

Arbor Realty Trust Investor Presentation December 2016



Overview of our franchise - business platforms



Balance Sheet Loan Origination & Structured Investment Platform

- Specialized real estate finance platform that invests in a diversified portfolio of structured finance assets in the multifamily and commercial real estate markets, with a focus on bridge and mezzanine loans
- Primary focus is multifamily, senior loans, which generate strong leveraged returns in a secure part of the capital stack
- \$1.8 billion investment portfolio at September 30, 2016
- 90% of investment portfolio in bridge loans, with 80% of bridge loans to multifamily properties
- Small balance lending strategy is differentiated from peers – average size of ~\$12 million per loan
- Formed in June 2003 as a real estate investment trust (“REIT”) for federal income tax purposes

Agency Loan Origination and Servicing Platform

- One of only 25 Fannie Mae DUS® licensed lenders nationwide and one of only 22 Freddie Mac Program Plus lenders, Affordable Housing, and HUD originator
- Leading national multifamily agency loan origination and servicing platform with over 200 direct employees, including 20 originators in eight states with more than 20 years of experience on average
- Primary focus on small balance loans with ~\$5 million average loan size
- Servicing portfolio approximately \$12.6 billion of unpaid principal balance as of Sept 30, 2016 (~48 bps svc fee)
- Originated more than \$3 billion in loans in 2015; 5-year compounded average growth rate in originations of more than 20%



1

Acquired the agency platform of Arbor Commercial Mortgage, LLC on July 14, 2016

- Immediate accretion to our earnings and dividends
- Significant diversification and greater predictability to our earnings streams through a long-dated, prepayment protected servicing portfolio
- Transitioning the REIT from a mono line dependent entity into a fully integrated franchise with a significant agency origination business with high barriers to entry providing a natural limitation on competition
- Increasing our equity base and market cap, creating a larger, more efficient vehicle for us to raise capital in the future
- Provide full alignment with our shareholders through significant stock ownership

2

Growth of dividend for 2Q16 to \$0.16 per share with a current dividend yield of 8.5%

- 7% increase compared to 1Q16, ahead of realizing the benefits from the agency platform acquisition
- Dividends totaling \$0.60 per share in 2015, representing a 15% increase over 2014

3

Continued focus on new and improved non-recourse financing structures

- Closed a new \$325 million CLO in August 2016 with improved terms, completed 6 CLO vehicles since 2012
- Currently ~\$1 billion of non-recourse debt with replenishment features with a weighted average all in rate of ~3.35%
- Target 70 – 75% of our total financing as being non-recourse



Recent achievements - Continued

4

Effectively access accretive capital to fund our growth

- Raised \$85 million of capital in October 2016, through a 3 year convertible note with a pay rate of 6.5% (200 basis points inside our common dividend yield) with a 10% convert premium for an initial convert price of \$8.38 per share

5

Strong liquidity position with approximately \$150 million in cash on hand, combined with \$100 million of deployable cash in our CLO vehicles, to fund our new investment opportunities

6

Substantial contribution to core earnings from our residential mortgage banking joint venture and structured transactions

- Diversifying income streams generating \$13.0 million of income to ABR during the nine months ended September 30, 2016 and \$17.8 million of income to ABR during the year ended December 31, 2015
- Generated a return on our capital of approximately 100% as of September 30, 2016 from our residential mortgage joint venture



Agency platform acquisition

Acquired

- **Agency platform of Arbor Commercial Mortgage, LLC**
 - Servicing platform including approximately \$12 billion in UPB as of June 30, 2016 (approximately 47 bps weighted average servicing fee)
 - Fair value of MSR of approximately \$220 million

Consideration

- **\$276 million (50% cash, 50% stock) acquisition price**
- **\$88 million cash**
- **\$50 million in attractive seller financing instrument**
- **\$138 million stock consideration; 21.23 million operating partnership units**
 - Number of operating partnership units based upon an agreed upon ABR share price of \$6.50

Structure

- **Platform acquired in a tax efficient manner through the bifurcation of income streams through different REIT subsidiaries**

Transaction close

- **July 2016**

Other

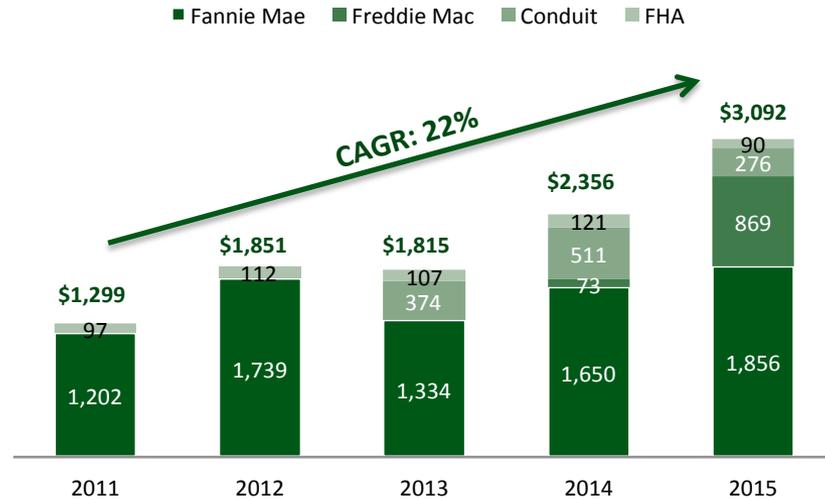
- **Two year option at discretion of special committee of the ABR Board to purchase for \$25 million the existing management contract and fully internalize the management structure**

Agency acquisition anticipated to be transformational for the franchise's future growth and success

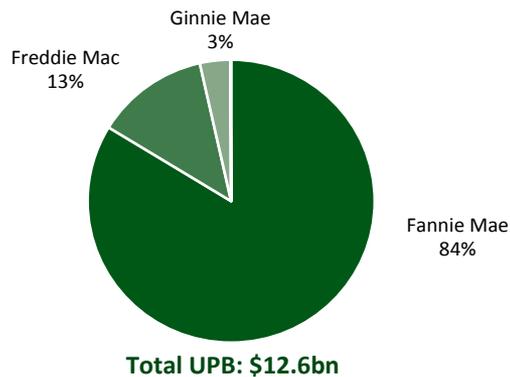


Leading, nationwide origination and servicing platform

Total Originations – Acquired Businesses (\$mm)



Servicing platform – Investor type



Note: All metrics shown as of 9/30/16



Overview of origination platform

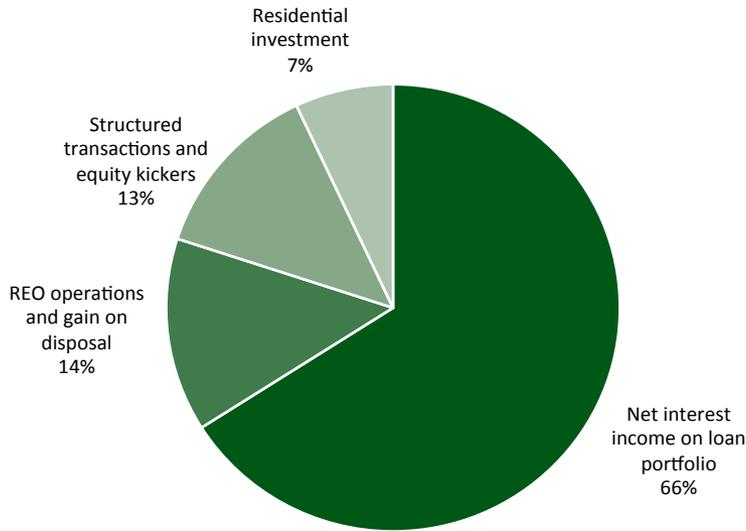
- Operating since 1995, originated over \$20 billion since inception
 - \$10.4 billion in aggregate originations from 2011 – 2015 producing a 22% five year annual growth rate
 - \$2.5 billion of originations this year through Sept. 30, 2016
- One of only 25 licensed Fannie Mae DUS® lenders
- Top 10 multifamily DUS® lender for nine consecutive years
- Top small loan lender for Fannie Mae in 2014
- Top small balance lender for Freddie Mac in 2015
- 20 originators in eight states with more than 20 years average experience

Overview of servicing platform

- 100% multifamily-focused servicing platform
- Average loan size of ~\$5 million
 - Focus on small balance (\$1 - \$5 million)
- 7 years weighted average remaining loan term
 - Prepayment protection in commercial MSR has structural advantages compared to residential MSR
- Weighted average servicing fee of approximately 48 bps
- Annual annuity income of more than \$60 million
- Approximately \$400 million in escrow balances
- Estimated fair market value of MSRs of approximately \$220 million

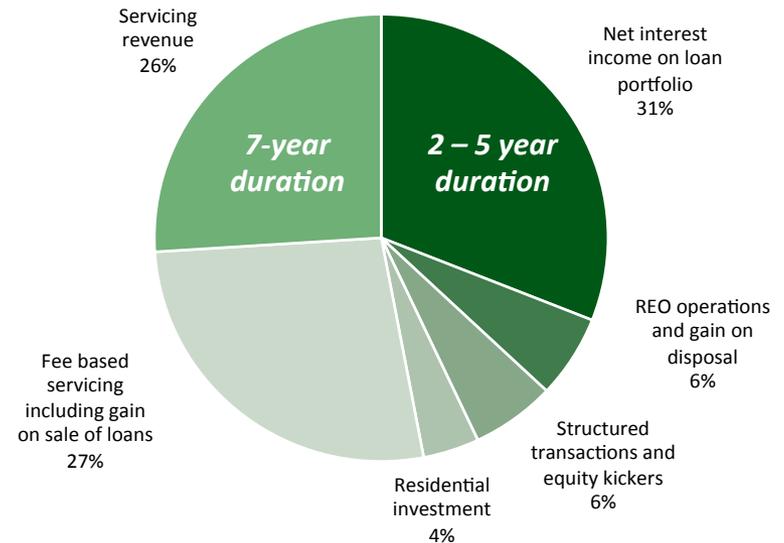
Diversification & duration of income sources

2015 income sources



Total: \$89.7mm

Pro forma 2015 income sources



Total: \$190.1mm

■ Pro forma for the acquisition, ABR significantly diversifies its income sources while creating a long-dated, prepayment protected revenue stream

■ Potential for additional benefit from increase in interest income on escrow balances due to future increases in LIBOR

Acquisition expands our product offerings and adds diversity, duration, and stability to our earnings streams



Preliminary financial impact of agency platform acquisition

-
- Agency business is less capital intensive and has an attractive return on equity profile

 - Agency business estimated to generate approximately \$50-\$55 million of GAAP pre-tax income and \$35-\$40 million pre-tax cash flow in 2016
 - \$55-\$60 million gross servicing revenue in 2016

 - Immediately accretive to ABR earnings and dividends

 - Estimated dividend accretion of \$0.06-\$0.10 per share; 10%-17% accretion based on pre-acquisition \$0.60 annualized dividend per share¹

 - Equity base increase of ~\$160 million resulting in pro forma equity of ~\$725 million

 - ~\$540 million market cap (NYSE: ABR) as of December 5, 2016

 - Pro forma book value per common share of ~\$8.75 above the current stock price creating a significant value play; combined with a current dividend yield of 8.5%
-

Note:

¹ Assumes bifurcation of servicing income and excludes transaction costs



Post acquisition capital structure

Capital structure (\$mm)



Recent Developments

- Closed \$325mm CLO VI Transaction (Aug. 18, 2016)
 - ~\$250mm of notes issued
 - Replenishment period of 3 years
- Agency Loan Origination and Servicing Platform Acquisition (July 14, 2016)
 - Issued 21.23mm O.P. units
 - Issued \$50mm note to seller

Notes: Table is as of 9/30/16. Excludes short term debt assumed in our recent acquisition of ACM's Agency Loan Origination and Servicing Platform

¹ As of 9/30/16, based on \$636 million book value of common equity and 51.4 million common shares outstanding and 21.2 million operating partnership units outstanding issued in connection with the acquisition of the agency business



Financial performance

(Amounts in 000s except per share amounts)	For the year ended December 31,		For the 6 months ended June 30,	For the 3 months ended Sept. 30,	For the 9 months ended Sept. 30,
	2014	2015	2016	2016	2016
Net interest income	\$59,869	\$59,185	\$27,796	\$ 12,670	\$ 40,466
Servicing revenue	-	-	-	13,472	13,472
Fee based services, including gain on sale, net	-	-	-	9,694	9,694
REO assets NOI and gains from disposals	6,388	12,212	2,016	142	2,158
Structured transactions and equity kickers	8,919	11,437	3,479	762	4,241
Residential mortgage banking JV income	-	6,600	4,700	4,167	8,867
Other income	1,645	270	304	111	415
Total net revenues	\$76,821	\$89,704	\$38,295	\$41,018	\$79,313
Total operating expenses	31,163	36,601	15,618	24,137	39,755
Preferred stock dividends	7,256	7,554	3,777	1,888	5,665
Core AFFO	\$38,402	\$45,549	\$18,900	\$14,993	\$33,893
Core earnings ROE on common equity	9.4%	9.9%	8.0%	10.8%	8.8%
Core AFFO per common share	\$0.76	\$0.89	\$0.37	\$0.21	\$0.59
Dividend per common share	\$0.52	\$0.60	\$0.31	\$0.16	\$0.47
Core earnings per share in excess of dividends	\$0.24	\$0.29	\$0.06	\$0.05	\$0.12

Earnings in excess of dividends

Predictable annuity income streams

