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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 '18: Noteworthy Start to 2018.

Arbor Bancorp, Inc.

Statement of Condition, March 31, 2018

Greetings fellow shareholders: April 2018

We enjoyed another successful Annual Shareholders meeting on April 16 at Barton Hills Country Club. It was a delightful celebration of another record-level performance for the bank, our twenty-second anniversary, and provided a wonderful opportunity to renew old acquaintances. Bill Martin welcomed the large group of shareholders and highlighted recent recognition of the bank by S&P Global Market Intelligence which analyzed the 2017 performance of banks with \$1 billion to \$10 billion in assets. Out of 627 banks in this asset range, Bank of Arbor was recognized as the third best performing bank. An abbreviated list of the rankings is included for your review. Congratulations to all of our colleagues, the World's Best Bankers, for this terrific recognition.

I am pleased to report that we have gotten off to another very strong start to the year. Our net income for the quarter at \$7.2 million reflected a 71.4% improvement over the prior year. There were three factors influencing this exceptional year over year improvement. As you recall, we incurred over \$1.1 million in acquisition related expenses associated with the merger of Bank of Birmingham, which closed in January 2017. These were one-time and non-recurring expenses. Second, the tax law change went into effect on January 1, 2018, which lowered our corporate tax rate from 35% to 21%. The lower tax rate reduced the federal income tax of the bank by over \$1 million. Lastly, all of our revenue producing areas are hitting on all cylinders. The loan portfolio, our highest earning asset, finished the quarter at record high levels, which fueled a 13% increase in net interest income. Other income is on pace for record performance in 2018, led by our Trust and Investment Management Group, and our operating expenses are lower than the prior year.

Thank you for everything you do to help us be successful. Our high performance would not happen without the support of our employees, directors, shareholders, clients, and the community. All of us are excited to get 2018 off to such a strong start. If I can be helpful, 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	
	2018	2017
Assets:		
Cash	\$ 20,731	\$ 30,806
Overnight investments	83,916	82,211
Investments	116,451	126,514
Loans:		
Commercial	977,842	881,976
Leases	177,956	163,984
Residential mortgages	98,152	97,072
Mortgages held for resale	1,346	2,244
Installment	38,173	42,397
Total loans	1,293,469	1,187,673
Allowance for loan loss	(17,805)	(16,805)
Interest receivable	3,463	3,175
Bank owned life insurance	23,997	23,153
Goodwill	13,087	13,356
Other assets	17,261	20,867
Bank premises and equip.	20,680	21,238
Total Assets	\$1,575,250	\$1,492,188
Liabilities and Capital:		
Deposits		
Demand	\$443,844	\$ 381,135
NOW	151,321	127,100
Smart one	223,873	205,801
Money market savings	241,929	318,834
Savings	97,047	91,658
CDs < \$100,000	22,200	28,288
CDs > \$100,000	100,610	139,965
Total deposits	1,280,824	1,292,781
Repurchase agreements	46,417	38,018
Fed funds purchased	10,000	-
Other debt	5,277	5,681
FHLB advances	60,000	-
Sub debt	22,650	22,650
Interest payable	235	208
Other liabilities	9,385	9,520
Trust preferred securities	5,000	5,000
Preferred stock	12,196	12,196
Retained earnings	57,350	39,757
Unrealized gain/(loss) on securities held for sale	(232)	834
Common stock	66,148	65,543
Total Capital	135,462	118,330
Total Liabilities and Capital	\$ 1,575,250	\$ 1,492,188

Income Statement

(000's omitted)	For three months ended	
	3/31/18	3/31/17
Interest income:		
Loans	\$15,518	\$13,644
Overnight investments	238	214
Investments	701	724
Loans fees	559	437
Total income and fees	17,016	15,019
Interest expense:		
NOW	103	50
Smart one	149	91
Money market savings	192	201
Savings	62	50
CD's < \$100,000	24	30
CD's > \$100,000	185	177
Repurchase agreements	35	32
FHLB advances	58	-
Sub debt	388	392
Other debt	115	108
Total interest expense	1,311	1,131
Net interest income	15,705	13,888
Provision for loan losses	610	750
Net interest income after provision for loan losses	15,095	13,138
Other income:		
Service charges	162	169
Mortgage origination	274	392
Trust income	1,756	1,368
Miscellaneous income	1,382	1,280
Total other income	3,574	3,209
Operating expenses:		
Salaries and benefits	6,281	6,658
Marketing and bus. development	378	414
Building and equipment	1,018	1,023
Contracted services	954	1,076
FDIC expense	193	230
Other expenses	877	871
Total operating expenses	9,701	10,272
Net income before tax	8,968	6,075
Federal income tax	1,758	1,862
Net Income	\$ 7,210	\$ 4,213
Preferred stock dividends	\$ 185	\$ 185
Net income available to common shareholders	\$ 7,025	\$ 4,028
Earnings per Share	\$ 2.52	\$ 1.56

Best-performing community banks of 2017 with \$1B to \$10B in assets

Based on financials for year ended Dec. 31, 2017

Rank	Company (top-level ticker)	City, state	Ranking metrics						
			Total assets (\$M)	ROATCE before tax (%)	NCOs/average loans (%)	Efficiency ratio FTE (%)	Adjusted Texas ratio (%) ¹	Net interest margin FTE (%)	Loan growth rate (%)
1	Sterling Bancorp Inc. (SBT)	Southfield, MI	2,963.4	37.85	-0.04	35.22	1.27	4.14	36.2
2	RBB Bancorp (RBB)	Los Angeles, CA	1,691.1	25.54	-0.05	37.16	1.13	4.10	21.3
3	Arbor Bancorp Inc.	Ann Arbor, MI	1,538.2	31.32	0.10	53.59	4.23	5.16	37.8
4	Bridgewater Bancshares Inc.	Bloomington, MN	1,616.6	21.91	0.00	42.77	2.60	3.94	34.6
5	Cross River Bank	Teaneck, NJ	1,372.9	45.11	2.08	37.62	0.01	7.15	57.9
6	Pacific Premier Bancorp Inc. (PPBI)	Irvine, CA	8,024.5	20.53	0.02	58.17	0.75	4.51	91.4
7	Metro City Bank (MCBS)	Doraville, GA	1,292.2	46.36	0.16	36.91	6.15	4.75	14.0
8	Cache Valley Bank	Logan, UT	1,102.1	30.79	0.01	45.24	13.85	4.97	18.9
9	Central Bank	Provo, UT	1,017.1	16.38	-0.08	45.75	6.45	5.10	19.0
10	BofI Holding Inc. (BOFI)	San Diego, CA	8,916.0	28.94	0.07	37.61	4.20	4.10	15.2
11	Live Oak Bancshares Inc. (LOB)	Wilmington, NC	2,758.5	39.25	0.21	53.60	1.34	3.94	55.5
12	Nicolet Bankshares Inc. (NCBS)	Green Bay, WI	2,933.3	23.00	0.08	56.97	5.21	4.32	32.8
13	Independent Bank Group Inc. (IBTX)	McKinney, TX	8,684.5	22.30	0.01	55.38	4.13	3.90	42.1
14	Eagle Bancorp Inc. (EGBN)	Bethesda, MD	7,479.0	23.38	0.06	37.26	2.19	4.13	12.3
15	Preferred Bank (PFBC)	Los Angeles, CA	3,771.5	25.98	0.07	36.28	2.76	3.83	15.6
16	National Commerce Corp. (NCOM)	Birmingham, AL	2,737.7	17.59	0.05	60.03	1.55	4.45	44.4
17	Merchants Bancorp (MBIN)	Carmel, IN	3,400.3	37.32	0.02	30.24	1.31	2.35	39.0
18	Sunwest Bank	Irvine, CA	1,176.9	16.35	-0.32	57.33	3.33	5.07	10.3
19	People's Utah Bancorp (PUB)	American Fork, UT	2,123.5	15.37	0.09	58.79	2.85	4.81	43.6
20	Pacific City Bank (PCFC)	Los Angeles, CA	1,442.0	23.83	0.08	51.23	2.05	4.23	15.7
21	CenterState Bank Corp. (CSFL)	Winter Haven, FL	7,124.0	19.25	-0.02	59.49	6.19	4.31	39.7
22	CVB Financial Corp. (CVBF)	Ontario, CA	8,270.6	20.26	-0.14	42.93	1.93	3.64	9.9
23	Poppy Bank	Santa Rosa, CA	1,612.1	22.17	0.22	34.10	8.96	3.92	36.1
24	Northern Bancorp Inc.	Woburn, MA	2,069.7	29.21	0.06	41.63	14.89	4.21	22.2
25	First National Bank of America	East Lansing, MI	1,364.7	39.79	0.09	42.32	35.15	6.78	22.6
26	Olney Bancshares of Texas Inc.	Olney, TX	3,495.5	26.08	0.04	45.31	12.09	4.43	13.7
27	Hingham Institution for Savings (HIFS)	Hingham, MA	2,284.6	25.47	0.00	30.08	1.28	3.05	14.2
28	FB Financial Corp. (FBK)	Nashville, TN	4,727.7	19.19	-0.12	73.99	7.33	4.64	56.7
29	Carolina Financial Corp. (CARO)	Charleston, SC	3,524.1	18.57	0.00	60.46	2.94	3.91	94.6
30	First Merchants Corp. (FRME)	Muncie, IN	9,368.6	18.20	0.00	54.76	4.45	3.90	31.4
31	Commonwealth Business Bank (CBB)	Los Angeles, CA	1,078.8	22.10	0.04	52.93	2.99	4.17	14.2
32	WestStar Bank Holding Co. Inc.	El Paso, TX	1,667.9	22.61	0.05	49.96	5.74	4.37	10.0
33	Heritage Commerce Corp. (HTBK)	San Jose, CA	2,843.6	23.48	-0.03	52.85	1.16	4.00	5.2
34	Choice Financial Holdings Inc.	Fargo, ND	1,251.5	27.84	-0.15	54.21	9.58	4.33	3.9
35	Inwood Bancshares Inc.	Dallas, TX	2,615.4	23.49	-0.01	46.23	0.36	3.46	6.5
36	State Bank Financial Corp. (STBZ)	Atlanta, GA	4,958.6	16.26	0.13	58.31	2.84	4.69	24.5
37	First Busey Corp. (BUSE)	Champaign, IL	7,860.6	20.45	-0.01	58.54	5.85	3.59	35.8
38	United Business Bank (BCML)	Walnut Creek, CA	1,245.3	15.51	0.00	64.49	0.96	4.04	75.9
39	ServisFirst Bancshares Inc. (SFBS)	Birmingham, AL	7,082.4	24.90	0.29	34.56	3.38	3.68	19.1
40	Post Oak Bancshares Inc.	Houston, TX	1,430.6	16.39	0.00	56.93	3.44	4.23	23.9
41	River City Bank (RCBC)	Sacramento, CA	2,037.8	20.34	-0.08	38.42	0.08	2.82	14.5
42	Home Bancorp Inc. (HBCP)	Lafayette, LA	2,228.1	16.32	0.00	57.94	13.30	4.56	35.0
43	Unity Bancorp Inc. (UNTY)	Clinton, NJ	1,455.5	20.38	0.06	55.30	3.30	3.92	20.3
44	Bank of Commerce	Ammon, ID	1,168.4	13.78	0.04	46.66	4.83	4.28	19.2
45	West Bancorp. Inc. (WTBA)	West Des Moines, IA	2,114.4	20.99	-0.02	45.41	0.32	3.38	7.9

About this analysis

To compile this ranking, S&P Global Market Intelligence calculated scores for each bank and thrift based on six metrics: pretax return on average tangible common equity, net charge-offs as a percentage of average loans, efficiency ratio, adjusted Texas ratio, net interest margin on a fully taxable equivalent basis and loan growth. Each company's standard deviation from the industry mean was calculated for every ranking metric, equally weighted, then added together to calculate a performance score. To help normalize the data and mitigate the impact of outliers, caps and floors were applied for each metric.

To be eligible for the ranking, a company had to possess a loan-to-asset ratio of at least 33.33%, and no more than half of its loan portfolio could come from credit cards. Furthermore, the company had to be well-capitalized according to 2017 regulatory standards, and no more than half of the institution's revenue could come from nontraditional banking activities.

All companies were ranked at the holding company level if consolidated data was reported; otherwise, the commercial bank, savings bank or savings & loan association subsidiary was used. Companies with parents above \$10 billion in assets were excluded.

Based on the above criteria, 533 companies were eligible for the ranking.