

## Board of Directors

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**Thomas P. Borders**

*President, Midtown Group, Inc.*

**Jan L. Garfinkle**

*Founder, Managing Director,  
Arboretum Ventures*

**Isadore J. King**

*President & Owner,  
King Consultant Group, LLC*

**Timothy G. Marshall**

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

**Michael C. Martin**

*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**

*President & Owner, Sesi Motors, Inc.*

**Cynthia H. Wilbanks**

*Vice President for Government Relations,  
University of Michigan*

**Jeffrey S. Williams**

*Chairman & Chief Executive Officer,  
NeuMoDx Molecular, Inc.*

## Directors Emeritus

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**James W. Anderson, Jr.**

*President, The Anderson Associates*

**Richard P. Eidswick**

*Managing Partner, Arbor Partners*

**Jan Barney Newman**

*Trustee, Ann Arbor District Library Board*

**Richard N. Robb, DDS**

*Regent Emeritus, Eastern Michigan University*



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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

# Q3 '18: Heartfelt Gratitude

**Arbor Bancorp, Inc.**

Statement of Condition, September 30, 2018

Greetings fellow shareholders: October 2018

I am pleased to report that our team of the World's Best Bankers has continued to push operating performance to new and higher levels. It is with heartfelt gratitude that I offer my sincerest appreciation to all the people who contribute to our success; our board members and shareholders, our Bank of Ann Arbor colleagues, our many referral sources and, most importantly, our loyal and committed customers. Each and every day our team is laser focused on customer service and consistently performs at an extremely high level. We are most grateful for the ever-increasing number of individuals and businesses who have chosen to bank with us. Our customers and the communities we serve truly embrace the value of community banking.

We have completed three quarters of the current fiscal year and have reason to celebrate a few milestones achieved on our income statement during this most recent quarter:

(millions)	<u>9/30/18</u>	<u>9/30/17</u>	<u>% Change</u>
Total Revenue	\$59,623	\$54,568	9.3%
Quarterly Earnings	\$7,025	\$6,187	13.5%
Net Income	\$21,655	\$16,310	32.8%

The increase in earnings is being positively impacted by higher levels of net interest income generated from the continued growth in our balance sheet and record-level performance by our Trust and Investment Group. The total assets on our balance sheet exceeded \$1.65 billion at quarter end, a year over year increase of \$119 million. The Trust and Investment Group is enjoying a very special year as revenue exceeded \$5.5 million at quarter end. The growth in trust income is being driven by the 22.5% increase in trust and investment assets to nearly \$1.6 billion. If you haven't had an opportunity to meet with a member of our trust and investment area, I would encourage you to consider scheduling an appointment to see how we can be helpful.

As we move towards year end and a potential ninth consecutive year of record-level performance, we wish you and yours a safe and joyous holiday season. Thank you for all 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	
	2018	2017
<b>Assets:</b>		
Cash	\$ 22,481	\$ 22,401
Overnight investments	162,655	116,019
Investments	109,938	117,544
<b>Loans:</b>		
Commercial	989,566	905,231
Leases	172,798	169,376
Residential mortgages	98,416	97,703
Mortgages held for resale	2,180	1,980
Installment	37,509	41,815
<b>Total loans</b>	<b>1,300,469</b>	<b>1,216,105</b>
Allowance for loan loss	(19,013)	(17,231)
Interest receivable	3,681	3,253
Bank owned life insurance	24,303	23,463
Goodwill	13,087	13,356
Other assets	16,734	19,627
Bank premises and equip.	20,242	21,047
<b>Total Assets</b>	<b>\$1,654,577</b>	<b>\$1,535,584</b>
<b>Liabilities and Capital:</b>		
<b>Deposits</b>		
Demand	\$ 475,385	\$ 427,286
NOW	182,198	147,698
Smart one	209,679	236,367
Money market savings	291,401	275,991
Savings	93,607	93,041
CDs < \$100,000	21,697	24,514
CDs > \$100,000	94,747	108,228
<b>Total deposits</b>	<b>1,368,714</b>	<b>1,313,125</b>
Repurchase agreements	34,023	45,955
Other debt	4,884	5,481
FHLB advances	60,000	-
Sub debt	22,650	22,650
Interest payable	399	164
Other liabilities	8,918	12,345
Trust preferred securities	5,000	5,000
Preferred stock	12,196	12,196
Retained earnings	71,797	52,041
Unrealized gain/(loss) on securities held for sale	(736)	993
Common stock	66,732	65,634
<b>Total Capital</b>	<b>149,989</b>	<b>130,864</b>
<b>Total Liabilities and Capital</b>	<b>\$1,654,577</b>	<b>\$1,535,584</b>

### Income Statement

(000's omitted)	For nine months ended	
	9/30/18	9/30/17
<b>Interest income:</b>		
Loans	\$ 48,918	\$ 43,136
Overnight investments	1,545	1,030
Investments	2,075	2,100
Loans fees	1,699	1,771
<b>Total income and fees</b>	<b>54,237</b>	<b>48,037</b>
<b>Interest expense:</b>		
NOW	464	210
Smart one	688	301
Money market savings	1,040	600
Savings	228	151
CD's < \$100,000	97	85
CD's > \$100,000	577	455
Repurchase agreements	108	98
FHLB advances	850	-
Sub debt	1,177	1,181
Other debt	364	333
<b>Total interest expense</b>	<b>5,593</b>	<b>3,414</b>
<b>Net interest income</b>	<b>48,644</b>	<b>44,623</b>
<b>Provision for loan losses</b>	<b>2,066</b>	<b>1,483</b>
<b>Net interest income after provision for loan losses</b>	<b>46,578</b>	<b>43,140</b>
<b>Other income:</b>		
Service charges	515	458
Mortgage origination	1,037	1,341
Trust income	5,510	4,475
Miscellaneous income	3,917	4,229
<b>Total other income</b>	<b>10,979</b>	<b>10,503</b>
<b>Operating expenses:</b>		
Salaries and benefits	19,048	18,597
Marketing and business development	1,556	1,548
Building and equipment	3,009	2,974
Contracted services	3,103	3,085
FDIC expense	460	647
Other expenses	2,734	2,292
<b>Total operating expenses</b>	<b>29,910</b>	<b>29,143</b>
<b>Net income before tax</b>	<b>27,647</b>	<b>24,500</b>
<b>Federal income tax</b>	<b>5,436</b>	<b>7,632</b>
<b>Net Income</b>	<b>\$ 22,211</b>	<b>\$16,868</b>
<b>Preferred stock dividends</b>	<b>\$ 556</b>	<b>\$ 558</b>
<b>Net income available to common shareholders</b>	<b>\$21,655</b>	<b>\$ 16,310</b>
<b>Earnings per Share</b>	<b>\$ 7.73</b>	<b>\$ 5.94</b>