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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 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

Birmingham

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

Q1 '17: Very Strong Start.

Arbor Bancorp, Inc.

Statement of Condition, March 31, 2017

Greetings fellow shareholders:

May 2017

We enjoyed another successful Annual Shareholders Meeting at Barton Hills Country Club on April 17. In line with our record setting performance, we had the largest attendance ever at an annual meeting. It was a great way to celebrate the 2016 performance of the bank and provided a wonderful venue to renew old acquaintances. It was exciting to see the large number of original shareholders and family members joined by a wonderful mix of shareholders who have acquired shares since the bank opened in January 1996.

On behalf of all of my colleagues at the bank, the World's Best Bankers, I am pleased to report that we have gotten off to a very strong start to the year. Our earnings for the quarter at \$4.2 million reflected a 10.4% improvement over the prior year. Achieving this level of earnings was encouraging to all of us as we expensed over \$1.1 million in acquisition related expenses associated with the merger of Bank of Birmingham which closed on January 6, 2017. We will not be incurring any additional significant acquisition related expenses and anticipate stronger quarterly results as we move through the remainder of 2017. Our increase in earnings is being driven by the addition of our new Birmingham office, strength in all revenue producing areas, and thoughtful management of operating expenses.

You can see the impact of the addition of Birmingham on our balance sheet as we finished the quarter at nearly \$1.5 billion in total assets. There was a significant amount of earning asset growth as Birmingham added approximately \$260 million in total loans. You will also note a few additions to the balance sheet such as goodwill which was the amount that we paid in excess of their total capital. In addition, on the liability side of the balance sheet you will see that we financed the acquisition with a combination of subordinated debt and preferred stock. We continue to be very pleased with the addition of the Birmingham team. They have exceeded all of our original financial projections since we merged in January.

Thanks again for all of your support. If we can be helpful on a referral or question, 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	
	2017	2016
Assets:		
Cash	\$ 30,806	\$ 14,316
Overnight investments	82,211	142,953
Investments	126,514	149,489
Loans:		
Commercial	881,976	617,598
Leases	163,984	108,801
Residential mortgages	97,072	79,481
Mortgages held for resale	2,244	4,667
Installment	42,397	32,642
Total loans	1,187,673	843,189
Allowance for loan loss	(16,805)	(15,019)
Interest receivable	3,175	2,341
Bank owned life insurance	23,153	19,892
Goodwill	13,356	-
Other assets	20,867	14,357
Bank premises and equip.	21,238	18,357
Total Assets	\$1,492,188	\$1,189,875
Liabilities and Capital:		
Deposits		
Demand	\$ 381,135	\$ 297,214
NOW	127,100	82,238
Smart one	205,801	203,077
Money market savings	318,834	272,947
Savings	91,658	60,909
CDs < \$100,000	28,288	26,904
CDs > \$100,000	139,965	79,953
Total deposits	1,292,781	1,023,242
Repurchase agreements	38,018	56,427
Other debt	5,681	744
Sub debt	22,650	-
Interest payable	208	139
Other liabilities	9,520	12,288
Trust preferred securities	5,000	5,000
Preferred stock	12,196	-
Retained earnings	39,757	84,991
Unrealized gain/(loss) on securities held for sale	834	1,877
Common stock	65,543	5,167
Total Capital	118,330	92,035
Total Liabilities and Capital	\$1,492,188	\$1,189,875

Income Statement

(000's omitted)	For three months ended	
	3/31/17	3/31/16
Interest income:		
Loans	\$13,644	\$9,775
Overnight investments	214	214
Investments	724	800
Loans fees	437	368
Total income and fees	15,019	11,157
Interest expense:		
NOW	50	33
Smart one	91	98
Money market savings	201	155
Savings	50	22
CD's < \$100,000	30	32
CD's > \$100,000	177	86
Repurchase agreements	32	43
Sub debt	392	-
Other debt	108	50
Total interest expense	1,131	519
Net interest income	13,888	10,638
Provision for loan losses	750	490
Net interest income after provision for loan losses	13,138	10,148
Other income:		
Service charges	169	122
Mortgage origination	392	347
Trust income	1,368	1,158
Miscellaneous income	1,280	791
Total other income	3,209	2,418
Operating expenses:		
Salaries and benefits	6,658	4,803
Marketing and bus. development	414	296
Building and equipment	1,023	764
Contracted services	1,076	685
FDIC expense	230	150
Other expenses	871	476
Total operating expenses	10,272	7,174
Net income before tax	6,075	5,392
Federal income tax	1,862	1,575
Net Income	\$ 4,213	\$ 3,817
Earnings per Share	\$ 4.62	\$ 4.25