 1.58
Provision for loan losses	N/A	(3,550)		
Total mortgage loan receivables held for investment, at amortized cost	1,811,216	1,794,812		
Mortgage loan receivables held for sale	333,488	333,531	4.15	% 7.60
Total	\$2,144,704	\$2,128,343		

22

Table of Contents

(1) September 30, 2015 LIBOR rates are used to calculate weighted average yield for floating rate loans.

As of September 30, 2015, \$347.1 million, or 19.3%, of the carrying value of our mortgage loan receivables held for investment, at amortized cost, were at fixed interest rates and \$1.5 billion, or 80.7%, of the carrying value of our mortgage loan receivables held for investment, at amortized cost, were at variable interest rates, linked to LIBOR, some of which include interest rate floors. As of September 30, 2015, \$333.5 million, or 100.0%, of the carrying value of our mortgage loan receivables held for sale, were at fixed interest rates.

December 31, 2014 (\$ in thousands)

	Outstanding Face Amount	Carrying Value	Weighted Average Yield (1)	Remaining Maturity (years)
Mortgage loan receivables held for investment, at amortized cost	\$1,536,923	\$1,524,153	7.33	% 1.96
Provision for loan losses	N/A	(3,100)		
Total mortgage loan receivables held for investment, at amortized cost	1,536,923	1,521,053		
Mortgage loan receivables held for sale	417,955	417,955	4.31	% 9.72
Total	1,954,878	1,939,008		

(1) December 31, 2014 LIBOR rates are used to calculate weighted average yield for floating rate loans.

As of December 31, 2014, \$231.9 million, or 15.2%, of the carrying value of our mortgage loan receivables held for investment, at amortized cost, were at fixed interest rates and \$1.3 billion, or 84.8%, of the carrying value of our mortgage loan receivables held for investment, at amortized cost, were at variable interest rates, linked to LIBOR, some of which include interest rate floors. As of December 31, 2014, \$418.0 million, or 100%, of the carrying value of our mortgage loan receivables held for sale, were at fixed interest rates.

The following table summarizes mortgage loan receivables by loan type (\$ in thousands):

	September 30, 2015		December 31, 2014	
	Outstanding Face Amount	Carrying Value	Outstanding Face Amount	Carrying Value
Mortgage loan receivables held for sale				
First mortgage loan	\$333,488	\$333,531	\$417,955	\$417,955
Total mortgage loan receivables held for sale	333,488	333,531	417,955	417,955
Mortgage loan receivables held for investment, at amortized cost				
First mortgage loan	1,524,080	1,512,731	1,373,476	1,361,754
Mezzanine loan	287,136	285,631	163,447	162,399
Total mortgage loan receivables held for investment, at amortized cost	1,811,216	1,798,362	1,536,923	1,524,153
Provision for loan losses	N/A	(3,550)	N/A	(3,100)
Total	\$2,144,704	\$2,128,343	\$1,954,878	\$1,939,008

Table of Contents

For the nine months ended September 30, 2015 and 2014 the activity in our loan portfolio was as follows (\$ in thousands):

	Mortgage loan receivables held for investment, at amortized cost	Mortgage loan receivables held for sale
Balance December 31, 2014	\$ 1,521,054	\$417,955
Origination of mortgage loan receivables	840,652	1,781,355
Repayment of mortgage loan receivables	(575,028	) (1,613
Proceeds from sales of mortgage loan receivables	—	(1,923,883
Realized gain on sale of mortgage loan receivables	—	59,717
Transfer between held for investment and held for sale	—	—
Accretion/amortization of discount, premium and other fees	8,584	—
Loan loss provision	(450) —
Balance September 30, 2015	\$ 1,794,812	\$333,531
	Mortgage loan receivables held for investment, at amortized cost	Mortgage loan receivables held for sale
Balance December 31, 2013	\$ 539,078	\$440,490
Origination of mortgage loan receivables	951,438	2,027,845
Repayment of mortgage loan receivables	(159,329	) (951
Proceeds from sales of mortgage loan receivables	—	(2,379,818
Realized gain on sale of mortgage loan receivables	—	107,135
Transfer between held for investment and held for sale	(11,800	) 11,800
Accretion/amortization of discount, premium and other fees	4,342	—
Loan loss provision	(450) —
Balance September 30, 2014	\$ 1,323,279	\$206,501

During the three and nine months ended September 30, 2015 and 2014, the transfers of financial assets via sales of loans have been treated as sales under ASC Topic 860 — Transfers and Servicing.

At September 30, 2015 and December 31, 2014, there was \$4.1 million and \$4.2 million, respectively, of unamortized discounts included in our mortgage loan receivables held for investment, at amortized cost on our combined consolidated balance sheets.

The Company evaluates each of its loans for potential losses at least quarterly. Its loans are typically collateralized by real estate directly or indirectly. As a result, the Company regularly evaluates the extent and impact of any credit deterioration associated with the performance and/or value of the underlying collateral property, as well as the financial and operating capability of the borrower. Specifically, a property's operating results and any cash reserves are analyzed and used to assess (i) whether cash flow from operations is sufficient to cover the debt service requirements currently and into the future, (ii) the ability of the borrower to refinance the loan at maturity, and/or (iii) the property's liquidation value. The Company also evaluates the financial wherewithal of any loan guarantors as well as the borrower's competency in managing and operating the properties. In addition, the Company considers the overall economic environment, real estate sector, and geographic sub-market in which the collateral property is located. Such

impairment analyses are completed and reviewed by asset management personnel, who utilize various data sources, including (i) periodic financial data such as property occupancy, tenant profile, rental rates, operating expenses, the borrowers' business plan, and capitalization and discount rates, (ii) site inspections, and (iii) current credit spreads and other market data. As a result of this analysis, the Company has concluded that none of its loans are individually impaired as of September 30, 2015 and December 31, 2014.

However, based on the inherent risks shared among the loans as a group, it is probable that the loans had incurred an impairment due to common characteristics and inherent risks in the portfolio. Therefore, the Company has recorded a reserve, based on a targeted percentage level which it seeks to maintain over the life of the portfolio, as disclosed in the tables below. Historically, the Company has not incurred losses on any originated loans.

Table of Contents

At September 30, 2015 and December 31, 2014, there was one loan on non-accrual status with an amortized cost of \$5.9 million and an unamortized discount of \$2.2 million included in our mortgage loan receivables held for investment, at amortized cost on our combined consolidated balance sheets. This loan was not originated by the Company. Instead it was credit impaired at the time of acquisition, which was reflected in Ladder's purchase price.

Provision for Loan Losses (\$ in thousands)

	Three Months Ended		Nine Months Ended September	
	September 30, 2015	2014	30, 2015	2014
Provision for loan losses at beginning of period	\$3,400	\$2,800	\$3,100	\$2,500
Provision for loan losses	150	150	450	450
Charge-offs	—	—	—	—
Provision for loan losses at end of period	\$3,550	\$2,950	\$3,550	\$2,950

Table of Contents

4. REAL ESTATE SECURITIES

Commercial mortgage-backed securities (“CMBS”), CMBS interest-only securities, GN construction securities and GN permanent securities are classified as available-for-sale and reported at fair value with changes in fair value recorded in the current period in other comprehensive income. Government National Mortgage Association (“GNMA”) and Federal Home Loan Mortgage Corp (“FHLMC”) securities (collectively, “Agency interest-only securities”), are recorded at fair value with changes in fair value recorded in current period earnings. The following is a summary of the Company’s securities at September 30, 2015 and December 31, 2014 (\$ in thousands):

September 30, 2015

Asset Type	Outstanding Face Amount	Amortized Cost Basis	Gross Unrealized		Carrying Value	# of Securities	Weighted Average			Remaining Duration (years)
			Gains	Losses			Rating (2)	Coupon	Yield	
CMBS(3)	\$1,936,316	\$1,960,371	\$25,897	\$(1,073)	\$1,985,195	120	AAA	3.25%	2.63%	3.35
CMBS interest-only(3)	7,246,777	(1)356,204	1,726	(1,002)	356,928	47	AAA	0.90%	3.74%	3.46
GNMA interest-only(4)	662,161	(1)30,109	77	(1,583)	28,603	21	AA+	0.81%	4.27%	5.48
GN construction securities(3)	26,730	27,223	589	37	27,849	2	AA+	4.10%	3.86%	9.46
GN permanent securities(3)	16,435	16,950	287	(430)	16,807	12	AA+	4.55%	4.00%	6.09
Total	\$9,888,419	\$2,390,857	\$28,576	\$(4,051)	\$2,415,382	202		1.37%	3.56%	3.59

December 31, 2014

Asset Type	Outstanding Face Amount	Amortized Cost Basis	Gross Unrealized		Carrying Value	# of Securities	Weighted Average			Remaining Duration (years)
			Gains	Losses			Rating (2)	Coupon	Yield	
CMBS(3)	\$2,247,565	\$2,277,995	\$28,453	\$(1,038)	\$2,305,410	145	AAA	3.31%	2.60%	4.23
CMBS interest-only(3)	7,239,503	(1)376,085	2,973	(723)	378,335	41	AAA	1.04%	4.88%	3.45
GNMA interest-only(4)	1,400,141	(1)67,544	1,035	(1,937)	66,642	34	AA+	0.85%	5.90%	4.50
GN construction securities(3)	27,538	28,178	503	(275)	28,406	4	AA+	3.89%	3.56%	9.42
GN permanent securities(3)	36,232	36,515	258	—	36,773	11	AA+	5.49%	4.94%	1.32
Total	\$10,950,979	\$2,786,317	\$33,222	\$(3,973)	\$2,815,566	235		1.50%	4.54%	3.75

(1)

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The amounts presented represent the principal amount of the mortgage loans outstanding in the pool in which the interest-only securities participate.

(2) Represents the weighted average of the ratings of all securities in each asset type, expressed as an S&P equivalent rating. For each security rated by multiple rating agencies, the highest rating is used. Ratings provided were determined by third-party rating agencies as of a particular date, may not be current and are subject to change (including the assignment of a “negative outlook” or “credit watch”) at any time.

(3) CMBS, CMBS interest-only securities, GN construction securities, and GN permanent securities are classified as available-for-sale and reported at fair value with changes in fair value recorded in the current period in other comprehensive income.

(4) Agency interest-only securities are recorded at fair value with changes in fair value recorded in current period earnings.

Table of Contents

The following is a breakdown of the carrying value of the Company's securities by remaining maturity based upon expected cash flows at September 30, 2015 and December 31, 2014 (\$ in thousands):

September 30, 2015

Asset Type	Within 1 year	1-5 years	5-10 years	After 10 years	Total
CMBS(1)	\$604,249	\$776,565	\$604,381	\$—	\$1,985,195
CMBS interest-only(1)	70	356,858	—	—	356,928
GNMA interest-only(2)	9	8,929	19,104	561	28,603
GN construction securities(1)	—	414	27,435	—	27,849
GN permanent securities(1)	—	8,859	7,948	—	16,807
Total	\$604,328	\$1,151,625	\$658,868	\$561	\$2,415,382

December 31, 2014

Asset Type	Within 1 year	1-5 years	5-10 years	After 10 years	Total
CMBS(1)	\$474,357	\$814,702	\$1,016,351	\$—	\$2,305,410
CMBS interest-only(1)	391	370,993	6,951	—	378,335
GNMA interest-only(2)	1,356	42,105	23,181	—	66,642
GN construction securities(1)	—	507	5,183	22,716	28,406
GN permanent securities(1)	25,915	9,334	1,524	—	36,773
Total	\$502,019	\$1,237,641	\$1,053,190	\$22,716	\$2,815,566

CMBS, CMBS interest-only securities, GN construction securities, and GN permanent securities are classified as (1) available-for-sale and reported at fair value with changes in fair value recorded in the current period in other comprehensive income.

(2) Agency interest-only securities are recorded at fair value with changes in fair value recorded in current period earnings.

There were \$0.2 million and \$1.6 million in unrealized losses on securities recorded as other than temporary impairments for the three and nine months ended September 30, 2015, respectively, included in realized gain on securities in the combined consolidated statements of income. There were \$0.5 million and \$2.1 million in unrealized losses on securities recorded as other than temporary impairments for the three and nine months ended September 30, 2014, respectively. For cash flow statement purposes, all receipts of interest from interest-only real estate securities are treated as part of cash flows from operations.

5. REAL ESTATE AND RELATED LEASE INTANGIBLES, NET

Acquisitions

The purchase price for certain of the Company's 2015 acquisitions was allocated to the assets acquired and liabilities assumed based upon their preliminary estimated fair values, which are based on management's best estimates to date. The Company is in the process of finalizing its assessment of the fair value of the assets acquired and liabilities assumed.

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Table of Contents

During the nine months ended September 30, 2015, the Company acquired the following properties (\$ in thousands):

Acquisition Date	Type	Primary Location(s)	Purchase Price	Ownership Interest (1)
January 2015	Net Lease	Jacksonville, NC	\$7,877	100.0%
January 2015	Net Lease	Iberia, MO	1,328	100.0%
January 2015	Net Lease	Isle, MN	1,078	100.0%
January 2015	Net Lease	Pine Island, MN	1,142	100.0%
January 2015	Net Lease	Kings Mountain, NC	21,241	100.0%
February 2015	Net Lease	Village of Menomonee Falls, WI	17,050	100.0%
February 2015	Net Lease	Rockland, MA	7,316	100.0%
February 2015	Net Lease	Crawfordsville, IA	6,000	100.0%
February 2015	Net Lease	Boardman Township, OH	5,400	100.0%
March 2015	Net Lease	Hilliard, OH	6,384	100.0%
March 2015	Net Lease	Weathersfield Township, OH	5,200	100.0%
March 2015	Net Lease	Rotterdam, NY	12,000	100.0%
March 2015	Net Lease	Wheaton, MO	970	100.0%
March 2015	Net Lease	Paynesville, MN	1,254	100.0%
March 2015	Net Lease	Loveland, CO	5,600	100.0%
March 2015	Net Lease	Battle Lake, MN	1,098	100.0%
March 2015	Net Lease	Yorktown, TX	1,207	100.0%
March 2015	Net Lease	St. Francis, MN	1,117	100.0%
May 2015	Net Lease	Red Oak, IA	1,185	100.0%
May 2015	Net Lease	Zapata, TX	1,150	100.0%
June 2015	Net Lease	Aurora, MN	952	100.0%
June 2015	Net Lease	Canyon Lake, TX	1,377	100.0%
June 2015	Net Lease	Wheeler, TX	1,075	100.0%
June 2015	Other	Grand Rapids, MI	9,300	97.0%
June 2015	Other	Grand Rapids, MI	6,300	97.0%
June 2015	Net Lease	Bridgeport, IL	1,186	100.0%
June 2015	Net Lease	Peoria, IL	1,226	100.0%
June 2015	Net Lease	Pleasanton, TX	1,316	100.0%
June 2015	Other	Wayne, NJ	9,700	100.0%
June 2015	Net Lease	Warren, MN	1,055	100.0%
June 2015	Net Lease	Tremont, IL	1,150	100.0%
August 2015	Net Lease	Ponce, Puerto Rico	8,900	100.0%
August 2015	Net Lease	Effingham County, IL	1,195	100.0%
August 2015	Net Lease	Lebanon, MI	1,200	100.0%
August 2015	Net Lease	Minot, ND	6,644	100.0%
August 2015	Net Lease	Floresville, TX	1,251	100.0%
August 2015	Net Lease	Kerrville, TX	1,174	97.0%
September 2015	Net Lease	De Soto, IL	1,066	97.0%
September 2015	Net Lease	Biscoe, NC	1,216	100.0%
September 2015	Net Lease	Moultrie, GA	1,305	100.0%
September 2015	Net Lease	Rose Hill, NC	1,420	100.0%
September 2015	Net Lease	Rockingham, NC	1,158	100.0%
Totals			\$166,763	

(1) Properties were consolidated as of acquisition date.

Table of Contents

The purchase prices were allocated to the net assets acquired during the nine months ended September 30, 2015, as follows (\$ in thousands):

	Purchase Price Allocation
Land	\$21,794
Building	129,032
Intangibles	15,937
Total purchase price	\$166,763

The Company recorded \$3.9 million and \$7.9 million in revenues from its 2015 acquisitions for the three and nine months ended September 30, 2015, respectively, which are included in operating lease income on the combined consolidated statements of income.

During the nine months ended September 30, 2014, the Company acquired the following properties (\$ in thousands):

Acquisition Date	Type	Primary Location(s)	Purchase Price	Ownership Interest (1)
August 2014	Net Lease	O'Fallon, IL	\$8,000	100.0%
August 2014	Net Lease	El Centro, CA	4,277	100.0%
August 2014	Other	Richmond, VA	19,850	77.5%
August 2014	Net Lease	Conyers, GA	32,530	100.0%
September 2014	Other	St. Paul, MN	62,340	97.0%
Totals			\$126,997	

(1) Properties were consolidated as of acquisition date.

The purchase prices were allocated to the net assets acquired during the nine months ended September 30, 2014, as follows (\$ in thousands):

	Purchase Price Allocation
Land	\$17,886
Building	82,233
Intangibles	26,878
Total purchase price	\$126,997

The Company recorded \$0.9 million in revenues from its 2014 acquisitions for the three and nine months ended September 30, 2014, which are included in operating lease income on the combined consolidated statements of income.

Table of Contents

Sales

The Company sold the following properties during the nine months ended September 30, 2015 (\$ in thousands):

Sales Date	Type	Primary Location(s)	Net Sales Proceeds	Net Book Value	Realized Gain/(Loss)	Properties	Units
May 2015	Net Lease	Plattsmouth, NE	\$8,440	\$7,983	\$457	1	—
May 2015	Net Lease	Worthington, MN	8,793	8,321	472	1	—
May 2015	Net Lease	Loveland, CO	6,249	5,600	649	1	—
Sep 2015	Net Lease	Village of Menomonee Falls, WI	18,186	16,827	1,359	1	—
Various	Condominium	Las Vegas, NV	31,997	18,617	13,380	—	72
Various	Condominium	Miami, FL	22,301	17,271	5,030	—	74
Totals			\$95,966	\$74,619	\$21,347		

The Company sold the following properties during the nine months ended September 30, 2014 (\$ in thousands):

Sales Date	Type	Primary Location(s)	Net Sales Proceeds	Net Book Value	Realized Gain/(Loss)	Properties	Units
May 2014	Net Lease	Tilton, NH	\$8,432	\$6,743	\$1,689	1	—
Jun 2014	Other	Richmond, VA	16,793	15,642	1,151	1	—
Sep 2014	Net Lease	Yulee, FL	1,436	1,246	190	1	—
Sep 2014	Net Lease	Middleburg, FL	1,262	1,077	185	1	—
Sep 2014	Net Lease	Jonesboro, AR	9,413	8,016	1,397	1	—
Sep 2014	Net Lease	Mt. Juliet, TN	10,167	8,724	1,443	1	—
Various	Condominium	Las Vegas, NV	46,213	30,035	16,178	—	96
Various	Condominium	Miami, FL	9,746	7,754	1,992	—	34
Totals			\$103,462	\$79,237	\$24,225		

Real Estate Held for Sale

During the nine months ended September 30, 2015, the Company entered into a purchase and sale agreement to sell a 26-story office building in Minneapolis, MN. The sale of this property, which resulted in a gain, occurred on November 3, 2015. As of September 30, 2015, this property was designated as real estate held for sale in the combined consolidated statements of financial condition. The real estate held for sale, recorded at carrying value, is \$49.0 million as of September 30, 2015. There was no real estate designated as real estate held for sale as of December 31, 2014.

Real Estate Sold or Classified as Held for Sale

On January 1, 2014, the Company early adopted ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of

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Components of an Entity, and as the properties sold or classified as real estate held for sale in the nine months ended September 30, 2015 will not represent a strategic shift (as the Company is not entirely exiting markets or property types), they have not been reflected as part of discontinued operations.

The following table summarizes income from the properties sold or classified as held for sale during the nine months ended September 30, 2015, for the three and nine months ended September 30, 2015 and 2014 (\$ in thousands):

30

Table of Contents

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Operating lease income	\$1,663	\$1,304	\$5,517	\$4,687
Tenant recoveries	1,348	1,233	3,806	3,228
Depreciation and amortization	(32	) (1,067	) (1,962	) (3,176
Income from properties sold	\$2,979	\$1,470	\$7,361	\$4,739

The following table summarizes income from the properties sold or classified as held for sale during the nine months ended September 30, 2014, for the three and nine months ended September 30, 2014 (\$ in thousands):

	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014
Operating lease income	\$469	\$2,682
Tenant recoveries	—	278
Depreciation and amortization	(14	) (1,223
Income from properties sold	\$455	\$1,737

The following unaudited pro forma information has been prepared based upon our historical combined consolidated financial statements and certain historical financial information of the acquired properties, which are accounted for as business combinations, and should be read in conjunction with the combined consolidated financial statements and notes thereto. The unaudited pro forma combined consolidated financial information reflects the 2014 acquisition adjustments made to present financial results as though the acquisition of the properties occurred on January 1, 2013 and the 2015 acquisition adjustments made to present financial results as though the acquisition of the properties occurred on January 1, 2014. This unaudited pro forma information may not be indicative of the results that actually would have occurred if these transactions had been in effect on the dates indicated, nor do they purport to represent our future results of operations. (\$ in thousands)

	Three Months Ended September 30, 2015			Nine Months Ended September 30, 2015		
	Company Historical	Acquisitions	Consolidated Pro Forma	Company Historical	Acquisitions	Consolidated Pro Forma
Operating lease income	\$20,671	\$240	\$20,911	\$60,207	\$1,077	\$61,284
Net income	2,798	138	2,936	89,458	625	90,083
Net loss attributable to noncontrolling interest in consolidated joint ventures	85	—	85	578	—	578
Net (income) loss attributable to noncontrolling interest in operating partnership	430	(64	) 366	(43,338	) (292	) (43,630
Net income attributable to Class A common shareholders	3,313	73	3,386	46,698	332	47,030

	Three Months Ended September 30, 2014			Nine Months Ended September 30, 2014		
	Company	Acquisitions	Consolidated	Company	Acquisitions	Consolidated

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	Historical		Pro Forma		Historical		Pro Forma	
Operating lease income	\$12,810	\$433	\$13,243	\$38,827	\$1,299	\$40,126		
Net income	37,176	(183)	36,993	85,820	307	86,127		
Net loss attributable to noncontrolling interest in consolidated joint ventures	306	—	306	451	—	451		
Net (income) loss attributable to predecessor unitholders	—	—	—	12,628	—	12,628		
Net (income) loss attributable to noncontrolling interest in operating partnership	(22,826)	86	(22,740)	(59,086)	(143)	(59,229)		
Net income attributable to Class A common shareholders	14,656	(97)	14,559	39,813	163	39,976		

31

Table of Contents

The most significant adjustments made in preparing the unaudited pro forma information were to: (i) include the incremental operating lease income, (ii) include the incremental depreciation, and (iii) adjust for transaction costs associated with the properties acquired in 2015 as if they incurred on January 1, 2014.

Real Estate and Related Lease Intangibles, Net

The following tables present additional detail related to our real estate portfolio (\$ in thousands):

	September 30, 2015	December 31, 2014
Land	\$9,447	\$—
Building	30,429	—
In-place leases and other intangibles	14,516	—
Real estate	54,392	—
Less: Accumulated depreciation and amortization	(5,370) —
Real estate held for sale	\$49,022	\$—
	September 30, 2015	December 31, 2014
Land	\$128,446	\$122,458
Building	605,347	569,774
In-place leases and other intangibles	131,252	127,359
Real estate	865,045	819,591
Less: Accumulated depreciation and amortization	(73,468	) (50,605
Real estate and related lease intangibles, net	\$791,577	\$768,986

The following table presents depreciation and amortization expense on real estate recorded by the Company (\$ in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Depreciation expense (1)	\$5,900	\$3,399	\$17,802	\$12,713
Amortization expense	3,633	3,293	11,356	8,150
Total real estate depreciation and amortization expense	\$9,533	\$6,692	\$29,158	\$20,863

Depreciation expense on the combined consolidated statements of income also includes \$28,493 and \$0.1 million of depreciation on corporate fixed assets for the three months ended September 30, 2015 and 2014, respectively, and \$79,904 and \$0.4 million of depreciation on corporate fixed assets for the nine months ended September 30, 2015 and 2014, respectively.

The Company's intangible assets are comprised of in-place leases, favorable leases compared to market leases and other intangibles. At September 30, 2015, gross intangible assets totaled \$145.8 million with total accumulated amortization of \$31.8 million, resulting in net intangible assets of \$114.0 million, including \$7.2 million of

unamortized favorable lease intangibles which are included in real estate and related lease intangibles, net on the combined consolidated balance sheets. At December 31, 2014, gross intangible assets totaled \$127.4 million with total accumulated amortization of \$19.9 million, resulting in net intangible assets of \$107.5 million, including \$7.4 million of unamortized favorable lease intangibles which are included in real estate and related lease intangibles, net on the combined consolidated balance sheets. For the three and nine months ended September 30, 2015, the Company recorded an offset against operating lease income of \$0.4 million and \$1.2 million, respectively, for favorable leases, compared to \$0.4 million and \$1.1 million, respectively, for the three and nine months ended September 30, 2014.

Table of Contents

The following table presents expected amortization expense during the next five years and thereafter related to the acquired in-place lease intangibles for property owned as of September 30, 2015 (\$ in thousands):

Period Ending December 31,	Amount
2015 (last 3 months)	\$5,256
2016	13,271
2017	8,657
2018	7,609
2019	7,346
Thereafter	60,258
Total	\$102,397

There were \$5.0 million and \$3.0 million of unbilled rent receivables included in other assets on the combined consolidated balance sheets as of September 30, 2015 and December 31, 2014, respectively.

There was unencumbered real estate of \$60.9 million and \$85.7 million as of September 30, 2015 and December 31, 2014, respectively.

The following is a schedule of contractual future minimum rent under leases (excluding property operating expenses paid directly by tenant under net leases or rent escalations under other leases from tenants) at September 30, 2015 (\$ in thousands):

Period Ending December 31,	Amount
2015 (last 3 months)	\$22,651
2016	67,685
2017	63,553
2018	61,015
2019	56,697
Thereafter	529,372
Total	\$800,973

Table of Contents

6. INVESTMENT IN UNCONSOLIDATED JOINT VENTURES

As of September 30, 2015, the Company had an aggregate investment of \$33.8 million in its equity method joint ventures with unaffiliated third parties.

Included in the Company's investments in unconsolidated joint ventures as of September 30, 2015 is one unconsolidated joint venture, which is a VIE for which the Company is not the primary beneficiary. This joint venture is primarily established to develop real estate property for long-term investment and was deemed to be a VIE primarily based on the fact there are disproportionate voting and economic rights within the joint venture. The Company determined that it was not the primary beneficiary of this VIE based on the fact that the Company has shared control of this entity along with the entity's partner and therefore does not have controlling financial interests in this VIE. The Company's aggregate investment in this VIE was \$31.0 million. The Company has not provided financial support to this VIE that it was not previously contractually required to provide. In general, future costs of development not financed through a third party will be funded with capital contributions from the Company and its outside partner in accordance with their respective ownership percentages.

As of September 30, 2015, the Company owned a 10% limited partnership interest in Ladder Capital Realty Income Partnership I LP ("LCRIP I") to invest in first mortgage loans held for investment and acted as general partner and Manager to LCRIP I. The Company accounts for its interest in LCRIP I using the equity method of accounting as it exerts significant influence but the unrelated limited partners have substantive participating rights, as well as kick-out rights. During the quarter ended June 30, 2015, the last loan held by LCRIP I was repaid. LCRIP I will continue in existence until the fifth anniversary of the date of its closing, April 15, 2016.

As of September 30, 2015, the Company owned a 25% membership interest in Grace Lake JV, LLC ("Grace Lake JV") which it received in connection with the refinancing of a first mortgage loan on an office building campus in Van Buren Township, MI. The Company accounts for its interest in Grace Lake JV using the equity method of accounting as it has a 25% investment, compared to the 75% investment of its operating partner.

As of September 30, 2015, the Company owned a 73.8% membership interest in 24 Second Avenue Holdings LLC ("24 Second Avenue") to invest in a condominium development located at 24 Second Avenue, New York, NY. The Company accounts for its interest in 24 Second Avenue using the equity method of accounting as its joint venture partner is the managing member of 24 Second Avenue and has substantive participating rights.

The following is a summary of the Company's investments in unconsolidated joint ventures, which we account for using the equity method, as of September 30, 2015 and December 31, 2014 (\$ in thousands):

Entity	September 30, 2015	December 31, 2014
Ladder Capital Realty Income Partnership I LP	\$49	\$3,898
Grace Lake JV, LLC	2,753	2,143
24 Second Avenue Holdings LLC	30,991	—
Company's investment in unconsolidated joint ventures	\$33,793	\$6,041

Table of Contents

The following is a summary of the Company's allocated earnings (losses) based on its ownership interests from investment in unconsolidated joint ventures for the three and nine months ended September 30, 2015 and 2014 (\$ in thousands):

Entity	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Ladder Capital Realty Income Partnership I LP	\$—	\$101	\$116	\$987
Grace Lake JV, LLC	196	225	685	675
24 Second Avenue Holdings LLC	(221	) —	(221) —
Earnings (loss) from investment in unconsolidated joint ventures	\$(25	) \$326	\$580	\$1,662

Ladder Capital Realty Income Partnership I LP

On April 15, 2011, the Company entered into a limited partnership agreement becoming the general partner and acquiring a 10% limited partnership interest in LCRIP I. Simultaneously with the execution of the LCRIP I Partnership Agreement, the Company was engaged as the manager of LCRIP I and is entitled to a fee based upon the average net equity invested in LCRIP I, which is subject to a fee reduction in the event average net equity invested in LCRIP I exceeds \$100.0 million. During the three months ended September 30, 2015 the Company recorded no management fees. During the three months ended September 30, 2014, the Company recorded \$83,873 in management fees, which is reflected in fee income in the combined consolidated statements of income. During the nine months ended September 30, 2015 and 2014, the Company recorded \$77,447 and \$312,417, respectively, in management fees, which is reflected in fee income in the combined consolidated statements of income.

During the three and nine months ended September 30, 2015 and 2014, there were no sales of loans to LCRIP I. It is the Company's policy to defer 10% of the gain on any sale of loans to LCRIP I, representing its 10% limited partnership interest, until such loans are subsequently sold by LCRIP I or repaid.

The Company is entitled to income allocations and distributions based upon its limited partnership interest of 10% and is eligible for additional distributions of up to 25% if certain return thresholds are met upon asset sale, full prepayment or other disposition. During the nine months ended September 30, 2015 and the three and nine months ended September 30, 2014, the return thresholds were met on certain assets that have been fully realized. The Company is obligated to provide LCRIP I 10% of any costs related to the assets held in its portfolio as of September 30, 2015.

Grace Lake JV, LLC

In connection with the origination of a loan in April 2012, the Company received a 25% equity kicker with the right to convert upon a capital event. On March 22, 2013, the loan was refinanced and the Company converted its interest into a 25% limited liability company membership interest in Grace Lake JV, which holds an investment in an office building complex. After taking into account the preferred return of 8.25% and the return of all equity remaining in the property to the Company's operating partner, the Company is entitled to 25% of the distribution of all excess cash flows and all disposition proceeds upon any sale. The Company is not legally required to provide any future funding to Grace Lake JV.

Table of Contents

24 Second Avenue Holdings LLC

On August 7, 2015, 24 Second Avenue Holdings LLC was formed between the Company and an operating partner, who is the managing member of 24 Second Avenue. The Company contributed \$31.1 million for a 73.8% interest and the operating partner has a 26.2% interest. The Company is entitled to income allocations and distributions based upon its membership interest of 73.8% until the Company achieves a 1.70x profit multiple, after which, ultimately, income is allocated and distributed 50% to the Company and 50% to the operating partner. During the three and nine months ended September 30, 2015, the Company recorded \$0.2 million in expenses, which is recorded in earnings (loss) from investment in unconsolidated joint ventures in the combined consolidated statements of income. The Company capitalizes interest related to the cost of its investment as 24 Second Avenue has activities in progress necessary to construct and ultimately sell condominium units. During the three and nine months ended September 30, 2015, the Company capitalized \$0.1 million of interest expense, using a weighted average interest rate, which is recorded in investment in unconsolidated joint ventures in the combined consolidated balance sheets.

Combined Summary Financial Information for Unconsolidated Joint Ventures

The following is a summary of the combined financial position of the unconsolidated joint ventures in which the Company had investment interests as of September 30, 2015 and December 31, 2014 (\$ in thousands):

	September 30, 2015	December 31, 2014
Total assets	\$ 130,433	\$ 118,762
Total liabilities	88,405	81,073
Partners'/members' capital	\$42,028	\$37,689

The following is a summary of the combined results from operations of the unconsolidated joint ventures for the period in which the Company had investment interests during the three and nine months ended September 30, 2015 and 2014 (\$ in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Total revenues	\$4,203	\$5,700	\$14,666	\$19,661
Total expenses	4,626	3,727	11,987	12,571
Net income (loss)	\$(423	) \$1,973	\$2,679	\$7,090

Table of Contents

7. DEBT OBLIGATIONS

The details of the Company's debt obligations at September 30, 2015 and December 31, 2014 are as follows (\$ in thousands):

September 30, 2015

Debt Obligations	Committed Financing	Debt Obligations Outstanding	Committed but Unfunded	Interest Rate at September 30, 2015	Current Term Maturity	Remaining Extension Options	Eligible Collateral (1)	Carrying Amount of Collateral	Fair Value of Collateral
Committed Loan Repurchase Facility	\$600,000	\$218,516	\$381,484	1.96% - 2.71%	10/30/2016	(3)	(6)	\$323,137	\$325,108
Committed Loan Repurchase Facility	400,000	128,955	271,045	2.45% - 4.21%	4/10/2016	(4)	(7)	253,930	255,235
Committed Loan Repurchase Facility	450,000	276,540	173,460	2.45% - 4.21%	5/24/2016	(3)	(6)	498,487	502,738
Total Committed Loan Repurchase Facilities	1,450,000	624,011	825,989					1,075,554	1,083,081
Committed Securities Repurchase Facility	300,000	161,529	138,471	0.88% - 1.30%	10/31/2016	N/A	(8)	193,271	193,271
Uncommitted Securities Repurchase Facility	N/A (2)	405,786	N/A (2)	0.50% - 1.82%	10/2015	N/A	(8)	479,670	479,670
Total Repurchase Facilities	1,750,000	1,191,326	964,460					1,748,495	1,756,022
Borrowings Under Credit Agreement	50,000	20,400	29,600	2.94% - 2.96%	1/24/2016	N/A	(9)	21,765	22,920
Revolving Credit Facility	75,000	50,000	25,000	3.69% - 5.75%	2/11/2017	(3)	N/A (11)	N/A (11)	N/A (11)
Mortgage Loan Financing	555,786	555,786	—	4.25% - 6.75%	2018 - 2025	N/A	(12)	723,407	796,740
FHLB Financing	2,248,712	1,786,000	462,712	0.27% - 2.74%	2015 - 2024	N/A	(9)	2,250,547	2,258,794

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Total Debt Obligations	\$4,679,498	\$3,603,512	\$1,481,772	\$4,744,214	\$4,834,47
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- (1) Collateral includes first mortgage and mezzanine real estate loans and investment grade commercial real estate securities. It does not include the real estate collateralizing such loans and securities.
- (2) Represents uncommitted securities repurchase facilities for which there is no committed amount subject to future advances
- (3) Two additional twelve month periods at Company's option
- (4) Three additional 364 day periods at Company's option
- (5) One additional twelve month period
- (6) First mortgage commercial real estate loans
- (7) First mortgage and mezzanine commercial real estate loans
- (8) Investment grade commercial real estate securities
- (9) First mortgage and mezzanine commercial real estate loans and investment grade commercial real estate securities
- (10) First mortgage commercial real estate loan
- (11) The obligations under the Revolving Credit Facility are guaranteed by the Company and certain of its subsidiaries and secured by equity pledges in certain Company subsidiaries.
- (12) Using undepreciated value of commercial real estate to approximate fair value

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Table of Contents

December 31, 2014

Debt Obligations	Committed Financing	Debt Obligations Outstanding	Committed but Unfunded	Interest Rate at December 31, 2014	Current Term Maturity	Remaining Extension Options	Eligible Collateral (1)	Carrying Amount of Collateral	Fair Value of Collateral
Committed Loan Repurchase Facility	\$450,000	\$147,796	\$302,204	2.42% - 2.66%	10/30/2016	(3)	(6)	\$278,530	\$279,921
Committed Loan Repurchase Facility	250,000	138,711	111,289	2.41% - 3.04%	4/10/2016	(4)	(7)	144,858	145,749
Committed Loan Repurchase Facility	450,000	222,516	227,484	2.42% - 3.16%	5/26/2015	(3)	(6)	378,573	380,344
Total Committed Loan Repurchase Facilities	1,150,000	509,023	640,977					801,961	806,014
Committed Securities Repurchase Facility	300,000	174,853	125,147	0.87% - 1.27%	4/30/2015	N/A	(8)	214,617	214,617
Uncommitted Securities Repurchase Facility	N/A (2)	747,789	N/A (2)	0.50% - 1.66%	Various	N/A	(8)	861,456	861,456
Total Repurchase Facilities	1,450,000	1,431,665	766,124					1,878,034	1,882,087
Borrowings Under Credit Agreement	50,000	11,000	39,000	2.91%	1/24/2016	N/A	(9)	—	—
Borrowings Under Credit and Security Agreement	46,750	46,750	—	2.01%	10/6/2015	(5)	(10)	54,775	55,000
Revolving Credit Facility	75,000	25,000	50,000	3.66% - 5.75%	2/11/2017	(3)	N/A (11)	N/A (11)	N/A (11)
Mortgage Loan Financing	447,410	447,410	—	4.25% - 6.75%	2018 - 2024	N/A	(12)	591,613	637,271
	1,900,000	1,611,000	289,000			N/A	(9)	2,068,988	2,073,955

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FHLB			0.30%	-	2015	-
Financing			2.74%		2024	
Total Debt	\$3,969,160	\$3,572,825	\$1,144,124			
Obligations					\$4,593,410	\$4,648,311

- (1) Collateral includes first mortgage and mezzanine real estate loans and investment grade commercial real estate securities. It does not include the real estate collateralizing such loans and securities.
- (2) Represents uncommitted securities repurchase facilities for which there is no committed amount subject to future advances
- (3) Two additional twelve month periods at Company's option
- (4) One additional 364 day period at Company's option
- (5) One additional twelve month period
- (6) First mortgage commercial real estate loans
- (7) First mortgage and mezzanine commercial real estate loans
- (8) Investment grade commercial real estate securities
- (9) First mortgage and mezzanine commercial real estate loans and investment grade commercial real estate securities
- (10) First mortgage commercial real estate loan
- (11) The obligations under the Revolving Credit Facility are guaranteed by the Company and certain of its subsidiaries and secured by equity pledges in certain Company subsidiaries.
- (12) Using undepreciated value of commercial real estate to approximate fair value

Committed Loan and Securities Repurchase Facilities

The Company has entered into multiple committed master repurchase agreements in order to finance its lending activities. The Company has entered into three committed master repurchase agreements, as outlined in the September 30, 2015 table above, totaling \$1.5 billion of credit capacity. Assets pledged as collateral under these facilities are limited to whole mortgage loans or participation interests in mortgage loans collateralized by first liens on commercial properties. The Company also has a term master repurchase agreement with a major U.S. bank to finance CMBS totaling \$300.0 million. The Company's repurchase facilities include covenants covering net worth requirements, minimum liquidity levels, and maximum leverage ratios. The Company believes it was in compliance with all covenants as of September 30, 2015 and December 31, 2014.

Table of Contents

The Company has the option to extend some of the current facilities subject to a number of conditions, including satisfaction of certain notice requirements, no event of default exists, and no margin deficit exists, all as defined in the repurchase facility agreements. The lenders have sole discretion with respect to the inclusion of collateral in these facilities, to determine the market value of the collateral on a daily basis, to be exercised on a good faith basis, and have the right to require additional collateral, a full and/or partial repayment of the facilities (margin call), or a reduction in unused availability under the facilities, sufficient to rebalance the facilities if the estimated market value of the included collateral declines.

On April 29, 2014, the Company amended the terms of its master repurchase agreement with a major U.S. bank to finance loans the Company originates to temporarily increase financing capacity on its facility from \$300.0 million to \$450.0 million to enable the financing of one of its assets. The increase in capacity terminated in accordance with its terms. On October 30, 2014, the Company amended the terms of this master repurchase agreement to increase the financing capacity from \$300.0 million to \$450.0 million, to temporarily increase financing capacity on its facility from \$450.0 million to \$650.0 million to enable the financing of one of its assets and to remove the concentration limit on balance sheet financing. The temporary increase in capacity has since terminated in accordance with its terms. On December 31, 2014, the Series of LCFH were also added as additional guarantors.

On June 17, 2014, the Company amended the terms of its master repurchase agreement with a major U.S. bank to finance loans the Company originates to increase the maximum advance rate available on all classes of assets.

On June 30, 2014, the Company amended its master repurchase agreement with a major U.S. insurance company to finance loans the Company originates to extend the maturity date of the facility to December 31, 2014. The Company terminated this master repurchase agreement effective November 30, 2014.

On December 31, 2014, the Company amended the terms of its master repurchase agreement with a major U.S. bank to finance loans the Company originates to, among other items, permit the financing of mezzanine debt and amend the leverage covenant to be consistent with those in most of our other credit facilities. The Series of LCFH were also added as additional guarantors.

On February 19, 2015, the Company executed an amendment and extension of one of its credit facilities with a major banking institution, providing for, among other things, extending the maximum term of the facility to May 24, 2018, limiting the recourse exposure to the Company and modifying the pricing terms of the facility.

On April 10, 2015, the Company executed an amendment and extension of one of its credit facilities with a major banking institution, providing for, among other things, the extension of the maximum term of the facility to April 10, 2019 and increasing the maximum funding capacity of the facility to \$400.0 million.

On August 14, 2015, the Company executed an amendment of one of its credit facilities with a major banking institution, providing for, among other things, an increase in the maximum funding capacity to \$600.0 million.

Borrowings under Credit Agreement

On January 24, 2013, the Company entered into a \$50.0 million credit agreement with one of its multiple committed financing counterparties in order to finance its securities and lending activities (the "Credit Agreement"). The Credit Agreement terminates on January 24, 2016 with no further extension options. Interest on the Credit Agreement is London Interbank Offered Rate ("LIBOR") plus 275 basis points per annum payable monthly in arrears. LCFH is subject to customary affirmative covenants and negative covenants, including limitations on the assumption or incurrence of additional liens or debt, restrictions on certain payments or transfers of assets, and restrictions on the amendment of contracts or documents related to the assets under pledge. Under the Credit Agreement, LCFH is

subject to customary financial covenants relating to maximum leverage, minimum tangible net worth, and minimum liquidity consistent with our other credit facilities. The Company's ability to borrow under the Credit Agreement is dependent on, among other things, LCFH's compliance with the financial covenants. The Company believes it was in compliance with all covenants as of September 30, 2015 and December 31, 2014.

Table of Contents

Borrowings under Credit and Security Agreement

On October 31, 2014, the Company entered into a credit and security agreement (the “Credit and Security Agreement”) with a major banking institution to finance one of its assets in the amount of \$46.8 million and an interest rate of LIBOR plus 185 basis points. On September 21, 2015, the debt was repaid, and the Credit and Security Agreement was terminated.

Revolving Credit Facility

On February 11, 2014, the Company entered into a revolving credit facility (the “Revolving Credit Facility”). The Revolving Credit Facility provides for an aggregate maximum borrowing amount of \$75.0 million, including a \$25.0 million sublimit for the issuance of letters of credit. The Revolving Credit Facility is available on a revolving basis to finance the Company’s working capital needs and for general corporate purposes. The Revolving Credit Facility has a three-year maturity, which maturity may be extended by two twelve-month periods subject to the satisfaction of customary conditions, including the absence of default. Interest on the Revolving Credit Facility is one-month LIBOR plus 3.50% per annum payable monthly in arrears.

The obligations under the Revolving Credit Facility are guaranteed by the Company and certain of its subsidiaries. The Revolving Credit Facility is secured by a pledge of the shares of (or other ownership or equity interests in) certain subsidiaries to the extent the pledge is not restricted under existing regulations, law or contractual obligations.

LCFH is subject to customary affirmative covenants and negative covenants, including limitations on the incurrence of additional debt, liens, restricted payments, sales of assets and affiliate transactions. In addition, under the Revolving Credit Facility, LCFH is required to comply with financial covenants relating to minimum net worth, maximum leverage, minimum liquidity, and minimum fixed charge coverage, consistent with our other credit facilities. The Company’s ability to borrow under the Revolving Credit Facility is dependent on, among other things, LCFH’s compliance with the financial covenants. The Revolving Credit Facility contains customary events of default, including non-payment of principal or interest, fees or other amounts, failure to perform or observe covenants, cross-default to other indebtedness, the rendering of judgments against the Company or certain of our subsidiaries to pay certain amounts of money and certain events of bankruptcy or insolvency.

Debt Issuance Costs

As discussed in Note 2, Significant Accounting Policies, the Company considers its committed loan master repurchase facilities, borrowings under the Credit Agreement and Revolving Credit Facility to be revolving debt arrangements. As such, the Company continues to defer and present costs associated with these facilities as an asset, subsequently amortizing them ratably over the term of each revolving debt arrangement. As of September 30, 2015 and December 31, 2014, the amount of unamortized costs relating to such facilities are \$3.7 million and \$4.0 million, respectively and are included in other assets in the combined consolidated balance sheets.

Uncommitted Securities Repurchase Facilities

The Company has also entered into multiple master repurchase agreements with several counterparties collateralized by real estate securities. The borrowings under these agreements have typical advance rates between 65% and 95% of the fair value of collateral.

Table of Contents

Mortgage Loan Financing

During the nine months ended September 30, 2015, the Company executed 36 term debt agreements to finance properties in its real estate portfolio. During the nine months ended September 30, 2014, the Company executed five term debt agreement to finance such real estate. These nonrecourse debt agreements provide for fixed rate financing at rates, ranging from 4.25% to 6.75%, maturing in 2018, 2020, 2021, 2022, 2023, 2024 and 2025. These loans have carrying amounts of \$555.8 million and \$447.4 million, net of unamortized premiums of \$7.0 million and \$5.3 million at September 30, 2015 and December 31, 2014, respectively, representing proceeds received upon financing greater than the contractual amounts due under these agreements. The premiums are being amortized over the remaining life of the respective debt instruments using the effective interest method. The Company recorded \$0.2 million and \$0.7 million of premium amortization, which decreased interest expense, for the three and nine months ended September 30, 2015, respectively. The Company recorded \$0.2 million and \$0.5 million of premium amortization, which decreased interest expense, for the three and nine months ended September 30, 2014, respectively. The loans are collateralized by real estate and related lease intangibles, net, of \$723.4 million and \$591.6 million as of September 30, 2015 and December 31, 2014, respectively.

Borrowings from the Federal Home Loan Bank (“FHLB”)

On July 11, 2012, Tuebor, a wholly-owned consolidated subsidiary, became a member of the FHLB and subsequently drew its first secured funding advances from the FHLB. On June 26, 2015, Tuebor’s advance limit was increased to the lesser of \$2.9 billion, 40% of Ladder Capital Corp’s total assets or 150% of Ladder Capital Corp’s total equity.

As of September 30, 2015, Tuebor had \$1.8 billion of borrowings outstanding (with an additional \$462.7 million of committed term financing available from the FHLB), with terms of overnight to nine years (with a weighted average of 1.6 years), interest rates of 0.27% to 2.74% (with a weighted average of 0.83%), and advance rates of 50.0% to 95.2% of the collateral. As of September 30, 2015, collateral for the borrowings was comprised of \$1.7 billion of CMBS and U.S. Agency Securities and \$523.3 million of first mortgage commercial real estate loans.

As of December 31, 2014, Tuebor had \$1.6 billion of borrowings outstanding (with an additional \$289.0 million of committed term financing available from the FHLB), with terms of overnight to 10 years (with a weighted average of 2.0 years), interest rates of 0.30% to 2.74% (with a weighted average of 0.79%), and advance rates of 50.0% to 95.2% of the collateral. As of December 31, 2014, collateral for the borrowings was comprised of \$1.6 billion of CMBS and U.S. Agency Securities and \$451.8 million of first mortgage commercial real estate loans.

Tuebor is subject to state regulations which require that dividends (including dividends to the Company as its parent) may only be made with regulatory approval. However, there can be no assurance that we would obtain such approval if sought. Largely as a result of this restriction, approximately \$414.2 million of the member’s capital were restricted from transfer to Tuebor’s parent without prior approval of state insurance regulators at September 30, 2015.

Table of Contents

Combined Maturity of Debt Obligations

The following schedule reflects the Company's contractual payments under all borrowings by maturity (\$ in thousands):

Period ending December 31,	Borrowings by Maturity (1)(2)
2015 (last 3 months)	\$685,221
2016	1,746,509
2017	610,534
2018	78,502
2019	28,731
Thereafter	1,066,535
Total	\$4,216,032

(1) Contractual payments under current maturities, some of which are subject to extensions.

(2) Includes \$612.0 million of the Company's senior unsecured notes. Refer to Note 8.

The Company's debt facilities are subject to covenants which require the Company to maintain a minimum level of total equity. Largely as a result of this restriction, approximately \$900.3 million of the total equity is restricted from payment as a dividend by the Company at September 30, 2015.

8. SENIOR UNSECURED NOTES

In April 2015, FASB issued ASU 2015-03, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Beginning April 1, 2015, the Company elected to early adopt ASU 2015-03 and appropriately retrospectively applied the guidance to its senior unsecured notes, to all periods presented. Unamortized debt issuance costs of \$7.6 million are included in senior unsecured notes as of September 30, 2015 and unamortized debt issuance costs of \$9.4 million are included in senior unsecured notes as of December 31, 2014 (previously included in other assets on the combined consolidated balance sheets).

On September 19, 2012, LCFH issued \$325.0 million in aggregate principal amount of 7.375% Senior Notes due October 1, 2017 (the "2017 Notes"). The 2017 Notes require interest payments semi-annually in cash in arrears on April 1 and October 1 of each year, beginning on September 19, 2012. The 2017 Notes are unsecured and are subject to incurrence-based covenants, including limitations on the incurrence of additional debt, restricted payments, liens, sales of assets, affiliate transactions and other covenants typical for financings of this type.

On August 1, 2014, LCFH issued \$300.0 million in aggregate principal amount of 5.875% senior notes due 2021 (the "2021 Notes"). The 2021 Notes require interest payments semi-annually in cash in arrears on February 1 and August 1 of each year, beginning on February 1, 2015. The 2021 Notes will mature on August 1, 2021. The 2021 Notes are unsecured and are subject to incurrence-based covenants, including limitations on the incurrence of additional debt, restricted payments, liens, sales of assets, affiliate transactions and other covenants typical for financings of this type.

On December 17, 2014, the Company retired \$5.4 million of principal of the 2017 Notes for a repurchase price of \$5.6 million recognizing a \$0.2 million loss on extinguishment of debt. The remaining \$319.6 million in aggregate principal amount of the 2017 Senior Notes is due October 2, 2017.

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LCFH issued the 2021 Notes and the 2017 Notes (collectively, the “Notes”) with Ladder Capital Finance Corporation (“LCFC”), as co-issuers on a joint and several basis. LCFC is a 100% owned finance subsidiary of LCFH with no assets, operations, revenues or cash flows other than those related to the issuance, administration and repayment of the Notes. Ladder Capital Corp and certain subsidiaries of LCFH currently guarantee the obligations under the Notes and the indenture.

Table of Contents

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is based upon market quotations, broker quotations, counterparty quotations or pricing services quotations, which provide valuation estimates based upon reasonable market order indications and are subject to significant variability based on market conditions, such as interest rates, credit spreads and market liquidity. The fair value of the mortgage loan receivables held for sale is based upon a securitization model utilizing market data from recent securitization spreads and pricing.

Fair Value Summary Table

The carrying values and estimated fair values of the Company's financial instruments, which are both reported at fair value on a recurring basis (as indicated) or amortized cost/par, at September 30, 2015 and December 31, 2014 are as follows (\$ in thousands):

September 30, 2015

	Outstanding Face Amount	Amortized Cost Basis	Fair Value	Fair Value Method	Weighted Average Yield %	Remaining Maturity/Duration (years)
Assets:						
CMBS(1)	\$ 1,936,316	\$ 1,960,371	\$ 1,985,195	Internal model, third-party inputs	2.63 %	3.35
CMBS interest-only(1)	7,246,777	(9) 356,204	356,928	Internal model, third-party inputs	3.74 %	3.46
GNMA interest-only(2)	662,161	(9) 30,109	28,603	Internal model, third-party inputs	4.27 %	5.48
GN construction securities(1)	26,730	27,223	27,849	Internal model, third-party inputs	3.86 %	9.46
GN permanent securities(1)	16,435	16,950	16,807	Internal model, third-party inputs	4.00 %	6.09
Mortgage loan receivable held for investment, at amortized cost	1,811,216	1,794,812	1,820,999	Discounted Cash Flow(5)	7.61 %	1.58
Mortgage loan receivable held for sale	333,488	333,531	342,611	Discounted Cash Flow(6)	4.15 %	7.60
FHLB stock(7)	77,915	77,915	77,915	(7)	3.50 %	N/A
Nonhedge derivatives(1)(8)	10,009	N/A	299	Counterparty quotations	N/A	5.59
Liabilities:						
Repurchase agreements - short-term	793,933	793,933	793,933	Discounted Cash Flow(3)	1.83 %	0.32

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Repurchase agreements - long-term	397,393	397,393	397,393	Discounted Cash Flow(4)	1.30	%	1.12
Borrowings under credit agreement	20,400	20,400	20,400	Discounted Cash Flow(10)	2.95	%	0.32
Revolving credit facility	50,000	50,000	50,000	Discounted Cash Flow(10)	3.69	%	1.37
Mortgage loan financing	562,035	555,786	590,265	Discounted Cash Flow(4)	4.87	%	7.96
Borrowings from the FHLB	1,786,000	1,786,000	1,857,923	Discounted Cash Flow	0.83	%	1.62
Senior unsecured notes	619,555	619,555	603,251	Broker quotations, pricing services	6.65	%	3.86
Nonhedge derivatives(1)(8)	130,051	N/A	21,942	Counterparty quotations	N/A		0.99

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Table of Contents

December 31, 2014

	Outstanding Face Amount	Amortized Cost Basis	Fair Value	Fair Value Method	Weighted Average Yield %	Remaining Maturity/Duration (years)
Assets:						
CMBS(1)	\$ 2,247,565	\$ 2,277,995	\$ 2,305,409	Internal model, third-party inputs	2.60 %	4.23
CMBS interest-only(1)	7,239,503	(9) 376,085	378,335	Internal model, third-party inputs	4.88 %	3.45
GNMA interest-only(2)	1,400,141	(9) 67,543	66,642	Internal model, third-party inputs	5.90 %	4.50
GN construction securities(1)	27,538	28,178	28,406	Internal model, third-party inputs	3.56 %	9.42
GN permanent securities(1)	36,232	36,515	36,773	Internal model, third-party inputs	4.94 %	1.32
Mortgage loan receivable held for investment, at amortized cost	1,536,923	1,521,053	1,540,388	Discounted Cash Flow(5)	7.33 %	1.96
Mortgage loan receivable held for sale	417,955	417,955	421,991	Discounted Cash Flow(6)	4.31 %	9.72
FHLB stock(7)	72,340	72,340	72,340	(7)	3.50 %	N/A
Nonhedge derivatives(1)(8)	125,050	N/A	424	Counterparty quotations	N/A	3.45
Liabilities:						
Repurchase agreements - short-term	1,331,603	1,331,603	1,331,603	Discounted Cash Flow(3)	1.32 %	0.23
Repurchase agreements - long-term	100,062	100,062	100,062	Discounted Cash Flow(3)	1.89 %	1.59
Borrowings under credit agreement	11,000	11,000	11,000	Discounted Cash Flow(10)	2.91 %	1.07
Borrowings under credit and security agreement	46,750	46,750	46,750	Discounted Cash Flow(10)	2.01 %	1.77
Revolving credit facility	25,000	25,000	25,000	Discounted Cash Flow(10)	3.66 %	2.12
Mortgage loan financing	442,753	447,410	455,846	Discounted Cash Flow(4)	4.85 %	8.47
Borrowings from the FHLB	1,611,000	1,611,000	1,616,373	Discounted Cash Flow	0.79 %	2.05
Senior unsecured notes	619,555	619,555	611,745		6.65 %	4.61

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Nonhedge derivatives(1)(8)	1,428,700	N/A	13,446	Broker quotations, pricing services Counterparty quotations	N/A	1.41
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(1) Measured at fair value on a recurring basis with the net unrealized gains or losses recorded as a component of other comprehensive income (loss) in equity

(2) Measured at fair value on a recurring basis with the net unrealized gains or losses recorded in current period earnings

(3) Fair value for repurchase agreement liabilities is estimated to approximate carrying amount primarily due to the short interest rate reset risk (30 days) of the financings and the high credit quality of the assets collateralizing these positions. If the collateral is determined to be impaired, the related financing would be revalued accordingly. There are no impairments on any positions.

(4) For the mortgage loan financing, the carrying value approximates the fair value discounting the expected cash flows at current market rates. If the collateral is determined to be impaired, the related financing would be revalued accordingly. There are no impairments on any positions.

(5) Fair value for floating rate mortgage loan receivables, held for investment is estimated to approximate the outstanding face amount given the short interest rate reset risk (30 days) and no significant change in credit risk. Fair value for fixed rate mortgage loan receivables, held for investment is measured using a hypothetical securitization model utilizing market data from recent securitization spreads and pricing.

(6) Fair value for mortgage loan receivables, held for sale is measured using a hypothetical securitization model utilizing market data from recent securitization spreads and pricing.

(7) Fair value of the FHLB stock approximates outstanding face amount as the Company's wholly-owned subsidiary is restricted from trading the stock and can only put the stock back to the FHLB, at the FHLB's discretion, at par.

(8) The outstanding face amount of the nonhedge derivatives represents the notional amount of the underlying contracts.

(9) Represents notional outstanding balance of underlying collateral

(10) Fair value for borrowings under credit agreement, credit and security agreement and revolving credit facility is estimated to approximate carrying amount primarily due to the short interest rate reset risk (30 days) of the financings and the high credit quality of the assets collateralizing these positions.

Table of Contents

The following table summarizes the Company's financial assets and liabilities, which are both reported at fair value on a recurring basis (as indicated) or amortized cost/par, at September 30, 2015 and December 31, 2014 (\$ in thousands):

September 30, 2015

Financial Instruments Reported at Fair Value on Combined Consolidated Statements of Financial Condition	Outstanding Face Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Assets:					
CMBS(1)	\$1,936,316	\$—	\$—	\$1,985,195	\$1,985,195
CMBS interest-only(1)	7,246,777	(3) —	—	356,928	356,928
GNMA interest-only(2)	662,161	(3) —	—	28,603	28,603
GN construction securities(1)	26,730	—	—	27,849	27,849
GN permanent securities(1)	16,435	—	—	16,807	16,807
Nonhedge derivatives(4)	10,009	—	299	—	299
		\$—	\$299	\$2,415,382	\$2,415,681
Liabilities:					
Nonhedge derivatives(4)	130,051	\$—	\$21,942	\$—	\$21,942
Financial Instruments Not Reported at Fair Value on Combined Consolidated Statements of Financial Condition					
		Fair Value			
	Outstanding Face Amount	Level 1	Level 2	Level 3	Total
Assets:					
Mortgage loan receivable held for investment	\$1,811,216	\$—	\$—	\$1,820,999	\$1,820,999
Mortgage loan receivable held for sale	333,488	—	—	342,611	342,611
FHLB stock	77,915	—	—	77,915	77,915
		\$—	\$—	\$2,241,525	\$2,241,525
Liabilities:					
Repurchase agreements (short-term)	793,933	\$—	\$37,421	\$756,512	\$793,933
Repurchase agreements (long-term)	397,393	—	—	397,393	397,393
Borrowings under credit agreement	20,400	—	—	20,400	20,400
Revolving credit facility	50,000	—	—	50,000	50,000
Mortgage loan financing	562,035	—	—	590,265	590,265
Borrowings from the FHLB	1,786,000	—	—	1,857,923	1,857,923
Senior unsecured notes	619,555	—	—	603,251	603,251
		\$—	\$37,421	\$4,275,744	\$4,313,165

(1) Measured at fair value on a recurring basis with the net unrealized gains or losses recorded as a component of other comprehensive income (loss) in equity.

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- (2) Measured at fair value on a recurring basis with the net unrealized gains or losses recorded in current period earnings.
- (3) Represents notional outstanding balance of underlying collateral.
Measured at fair value on a recurring basis with the net unrealized gains or losses recorded in current period
- (4) earnings. The outstanding face amount of the nonhedge derivatives represents the notional amount of the underlying contracts.

Table of Contents

December 31, 2014

Financial Instruments Reported at Fair Value on Combined Consolidated Statements of Financial Condition	Outstanding Face Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Assets:					
CMBS(1)	\$2,247,565	\$—	\$—	\$2,305,409	\$2,305,409
CMBS interest-only(1)	7,239,503	(3) —	—	378,335	378,335
GNMA interest-only(2)	1,400,141	(3) —	66,642	—	66,642
GN construction securities(1)	27,538	—	28,406	—	28,406
GN permanent securities(1)	36,232	—	36,773	—	36,773
Nonhedge derivatives(4)	125,050	—	424	—	424
		\$—	\$132,245	\$2,683,744	\$2,815,989
Liabilities:					
Nonhedge derivatives(4)	1,428,700	—	13,446	—	13,446
Financial Instruments Not Reported at Fair Value on Combined Consolidated Statements of Financial Condition	Outstanding Face Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Assets:					
Mortgage loan receivable held for investment	1,536,923	—	—	1,540,388	1,540,388
Mortgage loan receivable held for sale	417,955	—	—	421,991	421,991
FHLB stock	72,340	—	—	72,340	72,340
		\$—	\$—	\$2,034,719	\$2,034,719
Liabilities:					
Repurchase agreements (short-term)	1,331,603	—	68,357	1,263,246	1,331,603
Repurchase agreements (long-term)	100,062	—	—	100,062	100,062
Borrowings under credit agreement	11,000	—	—	11,000	11,000
Borrowings under credit and security agreement	46,750	—	—	46,750	46,750
Revolving credit facility	25,000	—	—	25,000	25,000
Mortgage loan financing	442,753	—	—	455,846	455,846
Borrowings from the FHLB	1,611,000	—	—	1,616,373	1,616,373
Senior unsecured notes	619,555	—	—	611,745	611,745
		\$—	\$68,357	\$4,130,022	\$4,198,379

(1)

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Measured at fair value on a recurring basis with the net unrealized gains or losses recorded as a component of other comprehensive income (loss) in equity.

(2) Measured at fair value on a recurring basis with the net unrealized gains or losses recorded in current period earnings.

(3) Represents notional outstanding balance of underlying collateral.

Measured at fair value on a recurring basis with the net unrealized gains or losses recorded in current period

(4) earnings. The outstanding face amount of the nonhedge derivatives represents the notional amount of the underlying contracts.

Table of Contents

The following table summarizes changes in level 3 financial instruments reported at fair value on the combined consolidated statements of financial condition for the nine months ended September 30, 2015 (\$ in thousands):

	Level 3	
Balance at December 31, 2014	\$2,683,744	
Transfer from level 2	86,577	
Purchases	574,433	
Sales	(783,189)
Paydowns/maturities	(116,390)
Amortization of premium/discount	(50,630)
Unrealized gain/(loss)	(3,575)
Realized gain/(loss) on sale	24,412	
Balance at September 30, 2015	\$2,415,382	

The following table summarizes changes in level 3 financial instruments reported at fair value on the combined consolidated statements of financial condition for the year ended December 31, 2014 (\$ in thousands):

	Level 3	
Balance at December 31, 2013	\$—	
Transfer from level 2	1,422,995	
Purchases	2,121,503	
Sales	(692,306)
Paydowns/maturities	(155,525)
Amortization of premium/discount	(60,992)
Unrealized gain/(loss)	19,769	
Realized gain/(loss) on sale	28,300	
Balance at December 31, 2014	\$2,683,744	

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Table of Contents

The following is quantitative information about significant unobservable inputs in our Level 3 measurements for those assets and liabilities measured at fair value on a recurring basis (\$ in thousands):

September 30, 2015

Financial Instrument	Carrying Value	Valuation Technique	Unobservable Input	Minimum	Weighted Average	Maximum
CMBS (1)	\$1,985,195	Discounted cash flow	Yield (4)	(23.7)%	1.51 %	5.27 %
			Duration (years)(5)	—	4.23	8.11
CMBS interest-only (1)	356,928	(3) Discounted cash flow	Yield (4)	2.06 %	3.65 %	14.84 %
			Duration (years)(5)	0.12	3.42	4.36
			Prepayment speed (CPY)(5)	100.00	100.00	100.00
GNMA interest-only (2)	28,603	(3) Discounted cash flow	Yield (4)	(3.64)%	4.82 %	82.81 %
			Duration (years)(5)	0.47	5.48	34.52
			Prepayment speed (CPJ)(5)	5.00	14.43	35.00
GN construction securities (1)	27,849	Discounted cash flow	Yield (4)	0.32 %	3.62 %	3.67 %
			Duration (years)(5)	1.91	9.46	9.57
GN permanent securities (1)	16,807	Discounted cash flow	Yield (4)	2.53 %	3.76 %	6.35 %
			Duration (years)(5)	1.85	6.09	9.28
Total	\$2,415,382					

December 31, 2014

Financial Instrument	Carrying Value	Valuation Technique	Unobservable Input	Minimum	Weighted Average	Maximum
CMBS (1)	\$2,305,409	Discounted cash flow	Yield (4)	(13.06)%	2.36 %	5.49 %
			Duration (years)(5)	—	4.68	8.26
CMBS interest-only (1)	378,335	(3) Discounted cash flow	Yield (4)	(27.49)%	(4.93)%	23.32 %
			Duration (years)(5)	0.49	3.50	4.73
			Prepayment speed (CPY)(5)	100.00	100.00	100.00
GNMA interest-only (2)	66,642	(3) Discounted cash flow	Yield (4)	(0.85)%	5.9 %	54.24 %
			Duration (years)(5)	—	4.50	6.28
			Prepayment speed (CPJ)(5)	5.00	14.99	35.00
	28,406		Yield (4)	0.33 %	3.54 %	3.7 %

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GN construction securities (1)		Discounted cash flow	Duration (years)(5)	1.95	9.42	10.02		
GN permanent securities (1)	36,773	Discounted cash flow	Yield (4)	—	% 1.28	% 6.43	%	
			Duration (years)(5)	0.04	1.32	9.27		
Total	\$2,815,565							

CMBS, CMBS interest-only securities, GN construction securities, and GN permanent securities are classified as (1) available-for-sale and reported at fair value with changes in fair value recorded in the current period in other comprehensive income.

(2) Agency interest-only securities are recorded at fair value with changes in fair value recorded in current period earnings.

(3) The amounts presented represent the principal amount of the mortgage loans outstanding in the pool in which the interest-only securities participate.

Table of Contents

Sensitivity of the Fair Value to Changes in the Unobservable Inputs

- (4) Significant increase (decrease) in the unobservable input in isolation would result in significantly lower (higher) fair value measurement.
- (5) Significant increase (decrease) in the unobservable input in isolation would result in either a significantly lower or higher (lower or higher) fair value measurement depending on the structural features of the security in question.

10. DERIVATIVE INSTRUMENTS

The Company uses derivative instruments primarily to economically manage the fair value variability of fixed rate assets caused by interest rate fluctuations and overall portfolio market risk. The following is a breakdown of the derivatives outstanding as of September 30, 2015 and December 31, 2014 (\$ in thousands):

September 30, 2015

Contract Type	Notional	Fair Value		Remaining Maturity (years)
		Asset(1)	Liability(1)	
Futures				
5-year Swap	\$591,800	\$8	\$6,575	0.25
10-year Swap	513,400	2	9,976	0.25
Total futures	1,105,200	10	16,551	
Swaps				
3MO LIBOR	80,000	—	5,026	3.24
Credit Derivatives				
CMBX	33,500	—	365	3.31
CDX	10,000	289	—	5.76
Total credit derivatives	43,500	289	365	
Total derivatives	\$1,228,700	\$299	\$21,942	

December 31, 2014

Contract Type	Notional	Fair Value		Remaining Maturity (years)
		Asset(1)	Liability(1)	
Caps				
1MO LIBOR	\$71,250	\$—	\$—	0.66
Futures				
5-year Swap	496,200	108	28	0.25
10-year Swap	842,800	104	8,258	0.25
Total futures	1,339,000	212	8,286	
Swaps				
3MO LIBOR	100,000	—	4,505	3.18
Credit Derivatives				
CMBX	10,000	211	—	6.80
CDX	33,500	—	654	3.97
Total credit derivatives	43,500	211	654	

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Total derivatives	\$1,553,750	\$423	\$13,445
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(1) Shown as derivative instruments, at fair value, in the accompanying combined consolidated balance sheets.

49

Table of Contents

The following table indicates the net realized gains/(losses) and unrealized appreciation/(depreciation) on derivatives, by primary underlying risk exposure, as included in net result from derivatives transactions in the combined consolidated statements of operations for the three and nine months ended September 30, 2015 and 2014 (\$ in thousands):

Contract Type	Three Months Ended September 30, 2015			Nine Months Ended September 30, 2015		
	Unrealized Gain/(Loss)	Realized Gain/(Loss)	Net Result from Derivative Transactions	Unrealized Gain/(Loss)	Realized Gain/(Loss)	Net Result from Derivative Transactions
Futures	\$(13,281)	\$(27,990)	\$(41,271)	\$(8,468)	\$(44,400)	\$(52,868)
Swaps	(768)	(476)	(1,244)	(306)	(1,574)	(1,880)
Credit Derivatives	291	(18)	273	367	(213)	154
Total	\$(13,758)	\$(28,484)	\$(42,242)	\$(8,407)	\$(46,187)	\$(54,594)

Contract Type	Three Months Ended September 30, 2014			Nine Months Ended September 30, 2014		
	Unrealized Gain/(Loss)	Realized Gain/(Loss)	Net Result from Derivative Transactions	Unrealized Gain/(Loss)	Realized Gain/(Loss)	Net Result from Derivative Transactions
Caps	\$—	\$—	\$—	\$—	\$(7)	\$(7)
Futures	12,668	(11,938)	730	\$(3,166)	\$(44,809)	\$(47,975)
Swaps	1,103	(801)	302	363	(2,403)	(2,040)
Credit Derivatives	191	(98)	93	(20)	(393)	(413)
Total	\$13,962	\$(12,837)	\$1,125	\$(2,823)	\$(47,612)	\$(50,435)

The Company's counterparties held \$40.7 million and \$35.8 million of cash margin as collateral for derivatives as of September 30, 2015 and December 31, 2014, respectively, which is included in cash collateral held by broker in the combined consolidated balance sheets.

Credit Risk-Related Contingent Features

The Company has agreements with certain of its derivative counterparties that contain a provision whereby if the Company defaults on certain of its indebtedness, the Company could also be declared in default on its derivatives, resulting in an acceleration of payment under the derivatives. As of September 30, 2015 and December 31, 2014, the Company was in compliance with these requirements and not in default on its indebtedness. As of September 30, 2015 and December 31, 2014, there was \$6.6 million and \$11.7 million of cash collateral held by the derivative counterparties for these derivatives, respectively, included in cash collateral held by brokers in the combined consolidated statements of financial condition. No additional cash would be required to be posted if the acceleration of payment under the derivatives was triggered.

Table of Contents

11. OFFSETTING ASSETS AND LIABILITIES

The following tables present both gross information and net information about derivatives and other instruments eligible for offset in the statement of financial position as of September 30, 2015 and December 31, 2014. The Company's accounting policy is to record derivative asset and liability positions on a gross basis, therefore, the following tables present the gross derivative asset and liability positions recorded on the balance sheets, while also disclosing the eligible amounts of financial instruments and cash collateral to the extent those amounts could offset the gross amount of derivative asset and liability positions. The actual amounts of collateral posted by or received from counterparties may be in excess than the amounts disclosed in the following tables as the following only disclose amounts eligible to be offset to the extent of the recorded gross derivative positions.

As of September 30, 2015

Offsetting of Financial Assets and Derivative Assets

(\$ in thousands)

Description	Gross amounts of recognized assets	Gross amounts offset in the balance sheet	Net amounts of assets presented in the balance sheet	Gross amounts not offset in the balance sheet		Net amount
				Financial instruments	Cash collateral received/(posted)(1)	
Derivatives	\$ 299	\$—	\$ 299	\$—	\$—	\$ 299
Total	\$ 299	\$—	\$ 299	\$—	\$—	\$ 299

As of September 30, 2015

Offsetting of Financial Liabilities and Derivative Liabilities

(\$ in thousands)

Description	Gross amounts of recognized liabilities	Gross amounts offset in the balance sheet	Net amounts of liabilities presented in the balance sheet	Gross amounts not offset in the balance sheet		Net amount
				Financial instruments collateral	Cash collateral posted/(received)(1)	
Derivatives	\$ 21,942	\$—	\$ 21,942	\$—	\$ 21,942	—
Repurchase agreements	1,191,326	—	1,191,326	1,191,326	—	—
Total	\$ 1,213,268	\$—	\$ 1,213,268	\$ 1,191,326	\$ 21,942	\$—

(1) Included in cash collateral held by broker on combined consolidated balance sheets.

As of December 31, 2014

Offsetting of Financial Assets and Derivative Assets

(\$ in thousands)

Description	Gross amounts of recognized assets	Gross amounts offset in the balance sheet	Net amounts of assets presented in the balance sheet	Gross amounts not offset in the balance sheet		Net amount
				Financial instruments	Cash collateral received/(posted)(1)	

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Derivatives	\$ 423	\$—	\$ 423	\$—	\$—	\$423
Total	\$ 423	\$—	\$ 423	\$—	\$—	\$423

51

Table of Contents

As of December 31, 2014

Offsetting of Financial Liabilities and Derivative Liabilities

(\$ in thousands)

Description	Gross amounts of recognized liabilities	Gross amounts offset in the balance sheet	Net amounts of liabilities presented in the balance sheet	Gross amounts not offset in the balance sheet Financial instruments collateral	Cash collateral posted/(received)(1)	Net amount
Derivatives	\$ 13,445	\$—	\$ 13,445	\$—	\$ 13,445	\$—
Repurchase agreements	1,431,666	—	1,431,666	1,431,666	—	—
Total	\$ 1,445,111	\$—	\$ 1,445,111	\$ 1,431,666	\$ 13,445	\$—

(1) Included in cash collateral held by broker on combined consolidated balance sheets.

Master netting agreements that the Company has entered into with its derivative and repurchase agreement counterparties allow for netting of the same transaction, in the same currency, on the same date. Assets, liabilities, and collateral subject to master netting agreements as of September 30, 2015 and December 31, 2014 are disclosed in the tables above. The Company does not present its derivative and repurchase agreements net on the combined consolidated financial statements as it has elected gross presentation.

12. EQUITY STRUCTURE AND ACCOUNTS

A description of the IPO Transactions is included in Note 1. In addition, a description of the distribution policies of and accounting for the predecessor capital structure is also included later in this Note.

Subsequent to the IPO Transactions, the Company has two classes of common stock, Class A and Class B, which are described as follows:

Class A Common Stock

Voting Rights

Holders of shares of Class A common stock are entitled to one vote per share on all matters to be voted upon by the shareholders. The holders of Class A common stock do not have cumulative voting rights in the election of directors.

Dividend Rights

Subject to the rights of the holders of any preferred stock that may be outstanding and any contractual or statutory restrictions, holders of Class A common stock are entitled to receive equally and ratably, share for share, dividends as may be declared by the board of directors out of funds legally available to pay dividends. Dividends upon Class A common stock may be declared by the board of directors at any regular or special meeting and may be paid in cash, in property, or in shares of capital stock. Before payment of any dividend, there may be set aside out of any funds available for dividends, such sums as the board of directors deems proper as reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any of the Company's property, or for any proper purpose, and the board of directors may modify or abolish any such reserve.

Liquidation Rights

Upon liquidation, dissolution, distribution of assets or other winding up, the holders of Class A common stock are entitled to receive ratably the assets available for distribution to the shareholders after payment of liabilities and the liquidation preference of any outstanding shares of preferred stock.

Table of Contents

Other Matters

The shares of Class A common stock have no preemptive or conversion rights and are not subject to further calls or assessment by the Company. There are no redemption or sinking fund provisions applicable to the Class A common stock. All outstanding shares of Class A common stock are fully paid and non-assessable.

Allocation of Income and Loss

Income and losses are allocated among the shareholders based upon the number of shares outstanding.

Class B Common Stock

Voting Rights

Holders of shares of Class B common stock are entitled to one vote for each share held of record by such holder and all matters submitted to a vote of shareholders. Holders of shares of our Class A common stock and Class B common stock vote together as a single class on all matters presented to our shareholders for their vote or approval, except as otherwise required by applicable law.

No Dividend or Liquidation Rights

Holders of Class B common stock do not have any right to receive dividends or to receive a distribution upon a liquidation or winding up of Ladder Capital Corp.

Exchange for Class A Common Stock

Pursuant to the Third Amended and Restated LLLP Agreement of LCFH, the Continuing LCFH Limited Partners may from time to time, subject to certain conditions, exchange one Series REIT LP Unit, one of either a Series TRS LP Unit or a TRS Share, and one share of the Company's Class B common stock for one share of the Company's Class A common stock, subject to equitable adjustments for stock splits, stock dividends and reclassifications.

In 2014, 874,374 LP Units were exchanged for 874,374 shares of Class A common stock and 874,374 shares of Class B common stock were canceled. We received no other consideration in connection with these exchanges.

During the nine months ended September 30, 2015, 3,415,389 Series REIT LP Units and 3,415,389 Series TRS LP Units were collectively exchanged for 3,415,389 shares of Class A common stock and 3,415,389 shares of Class B common stock were canceled. We received no other consideration in connection with these exchanges.

Dividends

The following table presents dividends declared (on a per share basis) of Class A common stock for the nine months ended September 30, 2015:

Declaration Date	Dividend per Share
September 1, 2015	\$0.275
June 8, 2015	0.250
March 12, 2015	0.250
Total	\$0.775

Table of Contents

Changes in Accumulated Other Comprehensive Income

The following table presents changes in accumulated other comprehensive income related to the cumulative difference between the fair market value and the carrying value of CMBS for the nine months ended September 30, 2015 (\$ in thousands):

	Accumulated Other Comprehensive Income	Accumulated Other Comprehensive Income of Noncontrolling Interests	Total Accumulated Other Comprehensive Income
December 31, 2014	\$15,656	\$14,494	\$30,150
Other comprehensive income (loss)	(2,027)	) (2,092	) (4,119
Exchange of noncontrolling interest for common stock	620	(620) —
Rebalancing of ownership percentage between Company and Operating Partnership	194	(194) —
September 30, 2015	\$14,443	\$11,588	\$26,031

Capitalized Offering Costs

As described in Note 1, the Company completed an IPO of its Class A Common Stock on February 11, 2014. Costs directly attributable to the Company's IPO of \$20.5 million were capitalized and charged against the proceeds of the IPO once completed.

Predecessor Capital Structure

The capital structure discussed below is reflective of LCFH's structure as it existed at February 11, 2014, immediately prior to the Reorganization Transactions described in Note 1. Immediately following the Reorganization Transactions, with the exception of the discussions regarding quarterly tax distributions, the provisions set forth below no longer apply.

Cash Distributions to Predecessor Partners

Distributions (other than tax distributions which are described below) will be made in the priorities described below at such times and in such amounts as determined by the Company's board of directors. All capitalized items used in this section but not defined shall have the respective meanings given to such capitalized terms in the LLLP Agreement of LCFH dated as of August 9, 2011, as amended (the "LLLP Agreement"):

First, to the holders of Series A and Series B participating preferred units pro rata based on the capital account of each such holder's interests, until the Series A and Series B participating preferred unit holders have each received an amount equivalent to their respective capital accounts; then

Second, 20% to the common unit holders, and 80% to the holders of Series A participating preferred units, until the Series A participating preferred unit holders have each received an amount equivalent to \$124 per unit; and

Thereafter, 20% to common unit holders, and 80% to the holders of Series A and Series B participating preferred units, pro rata based on the units held by each holder.

Notwithstanding the foregoing, subject to available liquidity as determined by Company's board of directors, the Company intends to make quarterly tax distributions equal to a partner's "Quarterly Estimated Tax Amount," which shall be computed (as more fully described in the LLLP Agreement) for each partner as the product of (x) the federal taxable income (or alternative minimum taxable income, as the case may be) allocated by the Company to such partner in respect of the partnership interests of the Company held by such partner and (y) the highest marginal blended federal, state and local income tax rate applicable to an individual residing in New York, NY, taking into account for federal income tax purposes, the deductibility of state and local taxes.

Table of Contents

Allocation of Income and Loss

Income and losses and comprehensive income are allocated among the partners in a manner to reflect as closely as possible the amount each partner would be distributed under the LLLP Agreement upon liquidation of the Operating Partnership's assets.

13. NONCONTROLLING INTERESTS

Pursuant to ASC 810, Consolidation, on the accounting and reporting for noncontrolling interests and changes in ownership interests of a subsidiary, changes in a parent's ownership interest (and transactions with noncontrolling interest unitholders in the subsidiary), while the parent retains its controlling interest in its subsidiary, should be accounted for as equity transactions. The carrying amount of the noncontrolling interest shall be adjusted to reflect the change in its ownership interest in the subsidiary, with the offset to equity attributable to the parent. Accordingly, as a result of reorganization transactions which caused changes in ownership percentages between the Company's Class A shareholders and the noncontrolling interests in the Operating Partnership that occurred during the nine months ended September 30, 2015, the Company has increased noncontrolling interests in the Operating Partnership and decreased additional paid-in capital and accumulated other comprehensive income in the Company's shareholders' equity by \$5.0 million as of September 30, 2015.

There are two main types of noncontrolling interest reflected in the Company's combined consolidated financial statements (i) noncontrolling interest in the operating partnership and (ii) noncontrolling interest in consolidated joint ventures.

Noncontrolling Interest in the Operating Partnership

As more fully described in Note 1, certain of the predecessor equity owners continue to own interests in the operating partnership as modified by the IPO Transactions. These interests were subsequently further modified by the REIT Structuring Transactions (also described in Note 1). These interests, along with the Class B shares held by these investors, are exchangeable for Class A shares of the Company. The roll-forward of the Operating Partnership's LP Units follow the Class B common stock of the Company as disclosed in the combined consolidated statements of changes in equity/capital.

Distributions to Noncontrolling Interest in the Operating Partnership

Notwithstanding the foregoing, subject to any restrictions in applicable debt financing agreements and available liquidity as determined by the board of directors of each of Series REIT of LCFH and Series TRS of LCFH, each Series must use commercially reasonable efforts to make quarterly distributions to each of its partners (including the Company) at least equal to such partner's "Quarterly Estimated Tax Amount," which shall be computed (as more fully described in LCFH's Third Amended and Restated LLLP Agreement) for each partner as the product of (x) the federal taxable income (or alternative minimum taxable income, if higher) allocated by such Series to such partner in respect of the Series REIT LP Units and Series TRS LP Units held by such partner and (y) the highest marginal blended federal, state and local income tax rate (or alternative minimum taxable rate, as applicable) applicable to an individual residing in New York, NY, taking into account, for federal income tax purposes, the deductibility of state and local taxes; provided that Series TRS of LCFH may take into account, in determining the amount of tax distributions to holders of Series TRS LP Units, the amount of any distributions each such holder received from Series REIT of LCFH in excess of tax distributions.

Allocation of Income and Loss

Income and losses and comprehensive income are allocated among the partners in a manner to reflect as closely as possible the amount each partner would be distributed under the Third Amended and Restated LLLP Agreement upon liquidation of the Operating Partnership's assets.

Noncontrolling Interest in Unconsolidated Joint Ventures

The Company consolidates eight ventures in which there are other noncontrolling investors which own between 1.2% - 22.5% of such ventures. These ventures hold investments in six office buildings, one warehouse and a condominium project. The Company makes distributions and allocates income from these ventures to the noncontrolling interests in accordance with the terms of the respective governing agreements.

Table of Contents

14. EARNINGS PER SHARE

The Company's net income and weighted average shares outstanding for the three and nine months ended September 30, 2015 and the period February 11, 2014 through September 30, 2014 consist of the following:

(\$ in thousands except share amounts)	For the Three Months Ended September 30, 2015	For the Three Months Ended September 30, 2014	For the Nine Months Ended September 30, 2015	For the Period February 11, 2014 through September 30, 2014
Basic Net income available for Class A common shareholders	\$3,313	\$14,656	\$46,698	\$39,813
Diluted Net income available for Class A common shareholders	\$3,313	\$27,433	\$46,698	\$72,699
Weighted average shares outstanding				
Basic	52,922,487	49,394,399	51,091,977	49,101,904
Diluted	53,348,858	97,918,235	51,388,851	97,750,385

Net income per share information is not applicable for reporting periods prior to February 11, 2014. The calculation of basic and diluted net income per share amounts for the three and nine months ended September 30, 2015, the three months ended September 30, 2014 and the period February 11, 2014 through September 30, 2014 are described and presented below.

Basic Net Income per Share

Numerator: utilizes net income available for Class A common shareholders for the three and nine months ended September 30, 2015, the three months ended September 30, 2014 and the period February 11, 2014 through September 30, 2014, respectively.

Denominator: utilizes the weighted average shares of Class A common stock for the three and nine months ended September 30, 2015, the three months ended September 30, 2014 and the period February 11, 2014 through September 30, 2014, respectively.

Diluted Net Income per Share

Numerator: utilizes net income available for Class A common shareholders for the three and nine months ended September 30, 2015, the three months ended September 30, 2014 and the period February 11, 2014 through September 30, 2014, respectively, for the basic net income per share calculation described above, adding net income amounts attributable to the noncontrolling interest in the Operating Partnership using the as-if converted method for the Class B common shareholders while adjusting for additional corporate income tax expense for the described net income add-back.

Denominator: utilizes the weighted average number of shares of Class A common stock for the three and nine months ended September 30, 2015, the three months ended September 30, 2014 and the period February 11, 2014 through September 30, 2014, respectively, for the basic net income per share calculation described above adding the dilutive effect of shares issuable relating to Operating Partnership exchangeable interests and the incremental shares of unvested Class A restricted stock using the treasury method.

Table of Contents

(In thousands except share amounts)	For the Three Months Ended September 30, 2015	For the Three Months Ended September 30, 2014	For the Nine Months Ended September 30, 2015	For the Period February 11, 2014 through September 30, 2014
Basic Net Income Per Share of Class A Common Stock				
Numerator:				
Net income attributable to Class A common shareholders	\$3,313	\$14,656	\$46,698	\$39,813
Denominator:				
Weighted average number of shares of Class A common stock outstanding	52,922,487	49,394,399	51,091,977	49,101,904
Basic net income per share of Class A common stock	\$0.06	\$0.30	\$0.91	\$0.81
Diluted Net Income Per Share of Class A Common Stock				
Numerator:				
Net income attributable to Class A common shareholders	\$3,313	\$14,656	\$46,698	\$39,813
Add (deduct) - dilutive effect of:				
Amounts attributable to operating partnership's share of Ladder Capital Corp net income (loss)	—	22,827	—	59,086
Additional corporate tax (expense) benefit	—	(10,050	) —	(26,200)
Diluted net income attributable to Class A common shareholders	\$3,313	\$27,433	\$46,698	\$72,699
Denominator:				
Basic weighted average number of shares of Class A common stock outstanding	52,922,487	49,394,399	51,091,977	49,101,904
Add - dilutive effect of:				
Shares issuable relating to converted Class B common shareholders	—	48,046,807	—	48,341,572
Incremental shares of unvested Class A restricted stock	426,371	477,029	296,874	306,909
Diluted weighted average number of shares of Class A common stock outstanding	53,348,858	97,918,235	51,388,851	97,750,385
Diluted net income per share of Class A common stock	\$0.06	\$0.28	\$0.91	\$0.74

The shares of Class B common stock do not share in the earnings of Ladder Capital Corp and are, therefore, not participating securities. Accordingly, basic and diluted net income per share of Class B common stock has not been presented, although the assumed conversion of Class B common stock has been included in the presented diluted net income per share of Class A common stock.

Table of Contents

15. STOCK BASED COMPENSATION PLANS

2008 Incentive Equity Plan

The 2008 Incentive Equity Plan of the Company, as amended in 2012, was adopted by the board of directors on September 22, 2008 (the “2008 Plan”) and provided certain members of management, employees and directors of the Company or any other Ladder Company (as defined in the 2008 Plan) with additional incentives. Only one grant made to an employee pursuant to the 2008 Plan remains outstanding. All units issued under the 2008 Plan were converted to LP Units of LCFH in connection with the IPO. Post-IPO incentive-based compensation is governed by the 2014 Omnibus Incentive Plan discussed below.

2014 Omnibus Incentive Plan

In connection with the IPO Transactions, the 2014 Ladder Capital Corp Incentive Equity Plan (the “2014 Omnibus Incentive Plan”) was adopted by the board of directors on February 11, 2014, and provides certain members of management, employees and directors of the Company or any other Ladder Company (as defined in the 2008 Plan) with additional incentives including grants of stock options, stock appreciation rights, restricted stock, other stock-based awards and other cash-based awards.

Reallocation Awards

On February 3, 2015, restricted stock awards were granted to members of management and certain employees (the “Grantees”) with an aggregate value of \$499,910, representing 25,742 shares of restricted Class A common stock. These restricted stock awards were allocated to the Grantees from employee forfeitures of the restricted stock awards initially granted on February 18, 2014 in connection with the IPO Transactions (the “IPO Restricted Stock Awards”) and vest on the same dates, subject to the same terms and conditions as the IPO Restricted Stock Awards described in our Proxy Statement.

The compensation expense related to the February 3, 2015 grants will be recognized and accrued for in the same manner as the IPO Restricted Stock Awards as well. See our Proxy Statement for a detailed description of the terms and accounting treatment of the IPO Restricted Stock Awards.

2015 Annual Restricted Stock Awards and Annual Option Awards

Members of management are eligible to receive annual restricted stock awards (the “Annual Restricted Stock Awards”) and annual option awards (the “Annual Option Awards”) based on the performance of the Company. On February 18, 2015, Annual Restricted Stock Awards were granted to our Executive Officers (each, a “Management Grantee”) with an aggregate value of \$12,632,140 which represents 688,400 shares of restricted Class A common stock in connection with 2014 compensation. Fifty percent of each restricted stock award granted is subject to time-based vesting criteria, and the remaining 50% of each restricted stock award is subject to specified performance-based vesting criteria. The time-vesting restricted stock granted to Brian Harris and the other Management Grantees will vest in three installments on each of the first three anniversaries of the date of grant, subject to continued employment on the applicable vesting dates. The performance-vesting restricted stock will vest in three equal installments on December 31 of each of 2015, 2016 and 2017 if the Company achieves a return on equity, based on core earnings divided by the Company’s average book value of equity, equal to or greater than 8% for such year (the “Performance Target”). If the Company misses the Performance Target during either the first or second calendar year but meets the Performance Target for a subsequent year during the three-year performance period and the Company’s return on equity for such subsequent year and any years for which it missed its Performance Target equals or exceeds the compounded return on equity of 8%, based on core earnings divided by the Company’s average book value of equity,

the performance-vesting restricted stock which failed to vest because the Company previously missed its Performance Target will vest on the last day of such subsequent year. If the term “core earnings” is no longer used in the Company’s SEC filings and approved by the compensation committee, then the Performance Target will be calculated using such other pre-tax performance measurement defined in the Company’s SEC filings, as determined by the compensation committee.

The Company has elected to recognize the compensation expense related to the time-based vesting criteria of the Annual Restricted Stock Awards for the entire award on a straight-line basis over the requisite service period. We feel that this aligns the compensation expense with the obligation of the Company. As such, the compensation expense related to the February 18, 2015 Annual Restricted Stock Awards to Management Grantees shall be recognized as follows:

Table of Contents

1. Compensation expense for restricted stock subject to time-based vesting criteria granted to Brian Harris will be expensed 1/2 each year, for two years, on an annual basis following such grant

2. Compensation expense for restricted stock subject to time-based vesting criteria granted to the Management Grantees other than Mr. Harris, will be expensed 1/3 each year, for three years on an annual basis following such grant.

Accruals of compensation cost for an award with a performance condition shall be based on the probable outcome of that performance condition. Therefore, compensation cost shall be accrued if it is probable that the performance condition will be achieved and shall not be accrued if it is not probable that the performance condition will be achieved.

On February 18, 2015, Annual Stock Option Awards were granted to Management Grantees with an aggregate grant date fair value of \$1,441,050, which represents 670,256 shares of Class A common stock subject to the Annual Stock Option Awards. The stock option awards are subject to time-based vesting criteria only and vest in three equal installments on February 18 of each of 2016, 2017 and 2018, subject to continued employment until the applicable vesting date. Upon termination of a Management Grantee's employment or service due to death, disability, termination by the Company without Cause or termination by the Management Grantee for Good Reason (each, as defined in the 2014 Omnibus Incentive Plan), the respective Management Grantee's option awards will accelerate and vest in full. The actual grant date fair values of the Annual Option Awards granted to our Management Grantees were computed in accordance with FASB ASC Topic 718 using the Black Scholes model based on the following assumptions: (1) risk-free rate of 1.79%; (2) dividend yield of 5.3%; (3) expected life of six years; and (4) volatility of 24.0%.

On February 18, 2015, members of the board of directors received Annual Restricted Stock Awards with a grant date fair value of \$146,103, representing 7,962 shares of restricted Class A common stock, which will vest in full on the first anniversary of the date of grant, subject to continued service on the board of directors. Compensation expense for restricted stock subject to time-based vesting criteria granted to directors will be expensed in full on an annual basis following such grant.

Upon a change in control (as defined in the respective award agreements), all restricted stock and option awards will become fully vested, if (1) the Management Grantee continues to be employed through the closing of the change in control or (2) after the signing of definitive documentation related to the change in control, but prior to its closing, the Management Grantee's employment is terminated without Cause or due to death or disability or the Management Grantee resigns for Good Reason. The compensation committee retains the right, in its sole discretion, to provide for the accelerated vesting (in whole or in part) of the restricted stock and option awards granted.

On February 11, 2017 (the "Harris Retirement Eligibility Date"), all outstanding Annual Restricted Stock Awards, including the time-vesting portion and the performance-vesting portion, and all outstanding Annual Option Awards granted to Mr. Harris will become fully vested, and any Annual Restricted Stock Awards and Annual Option Awards granted after the Harris Retirement Eligibility Date will be fully vested at grant. For other Management Grantees, upon the date that is on or after February 11, 2019, where the sum of the individual's age and the individual's number of full, completed years of employment with us or our subsidiaries is equal to or greater than sixty (the "Executive Retirement Eligibility Date"), the time-vesting portion of the Annual Restricted Stock Awards and the Annual Option Awards will become fully vested, and the time-vesting portion of any Annual Restricted Stock Awards and Annual Option Awards granted after the Executive Retirement Eligibility Date will be fully vested at grant. Upon the occurrence of the Executive Retirement Eligibility Date, the performance-vesting portion of such Management Grantee's Annual Restricted Stock Awards will remain outstanding for the performance period and will vest to the extent we meet the Performance Target, including via the catch up provision described above, regardless of continued employment with us our subsidiaries following the Executive Retirement Eligibility Date.

On June 10, 2015, a new member of the board of directors received an Annual Restricted Stock Award with a grant date fair value of \$75,000, representing 4,223 shares of restricted Class A common stock, which will vest in three equal installments on each of the first three anniversaries of the date of grant, subject to continued service on the board of directors. Compensation expense for restricted stock subject to time-based vesting criteria granted to the director will be expensed 1/3 each year, for 3 years on an annual basis following such grant.

Table of Contents

A summary of the grants is presented below (\$ in thousands):

	Three Months Ended September 30, 2015		September 30, 2014		Nine Months Ended September 30, 2015		September 30, 2014	
	Number of Units	Weighted Average Fair Value	Number of Units	Weighted Average Fair Value	Number of Units	Weighted Average Fair Value	Number of Units	Weighted Average Fair Value
Grants - Class A Common Stock (restricted)	—	\$—	—	\$—	726,327	\$13,353	1,687,513	\$28,637
Stock Options	—	—	—	—	670,256	1,441	—	—
Amortization to compensation expense								
Predecessor compensation expense		\$—		\$—		\$—		\$(290)
LP Units compensation expense		(25)		(478)		(99)		(1,470)
Ladder compensation expense		(4,103)		(3,274)		(11,243)		(8,543)
Total amortization to compensation expense		\$(4,128)		\$(3,752)		\$(11,342)		\$(10,303)

The table below presents the number of unvested shares and outstanding stock options at September 30, 2015 and changes during 2015 of the (i) Class A Common stock and Stock Options of Ladder Capital Corp granted under the 2014 Omnibus Incentive Plan and (ii) Series B Participating Preferred Units of LCFH granted under the 2008 Plan, which were subsequently converted to LP Units of LCFH in connection with the IPO.

	Restricted Stock	Stock Options	LP Units(1)
Nonvested/Outstanding at December 31, 2014	1,384,439	—	8,063
Granted	726,327	670,256	—
Exercised		—	
Vested	(242,285)		(6,047)
Forfeited	(188,054)	(69,070)	—
Expired		—	
Nonvested/Outstanding at September 30, 2015	1,680,427	601,186	2,016
Exercisable at September 30, 2015		—	

Converted to LP Units of LCFH on February 11, 2014 in connection with IPO and then converted to an equal number of Series REIT LP Units and Series TRS LP Units on December 31, 2014. LCFH LP Unitholders also (1) received an equal number of shares of Class B Common stock of the Company in connection with the conversion. Refer to Note 1, Organization and Operations for further discussion of IPO and the Reorganization Transactions.

At September 30, 2015 there was \$19.1 million of total unrecognized compensation cost related to certain share-based compensation awards that is expected to be recognized over a period of up to 33 months, with a weighted-average remaining vesting period of 22.4 months.

Phantom Equity Investment Plan

LCFH maintains a Phantom Equity Investment Plan effective as of June 30, 2011 (the “Plan”). The Plan is an annual deferred compensation plan pursuant to which certain mandatory contributions were made to the Plan depending upon the participant’s specific level of compensation and to which participants also made elective contributions. See our Annual Report for a detailed description of the terms of the Plan.

Table of Contents

On July 3, 2014 the board of directors froze the Plan, effective as of such date, so there have been no additional participants in the Plan, nor additional amounts contributed to any accounts outstanding under the Plan. Amounts previously outstanding under the Plan will be paid in accordance with their original payment terms. As of September 30, 2015, there are 483,770 phantom units outstanding, of which 135,184 are unvested, resulting in a liability of \$9.1 million, which is included in accrued expenses on the combined consolidated balance sheets.

Ladder Capital Corp Deferred Compensation Plan

On July 3, 2014, the Company adopted a new, nonqualified deferred compensation plan, which was subsequently amended and restated effective March 17, 2015 (the “2014 Deferred Compensation Plan”) to set conditions for qualified retirement. Pursuant to the 2014 Deferred Compensation Plan, participants may elect, or in some cases may be required, to defer all or a portion of their annual cash performance-based bonuses into the 2014 Deferred Compensation Plan. Generally, if a participant’s total compensation is in excess of a certain threshold, a portion of a participant’s performance-based annual bonus is required to be deferred into the 2014 Deferred Compensation Plan. Otherwise, a portion of the participant’s annual bonus may be deferred into the 2014 Deferred Compensation Plan at the election of the participant, so long as such elections are timely made in accordance with the terms and procedures of the 2014 Deferred Compensation Plan. See our Annual Report for a detailed description of the terms of the 2014 Deferred Compensation Plan.

In February 2015, Company employees contributed \$3.4 million to the Plan. As of September 30, 2015, there are 114,906 phantom units outstanding, of which 114,906 are unvested, resulting in a liability of \$1.6 million, which is included in accrued expenses on the combined consolidated balance sheets.

Bonus Payments

On February 3, 2015, the compensation committee of the board of directors of Ladder Capital Corp approved 2014 bonus payments to employees, including officers, totaling \$62.3 million, which included \$14.4 million of equity based compensation. The bonuses were accrued for as of December 31, 2014 and paid to employees in full on February 13, 2015. During the three and nine months ended September 30, 2015, the Company accrued and recorded compensation expense of \$9.1 million and \$27.1 million, respectively, related to 2015 bonuses. During the three and nine months ended September 30, 2014, the Company accrued and recorded compensation expense of \$11.8 million and \$42.4 million, respectively, related to 2014 bonuses.

16. INCOME TAXES

Prior to February 11, 2014, the Company had not been subject to U.S. federal income taxes as the predecessor entity is a Limited Liability Limited Partnership (“LLLP”), but had been subject to the New York City Unincorporated Business Tax (“NYC UBT”). As a result of the IPO, a portion of the Company’s income is subject to federal, state and local corporate income taxes and taxed at the prevailing corporate tax rates in addition to being subject to NYC UBT. Because the Company is operating as a REIT effective January 1, 2015, the Company's income will generally no longer be subject to U.S. federal, state and local corporate income taxes. Income earned at the Company's taxable REIT subsidiaries will generally be subject to such taxes.

Components of the provision for income taxes consist of the following (\$ in thousands):

Three Months Ended September		Nine Months Ended September	
30,		30,	
2015	2014	2015	2014

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Current expense (benefit)					
Federal	\$(2,190) \$7,200	\$4,860	\$23,019	
State and local	(1,157) 2,006	829	6,769	
Total current expense (benefit)	(3,347	) 9,206	5,689	29,788	
Deferred expense (benefit)					
Federal	(670	) 924	(1,377	) (4,951)
State and local	(164	) 205	(211	) (1,014)
Total deferred expense (benefit)	(834	) 1,129	(1,588	) (5,965)
Provision for Income tax expense (benefit)	\$(4,181	) \$10,335	\$4,101	\$23,823	

61

Table of Contents

There were no corporate taxes payable as of September 30, 2015. Corporate taxes payable as of December 31, 2014 were \$0.8 million. NYC UBT taxes payable (receivable) at September 30, 2015 and December 31, 2014 were \$0.1 million. Prepaid corporate taxes as of September 30, 2015 and December 31, 2014 were \$13.2 million and \$12.5 million, respectively.

As of September 30, 2015 and December 31, 2014, the Company's net deferred tax assets were \$11.4 million and \$8.2 million, respectively, and are included in other assets in the Company's combined consolidated balance sheets. The Company believes it is more likely than not that the net deferred tax assets will be realized in the future. Realization of the net deferred tax assets is dependent upon our generation of sufficient taxable income in future years in appropriate tax jurisdictions to obtain benefit from the reversal of temporary differences. The amount of net deferred tax assets considered realizable is subject to adjustment in future periods if estimates of future taxable income change. The components of the Company's deferred tax assets and liabilities are as follows (\$ in thousands):

	September 30, 2015	December 31, 2014
Deferred Tax Assets		
Basis difference in operating partnerships	7,065	6,795
Tax intangibles	2,353	778
Unrealized gains (losses)	1,974	616
Unrealized gains (losses) - derivatives	3,564	—
Valuation allowance	(3,564) —
Total Deferred Tax Assets	\$11,392	\$8,189

As of September 30, 2015, the Company has a deferred tax asset of \$3.6 million relating to capital losses which it may only use to offset capital gains. As the realization of these assets are not more likely than not before their expiration, the Company has provided a full valuation allowance against this deferred tax asset.

Our tax returns are subject to audit by taxing authorities. Generally, as of September 30, 2015 the tax years 2011, 2012, 2013 and 2014 remain open to examination by the major taxing jurisdictions in which the Company is subject to taxes. U.S. federal and state taxing authorities are currently examining income tax returns of various subsidiaries of the Company for tax years 2010 through 2012. These tax examinations often take a long time to complete and/or settle and there can be no assurances as to the possible outcomes. However, the Company believes that the examinations will result in no material changes to the filed income tax returns.

Under U.S. GAAP, a tax benefit related to an income tax position may be recognized when it is more likely than not that the position will be sustained upon examination by the tax authorities based on the technical merits of the position. The Company determined that no liability for unrecognized tax benefits for uncertain income tax positions was required to be recorded as of September 30, 2015. In addition, the Company does not believe that it has any tax positions for which it is reasonably possible that it will be required to record a significant liability for unrecognized tax benefits within the next twelve months.

Tax Receivable Agreement

Upon consummation of the IPO, the Company entered into a Tax Receivable Agreement with the Continuing LCFH Limited Partners. Under the Tax Receivable Agreement the Company generally is required to pay to those Continuing LCFH Limited Partners that exchange their interests in LCFH and Class B shares of the Company for Class A shares of the Company, 85% of the applicable cash savings, if any, in U.S. federal, state and local income tax that the Company realizes (or is deemed to realize in certain circumstances) as a result of (i) the increase in tax basis in its

proportionate share of LCFH's assets that is attributable to the Company as a result of the exchanges and (ii) payments under the Tax Receivable Agreement, including any tax benefits related to imputed interest deemed to be paid by the Company as a result of such agreement. The Company expects to make future payments under the Tax Receivable Agreement when the tax benefits are realized. We expect to benefit from the remaining 15% of cash savings in income tax that we realize. For purposes of the Tax Receivable Agreement, cash savings in income tax will be computed by comparing our actual income tax liability to the amount of such taxes that we would have been required to pay had there been no increase to the tax basis of the assets of LCFH as a result of the exchanges and had we not entered into the Tax Receivable Agreement.

Table of Contents

Payments to a Continuing LCFH Limited Partner under the Tax Receivable Agreement are triggered by each exchange and are payable annually commencing following the Company's filing of its income tax return for the year of such exchange. The timing of the payments may be subject to certain contingencies, including the Company having sufficient taxable income to utilize all of the tax benefits defined in the Tax Receivable Agreement.

As of September 30, 2015 and December 31, 2014, pursuant to Tax Receivable Agreement, the Company recorded a liability of \$2.2 million and \$0.9 million, respectively, included in amount payable pursuant to tax receivable agreement in the combined consolidated balance sheets for Continuing LCFH Limited Partners. The amount and timing of any payments may vary based on a number of factors, including the absence of any material change in the relevant tax law, the Company continuing to earn sufficient taxable income to realize all tax benefits, and assuming no additional exchanges that are subject to the Tax Receivable Agreement. Depending upon the outcome of these factors, the Company may be obligated to make substantial payments pursuant to the Tax Receivable Agreement. The actual payment amounts may differ from these estimated amounts, as the liability will reflect changes in prevailing tax rates, the actual benefit the Company realizes on its annual income tax returns, and any additional exchanges.

The first payment projected to be made under the Tax Receivable Agreement is in December 2015. To determine the current amount of the payments due, the Company estimates the amount of the Tax Receivable Agreement payments that will be made within twelve months of the balance sheet date.

As described in Note 1 above, the Tax Receivable Agreement was amended and restated in connection with our REIT Election, effective as of December 31, 2014, in order to preserve a portion of the potential tax benefits currently existing under the Tax Receivable Agreement that would otherwise be reduced in connection with our REIT Election. The purpose of the TRA Amendment was to preserve the benefits of the Tax Receivable Agreement to the extent possible in a REIT, although, as a result, the amount of payments made to the TRA Members under the TRA Amendment is expected to be less than the amount that would have been paid under the original Tax Receivable Agreement. The TRA Amendment continues to share such benefits in the same proportions and otherwise has substantially the same terms and provisions as the prior Tax Receivable Agreement.

17. RELATED PARTY TRANSACTIONS

Commercial Real Estate Loans

From time to time, the Company may provide commercial real estate loans to entities affiliated with certain of our directors, officers or large shareholders who are, as part of their ordinary course of business, commercial real estate investors. These loans are made in the ordinary course of the Company's business on an arms-length basis on the same terms and conditions as would be offered to any other borrower of similar type and standing on a similar property.

On May 20, 2015, the Company provided a \$25.0 million mezzanine loan to Halletts Investors LLC ("Borrower"), an entity affiliated with Douglas Durst, one of the Company's directors and chairman of The Durst Organization, one of the oldest family-run commercial and residential real estate companies in New York City, secured by Borrower's ownership interest in Durst Halletts Member LLC. Borrower and Durst Halletts Member LLC are the indirect owners of a 97.33% interest in the three limited liability companies that collectively own approximately 9.66 acres of undeveloped land located along the East River waterfront on Halletts Point Peninsula in Astoria Queens, New York. Douglas Durst and members of his family, including trusts for which Douglas Durst is a trustee, have an interest in Borrower, Durst Halletts Member LLC and the guarantors for this transaction.

Loan Referral Agreement

The Company entered into a loan referral agreement with Meridian Capital Group (“Meridian”), which, at the time, was an affiliate of a member of the Company’s board of directors and an investor in the Company. The agreement provided for the payment of referral fees for loans originated pursuant to a formula based on the Company’s net profit on a referred loan, as defined in the agreement, payable annually in arrears. While the arrangement gave rise to a potential conflict of interest, full disclosure was given to the borrower who, in each case, waived the conflict in writing. This agreement was cancellable by the Company based on the occurrence of certain events, or by Meridian for nonpayment of amounts due under the agreement. The Company terminated the loan referral agreement on April 2, 2014, as a result of the IPO on February 11, 2014.

Table of Contents

The Company incurred no fees for the three and nine months ended September 30, 2014, for loans originated in accordance with this agreement. As of September 30, 2015 and December 31, 2014, \$0.3 million and \$0.6 million, respectively, was payable to Meridian pursuant to this agreement and included in accrued expenses in the combined consolidated statements of financial condition.

18. COMMITMENTS AND CONTINGENCIES

Leases

The Company entered into an operating lease for its previous primary office space, which commenced on January 5, 2009 and expired on May 30, 2015. Subsequent to entering into this leasing arrangement, the office space was subleased to a third party. Income received on the subleased office space is recorded in other income on the combined consolidated statements of income. In 2011, the Company entered into a lease for its primary office space which commenced on October 1, 2011 and expires on January 31, 2022 with no extension option. In 2012, the Company entered into a lease for secondary office space. The lease commenced on May 15, 2012 and would have expired on May 14, 2015 with no extension option. This lease was amended, however, on October 2, 2014, extending the expiration date from May 14, 2015 to May 14, 2018. The Company recorded \$0.3 million and \$1.2 million of rental expense for the three and nine months ended September 30, 2015, respectively, which is included in operating expenses in the combined consolidated statements of income. The Company recorded \$0.6 million and \$1.5 million of rental expense for the three and nine months ended September 30, 2014, respectively, which is included in operating expenses in the combined consolidated statements of income.

The following is a schedule of future minimum rental payments required under the above operating leases (\$ in thousands):

Period Ending December 31,	Amount
2015 (last 3 months)	\$294
2016	1,198
2017	1,255
2018	1,206
2019	1,180
Thereafter	2,459
Total	\$7,592

GN Construction Loan Securities

The Company commits to purchase GN construction loan securities over a typical period of six to twelve months. As of September 30, 2015, the Company's commitment to purchase these securities at a fixed price of \$102.0 was \$28.8 million, of which \$26.3 million was funded, with \$2.5 million remaining to be funded. As of December 31, 2014, the Company's commitment to purchase these securities at fixed prices ranging from \$102.0 to \$104.4 was \$60.0 million, of which \$49.4 million was funded, with \$10.6 million remaining to be funded. The fair value of those commitments at September 30, 2015 and December 31, 2014 was \$36,800 and \$63,614, respectively, as determined by market activity and third-party market quotes and as adjusted for estimated liquidity discounts. The fair value of these commitments is included in real estate securities, available-for-sale on the combined consolidated balance sheets.

Unfunded Loan Commitments

As of September 30, 2015, the Company's off-balance sheet arrangements consisted of \$110.6 million of unfunded commitments on mortgage loan receivables held for investment to provide additional first mortgage loan financing, at rates to be determined at the time of funding, which comprised \$109.2 million to provide additional first mortgage loan financing and \$1.4 million to provide additional mezzanine loan financing. As of December 31, 2014, the Company's off-balance sheet arrangements consisted of \$158.1 million of unfunded commitments of mortgage loan receivables held for investment, at rates to be determined at the time of funding, which comprised \$155.5 million to provide additional first mortgage loan financing and \$2.6 million to provide additional mezzanine loan financing. Such commitments are subject to our loan borrowers' satisfaction of certain financial and nonfinancial covenants and may or may not be funded depending on a variety of circumstances including timing, credit metric hurdles, and other nonfinancial events occurring. These commitments are not reflected on the combined consolidated balance sheets.

Table of Contents

19. SEGMENT REPORTING

The Company has determined that it has three reportable segments based on how the chief operating decision maker reviews and manages the business. These reportable segments include loans, securities, and real estate. The loans segment includes mortgage loan receivables held for investment (balance sheet loans) and mortgage loan receivables held for sale (conduit loans). The securities segment is composed of all of the Company's activities related to commercial real estate securities, which include investments in CMBS and U.S. Agency Securities. The real estate segment includes net leased properties, office buildings, a warehouse and condominium units. Corporate/other includes the Company's investments in joint ventures, other asset management activities and operating expenses.

The Company evaluates performance based on the following financial measures for each segment (\$ in thousands):

	Loans	Securities	Real Estate(1)	Corporate/Other(2)	Company Total
Three months ended September 30, 2015					
Interest income	\$45,195	\$17,811	\$—	\$ 7	\$63,013
Interest expense	(6,749)	(1,753)	(6,365)	(14,668)	(29,535)
Net interest income (expense)	38,446	16,058	(6,365)	(14,661)	33,478
Provision for loan losses	(150)	—	—	—	(150)
Net interest income (expense) after provision for loan losses	38,296	16,058	(6,365)	(14,661)	33,328
Operating lease income	—	—	20,671	—	20,671
Tenant recoveries	—	—	2,847	—	2,847
Sale of loans, net	15,165	—	—	—	15,165
Realized gain on securities	—	513	—	—	513
Unrealized gain (loss) on Agency interest-only securities	—	731	—	—	731
Realized gain on sale of real estate, net	519	—	5,887	—	6,406
Fee income	905	230	6	2,342	3,483
Net result from derivative transactions	(13,159)	(29,083)	—	—	(42,242)
Earnings (loss) from investment in unconsolidated joint ventures	—	—	(25)	—	(25)
Total other income	3,430	(27,609)	29,386	2,342	7,549
Salaries and employee benefits	(4,525)	—	—	(13,103)	(17,628)
Operating expenses	132	—	(17)	(5,066)	(4,951)
Real estate operating expenses	—	—	(8,975)	—	(8,975)
Real estate acquisition costs	—	—	(470)	—	(470)
Fee expense	156	(10)	(123)	(698)	(675)
Depreciation and amortization	—	—	(9,533)	(28)	(9,561)
Total costs and expenses	(4,237)	(10)	(19,118)	(18,895)	(42,260)
Tax (expense) benefit	—	—	—	4,181	4,181
Segment profit (loss)	\$37,489	\$(11,561)	\$3,903	\$ (27,033)	\$2,798
Total assets as of September 30, 2015	\$2,128,343	\$2,415,382	\$871,591	\$ 414,645	\$5,829,961

Table of Contents

	Loans	Securities	Real Estate(1)	Corporate/Other(2)	Company Total
Three months ended September 30, 2014					
Interest income	\$30,348	\$18,190	\$—	\$ (79)	\$48,459
Interest expense	(2,748)	(1,546)	(4,663)	(10,971)	(19,928)
Net interest income (expense)	27,600	16,644	(4,663)	(11,050)	28,531
Provision for loan losses	(150)	—	—	—	(150)
Net interest income (expense) after provision for loan losses	27,450	16,644	(4,663)	(11,050)	28,381
Operating lease income	—	—	12,810	—	12,810
Tenant recoveries	—	—	2,252	—	2,252
Sale of loans, net	20,414	—	—	—	20,414
Realized gain on securities	—	14,074	—	—	14,074
Unrealized gain (loss) on Agency interest-only securities	—	(1,282)	—	—	(1,282)
Realized gain on sale of real estate, net	339	—	8,132	—	8,471
Fee income	999	(96)	92	1,720	2,715
Net result from derivative transactions	2,137	(1,012)	—	—	1,125
Earnings from investment in unconsolidated joint ventures	—	—	225	101	326
Gain on assignment of mortgage loan financing	—	—	432	—	432
Total other income	23,889	11,684	23,943	1,821	61,337
Salaries and employee benefits	(4,300)	—	—	(15,530)	(19,830)
Operating expenses	(89)	—	—	(6,101)	(6,190)
Real estate operating expenses	—	—	(7,150)	—	(7,150)
Real estate acquisition costs	—	—	(1,712)	—	(1,712)
Fee expense	(312)	(14)	(46)	(124)	(496)
Depreciation and amortization	—	—	(6,692)	(137)	(6,829)
Total costs and expenses	(4,701)	(14)	(15,600)	(21,892)	(42,207)
Tax expense	—	—	—	(10,335)	(10,335)
Segment profit (loss)	\$46,638	\$28,314	\$3,680	\$ (41,456)	\$37,176
Total assets as of December 31, 2014	\$1,939,008	\$2,815,566	\$771,129	\$ 288,532	\$5,814,235

Table of Contents

	Loans	Securities	Real Estate(1)	Corporate/Other(2)	Company Total
Nine months ended September 30, 2015					
Interest income	\$120,932	\$57,659	\$—	\$ 44	\$178,635
Interest expense	(17,509)	(5,512)	(17,670)	(43,155)	(83,846)
Net interest income (expense)	103,423	52,147	(17,670)	(43,111)	94,789
Provision for loan losses	(450)	—	—	—	(450)
Net interest income (expense) after provision for loan losses	102,973	52,147	(17,670)	(43,111)	94,339
Operating lease income	—	—	60,207	—	60,207
Tenant recoveries	—	—	7,883	—	7,883
Sale of loans, net	59,717	—	—	—	59,717
Realized gain on securities	—	23,680	—	—	23,680
Unrealized gain (loss) on Agency interest-only securities	—	(639)	—	—	(639)
Realized gain on sale of real estate, net	1,771	—	19,576	—	21,347
Fee income	3,990	230	33	6,604	10,857
Net result from derivative transactions	(18,335)	(36,259)	—	—	(54,594)
Earnings from investment in unconsolidated joint ventures	—	—	464	116	580
Total other income	47,143	(12,988)	88,163	6,720	129,038
Salaries and employee benefits	(11,436)	—	—	(35,897)	(47,333)
Operating expenses	301	—	(16)	(20,772)	(20,487)
Real estate operating expenses	—	—	(27,976)	—	(27,976)
Real estate acquisition costs	—	—	(1,524)	—	(1,524)
Fee expense	(1,642)	(31)	(230)	(1,357)	(3,260)
Depreciation and amortization	—	—	(29,158)	(80)	(29,238)
Total costs and expenses	(12,777)	(31)	(58,904)	(58,106)	(129,818)
Tax (expense) benefit	—	—	—	(4,101)	(4,101)
Segment profit (loss)	\$137,339	\$39,128	\$11,589	\$ (98,598)	\$89,458
Total assets as of September 30, 2015	\$2,128,343	\$2,415,382	\$871,591	\$ 414,645	\$5,829,961

Table of Contents

	Loans	Securities	Real Estate(1)	Corporate/Other(2)	Company Total
Nine months ended September 30, 2014					
Interest income	\$78,389	\$52,058	\$—	\$ (53)	\$ 130,394
Interest expense	(8,532)	(4,349)	(11,777)	(26,863)	(51,521)
Net interest income (expense)	69,857	47,709	(11,777)	(26,916)	78,873
Provision for loan losses	(450)	—	—	—	(450)
Net interest income (expense) after provision for loan losses	69,407	47,709	(11,777)	(26,916)	78,423
Operating lease income	—	—	38,827	—	38,827
Tenant recoveries	—	—	6,473	—	6,473
Sale of loans, net	107,135	—	—	—	107,135
Realized gain on securities	—	21,259	—	—	21,259
Unrealized gain (loss) on Agency interest-only securities	—	466	—	—	466
Realized gain on sale of real estate, net	1,122	—	23,103	—	24,225
Fee income	2,352	—	92	4,772	7,216
Net result from derivative transactions	(17,731)	(32,704)	—	—	(50,435)
Earnings from investment in unconsolidated joint ventures	—	—	675	987	1,662
Gain on assignment of mortgage loan financing	—	—	432	—	432
Total other income	92,878	(10,979)	69,602	5,759	157,260
Salaries and employee benefits	(18,800)	—	—	(47,516)	(66,316)
Operating expenses	—	—	—	(12,896)	(12,896)
Real estate operating expenses	—	—	(22,131)	—	(22,131)
Real estate acquisition costs	—	—	(1,712)	—	(1,712)
Fee expense	(1,034)	(53)	(87)	(537)	(1,711)
Depreciation and amortization	—	—	(20,863)	(411)	(21,274)
Total costs and expenses	(19,834)	(53)	(44,793)	(61,360)	(126,040)
Tax expense	—	—	—	(23,823)	(23,823)
Segment profit (loss)	\$142,451	\$36,677	\$13,032	\$ (106,340)	\$85,820
Total assets as of December 31, 2014	\$1,939,008	\$2,815,566	\$771,129	\$ 288,532	\$5,814,235

(1) Includes the Company's investment in unconsolidated joint ventures that held real estate of \$2.8 million and \$2.1 million as of September 30, 2015 and December 31, 2014, respectively

(2) Corporate/Other represents all corporate level and unallocated items including any intercompany eliminations necessary to reconcile to combined consolidated Company totals. This caption also includes the Company's investment in unconsolidated joint ventures and strategic investments that are not related to the other reportable segments above, including the Company's investment in unconsolidated joint ventures of \$48,771 and \$3.9 million as of September 30, 2015 and December 31, 2014, respectively, the Company's investment in FHLB stock of \$77.9 million and \$72.3 million as of September 30, 2015 and December 31, 2014, respectively, the Company's deferred tax asset of \$11.4 million and \$8.2 million as of September 30, 2015 and December 31, 2014, respectively and the Company's senior unsecured notes of \$612.0 million

and \$610.1 million as of September 30, 2015 and December 31, 2014, respectively.

Table of Contents

20. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the issuance date of the financial statements and determined that the following disclosure is necessary:

Committed Loan Repurchase Facility

On October 25, 2015, the Company entered into a committed loan repurchase facility with a major banking institution with total capacity of \$35.0 million and an initial maturity date of October 24, 2016, with two 6-month extension periods.

Table of Contents

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

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the combined consolidated financial statements and the related notes of Ladder Capital Corp included within this Quarterly Report and the Annual Report. This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements. See "Cautionary Statement Regarding Forward-Looking Statements" within this Quarterly Report and "Risk Factors" within the Annual Report for a discussion of the uncertainties, risks and assumptions associated with these statements. Actual results may differ materially from those contained in any forward-looking statements as a result of various factors, including but not limited to, those in "Risk Factors" set forth within the Annual Report.

References to "Ladder," the "Company," "Successor" and "we," "our" and "us" refer subsequent to the IPO and related transactions described below to Ladder Capital Corp, a Delaware corporation incorporated in 2013, and its combined consolidated subsidiaries. These references (other than "Successor") in periods prior to the IPO and related transactions are to Ladder Capital Finance Holdings LLLP and subsidiaries ("LCFH" or "Predecessor").

Ladder Capital Corp was incorporated on May 21, 2013 as a holding company for the purpose of facilitating an IPO of common equity. On February 5, 2014, a registration statement relating to shares of Class A common stock of Ladder Capital Corp was declared effective and the price of such shares was set at \$17.00 per share. The IPO closed on February 11, 2014.

As a result of the IPO and certain other recapitalization transactions (collectively, the "IPO Transactions"), Ladder Capital Corp became the sole general partner of LCFH and, as a result of the serialization of LCFH on December 31, 2014, became the sole general partner of Series REIT of LCFH. LC TRS I LLC, a wholly-owned subsidiary of Series REIT of LCFH, is the general partner of Series TRS of LCFH. Ladder Capital Corp has a controlling interest in Series REIT of LCFH, and through such controlling interest, also has a controlling interest in Series TRS of LCFH. Ladder Capital Corp's only business is to act as the sole general partner of LCFH and Series REIT of LCFH, and, as a result of the foregoing, Ladder Capital Corp directly and indirectly operates and controls all of the business and affairs of LCFH, and each Series thereof, and consolidates the financial results of LCFH, and each Series thereof, into Ladder Capital Corp's combined consolidated financial statements.

The following historical results of operations for the three and nine months ended September 30, 2014 consists of LCFH's operations for the period January 1, 2014 to February 10, 2014 and the Company's operations for the period February 11, 2014 to September 30, 2014. Results since inception consist of LCFH's operations from October 2008 to February 10, 2014 and Ladder Capital Corp's operations from February 11, 2014 to September 30, 2015.

Overview

We are an internally-managed real estate investment trust ("REIT") that is a leader in commercial real estate finance. As a non-bank lender with a proprietary loan origination platform and an established national footprint, we believe that we are well-positioned to benefit from the opportunities arising from the diminished supply of debt capital and the substantial demand for new financings in the commercial real estate sector. We believe that our comprehensive, fully-integrated in-house infrastructure, access to a diverse array of committed financing sources and highly experienced management team of industry veterans will allow us to continue to grow our business prudently as we endeavor to capitalize on profitable opportunities in various market conditions.

We conduct our business through three major business lines: commercial mortgage lending, investments in securities secured by first mortgage loans, and investments in selected net leased and other real estate assets. Historically, we have been able to generate attractive risk-adjusted returns by flexibly allocating capital among these well-established,

complementary business lines. We believe that we have a competitive advantage through our ability to offer a wide range of products, providing complete solutions across the capital structure to our borrowers. We apply a comprehensive underwriting approach to every loan and investment that we make, rooted in management's deep understanding of fundamental real estate values and proven expertise in these three complementary business lines through multiple economic and credit cycles.

Table of Contents

One of our key business strategies is originating conduit loans, which are first mortgage loans on stabilized, income producing commercial real estate properties that are available for sale in commercial mortgage-backed securities (“CMBS”) securitizations. From our inception in October 2008 through September 30, 2015, we originated \$11.0 billion of conduit loans, \$10.7 billion of which were sold into 34 CMBS securitizations, making us, by volume, the second largest non-bank contributor of loans to CMBS securitizations in the United States in such period. The securitization of conduit loans has been a consistently profitable business for us and enables us to reinvest our equity capital into new loan originations or allocate it to other investments. In addition to conduit loans, we originated \$3.4 billion of balance sheet loans held for investment from our inception through September 30, 2015. During this timeframe, we also acquired \$8.5 billion of investment grade-rated securities secured by first mortgage loans on commercial real estate and \$1.2 billion of selected net leased and other real estate assets. Although our securities investments and real estate assets remain available for opportunistic sales, these balance sheet business lines provide for a stable base of net interest and rental income and are complementary to our conduit lending activities.

We are led by a disciplined and highly aligned management team. As of September 30, 2015, our management team and directors held interests in our Company comprising 11.2% of our total equity. On average, our management team members have 27 years of experience in the industry. Our management team includes Brian Harris, Chief Executive Officer; Michael Mazzei, President; Pamela McCormack, Chief Strategy Officer and General Counsel; Marc Fox, Chief Financial Officer; Thomas Harney, Head of Merchant Banking & Capital Markets; and Robert Perelman, Head of Asset Management.

As of September 30, 2015, we had \$5.8 billion in total assets and \$1.5 billion of total equity. As of that date, our assets included \$2.1 billion of loans, \$2.4 billion of securities, and \$840.6 million of real estate.

Our primary sources of revenue include net interest income on our investments, which comprised 81.9% and 42.4% of our total net interest income after provision for loan losses and total other income (“net revenues”) for the three and nine months ended September 30, 2015, respectively, and income from sales of loans, net, which represents the income we earn from regular sales and securitizations of certain commercial mortgage loans, and which comprised 37.1% and 26.7% of our net revenues for the three and nine months ended September 30, 2015, respectively. In addition, net interest income on our investments, comprised 12 times and 106.0% of our net income for the three and nine months ended September 30, 2015, respectively, and income from sales of loans, net, comprised 5 times and 66.8% of our net income for the three and nine months ended September 30, 2015, respectively. See “—Reconciliation of Non-GAAP Financial Measures” for a definition of net revenues and a reconciliation to total net interest income after provision for loan losses and total other income. We also generate net rental revenues from certain of our real estate and fee income from our loan originations and the management of our institutional bridge loan partnership.

Ladder was founded in October 2008. As of September 30, 2015, we were capitalized by public investors, our management team and a group of leading global institutional investors, including affiliates of Alberta Investment Management Corp., GI Partners, Ontario Municipal Employees Retirement System and TowerBrook Capital Partners. We have built our business to include 73 full-time industry professionals by hiring experienced personnel known to us in the commercial mortgage industry. Doing so has allowed us to maintain consistency in our culture and operations and to focus on strong credit practices and disciplined growth.

We have a diversified and flexible financing strategy supporting our business operations, including significant committed term financing from leading financial institutions. As of September 30, 2015, we had \$4.2 billion of debt financing outstanding. This financing comprised \$1.8 billion of financing from the FHLB, \$785.5 million committed secured term repurchase agreement financing, \$405.8 million of other securities financing, \$555.8 million of third-party, non-recourse mortgage debt, \$319.6 million in aggregate principal amount of 7.375% senior notes due October 1, 2017 (the “2017 Notes”) and \$300.0 million in aggregate principal amount of 5.875% senior notes due 2021 (the “2021 Notes” and, collectively with the 2017 Notes, the “Notes”), there were \$20.4 million borrowings outstanding

under our Credit Agreement and \$50.0 million borrowings outstanding under our Revolving Credit Facility. In addition, as of September 30, 2015, we had \$1.5 billion of committed, undrawn funding capacity available, consisting of \$29.6 million of availability under our \$50.0 million Credit Facility, \$462.7 million of undrawn committed FHLB financing and \$964.5 million of other undrawn committed financings. As of September 30, 2015, our debt-to-equity ratio was 2.8:1.0, as we employ leverage prudently to maximize financial flexibility.

Table of Contents

Recent Developments

Committed Loan Repurchase Facility

On October 25, 2015, the Company entered into a committed loan repurchase facility with a major banking institution with total capacity of \$35.0 million and an initial maturity date of October 24, 2016, with two 6-month extension periods.

Our Businesses

We invest primarily in loans, securities and other interests in U.S. commercial real estate, with a focus on senior secured assets. Our complementary business segments are designed to provide us with the flexibility to opportunistically allocate capital in order to generate attractive risk-adjusted returns under varying market conditions. The following table summarizes the value of our investment portfolio as reported in our combined consolidated financial statements as of the dates indicated below (\$ in thousands):

	September 30, 2015	December 31, 2014
Loans		
Conduit first mortgage loans	\$333,531	\$417,955
Balance sheet first mortgage loans	1,509,745	1,358,985
Other commercial real estate-related loans	285,067	162,068
Total loans	2,128,343	1,939,008
Securities		
CMBS investments	2,342,123	2,683,745
U.S. Agency Securities investments	73,259	131,821
Total securities	2,415,382	2,815,566
Real Estate		
Real estate and related lease intangibles, net	791,577	768,986
Real estate held for sale	49,022	—
Total real estate	840,599	768,986
Total investments	5,384,324	5,523,560
Cash, cash equivalents and cash collateral held by broker	232,461	118,656
Other assets	213,176	172,019
Total assets	\$5,829,961	\$5,814,235

We invest in the following types of assets:

Loans

Conduit First Mortgage Loans. We originate conduit loans, which are first mortgage loans that are secured by cash-flowing commercial real estate and are available for sale to securitizations. These first mortgage loans are typically structured with fixed interest rates and generally have five- to ten-year terms. Our loans are directly originated by an internal team that has longstanding and strong relationships with borrowers and mortgage brokers throughout the United States. We follow a rigorous investment process, which begins with an initial due diligence review; continues through a comprehensive legal and underwriting process incorporating multiple internal and external checks and balances; and culminates in approval or disapproval of each prospective investment by our Investment Committee. Conduit first mortgage loans in excess of \$50.0 million also require approval of our board of directors' Risk and Underwriting Committee.

Table of Contents

Although our primary intent is to sell our conduit first mortgage loans to CMBS trusts, we generally seek to maintain the flexibility to keep them on our balance sheet or otherwise sell them as whole loans to third-party institutional investors. From our inception in 2008 through September 30, 2015, we have originated and funded \$11.0 billion of conduit first mortgage loans and securitized \$10.7 billion of such mortgage loans in 34 separate transactions, including two securitizations in 2010, three securitizations in 2011, six securitizations in 2012, six securitizations in 2013, ten securitizations in 2014 and seven securitizations in 2015. We generally securitize our loans together with certain financial institutions, which to date have included affiliates of Deutsche Bank Securities Inc., J.P. Morgan Securities LLC, UBS Securities LLC and Wells Fargo Securities, LLC, and we have also completed two single-asset securitizations. During the nine months ended September 30, 2015 and 2014, conduit first mortgage loans remained on our balance sheet for a weighted average of 62 and 43 days prior to securitization, respectively. As of September 30, 2015, we held 20 first mortgage loans that were substantially available for contribution into a securitization with an aggregate book value of \$333.5 million. Based on the loan balances and the “as-is” third-party Financial Institutions Reform, Recovery and Enforcement Act of 1989 (“FIRREA”) appraised values at origination, the weighted average loan-to-value ratio of this portfolio was 63.0% at September 30, 2015. The Company holds these residential condominium units in its taxable REIT subsidiary.

Balance Sheet First Mortgage Loans. We also originate and invest in balance sheet first mortgage loans secured by commercial real estate properties that are undergoing transition, including lease-up, sell-out, and renovation or repositioning. These mortgage loans are structured to fit the needs and business plans of the property owners, and generally have LIBOR based floating rates and terms (including extension options) ranging from one to five years. Balance sheet first mortgage loans are originated, underwritten, approved and funded using the same comprehensive legal and underwriting approach, process and personnel used to originate our conduit first mortgage loans. Balance sheet first mortgage loans in excess of \$20.0 million also require the approval of our board of directors’ Risk and Underwriting Committee.

We generally seek to hold our balance sheet first mortgage loans for investment. These investments have been typically repaid at or prior to maturity (including by being refinanced by us into a new conduit first mortgage loan upon property stabilization). As of September 30, 2015, we held a portfolio of 64 balance sheet first mortgage loans with an aggregate book value of \$1.5 billion. Based on the loan balances and the “as-is” third-party FIRREA appraised values at origination, the weighted average loan-to-value ratio of this portfolio was 66.6% at September 30, 2015.

Other Commercial Real Estate-Related Loans. We selectively invest in note purchase financings, subordinated debt, mezzanine debt and other structured finance products related to commercial real estate which are generally held for investment. As of September 30, 2015, we held a portfolio of 39 other commercial real estate-related loans with an aggregate book value of \$285.1 million. Based on the loan balance and the “as-is” third-party FIRREA appraised values at origination, the weighted average loan-to-value ratio of the portfolio was 67.5% at September 30, 2015.

Table of Contents

The following charts set forth our total outstanding conduit first mortgage loans, balance sheet first mortgage loans and other commercial real estate-related loans as of September 30, 2015 and a breakdown of our loan portfolio by loan size and geographic location and asset type of the underlying real estate.

Table of Contents

Securities

CMBS Investments. We invest in CMBS secured by first mortgage loans on commercial real estate and own predominantly AAA-rated securities. These investments provide a stable and attractive base of net interest income and help us manage our liquidity. We have significant in-house expertise in the evaluation and trading of CMBS, due in part to our experience in originating and underwriting mortgage loans that comprise assets within CMBS trusts, as well as our experience in structuring CMBS transactions. AAA-rated CMBS investments in excess of \$50 million and all other securities positions in excess of \$26.0 million require the approval of our board of directors' Risk and Underwriting Committee. As of September 30, 2015, the estimated fair value of our portfolio of CMBS investments totaled \$2.3 billion in 167 CUSIPs (\$14.0 million average investment per CUSIP). As of that date, 98.2% of our CMBS investments were rated investment grade by Standard & Poor's Ratings Group ("Standard & Poor's"), Moody's Investors Service, Inc. ("Moody's") or Fitch Ratings Inc. ("Fitch"), consisting of 84.1% AAA/Aaa-rated securities and 14.1% of other investment grade-rated securities, including 10.4% rated AA/Aa, 2.2% rated A/A and 1.5% rated BBB/Baa. In the future, we may invest in CMBS securities or other securities that are unrated. As of September 30, 2015, our CMBS investments had a weighted average duration of 3.4 years. The commercial real estate collateral underlying our CMBS investment portfolio is located throughout the United States. As of September 30, 2015, by property count and market value, respectively, 48.4% and 66.9% of the collateral underlying our CMBS investment portfolio was distributed throughout the top 25 metropolitan statistical areas ("MSAs") in the United States, with 3.5% and 28.6% of the collateral located in the New York-Newark-Edison MSA, and the concentrations in each of the remaining top 24 MSAs ranging from 0.4% to 7.5% by property count and 0.2% to 10.4% by market value.

U.S. Agency Securities Investments. Our U.S. Agency Securities portfolio consists of securities for which the principal and interest payments are guaranteed by a U.S. government agency, such as the Government National Mortgage Association ("Ginnie Mae"), or by a government-sponsored enterprise (a "GSE"), such as the Federal National Mortgage Association ("Fannie Mae") or Federal Home Loan Mortgage Corporation ("Freddie Mac"). In addition, these securities are secured by first mortgage loans on commercial real estate. As of September 30, 2015, the estimated fair value of our portfolio of U.S. Agency Securities was \$73.3 million in 35 CUSIPs (\$2.1 million average investment per CUSIP), with a weighted average duration of 7.1 years. The commercial real estate collateral underlying our U.S. Agency Securities portfolio is located throughout the United States. As of September 30, 2015, by market value 18.1% and 63.5% of the collateral underlying our U.S. Agency Securities, excluding the collateral underlying our Agency interest-only securities, was located in California and New York, respectively, with no other state having a concentration greater than 10.0%. By property count, New York represented 43.1% and California represented 33.8% of such collateral, with no other state's concentration greater than 10.0%. While the specific geographic concentration of our Agency interest-only securities portfolio as of September 30, 2015 is not obtainable, risk relating to any such possible concentration is mitigated by the interest payments of these securities being guaranteed by a U.S. government agency or a GSE.

Real Estate

Commercial Real Estate Properties. As of September 30, 2015, we owned 81 single tenant net lease properties with an aggregate book value of \$496.6 million. These properties are fully leased on a net basis where the tenant is generally responsible for payment of real estate taxes, property, building and general liability insurance and property and building maintenance expenses. As of September 30, 2015, our net leased properties comprised a total of 3.7 million square feet and had a 100% occupancy rate, an average age since construction of 9.1 years and a weighted average remaining lease term of 16.5 years.

As of September 30, 2015, we owned 29 other properties with an aggregate book value of \$264.8 million. Through separate joint ventures, we owned a portfolio of 13 office buildings in Richmond, VA with a book value of \$101.0 million, a portfolio of four office buildings in St. Paul, MN with a book value of \$58.5 million, a 26-story office

building in Minneapolis, MN with a book value of \$49.0 million, a portfolio of seven office buildings in Richmond, VA with a book value of \$18.6 million, a 13-story office building in Oakland County, MI with a book value of \$12.2 million, a two-story office building in Grand Rapids, MI with a book value of \$9.6 million and a warehouse in Grand Rapids, MI with a book value of \$6.2 million. We also own a two-story office building in Wayne, NJ with a book value of \$9.6 million.

Residential Real Estate. We sold 22 and 72 condominium units at Veer Towers in Las Vegas, NV, during the three and nine months ended September 30, 2015, respectively, generating aggregate gains on sale of \$4.0 million and \$13.4 million, respectively. We intend to sell the remaining units over time. As of September 30, 2015, we owned 148 residential condominium units at Veer Towers in Las Vegas, NV with a book value of \$37.7 million through a joint venture. As of September 30, 2015, the condominium units were 52.3% rented and occupied. During the three and nine months ended September 30, 2015, the Company recorded \$0.5 million and \$1.6 million, respectively, of rental income from the condominium units. The Company holds these residential condominium units in its taxable REIT subsidiary.

Table of Contents

We sold 17 and 74 condominium units at Terrazas River Park Village in Miami, FL, during the three and nine months ended September 30, 2015, respectively, generating aggregate gains on sale of \$1.0 million and \$5.0 million, respectively. We intend to sell the remaining units over time. As of September 30, 2015, we owned 178 residential condominium units at Terrazas River Park Village in Miami, FL with a book value of \$41.5 million. As of September 30, 2015, the condominium units were 80.0% rented and occupied. During the three and nine months ended September 30, 2015, the Company recorded \$0.9 million and \$2.8 million, respectively, of rental income from the condominium units.

The following table, organized by tenant type and acquisition date, summarizes our owned properties as of September 30, 2015 (\$ amounts in thousands):

Location	Acquisition date	Acquisition price	Year built/reno	Lease expiration (1)	Approx. square footage	Carrying value of asset	Mortgage loan outstanding	Asset of mortgage (8) outstanding	Annual rental income (2)	Ownership Percentage (3)
Net Lease										
Moultrie, GA	09/22/15	\$ 1,305	2014	6/30/29	8,225	\$ 1,304	\$ —	\$ 1,304	\$ 85	100.0 %
Rose Hill, NC	09/22/15	1,420	2014	6/30/29	8,320	1,419	—	1,419	93	100.0 %
Rockingham, NC	09/22/15	1,158	2014	6/30/29	8,320	1,157	—	1,157	76	100.0 %
Biscoe, NC	09/22/15	1,216	2014	6/30/29	8,320	1,215	—	1,215	80	100.0 %
De Soto, IL	09/08/15	1,066	2015	7/31/30	9,100	1,109	—	1,109	76	100.0 %
Kerrville, TX	08/28/15	1,174	2015	7/31/30	9,100	1,232	769	463	84	100.0 %
Floresville, TX	08/28/15	1,251	2015	7/31/30	9,100	1,308	815	493	89	100.0 %
Minot, ND	08/19/15	6,644	2012	1/31/34	55,440	6,928	4,705	2,223	419	100.0 %
Lebanon, MI	08/14/15	1,200	2015	7/31/30	9,050	1,258	822	436	85	100.0 %
Effingham County, IL	08/10/15	1,195	2015	6/30/30	9,002	1,247	821	426	85	100.0 %
Ponce, Puerto Rico	08/03/15	8,900	2012	8/31/37	15,660	9,308	6,530	2,778	560	100.0 %
Tremont, IL	06/25/15	1,150	2015	5/31/30	9,026	1,183	794	389	82	100.0 %
Pleasanton, TX	06/24/15	1,316	2015	5/31/30	9,026	1,367	871	496	93	100.0 %
Peoria, IL	06/24/15	1,226	2015	5/31/30	9,002	1,284	861	423	87	100.0 %
Bridgeport, IL	06/24/15	1,186	2015	5/31/30	9,100	1,232	827	405	84	100.0 %
Warren, MN	06/24/15	1,055	2015	4/30/30	9,100	1,080	698	382	75	100.0 %
Canyon Lake, TX	06/18/15	1,377	2015	3/31/30	9,100	1,432	913	519	98	100.0 %
Wheeler, TX	06/18/15	1,075	2015	3/31/30	9,002	1,117	721	396	76	100.0 %
Aurora, MN	06/18/15	953	2015	3/31/30	9,100	985	—	985	68	100.0 %
Red Oak, IA	05/07/15	1,184	2014	10/31/29	9,026	1,193	778	415	84	100.0 %
Zapata, TX	05/07/15	1,150	2015	3/31/30	9,100	1,185	745	440	82	100.0 %
St. Francis, MN	03/26/15	1,117	2014	1/31/30	9,002	1,157	732	425	79	100.0 %
Yorktown, TX	03/25/15	1,208	2015	2/28/30	10,566	1,275	783	492	86	100.0 %
Battle Lake, MN	03/25/15	1,098	2014	2/28/30	9,100	1,144	719	425	78	100.0 %
Paynesville, MN	03/05/15	1,254	2015	11/30/26	9,100	1,232	803	429	89	100.0 %

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Wheaton, MO	03/05/15	970	2015	11/30/29	9,100	951	656	295	69	100.0	%
Rotterdam, NY	03/03/15	12,619	1996	8/31/32	115,660	12,252	—	12,252	940	100.0	%
Hilliard, OH	03/02/15	6,384	2007	8/31/32	14,820	6,279	4,611	1,668	399	100.0	%
Niles, OH	03/02/15	5,200	2007	11/30/32	14,820	5,112	3,746	1,366	325	100.0	%
Rockland, MA	02/20/15	7,316	2004	8/31/37	13,566	8,490	—	8,490	457	100.0	%
Crawfordsville, IN	02/20/15	6,000	2004	1/31/33	14,259	5,889	—	5,889	375	100.0	%
Youngstown, OH	02/20/15	5,400	2005	9/30/30	14,820	5,299	—	5,299	336	100.0	%
Kings Mountain, NC	01/29/15	21,241	1995	9/30/30	467,781	23,586	18,802	4,784	1,475	100.0	%
Iberia, MO	01/23/15	1,328	2015	12/31/29	10,542	1,299	903	396	94	100.0	%
Pine Island, MN	01/23/15	1,142	2014	4/30/27	9,100	1,113	776	337	81	100.0	%
Isle, MN	01/23/15	1,077	2014	1/31/30	9,100	1,050	730	320	77	100.0	%
Jacksonville, NC	01/22/15	8,632	2014	12/31/29	55,000	8,474	5,727	2,747	517	100.0	%
Evansville, IN	11/26/14	9,000	2014	12/31/35	71,680	8,779	6,480	2,299	540	100.0	%
Woodland Park, CO	11/14/14	3,969	2014	8/31/29	22,141	3,848	2,817	1,031	258	100.0	%
Bellport, NY	11/13/14	18,100	2014	8/16/34	87,788	17,623	12,906	4,717	1,119	100.0	%
Ankeny, IA	11/04/14	16,510	2013	10/30/34	94,872	16,106	11,772	4,334	991	100.0	%
Springfield, MO	11/04/14	11,675	2011	10/30/34	88,793	11,543	8,424	3,119	701	100.0	%
Cedar Rapids, IA	11/04/14	11,000	2012	10/30/34	79,389	10,637	7,843	2,794	660	100.0	%

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Table of Contents

Location	Acquisition date	Acquisition price	Year built/reno	Lease expiration (1)	Approx. square footage	Carrying value of asset	Mortgage loan outstanding	Asset net of mortgage outstanding	Annual rental income(2)	Ownership Percentage
Fairfield, IA	11/04/14	10,695	2011	10/30/34	69,280	10,397	7,629	2,768	642	100.0%
Owatonna, MN	11/04/14	9,970	2010	10/30/34	70,825	9,787	7,179	2,608	598	100.0%
Muscatine, IA	11/04/14	7,150	2013	10/30/34	78,218	8,705	5,148	3,557	429	100.0%
Sheldon, IA	11/04/14	4,300	2011	10/30/34	35,385	4,266	3,096	1,170	258	100.0%
Memphis, TN	10/24/14	5,310	1962	12/31/29	68,761	5,326	3,940	1,386	358	100.0%
Bennett, CO	10/02/14	3,522	2014	8/31/29	21,930	3,405	2,498	907	229	100.0%
Conyers, Georgia	08/28/14	32,530	2014	4/30/29	499,668	31,437	22,860	8,577	1,937	100.0%
O'Fallon, IL	08/08/14	8,000	1984	1/31/28	141,436	8,356	5,692	2,664	460	100.0%
El Centro, CA	08/08/14	4,277	2014	6/30/29	19,168	4,136	2,986	1,150	278	100.0%
Durant, OK	01/28/13	4,991	2007	2/28/33	14,550	4,641	3,225	1,416	323	100.0%
Gallatin, TN	12/28/12	5,062	2007	6/30/82	14,820	4,742	3,296	1,446	329	100.0%
Mt. Airy, NC	12/27/12	4,492	2007	6/30/82	14,820	4,337	2,927	1,410	292	100.0%
Aiken, SC	12/21/12	5,926	2008	2/28/83	14,550	5,535	3,855	1,680	384	100.0%
Johnson City, TN	12/21/12	5,262	2007	9/30/82	14,550	4,869	3,427	1,442	341	100.0%
Palmview, TX	12/19/12	6,820	2012	8/31/87	14,820	6,368	4,606	1,762	437	100.0%
Ooltewah, TN	12/18/12	5,703	2008	1/31/83	14,550	5,280	3,857	1,423	365	100.0%
Abingdon, VA	12/18/12	4,687	2006	6/30/81	15,371	4,678	3,097	1,581	300	100.0%
Wichita, KS	12/14/12	7,200	2012	10/15/62	73,322	6,518	4,827	1,691	536	100.0%
North Dartmouth, MA	09/21/12	29,965	1989	7/31/57	103,680	26,266	19,193	7,073	2,142	100.0%
Vineland, NJ	09/21/12	22,506	2003	7/31/57	115,368	19,920	13,943	5,977	1,609	100.0%
Saratoga Springs, NY	09/21/12	20,222	1994	7/31/57	116,620	17,775	12,442	5,333	1,445	100.0%
Waldorf, MD	09/21/12	18,803	1999	7/31/57	115,660	17,441	12,208	5,233	1,344	100.0%
Mooreville, NC	09/21/12	17,644	2000	7/31/57	108,528	15,468	10,827	4,641	1,261	100.0%
Sennett, NY	09/21/12	7,476	1996	7/31/57	68,160	6,513	4,759	1,754	608	100.0%
DeLeon Springs, FL	08/13/12	1,242	2011	1/31/27	9,100	1,088	826	262	97	100.0%
Orange City, FL	05/23/12	1,317	2011	3/31/27	9,026	1,149	797	352	103	100.0%

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Satsuma, FL	04/19/12	1,092	2011	11/30/26	9,026	928	716	212	86	100.0%
Greenwood, AR	04/12/12	5,147	2009	7/31/84	13,650	4,698	3,442	1,256	332	100.0%
Snellville, GA	04/04/12	8,000	2011	4/30/32	67,375	7,090	5,331	1,759	605	100.0%
Columbia, SC	04/04/12	7,800	2001	4/30/32	71,744	7,031	5,186	1,845	581	100.0%
Millbrook, AL	03/28/12	6,941	2008	1/31/83	14,820	6,281	4,641	1,640	448	100.0%
Pittsfield, MA	02/17/12	14,700	2011	10/31/61	85,188	13,116	11,168	1,948	1,065	100.0%
Spartanburg, SC	01/14/11	3,870	2007	8/31/82	14,820	3,626	2,761	865	291	100.0%
Tupelo, MS	08/13/10	5,128	2007	11/30/92	14,691	4,479	3,090	1,389	400	100.0%
Lilburn, GA	08/12/10	5,791	2007	4/30/82	14,752	5,042	3,474	1,568	443	100.0%
Douglasville, GA	08/12/10	5,409	2008	10/31/83	13,434	4,818	3,264	1,554	416	100.0%
Elkton, MD	07/27/10	4,872	2008	9/30/82	13,706	4,244	2,928	1,316	380	100.0%
Lexington, SC	06/28/10	4,732	2009	9/30/83	14,820	4,193	2,898	1,295	362	100.0%
Total Net Lease		518,995			3,661,410	496,630	328,939	167,691	34,821	
Other										
Wayne, NJ	06/24/15	9,700	1980	7/31/27	56,387	9,587	6,686	2,901	1,100	100.0%
Grand Rapids, MI	06/18/15	9,300	1963	6/30/24	97,167	9,622	7,256	2,366	809	97.0 %(6)
Grand Rapids, MI	06/18/15	6,300	1992	6/30/24	160,000	6,204	4,939	1,265	528	97.0 %(6)
St. Paul, MN	09/22/14	62,340	1900	10/1/21	760,318	58,547	49,421	9,126	17,929	97.0 %(6)
Richmond, VA	08/14/14	19,850	1986	4/30/21	195,881	18,584	15,811	2,773	3,582	77.5 %(6)
Minneapolis, MN	10/09/13	51,520	1960	8/31/27	393,902	49,022	40,862	8,160	6,679	90.0 %(6)
Richmond, VA	06/07/13	118,405	1984	4/30/21	994,040	101,019	89,753	11,266	18,630	77.5 %(6)
Oakland County, MI	02/01/13	18,000	1989	12/31/21	240,900	12,203	12,119	84	7,640	90.0 %(6)
Total Other		295,415			2,898,595	264,788	226,847	37,941	56,897	
Condominium										
Miami, FL	11/21/13	80,000	2010		191,829	41,495	—	41,495	5,514	100.0%
Las Vegas, NV	12/20/12	119,000	2006		133,279	37,686	—	37,686	3,273	98.8 %(6)
Total Condominium		199,000			325,108	79,181	—	79,181	8,787	
Total		\$1,013,410			6,885,113	\$840,599	\$555,786	\$284,813	\$100,505	

Table of Contents

(1) Lease expirations reflect the earliest date the lease is cancellable without penalty, although actual terms are longer.

Annual rental income represents twelve months of contractual rental income due under leases outstanding for the

(2) year ending December 31, 2015. Operating lease income on the combined consolidated statements of income represents rental income earned and recorded on a straight line basis over the term of the lease.

(3) Properties were consolidated as of acquisition date.

We own a portfolio of residential condominium units, some of which are subject to residential leases. We intend to

(4) sell these units. The residential leases are generally short term in nature and are not included in the table above given our intention to sell the units.

We own, through a majority-owned joint venture with an operating partner, a portfolio of residential condominium

(5) units, some of which are subject to residential leases. The joint venture intends to sell these units. The residential leases are generally short term in nature and are not included in the table above given the joint venture's intention to sell the units.

(6) See Note 13 for further information regarding noncontrolling interests.

(7) Included in real estate held for sale on the combined consolidated balance sheets.

(8) Non-recourse.

Other Investments

Institutional Bridge Loan Partnership. In 2011, we established an institutional partnership ("LCRIP I") with a Canadian sovereign pension fund to invest in first mortgage bridge loans that meet predefined criteria. Our partner owns 90% of the limited partnership interest, and we own the remaining 10% on a pari passu basis and act as general partner. We retain discretion over which loans to present to LCRIP I and our partner retains the discretion to accept or reject individual loans. As the general partner, we have engaged our advisory entity to manage the assets of LCRIP I and earn management fees and incentive fees from LCRIP I. In addition, we are entitled to retain origination fees of up to 1% on loans that we sell to LCRIP I and on a case-by-case basis as approved by our partner, may retain certain exit fees. During the quarter ended June 30, 2015, the last loan held by LCRIP I was repaid. LCRIP I will continue in existence until the fifth anniversary of the date of its closing, April 15, 2016. As of September 30, 2015, the book value of our investment in LCRIP I was \$48,771.

Unconsolidated Joint Venture. In connection with the origination of a loan in April 2012, we received a 25% equity kicker with the right to convert upon a capital event. On March 22, 2013, we refinanced the loan, and we converted our equity kicker interest into a 25% limited liability company membership interest in Grace Lake JV, LLC ("Grace Lake LLC"). As of September 30, 2015, Grace Lake LLC owned an office building campus with a carrying value of \$66.1 million, which is net of accumulated depreciation of \$15.2 million, that is financed by \$74.2 million of long-term debt. Debt of Grace Lake LLC is nonrecourse to the limited liability company members, except for customary nonrecourse carve-outs for certain actions and environmental liability. As of September 30, 2015, the book value of our investment in Grace Lake LLC was \$2.8 million.

Other Asset Management Activities. As of September 30, 2015, we also managed a separate CMBS investment account for a private investor with total assets of \$0.2 million. As of October 2012, we are no longer purchasing any new investments for this account. However, we will continue to manage the existing investments until their full repayment or other disposition.

Our Financing Strategies

Our financing strategies are critical to the success and growth of our business. We manage our financing to complement our asset composition and to diversify our exposure across multiple capital markets and counterparties.

We fund our investments in commercial real estate loans and securities through multiple sources, including the \$611.6 million of gross cash proceeds we raised in our initial equity private placement beginning in October 2008, the \$257.4 million of gross cash proceeds we raised in our follow-on equity private placement in the third quarter of 2011, proceeds from the issuance of \$325.0 million of 2017 Notes in 2012, the \$238.5 million of net proceeds from the issuance of Class A common stock in 2014, proceeds from the issuance of \$300.0 million of 2021 Notes in 2014, current and future earnings and cash flow from operations, existing debt facilities, and other borrowing programs in which we participate.

Table of Contents

We finance our portfolio of commercial real estate loans using committed term facilities provided by multiple financial institutions, with total commitments of \$1.5 billion at September 30, 2015, a \$50.0 million Credit Agreement, a \$75.0 million Revolving Credit Facility and through our FHLB membership. As of September 30, 2015, there was \$624.0 million outstanding under the term facilities. We finance our securities portfolio, including CMBS and U.S. Agency Securities, through our FHLB membership, a \$300.0 million committed term master repurchase agreement from a leading domestic financial institution and uncommitted master repurchase agreements with numerous counterparties. As of September 30, 2015, we had total outstanding balances of \$567.3 million under all securities master repurchase agreements. We finance our real estate investments with nonrecourse first mortgage loans. As of September 30, 2015, we had outstanding balances of \$555.8 million on these nonrecourse mortgage loans.

In addition to the amounts outstanding on our other facilities, we had \$1.8 billion of borrowings from the FHLB outstanding at September 30, 2015. As of September 30, 2015, we also had a \$50.0 million Credit Agreement, with \$20.4 million borrowings outstanding, a \$75.0 million Revolving Credit Facility, with \$50.0 million borrowings outstanding, and \$619.6 million of Notes issued and outstanding. See Note 7, Debt Obligations and Note 8, Senior Unsecured Notes in our combined consolidated financial statements for the three and nine months ended September 30, 2015 included elsewhere in this Quarterly Report for more information about our financing arrangements.

We enter into interest rate and credit spread derivative contracts to mitigate our exposure to changes in interest rates and credit spreads. We generally seek to hedge the interest rate risk on the financing of assets that have a duration longer than five years, including newly-originated conduit first mortgage loans, securities in our CMBS portfolio if long enough in duration, and most of our U.S. Agency Securities portfolio. We monitor our asset profile and our hedge positions to manage our interest rate and credit spread exposures, and we seek to match fund our assets according to the liquidity characteristics and expected holding periods of our assets.

We seek to maintain a debt-to-equity ratio of 3.0:1.0 or below. We expect this ratio to fluctuate during the course of a fiscal year due to the normal course of business in our conduit lending operations, in which we generally securitize our inventory of conduit loans at intervals, and also because of changes in our asset mix, due in part to such securitizations. As of September 30, 2015, our debt-to-equity ratio was 2.8:1.0. We believe that our predominantly senior secured assets and our moderate leverage provide financial flexibility to be able to capitalize on attractive market opportunities as they arise.

From time to time, we may add financing counterparties that we believe will complement our business, although the agreements governing our indebtedness may limit our ability and the ability of our present and future subsidiaries to incur additional indebtedness. Our amended and restated charter and by-laws do not impose any threshold limits on our ability to use leverage.

Business Outlook

We believe the commercial real estate finance market currently presents substantial opportunities for new origination, as it is characterized by stabilizing property values, a low interest rate environment, and a supply/demand imbalance for financing. Over the next five years, over \$1.7 trillion of commercial real estate debt is scheduled to mature according to Trepp, while at the same time traditional real estate lenders such as banks and insurance companies face significant new capital and regulatory requirements.

For the year ended December 31, 2013, new CMBS issuance totaled \$86.1 billion. For the year ended December 31, 2014, new CMBS issuance totaled \$94.1 billion, a 9.2% increase over the same period in 2013. In the first nine months of 2015, new CMBS issuance totaled \$77.6 billion. We believe the CMBS market will continue to play an

important role in the financing of commercial real estate in the U.S.

We believe our ability to quickly and efficiently shift our focus between lending, investing in securities, and making real estate investments allows us to take advantage of attractive investment opportunities under a variety of market conditions. There are times when the conduit lending/securitization market conditions are very favorable and we shift our focus and allocate our equity toward that market. At other times, especially when markets are under stress, investment in securities is more attractive and we quickly shift focus and equity accordingly.

The passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) introduced complex, comprehensive legislation into the financial industry, which will have far reaching effects on the securitization industry and its participants. There is uncertainty as to how, in the coming years, the Dodd-Frank Act may affect us or our competitors.

Table of Contents

Factors impacting operating results

There are a number of factors that influence our operating results in a meaningful way. The most significant factors include: (1) our competition; (2) market and economic conditions; (3) loan origination volume; (4) profitability of securitizations; (5) avoidance of credit losses; (6) availability of debt and equity funding and the costs of that funding; (7) the net interest margin on our investments; and (8) effectiveness of our hedging and other risk management practices.

Results of Operations

Three months ended September 30, 2015 compared to the three months ended September 30, 2014

Investment overview

Investment activity in the three months ended September 30, 2015 focused on loan originations and securities activity. We originated and funded \$836.1 million in principal value of commercial mortgage loans in the three months ended September 30, 2015. We acquired \$208.6 million of new securities, which was offset by \$62.0 million of sales and \$27.8 million of amortization in the portfolio, which partially contributed to a net increase in our securities portfolio of \$116.0 million. We also invested \$26.5 million in real estate.

Investment activity in the three months ended September 30, 2014 focused on loan originations and securities investments. We originated and funded \$1.1 billion in principal value of commercial mortgage loans in the three months ended September 30, 2014. We acquired \$758.6 million of new securities, which was offset by \$335.2 million of sales and \$43.0 million of amortization in the portfolio, which partially contributed to a net increase in our securities portfolio of \$342.1 million.

Operating overview

Net income attributable to Class A common shareholders totaled \$3.3 million for the three months ended September 30, 2015, compared to \$14.7 million for the three months ended September 30, 2014. The most significant drivers of the \$11.4 million decrease are as follows:

an increase in net interest income of \$4.9 million, primarily as a result of higher average loan receivable and securities balances partially offset by higher interest expense as a result of higher outstanding financing obligations as well as the decrease in the average yield on the securities portfolio year-over-year;

a decrease in total other income of \$53.8 million, primarily as a result of a \$43.3 million decrease in net results from derivative transactions, a \$13.6 million decrease in gain (loss) on securities, a \$5.2 million decrease in sale of loans, net, partially offset by a \$7.9 million increase in operating lease income;

an increase in total costs and expenses of \$0.1 million compared to the prior year, primarily as a result of higher real estate operating and depreciation expenses related to our expanded real estate portfolio and higher costs associated with operating as a REIT, partially offset by lower incentive compensation expense due to reduced net revenues and loan/investment production;

a decrease in income tax expense (benefit) of \$14.5 million - our predecessor/operating partnership is taxed as a partnership but is subject to certain state and local income taxes. Subsequent to our IPO, the Company was subject to federal and state income taxes on its share of the income of the operating partnership. The Company's election to be taxed as a REIT will be effective as of January 1, 2015 and we expect to only pay taxes on the portion of our income

earned in our taxable REIT subsidiary and some state and local taxes.

Core Earnings, a non-GAAP measure, totaled \$41.2 million for the three months ended September 30, 2015, compared to \$49.2 million for the three months ended September 30, 2014. The significant components of the \$8.0 million decrease in Core Earnings are a decrease in profits on gain (loss) on securities of \$13.6 million, a decrease in profits on sales of loans, net of \$4.9 million, partially offset by an increase in net interest income of \$4.9 million, an increase in operating lease income of \$7.9 million and a decrease in net results from derivative transactions of \$3.5 million and the increase of total costs and expenses discussed in the preceding paragraph. See “—Reconciliation of Non-GAAP Financial Measures.”

Table of Contents

Net interest income

Interest income totaled \$63.0 million for the three months ended September 30, 2015, compared to \$48.5 million for the three months ended September 30, 2014. The \$14.5 million increase in interest income was primarily attributable to an increase in our average investment balances in our loan and our securities portfolios. For the three months ended September 30, 2015, securities investments averaged \$2.4 billion and loan investments averaged \$2.3 billion. For the three months ended September 30, 2014, securities investments averaged \$2.0 billion and loan investments averaged \$1.4 billion. The impact of the expanded base of interest bearing assets was partially offset by lower interest spreads earned on securities acquired and loans originated subsequent to September 30, 2014 versus the interest spreads prevailing prior to that date.

Interest expense totaled \$29.5 million for the three months ended September 30, 2015, compared to \$19.9 million for the three months ended September 30, 2014. The \$9.6 million increase in interest expense was primarily attributable to the increase in average debt balance that are required to finance the expanded book of investment assets. For the three months ended September 30, 2015, our debt balances averaged \$4.3 billion versus an average debt balance of \$2.8 billion for the three months ended September 30, 2014. The unfavorable impact on interest expense attributed to the higher debt level was magnified by the addition of \$300.0 million of unsecured corporate bonds (5.875% coupon rate) in August 2014, partially offset by greater use of FHLB borrowings, a lower cost source of funding than other financing sources, for the three months ended September 30, 2015, as compared to the three months ended September 30, 2014. Our interest expense also includes interest expense related to mortgage loan financing against our real estate investments. Our investment in real estate and related lease intangibles, net has continued to increase during 2015 and 2014 and our mortgage loan financing secured by such investments has also similarly increased. Our interest expense related to mortgage loan financing increased by \$2.6 million from \$4.2 million for the three months ended September 30, 2014 to \$6.7 million for the three months ended September 30, 2015, primarily as a result of our increase in average outstanding mortgage loan financing of \$517.4 million for the three months ended September 30, 2015 compared to \$328.4 million for the three months ended September 30, 2014 and the increase in the average cost of financing.

Net interest income after provision for loan losses totaled \$33.3 million for the three months ended September 30, 2015, compared to \$28.4 million for the three months ended September 30, 2014. The \$4.9 million increase in net interest income after provision for loan losses was primarily attributable to the increase in loan and securities investment balances during 2015 compared to the same period a year ago, partially offset by the increase in debt balance.

Cost of funds, a non-GAAP measure, totaled \$36.0 million for the three months ended September 30, 2015, compared to \$26.3 million for the three months ended September 30, 2014. The \$9.7 million increase in cost of funds was primarily attributable to the increase in the average debt balance and the issuance of the 2021 Notes referred to above.

We present cost of funds, which is a non-GAAP 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. See "—Reconciliation of Non-GAAP Financial Measures" for our definition of cost of funds and a reconciliation to interest expense.

Interest spreads

As of September 30, 2015, the weighted average yield on our mortgage loan receivables was 7.1%, compared to 7.3% as of September 30, 2014 as the weighted average yield on new loans originated was lower than the weighted average

yield on loans that were securitized or paid off. As of September 30, 2015, the weighted average interest rate on borrowings against our mortgage loan receivables was 2.3%, compared to 2.0% as of September 30, 2014. The increase in the rate on borrowings against our mortgage loan receivables was primarily due to the utilization of a higher proportion of higher-cost loan repurchase facilities as of September 30, 2015 versus September 30, 2014. As of September 30, 2015, we had outstanding borrowings secured by our mortgage loan receivables equal to 45.4% of the carrying value of our mortgage loan receivables, compared to 28.0% as of September 30, 2014.

As of September 30, 2015, the weighted average yield on our real estate securities was 2.8%, compared to 3.4% as of September 30, 2014 as the weighted average yield on securities purchased was lower than the weighted average yield on securities that were sold or paid off. As of September 30, 2015, the weighted average interest rate on borrowings against our real estate securities was 0.9%, compared to 1.0% as of September 30, 2014. The decrease in the rate on borrowings against our real estate securities from September 30, 2014 to September 30, 2015 was primarily due to the utilization of a higher proportion of lower-cost borrowings from the FHLB as of September 30, 2015 versus September 30, 2014. As of September 30, 2015, we had outstanding borrowings secured by our real estate securities equal to 84.1% of the carrying value of our real estate securities, compared to 73.6% as of September 30, 2014.

Table of Contents

Our real estate is comprised of non-interest bearing assets; however, interest incurred on mortgage financing collateralized by such real estate is included in interest expense. As of September 30, 2015 and 2014, the weighted average interest rate on mortgage borrowings against our real estate was 4.9%. As of September 30, 2015, we had outstanding borrowings secured by our real estate equal to 66.1% of the carrying value of our real estate, compared to 61.0% as of September 30, 2014.

Provision for loan losses

We had a \$0.2 million provision for loan losses for the three months ended September 30, 2015 and 2014. We invest primarily in loans with high credit quality, and we sell our conduit loans in the ordinary course of business. We estimate our loan loss provision based on our historical loss experience and our expectation of losses inherent in the investment portfolio but not yet realized. To ensure that the risk exposures are properly measured and the appropriate reserves are taken, the Company assesses a loan loss provision balance that will grow over time with its portfolio and the related risk as the assets approach maturity and ultimate refinancing where applicable. As a result, our provision for loan losses remained unchanged for the three months ended September 30, 2015 and the three months ended September 30, 2014.

Operating lease income and tenant recoveries

Operating lease income totaled \$20.7 million for the three months ended September 30, 2015, compared to \$12.8 million for the three months ended September 30, 2014. The increase of \$7.9 million was attributable to acquisitions, which increased real estate to \$840.6 million at September 30, 2015 versus \$652.6 million at September 30, 2014, as well as a full period of operations of properties acquired in 2014.

Tenant recoveries totaled \$2.8 million for the three months ended September 30, 2015, compared to \$2.3 million for the three months ended September 30, 2014. The increase of \$0.5 million reflects the acquisitions of office and residential real estate in 2014 and 2015. It also reflects additional recoveries on properties acquired in 2015 and a full period of recoveries on properties acquired in 2014.

Sales of loans, net

Income from sales of loans, net, which includes all loan sales, whether by securitization, whole loan sales or other means, totaled \$15.2 million for the three months ended September 30, 2015, compared to \$20.4 million for the three months ended September 30, 2014, a decrease of \$5.2 million. In the three months ended September 30, 2015, we participated in three separate securitization transactions, selling 63 loans with an aggregate outstanding principal balance of \$860.1 million. In the three months ended September 30, 2014, we participated in two securitization transactions, selling 39 loans with an aggregate outstanding principal balance of \$680.0 million. Income from sales of loans, net is subject to market conditions impacting timing, size and pricing and as such may vary significantly quarter to quarter. The decrease in income from sales of securitized loans, net of hedging of \$11.8 million for the three months ended September 30, 2015 compared to \$23.2 million for the three months ended September 30, 2014 was due to a decline in the aggregate outstanding principal balance of loans sold, period over period, as well as increasing competition in the market and lower prevailing lending credit spreads for conduit loans.

Income from sale of loans, net, represents gross proceeds received from the sale of loans, less the book value of those loans at the time they were sold, less any costs, such as legal and closing costs, associated with the sale. Income from sales of securitized loans, net, a non-GAAP measure, represents the portion of income from sales of loans, net related to the sale of loans into securitization trusts. See “—Reconciliation of Non-GAAP Financial Measures” for our definition of income from sale of securitized loans, net of hedging and a reconciliation to income from sale of loans, net.

Table of Contents

Realized gain (loss) on securities

Realized gain (loss) on securities totaled \$0.5 million for the three months ended September 30, 2015, compared to \$14.1 million for the three months ended September 30, 2014, a decrease of \$13.6 million. For the three months ended September 30, 2015, we sold \$62.0 million of securities, which comprised of \$51.5 million of CMBS and \$10.5 million U.S. Agency Securities. For the three months ended September 30, 2014, we sold \$335.2 million of securities, comprised of \$266.9 million of CMBS and \$68.3 million of U.S. Agency Securities. The decrease reflects lower transaction volume in 2015 as compared to 2014.

Unrealized gain (loss) on Agency interest-only securities

Unrealized gain (loss) on Agency interest-only securities represented a gain of \$0.7 million for the three months ended September 30, 2015, compared to a loss of \$1.3 million for the three months ended September 30, 2014. The positive change of \$2.0 million in unrealized gain (loss) on Agency interest-only securities was due to a decrease in interest rates during the quarter and amortization of the portfolio during the three months ended September 30, 2015.

Income from sales of real estate, net

For the three months ended September 30, 2015, income from sales of real estate, net totaled \$6.4 million compared to \$8.5 million for the three months ended September 30, 2014. The decrease of \$2.1 million was a result of the commercial real estate and residential condominium sales discussed below.

During the three months ended September 30, 2015, we sold one single-tenant net lease property resulting in a net gain on sale of \$1.4 million. During the three months ended September 30, 2014, we sold four single-tenant retail properties resulting in a net gain on sale of \$3.2 million.

During the three months ended September 30, 2015, income from sales of residential condominiums totaled \$5.0 million. We sold 22 residential condominium units from Veer Towers in Las Vegas, NV, resulting in a net gain on sale of \$4.0 million, and 17 residential condominium units from Terrazas River Park Village in Miami, FL, resulting in a net gain on sale of \$1.0 million. During the three months ended September 30, 2014, income from sales of residential condominiums totaled \$5.3 million. We sold 21 residential condominium units from Veer Towers in Las Vegas, NV, resulting in a net gain on sale of \$4.1 million, and 18 residential condominium units from Terrazas River Park Village in Miami, FL, resulting in a net gain on sale of \$1.2 million.

Other income

Fee income totaled \$3.5 million for the three months ended September 30, 2015, compared to \$2.7 million for the three months ended September 30, 2014. We generate fee income from the management of our institutional partnership and managed accounts, dividend income on our investment in FHLB stock, as well as from origination fees, exit fees and other fees on the loans we originate and in which we invest. The \$0.8 million increase in fee income year-over-year was primarily due to an increase in dividends from our investment in FHLB stock and increase in fee income on our loan portfolio.

During the three months ended September 30, 2014, we sold real estate in conjunction with an assignment of the related mortgage loan financing that had an unrecognized premium as of the date of sale and recognized a gain of \$0.4 million. This unrecognized premium is recognized as gain on assignment of mortgage loan financing on the combined consolidated statements of income.

Table of Contents

Net result from derivative transactions

Net result from derivative transactions represented a loss of \$42.2 million for the three months ended September 30, 2015, which was comprised of an unrealized loss of \$13.7 million and a realized loss of \$28.5 million, compared to a gain of \$1.1 million which was comprised of an unrealized gain of \$13.9 million and a realized loss of \$12.8 million, for the three months ended September 30, 2014, a negative change of \$43.3 million. The derivative positions that generated these results were a combination of interest rate swaps, caps, and futures that we employed in an effort to hedge the interest rate risk on the financing of our fixed rate assets and the net interest income we earn against the impact of changes in interest rates. The loss in 2015 was primarily related to a decrease in interest rates during the three months ended September 30, 2015, which generally increased the value of our fixed rate loan and securities investments, and decreased the fair value of our offsetting derivative transactions. The total net result from derivative transactions is comprised of hedging interest expense, realized gains/losses related to hedge terminations and unrealized gains/losses related to changes in the fair value of asset hedges. The hedge positions were related to fixed rate conduit loans and securities investments.

Earnings (loss) from investment in unconsolidated joint ventures

Total earnings (loss) from investment in unconsolidated joint ventures totaled \$(25,206) for the three months ended September 30, 2015, compared to \$0.3 million for the three months ended September 30, 2014. There were no earnings from our investment in LCRIP I for the three months ended September 30, 2015, compared to \$0.1 million for the three months ended September 30, 2014. The decrease of \$0.1 million reflects a decrease in the number of loans held by LCRIP I in 2015 compared to 2014. LCRIP I held no loans as of September 30, 2015 as the last loan held by LCRIP I was repaid during the quarter ended June 30, 2015. LCRIP I will continue in existence until the fifth anniversary of the date of its closing, April 15, 2016. Earnings from our investment in Grace Lake JV totaled \$0.2 million for the three months ended September 30, 2015, compared to \$0.2 million for the three months ended September 30, 2014. Earnings (loss) from our investment in 24 Second Avenue totaled \$(0.2) million for the three months ended September 30, 2015, compared to none for the three months ended September 30, 2014. The \$0.2 million decrease is due to a negative return related to upfront development costs on the investment made during the three months ended September 30, 2015.

Salaries and employee benefits

Salaries and employee benefits totaled \$17.6 million for the three months ended September 30, 2015, compared to \$19.8 million for the three months ended September 30, 2014. Salaries and employee benefits are comprised primarily of salaries, bonuses, originator bonuses related to loan profitability, equity based compensation and other employee benefits. The decrease of \$2.2 million in compensation expense was attributable to the decrease in incentive compensation expense in the three months ended September 30, 2015 compared the the three months ended September 30, 2014 due to reduced actual net revenues and loan/investment production in the most recently ended quarter.

Operating expenses

Operating expenses totaled \$5.0 million for the three months ended September 30, 2015, compared to \$6.2 million for the three months ended September 30, 2014. Operating expenses are primarily comprised of professional fees, lease expense, and technology expenses. The decrease in operating expenses is a result of lower professional fees for the three months ended September 30, 2015, compared to for the three months ended September 30, 2014, when the Company, together with its legal and tax advisers, was actively involved in evaluating and structuring the Company's subsequent REIT election.

Real estate operating expenses

Real estate operating expenses totaled \$9.0 million for the three months ended September 30, 2015, compared to \$7.2 million for the three months ended September 30, 2014. The increase of \$1.8 million in real estate operating expense was in part due to the acquisitions of office and residential real estate in 2014 and 2015. It also reflects additional operating expenses related to properties acquired during 2015 and a full period of operating expenses on properties acquired during 2014.

Table of Contents

Real estate acquisition costs

Real estate acquisition costs totaled \$0.5 million for the three months ended September 30, 2015, compared to \$1.7 million for the three months ended September 30, 2014. The decrease of \$1.2 million in real estate acquisition costs was due to the purchase of \$26.5 million of real estate in the three months ended September 30, 2015, compared to \$127.0 million in the three months ended September 30, 2014.

Fee expense

Fee expense totaled \$0.7 million for the three months ended September 30, 2015, compared to \$0.5 million for the three months ended September 30, 2014. Fee expense is comprised primarily of custodian fees, financing costs and servicing fees related to loans. The increase of \$0.2 million in fee expense was primarily attributable to the increase in the balance of our mortgage loan receivables held for investment, net, at amortized cost at September 30, 2015, as compared to at September 30, 2014.

Depreciation and amortization

Depreciation and amortization totaled \$9.6 million for the three months ended September 30, 2015, compared to \$6.8 million for the three months ended September 30, 2014. The \$2.8 million increase in depreciation and amortization is attributable to acquisitions, which increased real estate to \$840.6 million at September 30, 2015 versus \$652.6 million at September 30, 2014, as well as a partial period of depreciation on 2015 acquisitions and a full period of depreciation on acquisitions made in 2014.

Income tax (benefit) expense

Income tax (benefit) expense totaled \$(4.2) million for the three months ended September 30, 2015, compared to \$10.3 million for the three months ended September 30, 2014. The decrease of \$14.5 million is primarily attributable to the decrease in consolidated effective tax rate from September 30, 2014 to September 30, 2015 due to the REIT Structuring Transactions and our REIT election.

Results of Operations

Nine months ended September 30, 2015 compared to the nine months ended September 30, 2014

Investment overview

Investment activity in the nine months ended September 30, 2015 focused on loan originations and securities activity. We originated and funded \$2.6 billion in principal value of commercial mortgage loans in the nine months ended September 30, 2015. We acquired \$580.3 million of new securities, which was offset by \$789.0 million of sales and \$142.7 million of amortization in the portfolio, which partially contributed to a net decrease in our securities portfolio of \$400.2 million. We also invested \$166.8 million in real estate.

Investment activity in the nine months ended September 30, 2014 focused on loan originations and securities investments. We originated and funded \$3.0 billion in principal value of commercial mortgage loans in the nine months ended September 30, 2014. We acquired \$1.3 billion of new securities, which was offset by \$565.1 million of sales and \$165.8 million of amortization in the portfolio, which partially contributed to a net increase in our securities portfolio of \$519.4 million.

Table of Contents

Operating overview

Net income attributable to Class A common shareholders totaled \$46.7 million for the nine months ended September 30, 2015, compared to \$39.8 million for the nine months ended September 30, 2014. The most significant drivers of the \$6.9 million increase are as follows:

an increase in net interest income of \$15.9 million, primarily as a result of higher average loan receivable and securities balances partially offset by higher interest expense as a result of higher outstanding financing obligations as well as the decrease in the average yield on the securities portfolio year-over-year;

a decrease in total other income of \$28.2 million, primarily as a result of a \$47.4 million decrease in profits on sales of loans, a \$4.2 million decrease in net results from derivative transactions, partially offset by a \$21.4 million increase in operating lease income, a \$3.7 million increase in fee income and a \$2.4 million increase in realized gains on securities;

an increase in total costs and expenses of \$3.8 million compared to the prior year, primarily as a result of higher costs associated with operating as a REIT, partially offset by reduced incentive compensation expense due to reduced actual net revenues and loan/investment production;

a decrease in income tax expense (benefit) of \$19.7 million - our predecessor/operating partnership is taxed as a partnership but is subject to certain state and local income taxes. Subsequent to our IPO, the Company was subject to federal and state income taxes on its share of the income of the operating partnership. The Company's election to be taxed as a REIT will be effective as of January 1, 2015 and we expect to only pay taxes on the portion of our income earned in our taxable REIT subsidiary and some state and local taxes.

Core Earnings, a non-GAAP measure, totaled \$141.3 million for the nine months ended September 30, 2015, compared to \$166.4 million for the nine months ended September 30, 2014. The significant components of the \$25.1 million decrease in Core Earnings are an increase in net interest income of \$15.9 million and an increase in operating lease income of \$21.4 million more than offset by a decrease in profits on sales of loans, net of \$46.3 million and a decrease in net results from derivative transactions of \$22.8 million and the increase in total costs and expenses discussed in the preceding paragraph. See “—Reconciliation of Non-GAAP Financial Measures.”

Net interest income

Interest income totaled \$178.6 million for the nine months ended September 30, 2015, compared to \$130.4 million for the nine months ended September 30, 2014. The \$48.2 million increase in interest income was primarily attributable to an increase in our average investment balances in our loan and our securities portfolios. For the nine months ended September 30, 2015, securities investments averaged \$2.5 billion and loan investments averaged \$2.1 billion. For the nine months ended September 30, 2014, securities investments averaged \$1.8 billion and loan investments averaged \$1.3 billion. The impact of the expanded base of interest bearing assets was partially offset by lower interest spreads earned on securities acquired and loans originated subsequent to September 30, 2014 versus the interest spreads prevailing prior to that date.

Interest expense totaled \$83.8 million for the nine months ended September 30, 2015, compared to \$51.5 million for the nine months ended September 30, 2014. The \$32.3 million increase in interest expense was primarily attributable to the increase in average debt balance that is required to finance the expanded book of investment assets. For the nine months ended September 30, 2015, our debt balances averaged \$4.3 billion versus an average debt balance of \$2.5 billion for the nine months ended September 30, 2014. The unfavorable impact on interest expense attributed to the higher debt level was magnified by the addition of \$300.0 million of 2021 Notes in August 2014, partially offset by

greater use of FHLB borrowings, a lower cost source of funding than other financing sources, for the nine months ended September 30, 2015, as compared to the nine months ended September 30, 2014. Our interest expense also includes interest expense related to mortgage loan financing against our real estate investments. Our investment in real estate and related lease intangibles, net has continued to increase during 2015 and 2014 and our mortgage loan financing secured by such investments has also similarly increased. Our interest expense related to mortgage loan financing increased by \$6.8 million from \$11.6 million for the nine months ended September 30, 2014 to \$18.5 million for the nine months ended September 30, 2015, primarily as a result of our increase in average outstanding mortgage loan financing of \$502.4 million for the nine months ended September 30, 2015 compared to \$324.7 million for the nine months ended September 30, 2014 and the increase in the average cost of financing.

Table of Contents

Net interest income after provision for loan losses totaled \$94.3 million for the nine months ended September 30, 2015, compared to \$78.4 million for the nine months ended September 30, 2014. The \$15.9 million increase in net interest income after provision for loan losses was primarily attributable to the increase in loan and securities investment balances during 2015 compared to the same period a year ago, partially offset by the increase in debt balance.

Cost of funds, a non-GAAP measure, totaled \$104.2 million for the nine months ended September 30, 2015, compared to \$61.8 million for the nine months ended September 30, 2014. The \$42.4 million increase in cost of funds was primarily attributable to the increase in the average debt balance and the issuance of the 2021 Notes referred to above.

We present cost of funds, which is a non-GAAP 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. See "—Reconciliation of Non-GAAP Financial Measures" for our definition of cost of funds and a reconciliation to interest expense.

Interest spreads

As of September 30, 2015, the weighted average yield on our mortgage loan receivables was 7.1%, compared to 7.3% as of September 30, 2014 as the weighted average yield on new loans originated was lower than the weighted average yield on loans that were securitized or paid off. As of September 30, 2015, the weighted average interest rate on borrowings against our mortgage loan receivables was 2.3%, compared to 2.0% as of September 30, 2014. The increase in the rate on borrowings against our mortgage loan receivables was primarily due to the utilization of a higher proportion of higher-cost loan repurchase facilities as of September 30, 2015 versus September 30, 2014. As of September 30, 2015, we had outstanding borrowings secured by our mortgage loan receivables equal to 45.4% of the carrying value of our mortgage loan receivables, compared to 28.0% as of September 30, 2014.

As of September 30, 2015, the weighted average yield on our real estate securities was 2.8%, compared to 3.4% as of September 30, 2014 as the weighted average yield on securities purchased was lower than the weighted average yield on securities that were sold or paid off. As of September 30, 2015, the weighted average interest rate on borrowings against our real estate securities was 0.9%, compared to 1.0% as of September 30, 2014. The decrease in the rate on borrowings against our real estate securities from September 30, 2014 to September 30, 2015 was primarily due to the utilization of a higher proportion of lower-cost borrowings from the FHLB as of September 30, 2015 versus September 30, 2014. As of September 30, 2015, we had outstanding borrowings secured by our real estate securities equal to 84.1% of the carrying value of our real estate securities, compared to 73.6% as of September 30, 2014.

Our real estate is comprised of non-interest bearing assets; however, interest incurred on mortgage financing collateralized by such real estate is included in interest expense. As of September 30, 2015 and 2014, the weighted average interest rate on mortgage borrowings against our real estate was 4.9%. As of September 30, 2015, we had outstanding borrowings secured by our real estate equal to 66.1% of the carrying value of our real estate, compared to 61.0% as of September 30, 2014.

Provision for loan losses

We had a \$0.5 million provision for loan losses for the nine months ended September 30, 2015 and 2014. We invest primarily in loans with high credit quality, and we sell our conduit loans in the ordinary course of business. We estimate our loan loss provision based on our historical loss experience and our expectation of losses inherent in the investment portfolio but not yet realized. To ensure that the risk exposures are properly measured and the appropriate

reserves are taken, the Company assesses a loan loss provision balance that will grow over time with its portfolio and the related risk as the assets approach maturity and ultimate refinancing where applicable. As a result, our provision for loan losses remained unchanged for the nine months ended September 30, 2015 and 2014.

Operating lease income and tenant recoveries

Operating lease income totaled \$60.2 million for the nine months ended September 30, 2015, compared to \$38.8 million for the nine months ended September 30, 2014. The increase of \$21.4 million was attributable to acquisitions, which increased real estate to \$840.6 million at September 30, 2015 versus \$652.6 million at September 30, 2014, as well as a full period of operations of properties acquired in 2014.

Table of Contents

Tenant recoveries totaled \$7.9 million for the nine months ended September 30, 2015, compared to \$6.5 million for the nine months ended September 30, 2014. The increase of \$1.4 million reflects the acquisitions of office and residential real estate in 2014 and 2015. It also reflects additional recoveries on properties acquired in 2015 and a full period of recoveries on properties acquired in 2014.

Sales of loans, net

Income from sales of loans, net, which includes all loan sales, whether by securitization, whole loan sales or other means, totaled \$59.7 million for the nine months ended September 30, 2015, compared to \$107.1 million for the nine months ended September 30, 2014, a decrease of \$47.4 million. In the nine months ended September 30, 2015, we participated in seven separate securitization transactions, selling 153 loans with an aggregate outstanding principal balance of \$2.0 billion. In the nine months ended September 30, 2014, we participated in seven securitization transactions, selling 117 loans with an aggregate outstanding principal balance of \$2.3 billion. Income from sales of loans, net is subject to market conditions impacting timing, size and pricing and as such may vary significantly quarter to quarter. The decrease in income from sales of securitized loans, net of hedging of \$51.6 million for the nine months ended September 30, 2015 compared to \$98.4 million for the nine months ended September 30, 2014 was due to a decline in the aggregate outstanding principal balance of loans sold, period over period, as well as increasing competition in the market and lower prevailing lending credit spreads for conduit loans.

Income from sale of loans, net, represents gross proceeds received from the sale of loans, less the book value of those loans at the time they were sold, less any costs, such as legal and closing costs, associated with the sale. Income from sales of securitized loans, net, a non-GAAP measure, represents the portion of income from sales of loans, net related to the sale of loans into securitization trusts. See “—Reconciliation of Non-GAAP Financial Measures” for our definition of income from sale of securitized loans, net of hedging and a reconciliation to income from sale of loans, net.

Realized gain (loss) on securities

Realized gain (loss) on securities totaled \$23.7 million for the nine months ended September 30, 2015, compared to \$21.3 million for the nine months ended September 30, 2014, an increase of \$2.4 million. For the nine months ended September 30, 2015, we sold \$789.0 million of securities, which comprised of \$772.8 million of CMBS and \$16.2 million U.S. Agency Securities. For the nine months ended September 30, 2014, we sold \$565.1 million of securities, which was comprised of \$496.8 million of CMBS and \$68.3 million of U.S. Agency Securities. The increase reflects higher transaction volume offset by lower profit margins in 2015 as compared to 2014.

Unrealized gain (loss) on Agency interest-only securities

Unrealized gain (loss) on Agency interest-only securities represented a loss of \$0.6 million for the nine months ended September 30, 2015, compared to a gain of \$0.5 million for the nine months ended September 30, 2014. The negative change of \$1.1 million in unrealized gain (loss) on Agency interest-only securities was due to an increase in interest rates and amortization and sales of the portfolio during the nine months ended September 30, 2015.

Income from sales of real estate, net

For the nine months ended September 30, 2015, income from sales of real estate, net totaled \$21.3 million compared to \$24.2 million for the nine months ended September 30, 2014. The decrease of \$2.9 million was a result of the commercial real estate and residential condominium sales discussed below.

During the nine months ended September 30, 2015, we sold four single-tenant retail properties resulting in a net gain on sale of \$2.9 million. During the nine months ended and September 30, 2014, we sold five single-tenant retail

properties resulting in a net gain on sale of \$4.9 million and one office building in Richmond, VA, resulting in a net gain on sale of \$1.1 million.

During the nine months ended September 30, 2015, income from sales of residential condominiums totaled \$18.4 million. We sold 72 residential condominium units from Veer Towers in Las Vegas, NV, resulting in a net gain on sale of \$13.4 million, and 74 residential condominium units from Terrazas River Park Village in Miami, FL, resulting in a net gain on sale of \$5.0 million. During the nine months ended September 30, 2014, income from sales of residential condominiums totaled \$18.2 million. We sold 96 residential condominium units from Veer Towers in Las Vegas, NV, resulted in a net gain on sale of \$16.2 million, and 34 residential condominium units from Terrazas River Park Village in Miami, FL, resulting in a net gain on sale of \$2.0 million.

Table of Contents

Other income

Fee income totaled \$10.9 million for the nine months ended September 30, 2015, compared to \$7.2 million for the nine months ended September 30, 2014. We generate fee income from the management of our institutional partnership and managed accounts, dividend income on our investment in FHLB stock, as well as from origination fees, exit fees and other fees on the loans we originate and in which we invest. The \$3.7 million increase in fee income year-over-year was primarily due to an increase in dividends from our investment in FHLB stock and increase in fee income on our loan portfolio.

During the nine months ended September 30, 2014, we sold real estate in conjunction with an assignment of the related mortgage loan financing that had an unrecognized premium as of the date of sale and recognized a gain of \$0.4 million. This unrecognized premium is recognized as gain on assignment of mortgage loan financing on the combined consolidated statements of income.

Net result from derivative transactions

Net result from derivative transactions represented a loss of \$54.6 million for the nine months ended September 30, 2015, which was comprised of an unrealized loss of \$8.4 million and a realized loss of \$46.2 million, compared to a loss of \$50.4 million which was comprised of an unrealized loss of \$2.8 million and a realized loss of \$47.6 million, for the nine months ended September 30, 2014, a negative change of \$4.2 million. The derivative positions that generated these results were a combination of interest rate swaps, caps, and futures that we employed in an effort to hedge the interest rate risk on the financing of our fixed rate assets and the net interest income we earn against the impact of changes in interest rates. The loss in 2015 was primarily related to a decrease in interest rates during the nine months ended September 30, 2015, which generally increased the value of our fixed rate loan and securities investments, and decreased the fair value of our offsetting derivative transactions. The total net result from derivative transactions is comprised of hedging interest expense, realized gains/losses related to hedge terminations and unrealized gains/losses related to changes in the fair value of asset hedges. The hedge positions were related to fixed rate conduit loans and securities investments.

Earnings (loss) from investment in unconsolidated joint ventures

Total earnings (loss) from investment in unconsolidated joint ventures totaled \$0.6 million for the nine months ended September 30, 2015, compared to \$1.7 million for the nine months ended September 30, 2014. Earnings from our investment in LCRIP I totaled \$0.1 million for the nine months ended September 30, 2015, compared to \$1.0 million for the nine months ended September 30, 2014. The decrease of \$0.9 million reflects decrease in the number of loans held by LCRIP I in 2015 compared to 2014. LCRIP I held no loans as of September 30, 2015 as the last loan held by LCRIP I was repaid during the quarter ended June 30, 2015. LCRIP I will continue in existence until the fifth anniversary of the date of its closing, April 15, 2016. Earnings from our investment in Grace Lake JV totaled \$0.7 million for the nine months ended September 30, 2015, compared to \$0.7 million for the nine months ended September 30, 2014. Earnings (loss) from our investment in 24 Second Avenue totaled \$(0.2) million for the nine months ended September 30, 2015, compared to none for the nine months ended September 30, 2014. The \$0.2 million decrease is due to a negative return related to upfront development costs on the investment made during the nine months ended September 30, 2015.

Salaries and employee benefits

Salaries and employee benefits totaled \$47.3 million for the nine months ended September 30, 2015, compared to \$66.3 million for the nine months ended September 30, 2014. Salaries and employee benefits are comprised primarily of salaries, bonuses, originator bonuses related to loan profitability, equity based compensation and other employee

benefits. The decrease of \$19.0 million in compensation expense was attributable to the decrease in incentive compensation expense in the nine months ended September 30, 2015 compared the the nine months ended September 30, 2014 due to reduced actual net revenues and loan/investment production in the most recently ended quarter.

Operating expenses

Operating expenses totaled \$20.5 million for the nine months ended September 30, 2015, compared to \$12.9 million for the nine months ended September 30, 2014. Operating expenses are primarily comprised of professional fees, lease expense, and technology expenses. The increase in operating expenses is a result of increased investments in loans, securities and real estate. It is also due to higher costs associated with operating as a public REIT and restructuring related to the Company's REIT election.

Table of Contents

Real estate operating expenses

Real estate operating expenses totaled \$28.0 million for the nine months ended September 30, 2015, compared to \$22.1 million for the nine months ended September 30, 2014. The increase of \$5.9 million in real estate operating expense was in part due to the acquisitions of office and residential real estate in 2014 and 2015. It also reflects additional operating expenses related to properties acquired during 2015 and a full period of operating expenses on properties acquired during 2014.

Real estate acquisition costs

Real estate acquisition costs totaled \$1.5 million for the nine months ended September 30, 2015, compared to \$1.7 million for the nine months ended September 30, 2014. The decrease of \$0.2 million in real estate acquisition costs was due to the purchase of \$166.8 million of real estate in the nine months ended September 30, 2015, compared to \$127.0 million in the nine months ended September 30, 2014.

Fee expense

Fee expense totaled \$3.3 million for the nine months ended September 30, 2015, compared to \$1.7 million for the nine months ended September 30, 2014. Fee expense is comprised primarily of custodian fees, financing costs and servicing fees related to loans. The increase of \$1.6 million in fee expense was primarily attributable to the increase in the balance of our mortgage loan receivables held for investment, net, at amortized cost at September 30, 2015, as compared to at September 30, 2014.

Depreciation and amortization

Depreciation and amortization totaled \$29.2 million for the nine months ended September 30, 2015, compared to \$21.3 million for the nine months ended September 30, 2014. The \$7.9 million increase in depreciation and amortization is attributable to acquisitions, which increased real estate to \$840.6 million at September 30, 2015 versus \$652.6 million at September 30, 2014, as well as a partial period of depreciation on 2015 acquisitions and a full period of depreciation on acquisitions made in 2014.

Income tax (benefit) expense

Income tax (benefit) expense totaled \$4.1 million for the nine months ended September 30, 2015, compared to \$23.8 million for the nine months ended September 30, 2014. The decrease of \$19.7 million is primarily attributable to the decrease in consolidated effective tax rate from September 30, 2014 to September 30, 2015 due to the REIT Structuring Transactions and our REIT election.

Liquidity and Capital Resources

Our financing strategies are critical to the success and growth of our business. We manage our financing to complement our asset composition and to diversify our exposure across multiple capital markets and counterparties.

We require substantial amounts of capital to support our business. The management team, in consultation with our board of directors, establishes our overall liquidity and capital allocation strategies. A key objective of those strategies is to support the execution of our business strategy while maintaining sufficient ongoing liquidity throughout the business cycle to service our financial obligations as they become due. When making funding and capital allocation decisions, members of our senior management consider business performance; the availability of, and costs and benefits associated with, different funding sources; current and expected capital markets and general economic

conditions; our balance sheet and capital structure; and our targeted liquidity profile and risks relating to our funding needs.

Our primary uses of liquidity are for (1) the funding of loan and real estate-related investments, (2) the repayment of short-term and long-term borrowings and related interest, (3) the funding of our operating expenses and (4) distributions to our equity investors to comply with the REIT distribution requirements and the terms of our Third Amended and Restated LLLP Agreement. We require short-term liquidity to fund loans that we originate and hold on our combined consolidated balance sheet pending sale, including through whole loan sale, participation, or securitization. We generally require longer-term funding to finance the loans and real estate-related investments that we hold for investment.

Table of Contents

Our primary sources of liquidity have been (1) cash and cash equivalents, (2) cash generated from operations, (3) borrowings under repurchase agreements, (4) principal repayments on investments including mortgage loans and securities, (5) borrowings under our credit agreement, (6) borrowings under our revolving credit facility, (7) proceeds from securitizations and sales of loans, (8) proceeds from the sale of securities, (9) proceeds from the sale of real estate, (10) proceeds from the issuance of the Notes, and (11) proceeds from the issuance of equity capital. As a REIT, we will also be required to make sufficient dividend payments to our shareholders (and equivalent distributions to the Continuing LCFH Limited Partners) in amounts at least sufficient to maintain our REIT status. We have obtained an IRS private letter ruling, pursuant to which we may elect to pay a portion of our dividends in stock subject to a cash/stock election to optimize our level of capital retention.

We have historically maintained a debt-to-equity ratio of 3:1 or below. This ratio typically fluctuates during the course of a fiscal year due to the normal course of business in our conduit lending operations, in which we generally securitize our inventory of loans at intervals, and also because of changes in our asset mix, due in part to such securitizations. We generally seek to match fund our assets according to their liquidity characteristics and expected hold period. We believe that the defensive positioning of our predominantly senior secured assets and our financing strategy has allowed us to maintain financial flexibility to capitalize on an attractive range of market opportunities as they have arisen.

We and our subsidiaries may incur substantial additional debt in the future. However, we are subject to certain restrictions on our ability to incur additional debt in the indentures governing the Notes (the "Indentures") and our other debt agreements. Under the Indentures, we may not incur certain types of indebtedness unless our consolidated debt to equity ratio (as defined in the Indentures) is less than or equal to 4.00 to 1.00 and our consolidated non-funding debt to equity ratio (as defined in the Indentures) is less than or equal to 1.75 to 1.00, although our subsidiaries are permitted to incur indebtedness where recourse is limited to the assets and/or the general credit of such subsidiary. Our borrowings under certain financing agreements and our committed loan facilities are subject to maximum consolidated leverage ratio limits (currently ranging from 3.50 to 1.00 to 4.00 to 1.00), including maximum consolidated leverage ratio limits weighted by asset composition that change based on our asset base at the time of determination, and, in the case of one provider, a minimum interest coverage ratio requirement of 1.50 to 1.00 if certain liquidity thresholds are not satisfied. These restrictions, which would permit us to incur substantial additional debt, are subject to significant qualifications and exceptions.

Our principal debt financing sources include: (1) committed secured funding provided by banks, (2) uncommitted secured funding sources, including asset repurchase agreements with a number of banks, (3) long term nonrecourse mortgage financing, (4) long term senior unsecured notes in the form of corporate bonds and (5) borrowings on both a short- and long-term committed basis, made by our wholly-owned subsidiary, Tuebor from the FHLB.

As of September 30, 2015, we had unrestricted cash and cash equivalents of \$181.5 million, unencumbered loans of \$511.3 million, unencumbered securities of \$15.2 million and restricted cash of \$78.5 million.

To maintain our qualification as a REIT under the Code, we must distribute our C corporation accumulated earnings and profits and we must annually distribute at least 90% of our taxable income. We expect that a portion of our annual distribution, as well as a one-time earnings and profits distribution, as required by the REIT rules, would be payable primarily in stock, to provide for meaningful capital retention, and would be subject to a cash/stock election in accordance with the private letter ruling we have received from the IRS. In general, the ruling provides, subject to the terms and conditions contained therein, that (1) any and all of the cash and stock distributed by us as part of a distribution of cash and stock will be treated as a taxable distribution of property with respect to our stock, and (2) the amount of any distribution of stock received by any of our shareholders as part of such distribution will be considered to be equal to the amount of the money that could have been received instead. In general, a holder of our stock will be required to report dividend income as a result of a distribution of cash and stock even if we distribute no cash or only nominal

amounts of cash to such shareholder. The REIT distribution requirements limit our ability to retain earnings and thereby replenish or increase capital for operations. We believe that our significant capital resources and access to financing will provide us with financial flexibility at levels sufficient to meet current and anticipated capital requirements, including funding new investment opportunities, paying distributions to our shareholders and servicing our debt obligations.

Our captive insurance company subsidiary, Tuebor, is subject to state regulations which require that dividends may only be made with regulatory approval. Largely as a result of this restriction, \$414.2 million of Tuebor's member's capital was restricted from transfer to Tuebor's parent without prior approval of state insurance regulators at September 30, 2015.

Table of Contents

The Company established a broker-dealer subsidiary, LCS, which was initially licensed and capitalized to do business in July 2010. LCS is required to be compliant with Financial Industry Regulatory Authority (“FINRA”) and SEC regulations, which require that dividends may only be made with regulatory approval. Largely as a result of this restriction, \$2.8 million of LCS’s member’s capital was restricted from transfer to LCS’s parent without prior approval of regulators at September 30, 2015.

Cash and cash equivalents

We held unrestricted cash and cash equivalents of \$181.5 million and \$76.2 million at September 30, 2015 and December 31, 2014, respectively.

Cash generated from operations

Our operating activities were a net provider of cash of \$206.1 million during the nine months ended September 30, 2015, and were a net provider of cash of \$366.7 million for the nine months ended September 30, 2014. Cash from operations includes the origination of loans held for sale, net of the proceeds from sale of loans and gains from sales of loans.

Borrowings under various financing arrangements

Our financing strategies are critical to the success and growth of our business. We manage our leverage policies to complement our asset composition and to diversify our exposure across multiple counterparties. Our borrowings under various financing arrangements as of September 30, 2015 and December 31, 2014 are set forth in the table below (\$ in thousands):

	September 30, 2015	December 31, 2014
Committed loan facilities	\$624,011	\$509,024
Committed securities facility	161,529	174,853
Uncommitted securities facilities	405,786	747,789
Total repurchase agreements	1,191,326	1,431,666
Borrowings under credit agreement	20,400	11,000
Borrowings under credit and security agreement	—	46,750
Revolving credit facility	50,000	25,000
Mortgage loan financing	555,786	447,409
Borrowings from the FHLB	1,786,000	1,611,000
Total debt obligations	3,603,512	3,572,825
Senior unsecured notes	611,981	610,129
Total financing	\$4,215,493	\$4,182,954

The Company’s repurchase facilities include covenants covering minimum net worth requirements (ranging from \$75.0 million to \$900.3 million), maximum reductions in net worth over stated time periods, minimum liquidity levels (typically \$30.0 million of cash or a higher standard that often allow for the inclusion of different percentages of liquid securities in the determination of compliance with the requirement), maximum leverage ratios (calculated in various ways based on specified definitions of indebtedness and net worth) and a fixed charge coverage ratio of 1.25x, and, in the instance of one provider, an interest coverage ratio of 1.50x, in each case, if certain liquidity thresholds are not satisfied. We believe we were in compliance with all covenants as of September 30, 2015 and December 31, 2014. Further, certain of our financing arrangements and loans on our real property are secured by the assets of the Company, including pledges of the equity of certain subsidiaries or the assets of certain subsidiaries. From time to

time, certain of these financing arrangements and loans may prohibit certain of our subsidiaries from paying dividends to the Company, from making distributions on such subsidiary's capital stock, from repaying to the Company any loans or advances to such subsidiary from the Company or from transferring any of such subsidiary's property or other assets to the Company or other subsidiaries of the Company.

Table of Contents

Committed loan facilities

We are parties to multiple committed loan repurchase agreement facilities, totaling \$1.5 billion of credit capacity. Assets pledged as collateral under these facilities are generally limited to whole mortgage loans collateralized by first liens on commercial real estate. Our repurchase facilities include covenants covering net worth requirements, minimum liquidity levels, and maximum debt/equity ratios. We believe we were in compliance with all covenants as of September 30, 2015.

We have the option to extend some of our existing facilities subject to a number of customary conditions. The lenders have sole discretion with respect to the inclusion of collateral in these facilities, to determine the market value of the collateral on a daily basis, and, if the estimated market value of the included collateral declines, the lenders have the right to require additional collateral or a full and/or partial repayment of the facilities (margin call), sufficient to rebalance the facilities. Typically, the facilities are established with stated guidelines regarding the maximum percentage of the collateral asset's market value that can be borrowed. We often borrow at a lower percentage of the collateral asset's value than the maximum leaving us with excess borrowing capacity that can be drawn upon at a later date and/or applied against future margin calls so that they can be satisfied on a cashless basis.

Committed securities facility

We are a party to a term master repurchase agreement with a major U.S. banking institution for CMBS, totaling \$300.0 million of credit capacity. As we do in the case of borrowings under committed loan facilities, we often borrow at a lower percentage of the collateral asset's value than the maximum leaving us with excess borrowing capacity that can be drawn upon a later date and/or applied against future margin calls so that they can be satisfied on a cashless basis.

Uncommitted securities facilities

We are party to multiple master repurchase agreements with several counterparties to finance our investments in CMBS and U.S. Agency Securities. The securities that served as collateral for these borrowings are highly liquid and marketable assets that are typically of relatively short duration. As we do in the case of other secured borrowings, we often borrow at a lower percentage of the collateral asset's value than the maximum leaving us with excess borrowing capacity that can be drawn upon a later date and/or applied against future margin calls so that they can be satisfied on a cashless basis.

Table of Contents

Collateralized borrowings under repurchase agreement

The following table presents the amount of collateralized borrowings outstanding as of the end of each quarter, the average amount of collateralized borrowings outstanding during the quarter and the monthly maximum amount of collateralized borrowings outstanding during the quarter (\$ in thousands):

Quarter Ended	Total			Collateralized Borrowings Under Repurchase Agreements (1)			Other Collateralized Borrowings (2)		
	Quarter-end balance	Average quarterly balance	Maximum balance of any month-end	Quarter-end balance	Average quarterly balance	Maximum balance of any month-end	Quarter-end balance	Average quarterly balance	Maximum balance of any month-end
September 30, 2012	\$754,263	\$1,190,263	\$1,471,712	\$754,263	\$1,190,263	\$1,471,712	\$—	\$—	\$—
December 31, 2012	793,917	776,672	868,754	793,917	776,672	868,754	—	—	—
March 31, 2013	382,161	428,531	559,516	382,161	428,531	559,516	—	—	—
June 30, 2013	254,978	236,809	415,182	254,978	236,809	415,182	—	—	—
September 30, 2013	6,151	112,060	317,646	6,151	112,060	317,646	—	—	—
December 31, 2013	609,835	307,437	609,835	609,835	307,437	609,835	—	—	—
March 31, 2014	370,970	549,085	782,147	370,970	549,085	782,147	—	—	—
June 30, 2014	685,693	1,056,118	1,258,258	685,693	1,056,118	1,258,258	—	—	—
September 30, 2014	761,627	836,330	895,904	761,627	831,330	880,904	—	5,000	15,000
December 31, 2014	1,489,416	1,394,674	1,603,206	1,431,666	1,340,924	1,545,456	57,750	53,750	57,750
March 31, 2015	1,456,163	1,481,913	1,506,723	1,409,413	1,427,496	1,447,973	46,750	54,417	58,750
June 30, 2015	1,178,130	1,308,066	1,492,066	1,056,380	1,216,316	1,370,316	121,750	117,750	121,750
September 30, 2015	1,241,326	1,420,356	1,653,179	1,191,326	1,347,523	1,556,429	50,000	72,833	96,750

(1) Collateralized borrowings under repurchase agreements include all securities and loan financing under repurchase agreements.

(2) Other collateralized borrowings include borrowings under credit agreement and borrowings under credit and security agreement.

Borrowings under Credit Agreement

On January 24, 2013, we entered into a \$50.0 million credit agreement with one of our committed financing counterparties in order to finance our securities and lending activities. As of September 30, 2015, there were \$20.4 million borrowings outstanding under this facility. There were \$11.0 million of borrowings outstanding as of December 31, 2014.

LCFH is subject to customary affirmative covenants and negative covenants, including limitations on the assumption or incurrence of additional liens or debt, restrictions on certain payments or transfers of assets, and restrictions on the amendment of contracts or documents related to the assets under pledge. Under the credit agreement, LCFH is subject

to customary financial covenants relating to maximum leverage, minimum tangible net worth, and minimum liquidity consistent with our other credit facilities. Our ability to borrow under this credit agreement will be dependent on, among other things, LCFH's compliance with the financial covenants.

Borrowings under Credit and Security Agreement

On October 31, 2014, we entered into a credit and security agreement with a major banking institution to finance one of our assets in the amount of \$46.8 million and an interest rate of LIBOR plus 185 basis points. As of September 30, 2015 there were no borrowings outstanding as the borrowings were paid-off during the quarter ended September 30, 2015. As of December 31, 2014, there were \$46.8 million of borrowings outstanding under the Company's Credit and Security Agreement.

We are subject to customary affirmative and negative covenants under this agreement, including prohibitions on additional indebtedness or liens, restrictions on fundamental changes, and limitations to underlying loan actions or modifications. There are no financial covenants applicable to this agreement.

Table of Contents

Revolving Credit Facility

On February 11, 2014, we entered into a revolving credit facility (the “Revolving Credit Facility”). The Revolving Credit Facility provides for an aggregate maximum borrowing amount of \$75.0 million, including a \$25.0 million sublimit for the issuance of letters of credit. The Revolving Credit Facility is available on a revolving basis to finance the Company’s working capital needs and for general corporate purposes. The Revolving Credit Facility has a three-year maturity, which maturity may be extended by two twelve-month periods subject to the satisfaction of customary conditions, including the absence of default. Interest is incurred on the Revolving Credit Facility at a rate of one-month LIBOR plus 3.50% per annum payable monthly in arrears.

The obligations under the Revolving Credit Facility are guaranteed by the Company and certain of its subsidiaries. The Revolving Credit Facility is secured by a pledge of the shares of (or other ownership or equity interests in) certain subsidiaries to the extent the pledge is not restricted under existing regulations, law or contractual obligations.

LCFH is subject to customary affirmative covenants and negative covenants, including limitations on the incurrence of additional debt, liens, restricted payments, sales of assets and affiliate transactions under the Revolving Credit Facility. In addition, under the Revolving Credit Facility, LCFH is required to comply with financial covenants relating to minimum net worth, maximum leverage, minimum liquidity, and minimum fixed charge coverage, consistent with our other credit facilities. Our ability to borrow under the Revolving Credit Facility will be dependent on, among other things, LCFH’s compliance with the financial covenants. The Revolving Credit Facility contains customary events of default, including non-payment of principal or interest, fees or other amounts, failure to perform or observe covenants, cross-default to other indebtedness, the rendering of judgments against the Company or certain of our subsidiaries to pay certain amounts of money and certain events of bankruptcy or insolvency.

As of September 30, 2015 there were \$50.0 million borrowings outstanding under the Revolving Credit Facility. As of December 31, 2014, there were \$25.0 million of borrowings outstanding under the Revolving Credit Facility.

Mortgage loan financing

We generally finance our real estate using long-term nonrecourse mortgage financing. During the nine months ended September 30, 2015, we executed 36 term debt agreements to finance real estate. These nonrecourse debt agreements are fixed rate financing at rates ranging from 4.25% to 6.75%, maturing between 2018 and 2025 and totaling \$555.8 million at September 30, 2015 and \$447.4 million at December 31, 2014. These long-term nonrecourse mortgages include net unamortized premiums of \$7.0 million and \$5.3 million at September 30, 2015 and December 31, 2014, respectively, representing proceeds received upon financing greater than the contractual amounts due under the agreements. The premiums are being amortized over the remaining life of the respective debt instruments using the effective interest method. We recorded \$0.7 million and \$0.5 million of premium amortization, which decreased interest expense, for the nine months ended September 30, 2015 and 2014, respectively. The loans are collateralized by real estate and related lease intangibles, net, of \$723.4 million and \$591.6 million as of September 30, 2015 and December 31, 2014, respectively.

FHLB financing

On July 11, 2012, Tuebor, a wholly-owned consolidated subsidiary, became a member of the FHLB. As of September 30, 2015, Tuebor had \$1.8 billion of borrowings outstanding (with an additional \$462.7 million of committed term financing available from the FHLB), with terms of overnight to 9 years, interest rates of 0.27% to 2.74%, and advance rates of 50% to 95.2% of the collateral. As of September 30, 2015, collateral for the borrowings was comprised of \$1.7 billion of CMBS and U.S. Agency Securities and \$523.3 million of first mortgage commercial real estate loans. On June 26, 2015, Tuebor’s advance limit was increased to the lesser of \$2.9 billion, 40% of Ladder

Capital Corp's total assets or 150% of Ladder Capital Corp's total equity. As of December 31, 2014, Tuebor had \$1.6 billion of borrowings outstanding (with an additional \$289.0 million of committed term financing available from the FHLB), with terms of overnight to 10 years, interest rates of 0.30% to 2.74%, and advance rates of 50% to 95.2% of the collateral. As of December 31, 2014, collateral for the borrowings was comprised of \$1.6 billion of CMBS and U.S. Agency Securities and \$451.8 million of first mortgage commercial real estate loans.

On September 2, 2014, the Federal Housing Finance Agency ("FHFA") proposed a rule that would revise the requirements for financial institutions to apply for, and retain membership in, one of the 11 FHLBs. This proposed rule would revise FHFA's existing FHLB membership regulation to ensure that members maintain a commitment to housing finance and that the entities meeting the revised requirements can gain access to FHLB advances and the benefits of membership. Many of the provisions of the proposed rule would not be applicable to Tuebor. The most relevant and most notable provisions of the proposed rule would:

Table of Contents

a. Define “insurance company” to mean a company that has as its primary business the underwriting of insurance for nonaffiliated persons. The intent of this provision is to continue to include traditional insurance companies but exclude captive insurers from membership and prevent entities not eligible for membership from gaining access to FHLB advances through a captive insurer. Membership of existing captive insurers would be “sunset” over five years from the effective date of the new rule (the “Sunset Date”) with defined limits on advances.

b. Establish a new quantitative test requiring all members to hold one percent of their assets in home mortgage loans (“HML”) and to do so on an ongoing basis. Currently, applicants for membership need only demonstrate a nominal amount of HML on their balance sheet at the time of their application, but not thereafter.

The comment period on the proposed rule remained open for 120 days and closed on January 12, 2015. As of September 30, 2015, there were no changes to the Tuebor’s borrowing ability from the FHLB as a result of the proposed rule. If the rule is adopted as proposed, Tuebor’s FHLB membership would continue in effect until the Sunset Date, with the maturity dates of future borrowings from the FHLB limited to dates on or prior to the Sunset Date. Tuebor’s total borrowings from the FHLB would be limited to 40.0% of its total assets, and Tuebor would be required to maintain at least 1.0% of its assets in the form of HML.

Tuebor is subject to state regulations which require that dividends (including dividends to the Company as its parent) may only be made with regulatory approval. However, there can be no assurance that we would obtain such approval if sought. Largely as a result of this restriction, \$414.2 million of the member’s capital were restricted from transfer to Tuebor’s parent without prior approval of state insurance regulators at September 30, 2015.

Senior unsecured notes

On August 1, 2014, LCFH issued \$300.0 million in aggregate principal amount of 5.875% senior notes due 2021 (the “2021 Notes”). The 2021 Notes require interest payments semi-annually in cash in arrears on February 1 and August 1 of each year, beginning on February 1, 2015. The 2021 Notes will mature on August 1, 2021. The 2021 Notes are unsecured and are subject to incurrence-based covenants, including limitations on the incurrence of additional debt, restricted payments, liens, sales of assets, affiliate transactions and other covenants typical for financings of this type.

On September 19, 2012, LCFH issued \$325.0 million in aggregate principal amount of 7.375% Senior Notes due October 1, 2017 (the “2017 Notes”). The 2017 Notes require interest payments semi-annually in cash in arrears on April 1 and October 1 of each year, beginning on September 19, 2012. The 2017 Notes are unsecured and are subject to incurrence-based covenants, including limitations on the incurrence of additional debt, restricted payments, liens, sales of assets, affiliate transactions and other covenants typical for financings of this type.

On December 17, 2014, the Company retired \$5.4 million of principal of the 2017 Notes for a repurchase price of \$5.6 million recognizing a \$0.2 million loss on extinguishment of debt. The remaining \$319.6 million in aggregate principal amount of the 2017 Senior Notes is due October 2, 2017.

LCFH issued the Notes with Ladder Capital Finance Corporation (“LCFC”), as co-issuers on a joint and several basis. LCFC is a 100% owned finance subsidiary of LCFH with no assets, operations, revenues or cash flows other than those related to the issuance, administration and repayment of the Notes. Ladder Capital Corp and certain subsidiaries of LCFH currently guarantee the obligations under the Notes and the indenture. Ladder Capital Corp is the general partner of LCFH and, through LCFH and its subsidiaries, operates the Ladder Capital business. As of September 30, 2015, Ladder Capital Corp has a 55.5% economic interest in LCFH, and has a majority voting interest and controls the management of LCFH as a result of its ability to appoint board members. As a result, Ladder Capital Corp consolidates the financial results of LCFH and records noncontrolling interest for the economic interest in LCFH held

by the Continuing LCFH Limited Partners. In addition, Ladder Capital Corp is subject to federal, state and local income taxes due to its corporate structure. Other than the noncontrolling interest in the Operating Partnership and federal, state and local income taxes, there are no material differences between Ladder Capital Corp's combined consolidated financial statements and LCFH's consolidated financial statements.

Table of Contents

Principal repayments on investments

We receive principal amortization on our loans and securities as part of the normal course of our business. Repayment of mortgage loan receivables provided net cash of \$576.6 million for the nine months ended September 30, 2015 and \$160.3 million for the nine months ended September 30, 2014. Repayment of real estate securities provided net cash of \$142.7 million for the nine months ended September 30, 2015 and \$165.8 million for the nine months ended September 30, 2014. The decrease in principal repayments on investments is due to the growth of our loan and securities investments year over year.

Proceeds from securitizations and sales of loans

We sell our conduit mortgage loans to securitization trusts and to other third parties as part of our normal course of business. Proceeds from sales of mortgage loans provided net cash of \$1.9 billion for the nine months ended September 30, 2015 and \$2.4 billion for the nine months ended September 30, 2014.

Proceeds from the sale of securities

We invest in CMBS and U.S. Agency Securities. Proceeds from sales of securities provided net cash of \$789.0 million for the nine months ended September 30, 2015 and \$565.1 million for the nine months ended September 30, 2014.

Proceeds from the sale of real estate

We own a portfolio of commercial real estate properties as well as residential condominium units. Proceeds from sales of real estate provided net cash of \$84.7 million for the nine months ended September 30, 2015 and \$103.5 million for the nine months ended September 30, 2014.

Proceeds from the issuance of equity

For the nine months ended September 30, 2015, there were no proceeds realized in connection with the issuance of equity. There were \$238.5 million proceeds realized for the issuance of equity for the nine months ended September 30, 2014. We may issue additional equity in the future.

Other potential sources of financing

In the future, we may also use other sources of financing to fund the acquisition of our assets, including credit facilities, warehouse facilities, repurchase facilities and other secured and unsecured forms of borrowing. These financings may be collateralized or non-collateralized, may involve one or more lenders and may accrue interest at either fixed or floating rates. We may also seek to raise further equity capital or issue debt securities in order to fund our future investments.

Table of Contents

Contractual obligations

Contractual obligations as of September 30, 2015 were as follows (\$ in thousands):

	Contractual Obligations				Total
	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years	
Secured financings	\$685,221	\$1,987,488	\$107,233	\$766,536	\$3,546,478
Unsecured revolving credit facility	—	50,000	—	—	50,000
Senior unsecured notes	—	—	319,555	300,000	619,555
Interest payable(1)	69,200	76,463	87,510	99,346	332,519
Other funding obligations(2)	113,061	—	—	—	113,061
Payments pursuant to tax receivable agreement	—	2,235	—	—	2,235
Operating lease obligations	294	2,453	2,386	2,459	7,592
Total	\$867,776	\$2,118,639	\$516,684	\$1,168,341	\$4,671,440

(1) Comprised of interest on secured financings and on senior unsecured notes. For borrowings with variable interest rates, we used the rates in effect as of September 30, 2015 to determine the future interest payment obligations.

(2) Comprised of our off-balance sheet unfunded commitment to provide additional first mortgage loan financing and our commitment to purchase GN construction loan securities as of September 30, 2015.

The tables above do not include amounts due under our derivative agreements as those contracts do not have fixed and determinable payments. Our contractual obligations will be refinanced and/or repaid from earnings as well as amortization and sales of our liquid collateral.

Off-Balance Sheet Arrangements

We have made investments in various unconsolidated joint ventures. See Note 6, Investment in Unconsolidated Joint Ventures for further details of our unconsolidated investments. Our maximum exposure to loss from these investments is limited to the carrying value of our investments.

Unfunded Loan Commitments

We may be a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of our borrowers. As of September 30, 2015, our off-balance sheet arrangements consisted of \$110.6 million of unfunded commitments of mortgage loan receivables held for investment, which was comprised of \$109.2 million to provide additional first mortgage loan financing and \$1.4 million to provide additional mezzanine loan financing. As of December 31, 2014, our off-balance sheet arrangements consisted of \$158.1 million of unfunded commitments of mortgage loan receivables held for investment, which was comprised of \$155.5 million to provide additional first mortgage loan financing and \$2.6 million to provide additional mezzanine loan financing. Such commitments are subject to our borrowers' satisfaction of certain financial and nonfinancial covenants and involve, to varying degrees, elements of credit risk in excess of the amount recognized in the combined consolidated balance sheets and are not reflected on our combined consolidated balance sheets.

Critical Accounting Policies

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates” within the Annual Report for a full discussion of our critical accounting policies. Other than disclosed in Note 2, Significant Accounting Policies, our critical accounting policies have not materially changed since December 31, 2014.

Table of Contents

Reconciliation of Non-GAAP Financial Measures

Core Earnings

We present Core Earnings, which is a non-GAAP measure, as a supplemental measure of our performance. We consider common shareholders and Continuing LCFH Limited Partners to have fundamentally equivalent interest in our pre-tax earnings. Accordingly, for purposes of computing Core Earnings we start with pre-tax earnings and adjust for other noncontrolling interest in consolidated joint ventures but we do not adjust for amounts attributable to noncontrolling interests held by Continuing LCFH Limited Partners.

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.

As discussed in Note 2 to the combined consolidated financial statements included in the Annual Report, 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.

As more fully discussed in Note 2 to the combined consolidated financial statements included in the Annual Report, 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 open hedging positions adjusts for timing differences between when we recognize changes in the fair values of our assets and derivatives which we use to hedge asset values.

Set forth below is an unaudited reconciliation of income (loss) before taxes to Core Earnings (\$ in thousands):

	Three Months Ended September 30, 2015		Nine Months Ended September 30, 2015	
	2014	(as revised)	2014	(as revised)
Income (loss) before taxes	\$ (1,383	) \$ 47,511	\$ 93,559	\$ 109,643
Net loss attributable to noncontrolling interest in consolidated joint ventures (GAAP)	85	306	578	451
Our share of real estate depreciation, amortization and gain adjustments (1)	7,996	4,752	24,799	15,558
Adjustments for unrecognized derivative results (2)	31,901	(8,001	) 10,503	29,157
Unrealized (gain) loss on agency IO securities	(731	) 1,282	639	(466
Premium (discount) on mortgage loan financing, net of amortization	(92) (393) 1,784	634
Non-cash stock-based compensation	3,385	3,751	7,939	11,413

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One-time transactional adjustment (3)	—	—	1,509	—
Core Earnings	\$41,161	\$49,208	\$141,310	\$166,390

Table of Contents

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Following is a reconciliation of GAAP depreciation and amortization to our share of real estate				
(1) depreciation, amortization and gain adjustments amounts presented in the computation of Core Earnings in the preceding table (\$ in thousands):				
Total GAAP depreciation and amortization	\$9,561	\$6,829	\$29,238	\$21,274
Less: Depreciation and amortization related to non-rental property fixed assets	(28)	(137)	(80)	(411)
Less: Non-controlling interests share of consolidated depreciation and amortization	(676)	(659)	(2,155)	(2,023)
Our share of real estate depreciation and amortization	\$8,857	\$6,033	\$27,003	\$18,840
Realized gain from accumulated depreciation and amortization on real estate sold (see below)	\$(865)	\$(1,284)	\$(2,217)	\$(3,508)
Less: Non-controlling interests share of accumulated depreciation and amortization on real estate sold	4	3	13	226
Our share of accumulated depreciation and amortization on real estate sold	\$(861)	\$(1,281)	\$(2,204)	\$(3,282)
Our share of real estate depreciation and amortization and gain adjustments	\$7,996	\$4,752	\$24,799	\$15,558
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				
GAAP realized gain on sale of real estate, net	\$6,406	\$8,471	\$21,347	\$24,225
Less: Realized gain from accumulated depreciation and amortization on real estate sold	(865)	(1,284)	(2,217)	(3,508)
Adjusted gain/loss on sale of real estate for purposes of Core Earnings	\$5,541	\$7,187	\$19,130	\$20,717

Table of Contents

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014

Following is a reconciliation of GAAP net results from derivative transactions to our hedging
(2) unrecognized result presented in the computation of Core Earnings in the preceding table (\$ in thousands):

Hedging interest expense	\$ (6,471)	\$ (6,337)	\$ (20,330)	\$ (10,253)
Hedging realized result	(3,870)	(539)	(23,761)	(11,025)
Hedging unrecognized result	(31,901)	8,001	(10,503)	(29,157)
Net results from derivative transactions	\$ (42,242)	\$ 1,125	\$ (54,594)	\$ (50,435)

(3) 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.

We present Core Earnings because we believe it assists 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: (i) to evaluate our earnings from operations and (ii) because management believes that it may be a useful performance measure for us.

Core Earnings has limitations as an analytical tool. Some of these limitations are:

Core Earnings does not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations and is not necessarily indicative of cash necessary to fund cash needs; and

other companies in our industry may calculate Core Earnings differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, Core Earnings should not be considered in isolation or as a substitute for net income attributable to shareholders or as an alternative to cash flow as a measure of our liquidity or any other performance measures calculated in accordance with GAAP.

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 Core Earnings should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

Income from sales of securitized loans, net of hedging

We present income from sales of securitized loans, net of hedging, a non-GAAP 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 interest rate hedging. 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 measure, in the table below.

Table of Contents

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 included herein (\$ in thousands except for number of loans and securitizations):

	Three Months Ended September 30, 2015		2014		Nine Months Ended September 30, 2015		2014	
Number of loans	63	39	153	117				
Face amount of loans sold into securitizations	\$860,062	\$679,977	\$1,981,383	\$2,338,359				
Number of securitizations	3	2	7	7				
Income from sales of securitized loans, net (1)	\$15,165	\$20,414	\$59,717	\$106,935				
Hedge gain/(loss) related to loans securitized (2)	(3,405	) 2,778	(8,080	) (8,535)			
Income from sales of securitized loans, net of hedging	\$11,760	\$23,192	\$51,637	\$98,400				

(1) The following is a reconciliation of the non-GAAP 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 (\$ in thousands).

	Three Months Ended September 30, 2015		2014		Nine Months Ended September 30, 2015		2014	
Income from sales of loans (non-securitized), net	\$—	\$—	\$—	\$200				
Income from sales of securitized loans, net	15,165	20,414	59,717	106,935				
Income from sales of loans, net	\$15,165	\$20,414	\$59,717	\$107,135				

(2) The following is a reconciliation of the non-GAAP 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 (\$ in thousands).

	Three Months Ended September 30, 2015		2014		Nine Months Ended September 30, 2015		2014	
Hedge gain/(loss) related to lending and securities positions	\$(38,837	) \$(1,653	) \$(46,514	) \$(41,900)			
Hedge gain/(loss) related to loans securitized	(3,405	) 2,778	(8,080	) (8,535)			
Net results from derivative transactions	\$(42,242	) \$1,125	\$(54,594	) \$(50,435)			

Cost of funds

We present cost of funds, which is a non-GAAP 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 measure, is defined as interest income, less cost of funds.

Table of Contents

Set forth below is an unaudited reconciliation of interest expense to cost of funds (\$ in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Interest expense	\$ (29,535	) \$ (19,928	) \$ (83,846	) \$ (51,521
Net interest expense component of hedging activities (1)	(6,471	) (6,337	) (20,330	) (10,253
Cost of funds	\$ (36,006	) \$ (26,265	) \$ (104,176	) \$ (61,774
Interest income	\$ 63,013	\$ 48,459	\$ 178,635	\$ 130,394
Cost of funds	(36,006	) (26,265	) (104,176	) (61,774
Interest income, net of cost of funds	\$ 27,007	\$ 22,194	\$ 74,459	\$ 68,620
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
(1) Net interest expense component of hedging activities	\$ (6,471	) \$ (6,337	) \$ (20,330	) \$ (10,253
Hedging realized result	(3,870	) (539	) (23,761	) (11,025
Hedging unrecognized result	(31,901	) 8,001	(10,503	) (29,157
Net result from derivative transactions	\$ (42,242	) \$ 1,125	\$ (54,594	) \$ (50,435

Net revenues

We present net revenues, which is a non-GAAP 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 (\$ in thousands).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net interest income after provision for loan losses	\$ 33,328	\$ 28,381	\$ 94,339	\$ 78,423
Total other income	7,549	61,337	129,038	157,260
Net revenues	\$ 40,877	\$ 89,718	\$ 223,377	\$ 235,683

Table of Contents

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

The nature of the Company's business exposes it to market risk arising from changes in interest rates. Changes, both increases and decreases, in the rates the Company is able to charge its borrowers, the yields the Company is able to achieve in its securities investments, and the Company's cost of borrowing directly impacts its net income. The Company's interest income stream from loans and securities is generally fixed over the life of its assets, whereas it uses floating-rate debt to finance a significant portion of its investments. Another component of interest rate risk is the effect changes in interest rates will have on the market value of the assets the Company acquires. The Company faces the risk that the market value of its assets will increase or decrease at different rates than that of its liabilities, including its hedging instruments. The Company mitigates interest rate risk through utilization of hedging instruments, primarily interest rate swap and futures agreements. Interest rate swap and futures agreements are utilized to hedge against future interest rate increases on the Company's borrowings and potential adverse changes in the value of certain assets that result from interest rate changes. The Company generally seeks to hedge assets that have a duration longer than five years, including newly originated conduit first mortgage loans, securities in the Company's CMBS portfolio if long enough in duration, and most of its U.S. Agency Securities portfolio.

The following table summarizes the change in net income for a 12-month period commencing September 30, 2015 and the change in fair value of our investments and indebtedness assuming an increase or decrease of 100 basis points in the LIBOR interest rate on September 30, 2015, both adjusted for the effects of our interest rate hedging activities (\$ in thousands):

	Projected change in net income	Projected change in portfolio value
Change in interest rate:		
Decrease by 1.00%	\$ (8,512	) \$ 45,087
Increase by 1.00%	12,439	(44,400)

Market Value Risk

The Company's securities investments are reflected at their estimated fair value. The change in estimated fair value of securities available-for-sale is reflected in accumulated other comprehensive income. The change in estimated fair value of Agency interest-only securities is recorded in current period earnings. The estimated fair value of these securities fluctuates primarily due to changes in interest rates and other factors. Generally, in a rising interest rate environment, the estimated fair value of these securities would be expected to decrease; conversely, in a decreasing interest rate environment, the estimated fair value of these securities would be expected to increase. As market volatility increases or liquidity decreases, the market value of the Company's assets may be adversely impacted. The Company's fixed rate mortgage loan portfolio is subject to the same risks. However, to the extent those loans are classified as held for sale, they are reflected at the lower of cost or market. Otherwise, held for investment mortgage loans are reflected at values equal to the unpaid principal balances net of certain fees, costs and loan loss allowances.

Liquidity Risk

Market disruptions may lead to a significant decline in transaction activity in all or a significant portion of the asset classes in which the Company invests and may at the same time lead to a significant contraction in short-term and long-term debt and equity funding sources. A decline in liquidity of real estate and real estate-related investments, as

well as a lack of availability of observable transaction data and inputs, may make it more difficult to sell the Company's investments or determine their fair values. As a result, the Company may be unable to sell its investments, or only be able to sell its investments at a price that may be materially different from the fair values presented. Also, in such conditions, there is no guarantee that the Company's borrowing arrangements or other arrangements for obtaining leverage will continue to be available or, if available, will be available on terms and conditions acceptable to the Company. In addition, a decline in market value of the Company's assets may have particular adverse consequences in instances where it borrowed money based on the fair value of its assets. A decrease in the market value of the Company's assets may result in the lender requiring it to post additional collateral or otherwise sell assets at a time when it may not be in the Company's best interest to do so. The Company's captive insurance company subsidiary, Tuebor, is subject to state regulations which require that dividends may only be made with regulatory approval. The Company's broker-dealer subsidiary, LCS, is also required to be compliant with FINRA and SEC regulations which require that dividends may only be made with regulatory approval.

Table of Contents

Credit Risk

The Company is subject to varying degrees of credit risk in connection with its investments. The Company seeks to manage credit risk by performing deep credit fundamental analyses of potential assets and through ongoing asset management. The Company's investment guidelines do not limit the amount of its equity that may be invested in any type of its assets; however, investments greater than a certain size are subject to approval by the Risk and Underwriting Committee of the board of directors.

Credit Spread Risk

Credit spread risk is the risk that interest rate spreads between two different financial instruments will change. In general, fixed-rate commercial mortgages and CMBS are priced based on a spread to Treasury swaps. The Company generally benefits if credit spreads narrow during the time that it holds a portfolio of mortgage loans or CMBS investments, and the Company may experience losses if credit spreads widen during the time that it holds a portfolio of mortgage loans or CMBS investments. The Company actively monitors its exposure to changes in credit spreads and the Company may enter into credit total return swaps or take positions in other credit related derivative instruments to moderate its exposure against losses associated with a widening of credit spreads.

Risks Related to Real Estate

Real estate and real estate-related assets, including loans and commercial real estate-related securities, are subject to volatility and may be affected adversely by a number of factors, including, but not limited to, national, regional and local economic conditions (which may be adversely affected by industry slowdowns and other factors); local real estate conditions; changes or continued weakness in specific industry segments; construction quality, age and design; demographic factors; environmental conditions; competition from comparable property types or properties; changes in tenant mix or performance and retroactive changes to building or similar codes. In addition, decreases in property values reduce the value of the collateral and the potential proceeds available to a borrower to repay the underlying loans, which could also cause the Company to suffer losses.

Covenant Risk

In the normal course of business, the Company enters into loan and securities repurchase agreements and credit facilities with certain lenders to finance its real estate investment transactions. These agreements contain, among other conditions, events of default and various covenants and representations. If such events are not cured by the Company or waived by the lenders, the lenders may decide to curtail or limit extension of credit, and the Company may be forced to repay its advances or loans. In addition, the Company's Notes are subject to covenants, including limitations on the incurrence of additional debt, restricted payments, liens, sales of assets, affiliate transactions and other covenants typical for financings of this type. The Company's failure to comply with these covenants could result in an event of default, which could result in the Company being required to repay these borrowings before their due date. As of September 30, 2015, the Company believes it was in compliance with all covenants.

Diversification Risk

The assets of the Company are concentrated in the real estate sector. Accordingly, the investment portfolio of the Company may be subject to more rapid change in value than would be the case if the Company were to maintain a wide diversification among investments or industry sectors. Furthermore, even within the real estate sector, the investment portfolio may be relatively concentrated in terms of geography and type of real estate investment. This lack of diversification may subject the investments of the Company to more rapid change in value than would be the case if the assets of the Company were more widely diversified.

Concentrations of Market Risk

Concentrations of market risk may exist with respect to the Company's investments. Market risk is a potential loss the Company may incur as a result of change in the fair values of its investments. The Company may also be subject to risk associated with concentrations of investments in geographic regions and industries.

105

Table of Contents

Regulatory Risk

The Company established a broker-dealer subsidiary, LCS, which was initially licensed and capitalized to do business in July 2010. LCS is required to be compliant with FINRA and SEC requirements on an ongoing basis and is subject to multiple operating and reporting requirements to which all broker-dealer entities are subject. The Company established registered investment adviser subsidiaries, Ladder Capital Adviser LLC and LCR Income I GP LLC (the “Advisers”). The Advisers are required to be compliant with SEC requirements on an ongoing basis and are subject to multiple operating and reporting requirements to which all registered investment advisers are subject. In addition, Tuebor is subject to state regulation as a captive insurance company. If LCS, the Advisers or Tuebor fail to comply with regulatory requirements, they could be subject to loss of their licenses and registration and/or economic penalties.

Table of Contents

Item 4. Controls and Procedures

Disclosure Controls and Procedures

The Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as required by Rules 13a-15 and 15d-15 under the Exchange Act as of September 30, 2015. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective, as of September 30, 2015, to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the quarter ended September 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

Part II - Other Information

Item 1. Legal Proceedings

From time to time, we may be involved in litigation and claims incidental to the conduct of our business in the ordinary course. Further, certain of our subsidiaries, including our registered broker-dealer, registered investment advisers and captive insurance company, are subject to scrutiny by government regulators, which could result in enforcement proceedings or litigation related to regulatory compliance matters. We are not presently a party to any material enforcement proceedings, litigation related to regulatory compliance matters or any other type of material litigation matters. We maintain insurance policies in amounts and with the coverage and deductibles we believe are adequate, based on the nature and risks of our business, historical experience and industry standards.

Item 1A. Risk Factors

There have been no material changes during the three months ended September 30, 2015 to the risk factors in Item 1A in our Annual Report.

Item 2. Unregistered Sales of Securities

During the nine months ended September 30, 2015, 3,415,389 Series REIT LP Units and 3,415,389 Series TRS LP Units were collectively exchanged for 3,415,389 shares of Class A common stock and 3,415,389 shares of Class B common stock were canceled. We received no other consideration in connection with these exchanges, which were effected in reliance on Section 4(a)(2) of the Securities Exchange Act of 1934.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Table of Contents

Item 6. Exhibits

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
31.1	Certification of Brian Harris pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Marc Fox pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Brian Harris pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Marc Fox pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	Interactive Data Files Pursuant to Rule 405 of Regulation S-T: (i) the Combined Consolidated Balance Sheets as of September 30, 2015, (ii) the Combined Consolidated Statements of Income for the three and nine months ended September 30, 2015, (iii) the Combined Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2015, (iv) the Combined Consolidated Statements of Changes in Equity/Capital for the nine months ended September 30, 2015, (v) the Combined Consolidated Statements of Cash Flows for the nine months ended September 30, 2015 and (vi) the Notes to the Combined Consolidated Financial Statements.

* The certifications attached hereto as Exhibits 32.1 and 32.2 are furnished to the SEC pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed 'filed' for purposes of Section 18 of the Exchange Act, nor shall they be deemed incorporated by reference in any filing under the Securities Act, except as shall be expressly set forth by specific reference in such filing.

Table of Contents

SIGNATURES

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

LADDER CAPITAL CORP
(Registrant)

Date: November 6, 2015

By: /s/ BRIAN HARRIS
Brian Harris
Chief Executive Officer

Date: November 6, 2015

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