



Arbor Realty Trust, Inc.

## Arbor Realty Trust Reports First Quarter 2024 Results and Declares Dividend of \$0.43 per Share

3 May 2024

### Company Highlights:

- GAAP net income of \$0.31 per diluted common share
- Distributable earnings<sup>1</sup> of \$0.47, or \$0.48 per diluted common share, excluding a \$1.6 million realized loss on a non-performing loan that was previously reserved for
- Declares cash dividend on common stock of \$0.43 per share representing a 91% payout ratio
- Strong liquidity position with ~\$800 million in cash and liquidity and ~\$600 million of restricted cash in CLO vehicles with a cost of debt below the current market<sup>2</sup>
- Agency loan originations of \$846.3 million; a servicing portfolio of ~\$31.38 billion, up 9% from 1Q23
- Structured loan originations of \$255.9 million, runoff of \$640.0 million and a portfolio of ~\$12.25 billion
- Repurchased \$11.4 million of common stock in April 2024 at an average price of \$12.19 per share, reflecting an ~4% discount to book value

UNIONDALE, N.Y., May 03, 2024 (GLOBE NEWSWIRE) -- Arbor Realty Trust, Inc. (NYSE: ABR), today announced financial results for the first quarter ended March 31, 2024. Arbor reported net income for the quarter of \$57.9 million, or \$0.31 per diluted common share, compared to net income of \$84.3 million, or \$0.46 per diluted common share for the quarter ended March 31, 2023. Distributable earnings for the quarter was \$96.7 million, or \$0.47 per diluted common share, compared to \$122.2 million, or \$0.62 per diluted common share for the quarter ended March 31, 2023.

### Agency Business

#### Loan Origination Platform

|                        | Agency Loan Volume (in thousands) |                     |
|------------------------|-----------------------------------|---------------------|
|                        | Quarter Ended                     |                     |
| Fannie Mae             | \$ 458,429                        | \$ 1,177,203        |
| Freddie Mac            | 370,102                           | 98,370              |
| FHA                    | —                                 | 26,493              |
| Private Label          | 15,410                            | 140,606             |
| SFR-Fixed Rate         | 2,318                             | —                   |
| Total Originations     | <u>\$ 846,259</u>                 | <u>\$ 1,442,672</u> |
| Total Loan Sales       | <u>\$ 1,085,374</u>               | <u>\$ 1,270,356</u> |
| Total Loan Commitments | <u>\$ 934,243</u>                 | <u>\$ 1,362,379</u> |

For the quarter ended March 31, 2024, the Agency Business generated revenues of \$66.6 million, compared to \$96.3 million for the fourth quarter of 2023. Gain on sales, including fee-based services, net was \$16.7 million for the quarter, reflecting a margin of 1.54%, compared to \$16.7 million and 1.32% for the fourth quarter of 2023. Income from mortgage servicing rights was \$10.2 million for the quarter, reflecting a rate of 1.32% as a percentage of loan commitments (excluding \$160.2 million of loan commitments not serviced for a fee), compared to \$21.1 million and 1.55% for the fourth quarter of 2023.

At March 31, 2024, loans held-for-sale was \$322.9 million, with financing associated with these loans totaling \$312.0 million.

#### Fee-Based Servicing Portfolio

The Company's fee-based servicing portfolio totaled \$31.38 billion at March 31, 2024. Servicing revenue, net was \$31.5 million for the quarter and consisted of servicing revenue of \$48.2 million, net of amortization of mortgage servicing rights totaling \$16.6 million.

**Fee-Based Servicing Portfolio (\$ in thousands)**

|                | <b>UPB</b>           | <b>Wtd. Avg. Fee<br/>(bps)</b> | <b>Wtd. Avg. Life<br/>(years)</b> | <b>UPB</b>           | <b>Wtd. Avg. Fee<br/>(bps)</b> | <b>Wtd. Avg. Life<br/>(years)</b> |
|----------------|----------------------|--------------------------------|-----------------------------------|----------------------|--------------------------------|-----------------------------------|
| Fannie Mae     | \$ 21,548,221        | 47.1                           | 7.2                               | \$ 21,264,578        | 47.4                           | 7.4                               |
| Freddie Mac    | 5,301,291            | 23.4                           | 7.7                               | 5,181,933            | 24.0                           | 8.5                               |
| Private Label  | 2,524,013            | 18.9                           | 6.3                               | 2,510,449            | 19.5                           | 6.7                               |
| FHA            | 1,365,329            | 14.4                           | 19.0                              | 1,359,624            | 14.4                           | 19.2                              |
| Bridge         | 380,712              | 10.9                           | 3.6                               | 379,425              | 10.9                           | 3.2                               |
| SFR-Fixed Rate | 265,429              | 20.1                           | 5.0                               | 287,446              | 20.1                           | 5.1                               |
| <b>Total</b>   | <b>\$ 31,384,995</b> | <b>38.8</b>                    | <b>7.7</b>                        | <b>\$ 30,983,455</b> | <b>39.1</b>                    | <b>8.0</b>                        |

Loans sold under the Fannie Mae program contain an obligation to partially guarantee the performance of the loan ("loss-sharing obligations") and includes \$34.7 million for the fair value of the guarantee obligation undertaken at March 31, 2024. The Company recorded a \$0.3 million net provision for loss sharing associated with CECL for the first quarter of 2024. At March 31, 2024, the Company's total CECL allowance for loss-sharing obligations was \$38.1 million, representing 0.18% of the Fannie Mae servicing portfolio.

**Structured Business**

**Portfolio and Investment Activity**

**Structured Portfolio Activity (\$ in thousands)**

|                            | <b>Quarter Ended</b> |              |                   |              |
|----------------------------|----------------------|--------------|-------------------|--------------|
|                            | <b>UPB</b>           | <b>%</b>     | <b>UPB</b>        | <b>%</b>     |
| Bridge:                    |                      |              |                   |              |
| Multifamily                | \$ 39,235            | 15 %         | \$ 38,700         | 14 %         |
| SFR                        | 171,490              | 67 %         | 198,629           | 75 %         |
|                            | 210,725              | 82 %         | 237,329           | 89 %         |
| Mezzanine/Preferred Equity | 45,129               | 18 %         | 28,829            | 11 %         |
| Total Originations         | <u>\$ 255,854</u>    | <u>100 %</u> | <u>\$ 266,158</u> | <u>100 %</u> |
| Number of Loans Originated | <u>59</u>            |              | <u>58</u>         |              |
| SFR Commitments            | <u>\$ 411,617</u>    |              | <u>\$ 466,703</u> |              |
| Loan Runoff                | <u>\$ 640,018</u>    |              | <u>\$ 817,394</u> |              |

**Structured Portfolio (\$ in thousands)**

|                            | <b>UPB</b>           | <b>%</b>     | <b>UPB</b>           | <b>%</b>     |
|----------------------------|----------------------|--------------|----------------------|--------------|
| Bridge:                    |                      |              |                      |              |
| Multifamily                | \$ 10,254,756        | 84 %         | \$ 10,789,936        | 86 %         |
| SFR                        | 1,445,028            | 12 %         | 1,316,803            | 10 %         |
| Other                      | 166,505              | 1 %          | 166,505              | 1 %          |
|                            | 11,866,289           | 97 %         | 12,273,244           | 97 %         |
| Mezzanine/Preferred Equity | 377,845              | 3 %          | 334,198              | 3 %          |
| SFR Permanent              | 5,728                | <1 %         | 7,564                | <1 %         |
| Total Portfolio            | <u>\$ 12,249,862</u> | <u>100 %</u> | <u>\$ 12,615,006</u> | <u>100 %</u> |

At March 31, 2024, the loan and investment portfolio's unpaid principal balance ("UPB"), excluding loan loss reserves, was \$12.25 billion, with a weighted average current interest pay rate of 8.07%, compared to \$12.62 billion and 8.42% at December 31, 2023. Including certain fees earned and costs associated with the loan and investment portfolio, the weighted average current interest pay rate was 8.81% at March 31, 2024, compared to 8.98% at December 31, 2023.

The average balance of the Company's loan and investment portfolio during the first quarter of 2024, excluding loan loss reserves, was \$12.52 billion with a weighted average yield of 9.44%, compared to \$12.96 billion and 9.31% for the fourth quarter of 2023.

During the first quarter of 2024, the Company recorded a \$17.8 million provision for loan losses associated with CECL. At March 31, 2024, the

Company's total allowance for loan losses was \$211.9 million. The Company had twenty-one non-performing loans with a UPB of \$464.8 million, before related loan loss reserves of \$32.9 million, compared to sixteen loans with a carrying value of \$274.2 million, before loan loss reserves of \$27.1 million at December 31, 2023.

In addition, at March 31, 2024, the Company had twelve loans with a total UPB of \$489.4 million that were less than 60 days past due, compared to twenty-four loans with a total UPB of \$956.9 million at December 31, 2023. Interest income on these loans is only being recorded to the extent cash is received.

During the first quarter of 2024, the Company modified thirty-nine loans with a total UPB of \$1.76 billion all of which required the borrowers to invest additional capital as part of the terms of the modification agreements. Twenty-three of these loans with a total UPB of \$1.07 billion, contained interest rates based on pricing over SOFR ranging from 3.25% to 4.25%. Under the loan modification terms, borrowers invested additional capital to recapitalize their deals in exchange for temporary rate relief, which we provided through a pay and accrual feature. At March 31, 2024, these modified loans had a weighted average pay rate of 6.95% and a weighted average accrual rate of 1.86%. A portion of these loans totaling \$712.9 million were less than 60 days past due at December 31, 2023, which the Company received all back interest owed in accordance with the modified terms.

### **Financing Activity**

The balance of debt that finances the Company's loan and investment portfolio at March 31, 2024 was \$11.11 billion with a weighted average interest rate including fees of 7.44%, as compared to \$11.57 billion and a rate of 7.45% at December 31, 2023.

The average balance of debt that finances the Company's loan and investment portfolio for the first quarter of 2024 was \$11.37 billion, as compared to \$11.77 billion for the fourth quarter of 2023. The average cost of borrowings for the first quarter of 2024 was 7.50%, compared to 7.48% for the fourth quarter of 2023.

### **Dividend**

The Company announced today that its Board of Directors has declared a quarterly cash dividend of \$0.43 per share of common stock for the quarter ended March 31, 2024. The dividend is payable on May 31, 2024 to common stockholders of record on May 17, 2024. The ex-dividend date is May 16, 2024.

### **Earnings Conference Call**

The Company will host a conference call today at 10:00 a.m. Eastern Time. A live webcast and replay of the conference call will be available at [www.arbor.com](http://www.arbor.com) in the investor relations section of the Company's website, or you can access the call telephonically at least ten minutes prior to the conference call. The dial-in numbers are (800) 343-5419 for domestic callers and (203) 518-9731 for international callers. Please use participant passcode ABRQ124 when prompted by the operator.

A telephonic replay of the call will be available until May 10, 2024. The replay dial-in numbers are (888) 566-0903 for domestic callers and (402) 220-6935 for international callers.

### **About Arbor Realty Trust, Inc.**

Arbor Realty Trust, Inc. (NYSE: ABR) is a nationwide real estate investment trust and direct lender, providing loan origination and servicing for multifamily, single-family rental (SFR) portfolios, and other diverse commercial real estate assets. Headquartered in New York, Arbor manages a multibillion-dollar servicing portfolio, specializing in government-sponsored enterprise products. Arbor is a leading Fannie Mae DUS® lender and Freddie Mac Optigo® Seller/Servicer, and an approved FHA Multifamily Accelerated Processing (MAP) lender. Arbor's product platform also includes bridge, CMBS, mezzanine and preferred equity loans. Rated by Standard and Poor's and Fitch Ratings, Arbor is committed to building on its reputation for service, quality, and customized solutions with an unparalleled dedication to providing our clients excellence over the entire life of a loan.

### **Safe Harbor Statement**

Certain items in this press release may constitute forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and beliefs and are subject to a number of trends and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Arbor can give no assurance that its expectations will be attained. Factors that could cause actual results to differ materially from Arbor's expectations include, but are not limited to, changes in economic conditions generally, and the real estate markets specifically, continued ability to source new investments, changes in interest rates and/or credit spreads, and other risks detailed in Arbor's Annual Report on Form 10-K for the year ended December 31, 2023 and its other reports filed with the SEC. Such forward-looking statements speak only as of the date of this press release. Arbor expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in Arbor's expectations with regard thereto or change in events, conditions, or circumstances on which any such statement is based.

### **Notes**

1. During the quarterly earnings conference call, the Company may discuss non-GAAP financial measures as defined by SEC Regulation G. In addition, the Company has used non-GAAP financial measures in this press release. A supplemental schedule of non-GAAP financial measures and the comparable GAAP financial measure can be found on the last page of this release.
2. Amounts reflect approximate balances as of April 30, 2024.

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**ARBOR REALTY TRUST, INC.**

**AND SUBSIDIARIES**

Consolidated Statements of Income – (Unaudited)  
(\$ in thousands—except share and per share data)

|  | <b>Quarter Ended ,</b> |                    |
|--|------------------------|--------------------|
|  | <b>2024</b>            | <b>2023</b>        |
| Interest income  | \$ 321,292             | \$ 327,947         |
| Interest expense   | 217,676                | 219,373            |
| Net interest income  | 103,616                | 108,574            |
| <b>Other revenue:</b>  |                        |                    |
| Gain on sales, including fee-based services, net             | 16,666                 | 14,589             |
| Mortgage servicing rights                                    | 10,199                 | 18,458             |
| Servicing revenue, net                                       | 31,526                 | 29,565             |
| Property operating income                                    | 1,570                  | 1,381              |
| Gain (loss) on derivative instruments, net                   | (5,257)                | 4,223              |
| Other income, net  | 2,333                  | 4,882              |
| Total other revenue  | 57,037                 | 73,098             |
| <b>Other expenses:</b>                                       |                        |                    |
| Employee compensation and benefits                           | 47,694                 | 42,399             |
| Selling and administrative                                   | 13,933                 | 13,623             |
| Property operating expenses                                  | 1,678                  | 1,383              |
| Depreciation and amortization                                | 2,571                  | 2,624              |
| Provision for loss sharing (net of recoveries)               | 273                    | 3,177              |
| Provision for credit losses (net of recoveries)              | 19,118                 | 22,517             |
| Total other expenses   | 85,267                 | 85,723             |
| Income before income from equity affiliates and income taxes | 75,386                 | 95,949             |
| Income from equity affiliates                                | 1,418                  | 14,326             |
| Provision for income taxes                                   | (3,592)                | (8,029)            |
| Net income   | 73,212                 | 102,246            |
| Preferred stock dividends                                    | 10,342                 | 10,342             |
| Net income attributable to noncontrolling interest           | 4,997                  | 7,585              |
| Net income attributable to common stockholders               | <u>\$ 57,873</u>       | <u>\$ 84,319</u>   |
| <br>   |                        |                    |
| Basic earnings per common share                              | <u>\$ 0.31</u>         | <u>\$ 0.47</u>     |
| Diluted earnings per common share                            | <u>\$ 0.31</u>         | <u>\$ 0.46</u>     |
| <br>   |                        |                    |
| Weighted average shares outstanding:                         |                        |                    |
| Basic  | <u>188,710,390</u>     | <u>181,116,674</u> |
| Diluted  | <u>222,926,076</u>     | <u>214,910,974</u> |
| <br>   |                        |                    |
| Dividends declared per common share                          | <u>\$ 0.43</u>         | <u>\$ 0.40</u>     |

**ARBOR REALTY TRUST, INC.**

**AND SUBSIDIARIES**

Consolidated Balance Sheets  
(\$ in thousands—except share and per share data)

|   | <b>(Unaudited)</b> |            |
|---|--------------------|------------|
| <b>Assets:</b>  |                    |            |
| Cash and cash equivalents   | \$ 908,049         | \$ 928,974 |
| Restricted cash   | 546,643            | 608,233    |
| Loans and investments, net (allowance credit losses of \$211,942 and \$195,664) | 12,001,544         | 12,377,806 |
| Loans held-for-sale, net  | 322,875            | 551,707    |

|  |                      |                      |
|--|----------------------|----------------------|
| Capitalized mortgage servicing rights, net   | 385,520              | 391,254              |
| Securities held-to-maturity, net (allowance credit losses of \$7,597 and \$6,256)  | 155,413              | 155,279              |
| Investments in equity affiliates   | 90,244               | 79,303               |
| Due from related party   | 104,365              | 64,421               |
| Goodwill   |                      |                      |
| and other intangible assets  | 90,205               | 91,378               |
| Other assets   | 499,998              | 490,281              |
| Total assets   | <u>\$ 15,104,856</u> | <u>\$ 15,738,636</u> |
| <b>Liabilities and Equity:</b>   |                      |                      |
| Credit and repurchase facilities   | \$ 2,913,483         | \$ 3,237,827         |
| Securitized debt   | 6,691,958            | 6,935,010            |
| Senior unsecured notes   | 1,335,013            | 1,333,968            |
| Convertible senior unsecured notes   | 283,776              | 283,118              |
| Junior subordinated notes to subsidiary trust issuing preferred securities   | 144,096              | 143,896              |
| Due to related party   | 14,159               | 13,799               |
| Due to borrowers   | 95,807               | 121,707              |
| Allowance for loss-sharing obligations   | 72,790               | 71,634               |
| Other liabilities  | 319,466              | 343,072              |
| Total liabilities  | <u>11,870,548</u>    | <u>12,484,031</u>    |
| <b>Equity:</b>   |                      |                      |
| Arbor Realty Trust, Inc.   |                      |                      |
| stockholders' equity:  |                      |                      |
| Preferred stock, cumulative, redeemable, \$0.01 par value: 100,000,000 shares authorized, shares issued and outstanding by period: | 633,684              | 633,684              |
| Special voting preferred shares – 16,293,589 shares  |                      |                      |
| 6.375% Series D – 9,200,000 shares   |                      |                      |
| 6.25% Series E – 5,750,000 shares  |                      |                      |
| 6.25% Series F – 11,342,000 shares   |                      |                      |
| Common stock, \$0.01 par value: 500,000,000 shares authorized – 189,452,116 and 188,505,264 shares issued and outstanding          | 1,895                | 1,885                |
| Additional paid-in capital   | 2,372,336            | 2,367,188            |
| Retained earnings  | 91,770               | 115,216              |
| Total Arbor Realty Trust, Inc.   |                      |                      |
| stockholders' equity   | 3,099,685            | 3,117,973            |
| Noncontrolling interest  | 134,623              | 136,632              |
| Total equity   | <u>3,234,308</u>     | <u>3,254,605</u>     |
| Total liabilities and equity   | <u>\$ 15,104,856</u> | <u>\$ 15,738,636</u> |

**ARBOR REALTY TRUST, INC.**

**AND SUBSIDIARIES**

Statement of Income Segment Information – (Unaudited)  
(in thousands)

|  | Quarter Ended       |                 |           |              |
|--|---------------------|-----------------|-----------|--------------|
|  | Structured Business | Agency Business | Other (1) | Consolidated |
| Interest income                                  | \$ 307,888          | \$ 13,404       | \$ —      | \$ 321,292   |
| Interest expense                                 | 212,600             | 5,076           | —         | 217,676      |
| Net interest income                              | 95,288              | 8,328           | —         | 103,616      |
| <b>Other revenue:</b>                            |                     |                 |           |              |
| Gain on sales, including fee-based services, net | —                   | 16,666          | —         | 16,666       |
| Mortgage servicing rights                        | —                   | 10,199          | —         | 10,199       |
| Servicing revenue                                | —                   | 48,157          | —         | 48,157       |
| Amortization of MSRs                             | —                   | (16,631)        | —         | (16,631)     |

|  |                  |                  |                   |                  |
|--|------------------|------------------|-------------------|------------------|
| Property operating income                                    | 1,570            | —                | —                 | 1,570            |
| Loss on derivative instruments, net                          | —                | (5,257)          | —                 | (5,257)          |
| Other income, net  | 2,300            | 33               | —                 | 2,333            |
| Total other revenue  | <u>3,870</u>     | <u>53,167</u>    | <u>—</u>          | <u>57,037</u>    |
| <b>Other expenses:</b>                                       |                  |                  |                   |                  |
| Employee compensation and benefits                           | 18,547           | 29,147           | —                 | 47,694           |
| Selling and administrative                                   | 6,796            | 7,137            | —                 | 13,933           |
| Property operating expenses                                  | 1,678            | —                | —                 | 1,678            |
| Depreciation and amortization                                | 1,398            | 1,173            | —                 | 2,571            |
| Provision for loss sharing (net of recoveries)               | —                | 273              | —                 | 273              |
| Provision for credit losses (net of recoveries)              | 17,777           | 1,341            | —                 | 19,118           |
| Total other expenses   | <u>46,196</u>    | <u>39,071</u>    | <u>—</u>          | <u>85,267</u>    |
| Income before income from equity affiliates and income taxes | 52,962           | 22,424           | —                 | 75,386           |
| Income from equity affiliates                                | 1,418            | —                | —                 | 1,418            |
| Provision for income taxes                                   | (81)             | (3,511)          | —                 | (3,592)          |
| Net income   | <u>54,299</u>    | <u>18,913</u>    | <u>—</u>          | <u>73,212</u>    |
| Preferred stock dividends                                    | 10,342           | —                | —                 | 10,342           |
| Net income attributable to noncontrolling interest           | —                | —                | 4,997             | 4,997            |
| Net income attributable to common stockholders               | <u>\$ 43,957</u> | <u>\$ 18,913</u> | <u>\$ (4,997)</u> | <u>\$ 57,873</u> |

(1) Includes income allocated to the noncontrolling interest holders not allocated to the two reportable segments.

#### ARBOR REALTY TRUST, INC.

#### AND SUBSIDIARIES

Balance Sheet Segment Information – (Unaudited)  
(in thousands)

|  | Structured Business  | Agency Business     | Consolidated         |
|--|----------------------|---------------------|----------------------|
| <b>Assets:</b>                             |                      |                     |                      |
| Cash and cash equivalents                  | \$ 453,316           | \$ 454,733          | \$ 908,049           |
| Restricted cash                            | 530,099              | 16,544              | 546,643              |
| Loans and investments, net                 | 12,001,544           | —                   | 12,001,544           |
| Loans held-for-sale, net                   | —                    | 322,875             | 322,875              |
| Capitalized mortgage servicing rights, net | —                    | 385,520             | 385,520              |
| Securities held-to-maturity, net           | —                    | 155,413             | 155,413              |
| Investments in equity affiliates           | 90,244               | —                   | 90,244               |
| Goodwill                                   |                      |                     |                      |
| and other intangible assets                | 12,500               | 77,705              | 90,205               |
| Other assets and due from related party    | 532,385              | 71,978              | 604,363              |
| Total assets                               | <u>\$ 13,620,088</u> | <u>\$ 1,484,768</u> | <u>\$ 15,104,856</u> |
| <b>Liabilities:</b>                        |                      |                     |                      |
| Debt obligations                           | \$ 11,056,363        | \$ 311,963          | \$ 11,368,326        |
| Allowance for loss-sharing obligations     | —                    | 72,790              | 72,790               |
| Other liabilities and due to related party | 343,557              | 85,875              | 429,432              |
| Total liabilities                          | <u>\$ 11,399,920</u> | <u>\$ 470,628</u>   | <u>\$ 11,870,548</u> |

#### ARBOR REALTY TRUST, INC.

#### AND SUBSIDIARIES

Reconciliation of Distributable Earnings to GAAP Net Income – (Unaudited)  
(\$ in thousands—except share and per share data)

|   | Quarter Ended ,    |                    |
|---|--------------------|--------------------|
|   | 2024               | 2023               |
| Net income attributable to common stockholders      | \$ 57,873          | \$ 84,319          |
| Adjustments:  |                    |                    |
| Net income attributable to noncontrolling interest  | 4,997              | 7,585              |
| Income from mortgage servicing rights               | (10,199)           | (18,458)           |
| Deferred tax (benefit) provision                    | (3,952)            | 3,164              |
| Amortization and write-offs of MSRs                 | 18,418             | 18,723             |
| Depreciation and amortization                       | 3,193              | 4,295              |
| Provision for credit losses, net                    | 14,804             | 23,704             |
| Loss (gain) on derivative instruments, net          | 5,523              | (7,051)            |
| Stock-based compensation                            | 6,020              | 5,901              |
| Distributable earnings (1)                          | <u>\$ 96,677</u>   | <u>\$ 122,182</u>  |
| Diluted distributable earnings per share (1)        | <u>\$ 0.47</u>     | <u>\$ 0.62</u>     |
| Diluted weighted average shares outstanding (1) (2) | <u>205,511,529</u> | <u>197,680,616</u> |

(1) Amounts are attributable to common stockholders and OP Unit holders. The OP Units are redeemable for cash, or at the Company's option for shares of the Company's common stock on a one-for-one basis.

(2) The diluted weighted average shares outstanding were adjusted to exclude the potential shares issuable upon conversion and settlement of the Company's convertible senior notes principal balance. For the quarters ended March 31, 2024 and March 31, 2023, the diluted weighted average shares outstanding excluded 17,414,547 and 17,230,358 of these potentially issuable shares, respectively.

The Company is presenting distributable earnings because management believes it is an important supplemental measure of the Company's operating performance and is useful to investors, analysts and other parties in the evaluation of REITs and their ability to provide dividends to stockholders. Dividends are one of the principal reasons investors invest in REITs. To maintain REIT status, REITs are required to distribute at least 90% of their REIT-taxable income. The Company considers distributable earnings in determining its quarterly dividend and believes that, over time, distributable earnings is a useful indicator of the Company's dividends per share.

The Company defines distributable earnings as net income (loss) attributable to common stockholders computed in accordance with GAAP, adjusted for accounting items such as depreciation and amortization (adjusted for unconsolidated joint ventures), non-cash stock-based compensation expense, income from MSRs, amortization and write-offs of MSRs, gains/losses on derivative instruments primarily associated with Private Label loans not yet sold and securitized, changes in fair value of GSE-related derivatives that temporarily flow through earnings, deferred tax provision (benefit), CECL provisions for credit losses (adjusted for realized losses as described below) and gains/losses on the receipt of real estate from the settlement of loans (prior to the sale of the real estate). The Company also adds back one-time charges such as acquisition costs and one-time gains/losses on the early extinguishment of debt and redemption of preferred stock.

The Company reduces distributable earnings for realized losses in the period management determines that a loan is deemed nonrecoverable in whole or in part. Loans are deemed nonrecoverable upon the earlier of: (1) when the loan receivable is settled (i.e., when the loan is repaid, or in the case of foreclosure, when the underlying asset is sold); or (2) when management determines that it is nearly certain that all amounts due will not be collected. The realized loss amount is equal to the difference between the cash received, or expected to be received, and the book value of the asset.

Distributable earnings is not intended to be an indication of the Company's cash flows from operating activities (determined in accordance with GAAP) or a measure of its liquidity, nor is it entirely indicative of funding the Company's cash needs, including its ability to make cash distributions. The Company's calculation of distributable earnings may be different from the calculations used by other companies and, therefore, comparability may be limited.



Source: Arbor Realty Trust