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Member
FDIC

Downtown Ann Arbor

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

Downtown Saline

179 E. 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

Q3 '17: Best Banks to Work for in the U.S.A.

Arbor Bancorp, Inc.

Statement of Condition, September 30, 2017

Greetings fellow shareholders: October 2017

I am pleased to report that our team of the World's Best Bankers has continued to push our operating performance to new and higher levels. We have now completed three quarters in 2017 and have a number of milestones to highlight:

- Commercial loans outstanding exceeded \$900 million;
- Net leases are approaching \$170 million and have more than doubled over the past two years;
- Our credit quality continues to outperform industry averages;
- Total deposits eclipsed \$1.3 billion for the second consecutive quarter and we moved from the 22nd largest deposit market share in Michigan to the 16th largest this year;
- Total assets in our Trust and Investment Group exceeded \$1.3 billion for the first time in our history, pushing revenue levels up by over 21% in this area; and
- Total assets topped \$1.5 billion.

The significant growth in our balance sheet, earning assets, and revenue levels has helped generate year to date record-level earnings. Our earnings through the end of September of \$16.3 million reflects a nearly 34% improvement over the record-level earnings of \$12.2 million posted last year at this time.

While some banks are reporting difficulty in growing revenue and earnings, we continue to experience significant growth. Embracing the beliefs in place since the founding of the bank, we remain laser focused on doing what is right for our clients, the communities we serve, our exceptional team of bankers, and you, our valued shareholders. Embracing these core principals and executing at high levels continues to lead more people to do business with Bank of Ann Arbor. It also leads others to recognize our bank as a leader in the industry. During this most recent quarter we were recognized, for the third time in the last five years, as one of the Best Banks to Work For in the U.S. by the American Banker, the leading publication in the industry. In addition, our wellness program at the bank was recognized as one of Michigan's Best and Brightest in Wellness.

As we move towards year end and a potential eighth consecutive year of record-level performance, we wish you and yours a safe and joyous holiday season. Thank you for all that you do to help us be successful and let me know if you have any referrals for us to pursue.

Sincerely,



Timothy G. Marshall
President and CEO

ARBOR BANCORP, INC.

Balance Sheet

(000's omitted)	As of September 30	
	2017	2016
Assets:		
Cash	\$ 22,401	\$ 18,501
Overnight investments	116,019	204,447
Investments	117,544	138,151
Loans:		
Commercial	905,231	658,476
Leases	169,376	122,639
Residential mortgages	97,703	71,664
Mortgages held for resale	1,980	6,589
Installment	41,815	29,043
Total loans	1,216,105	888,411
Allowance for loan loss	(17,231)	(15,892)
Interest receivable	3,253	2,271
Bank owned life insurance	23,463	20,168
Goodwill	13,356	-
Other assets	19,627	13,270
Bank premises and equip.	21,047	19,946
Total Assets	<u>\$1,535,584</u>	<u>\$1,289,273</u>
Liabilities and Capital:		
Deposits		
Demand	\$ 427,286	\$342,882
NOW	147,698	93,030
Smart one	236,367	195,682
Money market savings	275,991	309,772
Savings	93,041	58,153
CDs < \$100,000	24,514	25,401
CDs > \$100,000	108,228	92,244
Total deposits	1,313,125	1,117,164
Repurchase agreements	45,955	54,999
Other debt	5,481	733
Sub debt	22,650	-
Interest payable	164	152
Other liabilities	12,345	10,692
Trust preferred securities	5,000	5,000
Preferred stock	12,196	-
Retained earnings	52,041	93,395
Unrealized gain/(loss) on securities held for sale	993	1,884
Common stock	65,634	5,254
Total Capital	130,864	100,533
Total Liabilities and Capital	<u>\$1,535,584</u>	<u>\$1,289,273</u>

Income Statement

(000's omitted)	For nine months ended	
	9/30/17	9/30/16
Interest income:		
Loans	\$ 43,136	\$29,864
Overnight investments	1,030	557
Investments	2,100	2,357
Loans fees	1,771	1,496
Total income and fees	48,037	34,274
Interest expense:		
NOW	210	100
Smart one	301	282
Money market savings	600	437
Savings	151	67
CD's < \$100,000	85	93
CD's > \$100,000	455	261
Repurchase agreements	98	122
Sub debt	1,181	-
Other debt	891	152
Total interest expense	3,972	1,514
Net interest income	44,065	32,760
Provision for loan losses	1,483	1,829
Net interest income after provision for loan losses	42,582	30,931
Other income:		
Service charges	458	385
Mortgage origination	1,341	1,736
Trust income	4,475	3,682
Miscellaneous income	4,229	2,667
Total other income	10,503	8,470
Operating expenses:		
Salaries and benefits	18,597	14,949
Marketing and bus. development		
	1,548	1,040
Building and equipment	2,974	2,246
Contracted services	3,085	2,094
FDIC expense	647	471
Other expenses	2,292	1,171
Total operating expenses	29,143	21,971
Net income before tax	23,942	17,430
Federal income tax	7,632	5,208
Net Income	<u>\$16,310</u>	<u>\$ 12,222</u>
Earnings per Share	<u>\$ 5.94</u>	<u>\$ 4.51</u>