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Member
FDIC

Downtown Ann Arbor

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

Plymouth

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

Downtown Saline

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

Stadium & Liberty

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

Downtown Ypsilanti

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

Traver Village Shopping Center

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

Ellsworth Rd. & Airport Blvd.

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

Q2 '15: Strong Operating Performance.

Arbor Bancorp, Inc.

Statement of Condition, June 30, 2015

Greetings fellow shareholders: July 2015

On behalf of all of my colleagues, the World's Best Bankers, it is with great pleasure that I share with you the strong operating performance through the first six months of 2015. We continue to see strength in all areas of the balance sheet and income statement. Earnings improved 21% to \$6.9 million and earnings per share increased to \$7.73 per share. An important earnings metric, return on shareholders' equity registered in at 17.2%. This compares quite favorably with an industry average of 9.12% as recently reported by the FDIC. The very positive trend in our second quarter earnings is highlighted as follows:

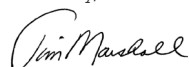
	2015	2014	2013	2012
Earnings (millions)	\$6.9	\$5.7	\$4.8	\$3.0
Earnings Per Share	\$7.73	\$6.46	\$5.38	\$4.62
% Increase (EPS)	19.7%	20.1%	16.5%	33.1%

The continued strong earnings growth is a reflection of the excellent work being done in all revenue producing areas of the bank. For example, our Commercial Banking Group has grown its portfolio of outstanding loans by \$73 million or 14.5% since this time last year and UniFi Equipment Finance has added \$43 million in leases to the balance sheet. Mortgage revenue finished the quarter at \$1.2 million or nearly double the revenue generated through the second quarter of last year and our Trust and Investment Group has increased its revenue by 13.5%. The strong growth in revenue has helped us overcome the net interest margin compression that has continued to provide challenges for us and the industry. Of course, none of these robust results would be possible without the exceptionally strong and talented support team we have throughout the bank. Kudos to everyone who works behind the scenes helping our front line staff in growing our customer base and revenue.

Our balance sheet growth has been equally impressive as we have added nearly \$137 million in total assets over the past twelve months. While we grew total loans by \$118 million year over year, our deposit growth and capital retention fueled an actual increase in our liquidity position. With our solid liquidity position, combined with strong credit quality metrics and exceptional earnings momentum, we are extremely well positioned to continue to grow the revenue producing earning assets on our balance sheet.

While challenges are ever-present in the banking industry, we are pleased with the positive momentum on so many different fronts. Thank you for all that you do to help support Bank of Ann Arbor and our continued success.

Sincerely,



Timothy G. Marshall
President and CEO

ARBOR BANCORP, INC.

Balance Sheet

(000's omitted)	As of June 30	
	2015	2014
Assets:		
Cash	\$ 16,004	\$ 20,881
Overnight Investments	133,809	92,891
Investments	139,699	156,544
Loans:		
Commercial	575,313	499,620
Leases	72,975	30,047
Residential Mortgages	84,098	80,543
Mortgages held for resale	4,300	8,992
Installment	36,578	35,833
Total loans	773,264	655,035
Allowance for loan loss	(13,407)	(11,915)
Interest receivable	1,788	1,722
Bank Owned Life Insurance	14,531	14,093
Other Real Estate Owned	428	1,220
Other assets	12,378	12,941
Bank premises and equip.	14,840	12,537
Total Assets	\$1,093,334	\$ 955,949
Liabilities and Capital:		
Deposits		
Demand	\$ 273,634	\$ 234,878
NOW	68,567	61,918
Smart One	160,274	144,707
Money market savings	276,642	217,778
Savings	52,678	45,035
CDs < \$100,000	31,167	35,862
CDs > \$100,000	79,850	84,149
Total deposits	942,812	824,327
Federal Home Loan Bank advances	882	1,043
Repurchase agreements	49,179	42,173
Other debt	-	641
Interest payable	176	183
Other liabilities	13,633	12,782
Trust Preferred Securities	5,000	5,000
Retained earnings	75,702	64,029
Unrealized gain/(loss) on securities held for sale	1,397	990
Common stock	4,553	4,781
Total Capital	81,652	69,800
Total Liabilities and Capital	\$1,093,334	\$ 955,949

Income Statement

(000's omitted)	For six months ended	
	6/30/15	6/30/14
Interest income:		
Loans	\$17,317	\$15,444
Overnight Investments	208	152
Investments	1,618	1,815
Loans fees	1,132	803
Total income and fees	20,275	18,214
Interest expense:		
NOW	57	49
Smart One	145	127
Money market savings	222	189
Savings	45	53
CD's < \$100,000	86	124
CD's > \$100,000	184	222
Repurchase agreements	82	73
Other borrowed money	101	121
Total interest expense	922	958
Net interest income	19,353	17,256
Provision for loan losses	1,230	866
Net interest income after provision for loan losses	18,123	16,390
Other income:		
Service charges	205	213
Mortgage origination	994	462
Trust income	2,351	2,071
Miscellaneous income	1,438	1,392
Total other income	4,988	4,138
Operating expenses:		
Salaries and benefits	9,284	8,444
Marketing and bus. development	596	509
Building and equipment	1,379	1,270
Contracted services	1,299	1,211
FDIC expense	275	255
Other expenses	531	949
Total operating expenses	13,364	12,638
Net income before tax	9,747	7,890
Federal income tax	2,854	2,192
Net Income	\$ 6,893	\$ 5,698
Earnings per Share	\$ 7.73	\$ 6.46