

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

FORM 8-K

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

Date of Report (Date of earliest event reported):

July 28, 2023

Arbor Realty Trust, Inc.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

MARYLAND
(STATE OF INCORPORATION)

001-32136
(COMMISSION FILE NUMBER)

20-0057959
(IRS EMPLOYER ID. NUMBER)

333 Earle Ovington Boulevard, Suite 900
Uniondale, New York
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

11553
(ZIP CODE)

(516) 506-4200
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

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

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

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

Emerging growth company

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

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading symbols | Name of each exchange on which registered |
|--|------------------------|--|
| Common Stock, par value \$0.01 per share | ABR | New York Stock Exchange |
| Preferred Stock, 6.375% Series D Cumulative Redeemable, par value \$0.01 per share | ABR-PD | New York Stock Exchange |
| Preferred Stock, 6.25% Series E Cumulative Redeemable, par value \$0.01 per share | ABR-PE | New York Stock Exchange |
| Preferred Stock, 6.25% Series F Fixed-to-Floating Rate Cumulative Redeemable, par value \$0.01 per share | ABR-PF | New York Stock Exchange |

Item 2.02 Results of Operations and Financial Condition.

On July 28, 2023, Arbor Realty Trust, Inc. issued a press release announcing its earnings for the quarter ended June 30, 2023, a copy of which is attached hereto as Exhibit 99.1.

Item 9.01 Financial Statements and Exhibits.

(d) *Exhibits*

| Exhibit Number | Exhibit |
|-----------------------|---|
| 99.1 | Press Release, dated July 28, 2023 |
| 104 | Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document. |

SIGNATURE

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

ARBOR REALTY TRUST, INC.

By: /s/ Paul Elenio
Name: Paul Elenio
Title: Chief Financial Officer

Date: July 28, 2023



Arbor Realty Trust Reports Second Quarter 2023 Results and Increases Quarterly Dividend to \$0.43 per Share

Company Highlights:

- Diversified, annuity-based operating platform with a multifamily focus that generates strong distributable earnings and dividends in all cycles
 - GAAP net income of \$0.41 per diluted common share
 - Distributable earnings¹ of \$0.57 per diluted common share, well in excess of our current dividend, representing a 75% payout ratio
 - Raised cash dividend on common stock to \$0.43 per share; a \$0.01 per share, or 2% increase, representing an annualized dividend of \$1.72 per share
 - Strong liquidity position with ~\$1 billion in cash and liquidity and ~\$265 million of restricted cash in replenishable CLO vehicles with a weighted average cost of 1.67% over benchmark rates²
 - Agency loan originations of \$1.42 billion and a servicing portfolio of ~\$29.45 billion, up 2%
 - Structured loan originations of \$209.0 million and a portfolio of ~\$13.49 billion

Uniondale, NY, July 28, 2023 -- Arbor Realty Trust, Inc. (NYSE: ABR), today announced financial results for the second quarter ended June 30, 2023. Arbor reported net income for the quarter of \$76.2 million, or \$0.41 per diluted common share, compared to net income of \$69.9 million, or \$0.41 per diluted common share for the quarter ended June 30, 2022. Distributable earnings for the quarter was \$114.0 million, or \$0.57 per diluted common share, compared to \$93.7 million, or \$0.52 per diluted common share for the quarter ended June 30, 2022.

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Agency Business

Loan Origination Platform

| | Agency Loan Volume (in thousands) | |
|------------------------|-----------------------------------|---------------------|
| | Quarter Ended | |
| | June 30, 2023 | March 31, 2023 |
| Fannie Mae | \$ 1,079,910 | \$ 795,021 |
| Freddie Mac | 217,884 | 101,332 |
| FHA | 62,552 | 148,940 |
| Private Label | 50,256 | 41,107 |
| SFR-Fixed Rate | 11,837 | 5,461 |
| Total Originations | <u>\$ 1,422,439</u> | <u>\$ 1,091,861</u> |
| | | |
| Total Loan Sales | <u>\$ 1,410,724</u> | <u>\$ 932,699</u> |
| | | |
| Total Loan Commitments | <u>\$ 1,133,312</u> | <u>\$ 1,500,110</u> |

For the quarter ended June 30, 2023, the Agency Business generated revenues of \$76.7 million, compared to \$80.4 million for the first quarter of 2023. Gain on sales, including fee-based services, net on the GSE/Agency business (excluding private label and SFR) was \$22.2 million for the quarter, reflecting a margin of 1.67%, compared to \$13.1 million and 1.72% for the first quarter of 2023. Income from mortgage servicing rights was \$16.2 million for the quarter, reflecting a rate of 1.43% as a percentage of loan commitments, compared to \$18.5 million and 1.23% for the first quarter of 2023.

At June 30, 2023, loans held-for-sale was \$485.1 million, with financing associated with these loans totaling \$463.3 million.

Fee-Based Servicing Portfolio

The Company's fee-based servicing portfolio totaled \$29.45 billion at June 30, 2023. Servicing revenue, net was \$32.3 million for the quarter and consisted of servicing revenue of \$48.0 million, net of amortization of mortgage servicing rights totaling \$15.6 million.

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| | Fee-Based Servicing Portfolio (\$ in thousands) | | | | | |
|----------------|---|---------------|------------------------|----------------|---------------|------------------------|
| | June 30, 2023 | | | March 31, 2023 | | |
| | UPB | Wtd. Avg. Fee | Wtd. Avg. Life (years) | UPB | Wtd. Avg. Fee | Wtd. Avg. Life (years) |
| Fannie Mae | \$ 20,002,570 | 0.489% | 7.7 | \$ 19,508,256 | 0.495% | 8.0 |
| Freddie Mac | 5,245,325 | 0.248% | 8.8 | 5,180,607 | 0.247% | 9.1 |
| Private Label | 2,305,000 | 0.193% | 7.5 | 2,233,500 | 0.196% | 7.7 |
| FHA | 1,303,812 | 0.145% | 20.0 | 1,242,669 | 0.147% | 19.8 |
| Bridge | 299,578 | 0.111% | 3.5 | 467,881 | 0.116% | 2.9 |
| SFR-Fixed Rate | 290,266 | 0.200% | 5.9 | 279,712 | 0.200% | 5.9 |
| Total | \$ 29,446,551 | 0.401% | 8.4 | \$ 28,912,625 | 0.403% | 8.6 |

Loans sold under the Fannie Mae program contain an obligation to partially guarantee the performance of the loan (“loss-sharing obligations”) and includes \$34.5 million for the fair value of the guarantee obligation undertaken at June 30, 2023. The Company recorded a \$7.6 million provision for loss sharing associated with CECL for the second quarter of 2023. At June 30, 2023, the Company’s total CECL allowance for loss-sharing obligations was \$32.2 million, representing 0.16% of the Fannie Mae servicing portfolio.

Structured Business

Portfolio and Investment Activity

| | Structured Portfolio Activity (\$ in thousands) | | | |
|----------------------------|---|------|----------------|------|
| | Quarter Ended | | | |
| | June 30, 2023 | | March 31, 2023 | |
| | UPB | % | UPB | % |
| Bridge: | | | | |
| Multifamily | \$ 98,530 | 47% | \$ 186,100 | 70% |
| SFR | 108,964 | 52% | 76,089 | 28% |
| | 207,494 | 99% | 262,189 | 98% |
| Mezzanine/Preferred Equity | 1,500 | 1% | 5,845 | 2% |
| Total Originations | \$ 208,994 | 100% | \$ 268,034 | 100% |
| Number of Loans Originated | 26 | | 24 | |
| SFR Commitments | \$ 200,182 | | \$ 54,350 | |
| Runoff | \$ 685,220 | | \$ 1,186,649 | |

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| | Structured Portfolio (\$ in thousands) | | | |
|----------------------------|--|------|----------------|------|
| | June 30, 2023 | | March 31, 2023 | |
| | UPB | % | UPB | % |
| Bridge: | | | | |
| Multifamily | \$ 11,887,768 | 88% | \$ 12,034,638 | 88% |
| SFR | 1,023,959 | 8% | 982,026 | 7% |
| Other | 256,575 | 2% | 282,275 | 2% |
| | 13,168,302 | 98% | 13,298,939 | 97% |
| Mezzanine/Preferred Equity | 312,812 | 2% | 311,819 | 2% |
| SFR Permanent | 10,493 | < 1% | 32,966 | < 1% |
| Total Portfolio | \$ 13,491,607 | 100% | \$ 13,643,724 | 100% |

At June 30, 2023, the loan and investment portfolio's unpaid principal balance, excluding loan loss reserves, was \$13.49 billion, with a weighted average current interest pay rate of 8.76%, compared to \$13.64 billion and 8.60% at March 31, 2023. Including certain fees earned and costs associated with the loan and investment portfolio, the weighted average current interest pay rate was 9.07% at June 30, 2023, compared to 8.83% at March 31, 2023.

The average balance of the Company's loan and investment portfolio during the second quarter of 2023, excluding loan loss reserves, was \$13.66 billion with a weighted average yield of 9.19%, compared to \$14.15 billion and 8.94% for the first quarter of 2023. The increase in average yield was primarily due to increases in the benchmark index rates in the second quarter of 2023.

During the second quarter of 2023, the Company recorded a \$16.0 million provision for loan losses associated with CECL. At June 30, 2023, the Company's total allowance for loan losses was \$169.1 million. The Company had seven non-performing loans with a carrying value of \$122.4 million, before loan loss reserves of \$10.1 million, compared to four loans with a carrying value of \$7.7 million, before loan loss reserves of \$5.1 million at March 31, 2023.

Financing Activity

The balance of debt that finances the Company's loan and investment portfolio at June 30, 2023 was \$12.11 billion with a weighted average interest rate including fees of 7.25% as compared to \$12.65 billion and a rate of 6.97% at March 31, 2023.

The average balance of debt that finances the Company's loan and investment portfolio for the second quarter of 2023 was \$12.46 billion, as compared to \$13.02 billion for the first quarter of 2023. The average cost of borrowings for the second quarter of 2023 was 7.11%, compared to 6.69% for the first quarter of 2023. The increase in average cost was primarily due to increases in the benchmark index rates in the second quarter of 2023.

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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 June 30, 2023. The dividend is payable on August 31, 2023 to common stockholders of record on August 15, 2023. The ex-dividend date is August 14, 2023.

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 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) 225-9448 for domestic callers and (203) 518-9708 for international callers. Please use participant passcode ABRQ223 when prompted by the operator.

A telephonic replay of the call will be available until August 4, 2023. The replay dial-in numbers are (800) 934-4548 for domestic callers and (402) 220-1175 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

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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, 2022 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 July 25, 2023.

Contact: Arbor Realty Trust, Inc.
Paul Elenio, Chief Financial Officer
516-506-4422
pelenio@arbor.com

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ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

Consolidated Statements of Income - (Unaudited)

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

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|---|------------------------|-------------|---------------------------|-------------|
| | 2023 | 2022 | 2023 | 2022 |
| Interest income | \$ 335,737 | \$ 201,328 | \$ 663,685 | \$ 368,026 |
| Interest expense | 227,195 | 107,067 | 446,569 | 189,627 |
| Net interest income | 108,542 | 94,261 | 217,116 | 178,399 |
| Other revenue: | | | | |
| Gain on sales, including fee-based services, net | 22,587 | 16,510 | 37,176 | 18,166 |
| Mortgage servicing rights | 16,201 | 17,567 | 34,659 | 32,879 |
| Servicing revenue, net | 32,347 | 20,714 | 61,913 | 41,769 |
| Property operating income | 1,430 | 290 | 2,811 | 586 |
| Gain (loss) on derivative instruments, net | (7,384) | 8,606 | (3,161) | 25,992 |
| Other income (loss), net | 45 | (13,249) | 4,923 | (10,048) |
| Total other revenue | 65,226 | 50,438 | 138,321 | 109,344 |
| Other expenses: | | | | |
| Employee compensation and benefits | 41,310 | 38,900 | 83,708 | 80,925 |
| Selling and administrative | 12,584 | 13,188 | 26,207 | 27,735 |
| Property operating expenses | 1,365 | 542 | 2,747 | 1,077 |
| Depreciation and amortization | 2,387 | 2,031 | 5,011 | 4,014 |
| Provision for loss sharing (net of recoveries) | 7,672 | (1,949) | 10,848 | (2,611) |
| Provision for credit losses (net of recoveries) | 13,878 | 5,067 | 36,395 | 7,426 |
| Total other expenses | 79,196 | 57,779 | 164,916 | 118,566 |
| Income before extinguishment of debt, income from equity affiliates, and income taxes | 94,572 | 86,920 | 190,521 | 169,177 |
| Loss on extinguishment of debt | (1,247) | - | (1,247) | (1,350) |
| Income from equity affiliates | 5,560 | 6,547 | 19,886 | 13,759 |
| Provision for income taxes | (5,553) | (5,352) | (13,582) | (13,540) |
| Net income | 93,332 | 88,115 | 195,578 | 168,046 |
| Preferred stock dividends | 10,342 | 11,214 | 20,684 | 20,270 |
| Net income attributable to noncontrolling interest | 6,826 | 6,992 | 14,411 | 13,808 |
| Net income attributable to common stockholders | \$ 76,164 | \$ 69,909 | \$ 160,483 | \$ 133,968 |
| Basic earnings per common share | \$ 0.42 | \$ 0.43 | \$ 0.88 | \$ 0.85 |
| Diluted earnings per common share | \$ 0.41 | \$ 0.41 | \$ 0.87 | \$ 0.82 |
| Weighted average shares outstanding: | | | | |
| Basic | 181,815,469 | 163,044,217 | 181,468,002 | 158,258,813 |
| Diluted | 216,061,876 | 195,013,810 | 215,489,604 | 190,357,030 |
| Dividends declared per common share | \$ 0.42 | \$ 0.38 | \$ 0.82 | \$ 0.75 |

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ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

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

| | June 30, 2023 (Unaudited) | December 31, 2022 |
|--|---------------------------------|----------------------|
| Assets: | | |
| Cash and cash equivalents | \$ 846,362 | \$ 534,357 |
| Restricted cash | 396,866 | 713,808 |
| Loans and investments, net (allowance credit losses of \$169,054 and \$132,559) | 13,271,359 | 14,254,674 |
| Loans held-for-sale, net | 485,126 | 354,070 |
| Capitalized mortgage servicing rights, net | 394,410 | 401,471 |
| Securities held-to-maturity, net (allowance credit losses of \$4,534 and \$3,153) | 155,210 | 156,547 |
| Investments in equity affiliates | 72,806 | 79,130 |
| Due from related party | 73,263 | 77,419 |
| Goodwill and other intangible assets | 93,723 | 96,069 |
| Other assets | 368,502 | 371,440 |
| Total assets | \$ 16,157,627 | \$ 17,038,985 |
| Liabilities and Equity: | | |
| Credit and repurchase facilities | \$ 3,579,080 | \$ 3,841,814 |
| Securitized debt | 7,168,104 | 7,849,270 |
| Senior unsecured notes | 1,331,875 | 1,385,994 |
| Convertible senior unsecured notes | 281,737 | 280,356 |
| Junior subordinated notes to subsidiary trust issuing preferred securities | 143,506 | 143,128 |
| Due to related party | 3,556 | 12,350 |
| Due to borrowers | 102,495 | 61,237 |
| Allowance for loss-sharing obligations | 66,681 | 57,168 |
| Other liabilities | 320,952 | 335,789 |
| Total liabilities | 12,997,986 | 13,967,106 |
| Equity: | | |
| 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: | | |
| Special voting preferred shares - 16,293,589 shares | 633,684 | 633,684 |
| 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 - 183,067,388 and 178,230,522 shares issued and outstanding | 1,831 | 1,782 |
| Additional paid-in capital | 2,280,632 | 2,204,481 |
| Retained earnings | 107,561 | 97,049 |
| Total Arbor Realty Trust, Inc. stockholders' equity | 3,023,708 | 2,936,996 |
| Noncontrolling interest | 135,933 | 134,883 |
| Total equity | 3,159,641 | 3,071,879 |
| Total liabilities and equity | \$ 16,157,627 | \$ 17,038,985 |

Arbor Realty Trust Reports Second Quarter 2023 Results and Increases Quarterly Dividend to \$0.43 per Share

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ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

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

| | Quarter Ended June 30, 2023 | | | |
|---|-----------------------------|-----------------|-------------------------------------|--------------|
| | Structured Business | Agency Business | Other / Eliminations ⁽¹⁾ | Consolidated |
| Interest income | \$ 322,105 | \$ 13,632 | \$ - | \$ 335,737 |
| Interest expense | 220,966 | 6,229 | - | 227,195 |
| Net interest income | 101,139 | 7,403 | - | 108,542 |
| Other revenue: | | | | |
| Gain on sales, including fee-based services, net | - | 22,587 | - | 22,587 |
| Mortgage servicing rights | - | 16,201 | - | 16,201 |
| Servicing revenue | - | 47,952 | - | 47,952 |
| Amortization of MSRs | - | (15,605) | - | (15,605) |
| Property operating income | 1,430 | - | - | 1,430 |
| Loss on derivative instruments, net | - | (7,384) | - | (7,384) |
| Other income (loss), net | 760 | (715) | - | 45 |
| Total other revenue | 2,190 | 63,036 | - | 65,226 |
| Other expenses: | | | | |
| Employee compensation and benefits | 13,438 | 27,872 | - | 41,310 |
| Selling and administrative | 5,833 | 6,751 | - | 12,584 |
| Property operating expenses | 1,365 | - | - | 1,365 |
| Depreciation and amortization | 1,214 | 1,173 | - | 2,387 |
| Provision for loss sharing (net of recoveries) | - | 7,672 | - | 7,672 |
| Provision for credit losses (net of recoveries) | 14,369 | (491) | - | 13,878 |
| Total other expenses | 36,219 | 42,977 | - | 79,196 |
| Income before extinguishment of debt, income from equity affiliates, and income taxes | 67,110 | 27,462 | - | 94,572 |
| Loss on extinguishment of debt | (1,247) | - | - | (1,247) |
| Income from equity affiliates | 5,560 | - | - | 5,560 |
| Provision for income taxes | (1,200) | (4,353) | - | (5,553) |
| Net income | 70,223 | 23,109 | - | 93,332 |
| Preferred stock dividends | 10,342 | - | - | 10,342 |
| Net income attributable to noncontrolling interest | - | - | 6,826 | 6,826 |
| Net income attributable to common stockholders | \$ 59,881 | \$ 23,109 | \$ (6,826) | \$ 76,164 |

(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)

| | June 30, 2023 | | |
|--|------------------------|---------------------|----------------------|
| | Structured Business | Agency Business | Consolidated |
| Assets: | | | |
| Cash and cash equivalents | \$ 468,515 | \$ 377,847 | \$ 846,362 |
| Restricted cash | 391,872 | 4,994 | 396,866 |
| Loans and investments, net | 13,271,359 | - | 13,271,359 |
| Loans held-for-sale, net | - | 485,126 | 485,126 |
| Capitalized mortgage servicing rights, net | - | 394,410 | 394,410 |
| Securities held-to-maturity, net | - | 155,210 | 155,210 |
| Investments in equity affiliates | 72,806 | - | 72,806 |
| Goodwill and other intangible assets | 12,500 | 81,223 | 93,723 |
| Other assets | 358,528 | 83,237 | 441,765 |
| Total assets | \$ 14,575,580 | \$ 1,582,047 | \$ 16,157,627 |
| Liabilities: | | | |
| Debt obligations | \$ 12,041,014 | \$ 463,288 | \$ 12,504,302 |
| Allowance for loss-sharing obligations | - | 66,681 | 66,681 |
| Other liabilities | 309,875 | 117,128 | 427,003 |
| Total liabilities | \$ 12,350,889 | \$ 647,097 | \$ 12,997,986 |

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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 June 30, | | Six Months Ended June 30, | |
|---|------------------------|-------------|---------------------------|-------------|
| | 2023 | 2022 | 2023 | 2022 |
| Net income attributable to common stockholders | \$ 76,164 | \$ 69,909 | \$ 160,483 | \$ 133,968 |
| Adjustments: | | | | |
| Net income attributable to noncontrolling interest | 6,826 | 6,992 | 14,411 | 13,808 |
| Income from mortgage servicing rights | (16,201) | (17,567) | (34,659) | (32,879) |
| Deferred tax benefit | (7,360) | (706) | (4,197) | (2,426) |
| Amortization and write-offs of MSR | 21,204 | 27,625 | 39,927 | 55,295 |
| Depreciation and amortization | 4,058 | 2,617 | 8,353 | 5,186 |
| Loss on extinguishment of debt | 1,247 | - | 1,247 | 1,350 |
| Provision for credit losses, net | 16,810 | 5,849 | 40,515 | 7,546 |
| (Gain) loss on derivative instruments, net | 8,085 | (4,155) | 1,034 | (4,453) |
| Stock-based compensation | 3,193 | 3,149 | 9,094 | 9,241 |
| Distributable earnings (1) | \$ 114,026 | \$ 93,713 | \$ 236,208 | \$ 186,636 |
| Diluted distributable earnings per share (1) | \$ 0.57 | \$ 0.52 | \$ 1.19 | \$ 1.06 |
| Diluted weighted average shares outstanding (1) (2) | 198,791,261 | 179,873,329 | 198,239,006 | 175,252,399 |

(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 June 30, 2023 and June 30, 2022, the diluted weighted average shares outstanding excluded 17,270,615 and 15,140,481 of these potentially issuable shares, respectively. For the six months ended June 30, 2023 and June 30, 2022, the diluted weighted average shares outstanding excluded 17,250,598 and 15,104,631 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 MSR, amortization and write-offs of MSR, 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 (net of any tax impact), 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.

