

Board of Directors

Thomas P. Borders

President, Midtown Group, Inc.

Jan L. Garfinkle

*Founder, Managing Director,
Arboretum Ventures*

Isadore J. King

*President & Chief Executive Officer,
Integrated Care Alliance, LLC*

Timothy G. Marshall

*President & Chief Executive Officer,
Bank of Ann Arbor*

Michael C. Martin

*Vice President,
First Martin Corporation*

William C. Martin, Chairman

Athletic Director Emeritus, University of Michigan

Ernest G. Perich

President, Perich + Partners, Ltd.

David R. Sarns

Managing Partner, 360 Advisors, LLC

Joseph A. Sesi

Owner, Sesi Motors, Inc.

Cynthia H. Wilbanks

*Vice President for Government Relations,
University of Michigan*

Jeffery S. Williams

*Chairman & Chief Executive Officer,
Tangent Medical Technologies
NeuMoDx Molecular, Inc.*

Directors Emeritus

James W. Anderson, Jr.

President, The Anderson Associates

Richard P. Eidswick

Managing Partner, Arbor Partners

Jan Barney Newman

President, Ann Arbor District Library Board

Richard N. Robb, DDS

Regent Emeritus, Eastern Michigan University



www.boaa.com



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 East 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

Q1 '16: Excellent Start

Arbor Bancorp, Inc.

Statement of Condition, March 31, 2016

Greetings fellow shareholders: April 2016

We enjoyed a successful Annual Shareholders Meeting at Barton Hills Country Club last week. In line with our record-level performance, we had the largest attendance ever as 120 shareholders attended the meeting. It was an enjoyable celebration of the performance of the bank, our twenty year anniversary, and provided a wonderful forum to renew old acquaintances. It was also a nice opportunity to recognize Bill Martin for his vision twenty one years ago to begin the process to organize a new local community bank. In addition to many founding shareholders and family members in attendance, we paid tribute to another founding shareholder, Tony Procassini, who was celebrating his 95th birthday! Please mark your calendars for Monday, April 17, 2017 and plan to join us for the next Annual Shareholders Meeting at Barton.

On behalf of all of my colleagues, the World's Best Bankers, I am pleased to report that we have gotten off to an excellent start to 2016. During a time when many banks have reported reductions in revenue and earnings for the first quarter, your team has increased total revenue by 10.6% and earnings have improved by 16.8%, eclipsing \$3.8 million for the quarter. The improvement in earnings continues to be driven by our balance sheet growth, higher levels of earning assets, and a strong start to the year by our residential mortgage area. Congrats as well to our Commercial Banking team and all of our colleagues at UniFi Equipment Finance who continue to drive growth in the commercial and lease portfolios with high quality assets. The growth in our lending areas has happened without relaxing our credit policies as our credit quality metrics remain very strong.

Thank you for everything you do to help us be so successful. Our continued record-level results would not happen without the support and ongoing contributions from our employees, directors, shareholders, clients, and the community. We are excited to get the year off to a very good start. If you happen to have any referrals or questions, please do not hesitate to call me.

Sincerely,



Timothy G. Marshall
President and CEO

ARBOR BANCORP, INC.

Balance Sheet

(000's omitted)	As of March 31	
	2016	2015
Assets:		
Cash	\$ 14,316	\$ 16,699
Overnight Investments	142,953	170,370
Investments	149,489	146,640
Loans:		
Commercial	617,598	552,349
Leases	108,801	61,324
Residential Mortgages	79,481	80,334
Mortgages held for resale	4,667	6,971
Installment	32,642	37,227
Total loans	843,189	738,205
Allowance for loan loss	(15,019)	(12,803)
Interest receivable	2,341	1,949
Bank Owned Life Insurance	19,892	14,420
Other Real Estate Owned	1,575	521
Other assets	12,782	13,357
Bank premises and equip.	18,357	13,852
Total Assets	\$1,189,875	\$1,103,210
Liabilities and Capital:		
Deposits		
Demand	\$ 297,214	\$ 272,382
NOW	82,238	76,724
Smart One	203,077	167,709
Money market savings	272,947	268,933
Savings	60,909	51,841
CDs < \$100,000	26,904	31,930
CDs > \$100,000	79,953	83,211
Total deposits	1,023,242	952,730
Federal Home Loan Bank advances	744	887
Repurchase agreements	56,427	52,406
Other debt	-	-
Interest payable	139	163
Other liabilities	12,288	13,401
Trust Preferred Securities	5,000	5,000
Retained earnings	84,991	72,078
Unrealized gain/(loss) on securities held for sale	1,877	2,073
Common stock	5,167	4,472
Total Capital	92,035	78,623
Total Liabilities and Capital	\$1,189,875	\$1,103,210

Income Statement

(000's omitted)	For three months ended	
	3/31/16	3/31/15
Interest income:		
Loans	\$9,775	\$8,449
Overnight Investments	214	114
Investments	800	796
Loans fees	368	487
Total income and fees	11,157	9,846
Interest expense:		
NOW	33	28
Smart One	98	72
Money market savings	155	110
Savings	22	23
CD's < \$100,000	32	44
CD's > \$100,000	86	92
Repurchase agreements	43	43
Other borrowed money	50	51
Total interest expense	519	463
Net interest income	10,638	9,383
Provision for loan losses	490	478
Net interest income after provision for loan losses	10,148	8,905
Other income:		
Service charges	122	102
Mortgage origination	347	443
Trust income	1,158	1,121
Miscellaneous income	791	757
Total other income	2,418	2,423
Operating expenses:		
Salaries and benefits	4,803	4,629
Marketing and bus. development	296	266
Building and equipment	764	716
Contracted services	685	637
FDIC expense	150	138
Other expenses	476	336
Total operating expenses	7,174	6,722
Net income before tax	5,392	4,606
Federal income tax	1,575	1,338
Net Income	\$ 3,817	\$ 3,268
Earnings per Share	\$ 4.25	\$ 3.67