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President, Ann Arbor District Library Board

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Member
FDIC

Downtown Ann Arbor

125 S. Fifth Ave.
Ann Arbor, MI 48104
(734) 662-1600

Downtown Saline

179 East Michigan Ave
Saline, MI 48176
(734) 470-5001

Downtown Ypsilanti

7 W. Michigan Ave.
Ypsilanti, MI 48197
(734) 485-9400

**Ellsworth Rd. &
Airport Blvd.**

801 W. Ellsworth Rd.
Ann Arbor, MI 48108
(734) 669-8900

Plymouth

1333 W. Ann Arbor Rd.
Plymouth, MI 48170
(734) 455-1511

Stadium & Liberty

2204 W. Stadium Blvd.
Ann Arbor, MI 48103
(734) 822-1900

**Traver Village
Shopping Center**

2601 Plymouth Rd.
Ann Arbor, MI 48105
(734) 662-3800

Q1 '15: Executing on all Cylinders

Arbor Bancorp, Inc.

Statement of Condition, March 31, 2015

Greetings fellow shareholders: April 2015

On behalf of all my colleagues, the World's Best Bankers, it is with great pleasure to share with you the continued strong results in the first quarter of 2015. The growth in earnings and our balance sheet is a tremendous compliment to every employee and every department of the bank executing on all cylinders as we continue to fight through a difficult regulatory environment and a declining interest margin which finished the quarter at 3.55%, down 17 basis points year over year. While we expect margin pressures for the remainder of the year, we also anticipate growth in our net interest income due to the robust growth in our commercial loan and leasing portfolios which are up 10% and 156%, respectively.

We finished the quarter at nearly \$3.3 million in earnings which was 18% higher than last year's record earning level. Our growth in earnings is attributed to the growth in our balance sheet which crossed the \$1.1 billion mark at quarter end, the 15% growth in our total loans outstanding, and the robust growth in our non-interest income. Kudos to our mortgage department which delivered one of the strongest quarters in our history as mortgage origination and application fee income approached \$550,000, up 131% from first quarter 2014 levels. While revenue growth is a challenge for many banks in this interest rate environment, we have successfully grown revenue by over \$1.2 million or 11% year over year.

The notable results of the bank are a reflection of the highly skilled, exceptional expertise, and strong customer service orientation of our team. We have a team that loves to win and continue to reach for higher and better results. This winning atmosphere also allows us to attract new, best of the best, colleagues. We recently added Tim Gretkierewicz who has been a lender and in numerous high level leadership positions in the Ann Arbor market for over 20 years. Joining Tim as new colleagues on the commercial banking team are Dave Guenther and Mike Chatas who had been lenders with another local community bank that was sold to a larger regional bank in 2014. We also welcomed Denise Staffeld who brings a wealth of mortgage lending experience and will oversee our mortgage lending efforts in our Plymouth branch. With the strategic addition of new colleagues like Tim, Mike, Dave, and Denise to our remarkably talented team, we believe the prospects for continued high quality growth is very good.

To you, our valued shareholders, I wanted to say thank you for all that you do to help us be successful.

Sincerely,



Timothy G. Marshall
President and CEO

ARBOR BANCORP, INC.

Balance Sheet

(000's omitted)	As of March 31	
	2015	2014
Assets:		
Cash	\$ 16,699	\$ 16,359
Overnight Investments	170,370	119,648
Investments	146,640	158,068
Loans:		
Commercial	552,349	500,058
Leases	61,324	23,943
Residential Mortgages	80,334	79,695
Mortgages held for resale	6,971	1,538
Installment	37,227	34,732
Total loans	738,205	639,966
Allowance for loan loss	(12,803)	(11,563)
Interest receivable	1,949	1,897
Bank Owned Life Insurance	14,420	13,986
Other Real Estate Owned	521	1,466
Other assets	13,357	12,190
Bank premises and equip.	13,852	12,324
Total Assets	\$1,103,210	\$ 964,341
Liabilities and Capital:		
Deposits		
Demand	\$ 272,382	\$ 212,391
NOW	76,724	60,835
Smart One	167,709	138,832
Money market savings	268,933	244,545
Savings	51,841	45,193
CDs < \$100,000	31,930	37,038
CDs > \$100,000	83,211	93,362
Total deposits	952,730	832,196
Federal Home Loan Bank advances	887	1,048
Repurchase agreements	52,406	49,067
Other debt	-	756
Interest payable	163	178
Other liabilities	13,401	10,452
Trust Preferred Securities	5,000	5,000
Retained earnings	72,078	61,096
Unrealized gain/(loss) on securities held for sale	2,073	128
Common stock	4,472	4,420
Total Capital	78,623	65,644
Total Liabilities and Capital	\$1,103,210	\$ 964,341

Income Statement

(000's omitted)	For three months ended	
	3/31/15	3/31/14
Interest income:		
Loans	\$ 8,449	\$ 7,750
Overnight Investments	114	87
Investments	796	921
Loans fees	487	421
Total income and fees	9,846	9,179
Interest expense:		
NOW	28	24
Smart One	72	63
Money market savings	110	95
Savings	23	27
CD's < \$100,000	44	64
CD's > \$100,000	92	116
Repurchase agreements	43	40
Other borrowed money	51	62
Total interest expense	463	491
Net interest income	9,383	8,688
Provision for loan losses	478	399
Net interest income after provision for loan losses	8,905	8,289
Other income:		
Service charges	102	111
Mortgage origination	443	170
Trust income	1,121	1,032
Gain (loss) on sale of securities	-	14
Miscellaneous income	757	588
Total other income	2,423	1,915
Operating expenses:		
Salaries and benefits	4,629	4,295
Marketing and bus. development		
Building and equipment	266	183
Contracted services	716	628
FDIC expense	637	591
Other expenses	138	128
Total operating expenses	336	547
Total operating expenses	6,722	6,372
Net income before tax	4,606	3,832
Federal income tax	1,338	1,066
Net Income	\$ 3,268	\$ 2,766
Earnings per Share	\$ 3.67	\$ 3.15