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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

Birmingham

33583 Woodward Ave.
Birmingham, MI 48009
(248) 723-7200

Q2 '18: Second to None Teamwork

Arbor Bancorp, Inc.

Statement of Condition, June 30, 2018

Dear fellow shareholders:

July 2018

I am pleased to report that we have had a very successful start to 2018 as the earnings for the first six months of the year registered \$14,061,000. Our year-to-date net income is up 39.6% over the same period last year and has more than doubled over the past three years. The very positive trend in our second quarter earnings is highlighted as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Earnings (millions)	\$14.1	\$10.1	\$8.0	\$6.9
% increase (earnings)	39.6%	26.3%	15.6%	21.1%
Earnings per share	\$5.03	\$3.69	\$2.94	\$2.57

The continued strong growth in earnings is a reflection of the excellent work being done by all of the revenue producing areas of the bank, the positive impact of the tax law change that went into effect on January 1, 2018, and ongoing operating expense management. Our year-to-date revenue is up 9.5%, which compares favorably to a 1.3% increase in total operating expenses. Revenue growth is being driven by our commercial loan and lease portfolios, both ending the quarter at record levels. In addition, our trust income is up 24.6% as investment assets under management were nearly \$1.5 billion at quarter end. On a combined basis, our bank assets and trust assets are approaching \$3.1 billion.

Needless to say, our sales teams are supported by some of the most talented and experienced colleagues in our branches, operations, I/T, marketing, HR, credit, compliance, and accounting areas. Combined, we have a team second to none as reflected by our continued high performance in relation to other banks in the country, the state of Michigan, and our peer group. The World's Best Bankers, indeed.

We are pleased by the strong start to the year and will continue to work collaboratively as a team over the last half of 2018 in order to deliver our ninth consecutive year of record-level performance. If you have any questions or other matters relating to the bank, please do not hesitate to contact me.

Sincerely,



Timothy G. Marshall
President and CEO

ARBOR BANCORP, INC.

Balance Sheet

(000's omitted)	As of June 30	
	2018	2017
Assets:		
Cash	\$ 23,150	\$ 27,797
Overnight investments	99,452	116,442
Investments	112,196	122,866
Loans:		
Commercial	989,691	910,331
Leases	175,608	153,769
Residential mortgages	99,245	95,641
Mortgages held for resale	3,457	2,178
Installment	35,852	41,411
Total loans	1,303,852	1,203,330
Allowance for loan loss	(18,447)	(16,861)
Interest receivable	3,449	3,070
Bank owned life insurance	24,146	23,307
Goodwill	13,087	13,356
Other assets	15,571	20,858
Bank premises and equip.	20,421	21,116
Total Assets	\$1,596,877	\$ 1,535,281
Liabilities and Capital:		
Deposits		
Demand	\$ 468,130	\$520,243
NOW	161,027	90,703
Smart one	209,228	205,801
Money market savings	260,442	274,098
Savings	98,370	96,824
CDs < \$100,000	22,039	25,810
CDs > \$100,000	92,451	109,383
Total deposits	1,311,687	1,322,862
Repurchase agreements	38,914	43,387
Other debt	5,128	5,582
FHLB advances	60,000	-
Sub debt	22,650	22,650
Interest payable	298	191
Other liabilities	10,256	10,989
Trust preferred securities	5,000	5,000
Preferred stock	12,196	12,196
Retained earnings	64,385	45,850
Unrealized gain/(loss) on securities held for sale	(432)	1,023
Common stock	66,795	65,551
Total Capital	142,944	124,620
Total Liabilities and Capital	\$ 1,596,877	\$ 1,535,281

Income Statement

(000's omitted)	For six months ended	
	6/30/18	6/30/17
Interest income:		
Loans	\$ 32,112	\$ 28,312
Overnight investments	681	570
Investments	1,389	1,437
Loans fees	1,098	1,139
Total income and fees	35,280	31,458
Interest expense:		
NOW	240	130
Smart one	386	194
Money market savings	512	401
Savings	143	98
CD's < \$100,000	57	59
CD's > \$100,000	366	330
Repurchase agreements	69	63
FHLB advances	450	-
Sub debt	780	784
Other debt	241	219
Total interest expense	3,244	2,278
Net interest income	32,036	29,180
Provision for loan losses	1,377	1,033
Net interest income after provision for loan losses	30,659	28,147
Other income:		
Service charges	333	303
Mortgage origination	674	845
Trust income	3,604	2,893
Miscellaneous income	2,637	2,650
Total other income	7,248	6,691
Operating expenses:		
Salaries and benefits	12,591	12,528
Marketing and business development	1,036	991
Building and equipment	2,019	1,989
Contracted services	2,007	2,032
FDIC expense	386	431
Other expenses	1,907	1,718
Total operating expenses	19,946	19,689
Net income before tax	17,961	15,149
Federal income tax	3,529	4,655
Net Income	\$14,432	\$10,494
Preferred stock dividends	\$ 371	\$ 371
Net income available to common shareholders	\$14,061	\$ 10,123
Earnings per Share	\$ 5.03	\$ 3.69