



Arbor Realty Trust Reports Fourth Quarter and Full Year 2005 Results

10 Feb 2006

Fourth Quarter Highlights:

- **Net income increased 9% to \$9.3 million from 4Q04**
- **Diluted earnings per share of \$0.55**
- **New loans and investments of \$235 million**
- **Declared quarterly dividend of \$0.70 per share, an increase of 8% from 3Q05**
- **Priced second CDO issuing \$356 million of investment grade debt**
- **Completed \$50 million private placement of trust preferred securities**

Year End Highlights:

- **Net income increased 101% to \$50.4 million from 2004**
- **Diluted earnings per share of \$2.98**
- **New loans and investments of \$1.0 billion**
- **Portfolio balance increased 50% from 2004**
- **Issued \$156 million of trust preferred securities**
- **Closed first CDO issuing \$305 million of investment grade debt**

UNIONDALE, N.Y., Feb. 10 /PRNewswire-FirstCall/ -- Arbor Realty Trust, Inc. (NYSE: ABR), a real estate investment trust focused on the business of investing in real estate related bridge and mezzanine loans, preferred and direct equity investments, mortgage-related securities and other real estate related assets, today announced financial results for the fourth quarter and year ended December 31, 2005. Arbor reported net income for the quarter of \$9.3 million, or \$0.55 per diluted common share, compared to net income for the quarter ended December 31, 2004 of \$8.6 million, or \$0.52 per diluted common share. Net income for the full year ended December 31, 2005 was \$50.4 million, or \$2.98 per diluted common share, compared to net income for the year ended December 31, 2004 of \$25.1 million, or \$1.78 per diluted common share.

"Our strong fourth quarter earnings results reflect the solid growth of our portfolio and the quality of our new investments," said Ivan Kaufman, Chairman and Chief Executive Officer. "Equally important, this quarter also marks the significant progress we have made in solidifying one of the most critical aspects of our business, our long-term funding sources. In creating a financing platform that mirrors our business model, we are more confident than ever in our ability to properly fund the future growth of our loans and investment portfolio."

During the fourth quarter, Arbor originated 15 loans and investments totaling \$235 million. "The quarterly loan volume demonstrates the strength of our origination platform despite an increasingly competitive market," commented Mr. Kaufman. "As we have said before, we will not close transactions that do not meet our portfolio objectives merely for the sake of growing our portfolio."

Mr. Kaufman continued, "With the growth of the Company and the changes in the market and our funding sources, we continue to diversify our portfolio with longer-term fixed rate product. Since completion of our first CDO in the first quarter, we have closed \$222 million of fixed rate loans, or 23% of the loan volume this year. We are able to lock in attractive spreads for the duration of these loans by swapping out the rates within our CDO. These long-term assets generally include prepayment protection and provide more stable returns going forward, especially in a rising interest rate environment."

Total revenues for the quarter ended December 31, 2005 were \$31.7 million, an increase of 53% from the same quarter of 2004.

At December 31, 2005, the net balance in the loan and investment portfolio was \$1.3 billion, an increase of 16% and 50% from September 30, 2005 and December 31, 2004, respectively. The average balance of the loan and investment portfolio during the fourth quarter was \$1.2 billion and the average yield on these assets for the quarter was 10.40%, representing a 29 basis point increase over the third quarter of 2005.

Interest expense for the quarter was \$15.3 million, an increase of 102% from the fourth quarter of 2004. This increase reflects increased average borrowings during the quarter as well as increased interest rates. The average balance of debt financing on the loan and investment portfolio during the quarter was \$887 million and the average cost of these borrowings was 6.68%.

For the fourth quarter, Arbor's manager, Arbor Commercial Mortgage, LLC, earned \$1.5 million of incentive compensation, representing 25% of the amount by which earnings for the four most recent quarters exceeded a 9.5% return on equity, as described in the management agreement with Arbor's manager. Arbor Commercial Mortgage intends to exercise its option to receive all of its incentive compensation in shares of Arbor's common stock.

Financing Activity

"The milestone we achieved by significantly strengthening our funding sources over the course of the year has both enhanced the long-term value of our franchise and well positioned us to finance the future growth of our portfolio," said Kaufman. "During the quarter, we issued an additional \$50 million of long-term junior subordinated notes at historically low spreads. These trust preferred securities strengthen our balance sheet by offering lower-cost, longer-term financing. We continue to view the issuance of these notes as a favorable alternative to raising capital, which would be dilutive to our shareholders. And, as we continue to state, maximizing shareholder value has, and always will be, our primary goal."

In January 2006, Arbor completed its second CDO issuing approximately \$356 million of investment grade-rated floating rate notes. The notes have an initial weighted average spread of approximately 73 basis points over three-month LIBOR. Arbor retained an equity interest of approximately \$119 million in the portfolio. Mr. Kaufman commented, "The closing of this transaction was a significant accomplishment especially given the current market conditions. This was an important step in the development of our franchise. It offers us greater flexibility in financing the growth of our portfolio and further solidifies our borrowing capabilities with lower-cost long-term debt."

During the quarter, Arbor closed two additional warehouse facilities totaling \$150 million and elected not to renew a \$50 million unsecured facility.

As of December 31, 2005, Arbor's financing facilities for the loan and investment portfolio totaled approximately \$1.3 billion and borrowings outstanding under such facilities were \$1.0 billion.

Portfolio Activity

During the fourth quarter of 2005, Arbor originated 15 new loans and investments totaling \$235 million, net of a \$59 million participation in one of its loans. Of the new loans and investments, three were bridge loans totaling \$56 million, eight were mezzanine loans totaling \$101 million, three were junior participating interests totaling \$67 million, and one was a preferred equity investment totaling \$11 million.

During the quarter, 12 loans paid off with an outstanding balance of approximately \$93 million. Of this amount, \$75 million were loans on properties that were either sold or refinanced outside of Arbor and \$18 million was concurrent with an Arbor refinance.

At December 31, 2005, the loan and investment portfolio unpaid principal balance was \$1.3 billion with a weighted average current interest pay rate of 9.24%. At the same date, advances on financing facilities pertaining to the loan and investment portfolio totaled \$1.0 billion, with a weighted average interest rate of 6.57% and 6.36% excluding a \$59 million participation in one of Arbor's loans.

The loan and investment portfolio continues to perform according to terms and there have been no defaults. Arbor continues to seek loans and investments that will generate superior risk-adjusted returns with a long-term objective of capital preservation and earnings stability in varying interest rate and credit cycles.

Dividend

As previously announced, the Board of Directors declared a dividend of \$0.70 per share for the quarter ended December 31, 2005, which was paid on February 6, 2006 to shareholders of record on January 23, 2006. This dividend represents an 8% increase over the previous quarter and reflects management's understanding of the importance to investors of a stable and growing dividend.

Equity Participation Interests

"The value of our equity participation interests has always been a topic of interest," commented Mr. Kaufman. "Consistent with our previously adopted policy of offering additional data on our equity participation interests and IRR lookbacks, we have attached, as an exhibit, an updated schedule of certain data pertaining to these investments to this press release. There are no assurances that these equity participation interests and IRR lookbacks will ultimately realize any significant value. We hope this will give potential and existing investors additional information to assist them in making an informed investment decision."

Earnings Conference Call

Management will host a conference call today at 10:00 a.m. EST. A live webcast of the conference call will be available online at <http://www.arborrealtytrust.com>. Web participants are encouraged to go to Arbor's Web site at least 15 minutes prior to the start of the call to register, download and install any necessary audio software. Listening to the webcast requires speakers and RealPlayer(TM) software, downloadable without charge at <http://www.real.com>. Those without Web access should access the call telephonically at least ten minutes prior to the conference call. The dial-in numbers are (800) 510-9661 for domestic callers and (617) 614-3452 for international callers. The participant passcode for both is 32237701.

After the live webcast, the call will remain available on Arbor's Web site, <http://www.arborrealtytrust.com> through February 19, 2006. In addition, a telephonic replay of the call will be available until February 17, 2006. The replay dial-in number is (888) 286-8010 for domestic callers and (617) 801-6888. Please use passcode: 48735472.

About Arbor Realty Trust, Inc.

Arbor Realty Trust, Inc. is a real estate investment trust which invests in a diversified portfolio of multi-family and commercial real estate related bridge and mezzanine loans, preferred equity investments, mortgage related securities and other real estate related assets. Arbor commenced operations in July 2003 and conducts substantially all of its operations through its operating partnership, Arbor Realty Limited Partnership and its subsidiaries. Arbor is externally managed and advised by Arbor Commercial Mortgage, LLC, a national commercial real estate finance company operating through 15 offices in the US that specializes in debt and equity financing for multi-family and commercial real estate.

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, continued ability to source new investments, changes in interest rates and/or credit spreads, changes in the real estate markets, and other risks detailed in the Arbor's Annual Report on Form 10-K for the year ended December 31, 2004 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.

Contact:

Arbor Realty Trust, Inc.

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS

	Quarter Ended		Year Ended	
	December 31,		December 31,	
	2005	2004	2005	2004
	(Unaudited)		(Unaudited)	
Revenue:				
Interest income	\$31,619,614	\$20,674,843	\$121,109,157	\$57,927,230
Other income	74,676	6,636	498,250	42,265
Total revenue	31,694,290	20,681,479	121,607,407	57,969,495
Expenses:				
Interest expense	15,266,253	7,539,501	45,745,424	19,372,575
Employee compensation and benefits	1,215,401	646,720	4,274,609	2,325,727
Stock based compensation	317,356	67,544	1,590,898	324,343
Selling and administrative	1,363,703	752,793	4,351,366	1,908,522
Management fee - related party	2,116,638	1,721,928	12,430,546	3,614,830
Total expenses	20,279,351	10,728,486	68,392,843	27,545,997
Income before minority interest and income from equity affiliates	11,414,939	9,952,993	53,214,564	30,423,498
Income from equity affiliates	-	525,000	8,453,440	525,000
Income before minority interest	11,414,939	10,477,993	61,668,004	30,948,498
Income allocated to minority interest	2,071,691	1,923,558	11,280,981	5,875,816
Net income	\$ 9,343,248	\$ 8,554,435	\$ 50,387,023	\$25,072,682
Basic earnings per common share	\$ 0.55	\$ 0.52	\$ 2.99	\$ 1.81
Diluted earnings per common share	\$ 0.55	\$ 0.52	\$ 2.98	\$ 1.78
Dividends declared per common share	\$ 0.65	\$ 0.47	\$ 2.24	\$ 1.16
Weighted average number of shares of common stock outstanding:				
Basic	17,030,461	16,373,053	16,867,466	13,814,199
Diluted	20,806,530	20,217,751	20,661,568	17,366,015

ARBOR REALTY TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31,	December 31,
	2005	2004
	(Unaudited)	
Assets:		
Cash	\$ 19,427,309	\$ 6,401,701
Restricted cash	38,522,126	-
Loans and investments, net	1,246,825,906	831,783,364
Related party loans, net	7,749,538	7,749,538
Available-for-sale securities, at fair value	29,615,420	46,582,592
Investment in equity affiliates	18,094,242	5,254,733
Other assets	35,959,653	14,523,249
Total assets	\$1,396,194,194	\$ 912,295,177
Liabilities and Stockholders' Equity:		
Repurchase agreements	\$ 413,624,385	\$ 409,109,372

Collateralized debt obligations	299,319,000	-
Junior subordinated notes to subsidiary trust issuing preferred securities	155,948,000	-
Notes payable	115,400,377	165,771,447
Notes payable - related party	30,000,000	-
Due to related party	1,777,412	1,484,485
Due to borrowers	10,691,355	8,587,070
Other Liabilities	18,133,592	4,339,899
Total liabilities	1,044,894,121	589,292,273
Minority interest	63,691,556	60,249,731
Stockholders' equity:		
Preferred stock, \$0.01 par value:		
100,000,000 shares authorized;		
3,776,069 shares issued and outstanding	37,761	37,761
Common stock, \$0.01 par value:		
500,000,000 shares authorized;		
17,051,391 and 16,467,218 shares issued and outstanding at December 31, 2005 and December 31, 2004, respectively	170,514	164,672
Additional paid-in capital	266,386,267	254,427,982
Retained earnings	21,452,789	8,813,138
Deferred compensation	(1,694,336)	(160,780)
Accumulated other comprehensive income (loss)	1,255,522	(529,600)
Total stockholders' equity	287,608,517	262,753,173
Total liabilities and stockholders' equity	\$1,396,194,194	\$ 912,295,177

Arbor Realty Trust, Inc.

Internal Rate of Return ("IRR") Lookbacks

(all dollar amounts in thousands)

Unaudited

Loan

Loan Name	Origination		Commitment	Index	Pay Rate @		IRR
	Date	Amount			12/31/05	Rate	
James Hotel	2Q05	\$14,500		LIBOR + 5.00%	9.31%	16.25%	
135 Greenwich St.	1Q05	11,815		LIBOR + 5.00%	9.31%	12.00%	Year 1
				LIBOR + 5.00%		13.00%	Year 2
				LIBOR + 5.00%		15.00%	Year 3
The Pointe Lakeview	1Q05	5,750		LIBOR + 5.00%	9.31%	16.00%	
Waipouli Beach Resort	1Q05	14,300		LIBOR + 5.00%	9.31%	12.50%	
Harbor Island	3Q05	8,260		FIXED 9.00%	9.00%	12.50%	
Total		\$54,625			9.26%	13.76%	

These loans contain a provision whereby upon repayment of the loan, the borrower must make an additional payment in an amount sufficient to give Arbor Realty Trust, Inc. the yield noted in the "IRR Rate" column. Management has not yet determined that these amounts are collectable and, therefore, has not accrued the difference between the current pay rate and the IRR rate.

Arbor Realty Trust, Inc.

Summary of Equity Participation Interests

(all dollar amounts in thousands)

Unaudited

Name	Initial ART		Current		Approximate Square Footage
	Investment Amount	Investment Date	Investment Amount	Profit %	
80 Evergreen	\$ 384	3Q03	\$ 201	12.50%	77,680
930 Flushing	1,126	3Q03	-	12.50%	304,080
Prime Portfolio	2,100	4Q03	-	7.50%	6,700,000
Prime Portfolio			-	16.67%	6,700,000
450 W. 33rd St	1,500	4Q03	2,711	28.00%	1,746,734
823 Park Avenue	-	3Q04	-	20.00%	50,000
York Avenue	540	3Q04	8	8.70%	45,200
Toy Building	10,000	2Q05	10,477	20.00%	958,000

Name	Property Type	Location	Debt Balance on Property	Comments
On The Ave			2,000	2005
			2,000	33.33%
			170,000	Current
80 Evergreen	Warehouse	Brooklyn, NY	\$ 4,664	
930 Flushing	Warehouse	Brooklyn, NY	25,000	Property refinanced July 2005
Prime Portfolio	Retail Outlets	Multi-state	827,000	Property refinanced June 2005
Prime Portfolio	Retail Outlets	Multi-state		All equity returned to investors
450 W. 33rd St	Office	New York City	350,000	Preferred return of 12.5%
823 Park Avenue	Conversion	New York City	97,500	*Condo conversion - investment held in taxable REIT Subsidiary ("TRS")
York Avenue	Conversion	New York City	32,000	Property refinanced Dec 2005
Toy Building	Conversion	New York City	640,000	*Condo conversion - TRS asset
On The Ave	Hotel	New York City	67,000	Condo/hotel conversion - TRS asset

* - debt balance represents anticipated debt financing required to complete condominium conversion project.

SOURCE Arbor Realty Trust, Inc.

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