

Board of Directors

Joshua T. Borders

*Vice President of Mortgage Lending,
Independent Bank*

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

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



www.boaa.com



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 '19: Strong Operating Performance

Arbor Bancorp, Inc.

Statement of Condition, September 30, 2019

Greetings fellow shareholders: October 2019

Please join me in congratulating our team, the World's Best Bankers, on a very successful first nine months of the year. As we set our plans for 2019 in the fourth quarter of 2018, the ten-year treasury had peaked at 3.24%, the Federal Reserve had raised short term interest six times with the anticipation of continuing to drive short term rates higher this year.

Fast forward to the current quarter. There have been no short-term rate increases this year and the Federal Reserve lowered rates twice in the quarter. The ten-year treasury hit 1.47% in August, the yield curve inverted with long term rates significantly lower than short term rates, and the two-year treasury exceeded the yield on the ten-year for several days, which has been a historical predictor of a pending recession. Faced with the interest rate headwinds and other headwinds creating uncertainty in the markets, our team has successfully fought through it and delivered another successful quarter of results.

Year to date earnings increased \$1.8 million or 7.3% to over \$23.2 million. The increase in earnings was due to increased net interest income generated from the year-over-year increase in total earning assets and managing our operating expenses below budgeted levels on a year to date basis. We continue to generate success by growing revenue at a faster pace than operating expenses. In addition, the "other debt" on the balance sheet in the amount of \$4.4 million, acquired in the Bank of Birmingham acquisition, was paid off in the third quarter which will reduce interest expense going forward. I would also like to provide a shout out to UniFi Equipment Finance, our wholly owned small ticket leasing subsidiary, as its earnings through the third quarter eclipsed its total earnings in 2018. Year to date earnings at UniFi are up by 59% over the same period last year. Lastly, our credit quality at the bank and UniFi remains pristine.

In closing, I would like to congratulate Jeff Stanton, our SVP and Chief Information Officer, on his pending retirement later this year. Jeff joined the bank in August 1996 and has successfully managed the IT Department as the bank enjoyed significant growth and the landscape of technology and security changed dramatically. We wish Jeff the best in his retirement.

Sincerely,



Timothy G. Marshall
President and CEO

ARBOR BANCORP, INC.

Balance Sheet

(000's omitted)	As of September 30	
	2019	2018
Assets:		
Cash	\$ 28,634	\$ 22,481
Overnight investments	194,739	162,655
Investments	85,254	109,938
Loans:		
Commercial	1,047,764	989,566
Leases	159,303	172,798
Residential mortgages	99,622	98,416
Mortgages held for resale	4,064	2,180
Installment	34,318	37,509
Total loans	1,345,071	1,300,469
Allowance for loan loss	(19,015)	(19,013)
Interest receivable	3,480	3,681
Bank owned life insurance	30,184	24,303
Goodwill	13,087	13,087
Other assets	12,811	16,734
Bank premises and equip.	19,216	20,242
Total Assets	\$1,713,461	\$1,654,577
Liabilities and Capital:		
Deposits		
Demand	\$468,390	\$475,385
NOW	184,176	182,198
Smart one	231,655	209,679
Money market savings	286,961	291,401
Savings	91,541	93,607
CDs < \$100,000	21,339	21,697
CDs > \$100,000	87,380	94,747
Total deposits	1,371,442	1,368,714
Repurchase agreements	42,369	34,023
Other debt	-	4,884
FHLB advances	90,000	60,000
Sub debt	22,650	22,650
Interest payable	572	399
Other liabilities	7,097	8,918
Trust preferred securities	5,000	5,000
Preferred stock	12,196	12,196
Retained earnings	99,072	71,797
Unrealized gain/(loss) on securities held for sale	96	(736)
Common stock	62,967	66,732
Total Capital	174,331	149,989
Total Liabilities and Capital	\$1,713,461	\$1,654,577

Income Statement

(000's omitted)	For nine months ended	
	9/30/19	9/30/18
Interest income:		
Loans	\$ 52,304	\$ 48,918
Overnight investments	3,357	1,545
Investments	1,812	2,075
Loans fees	1,829	1,699
Total income and fees	59,302	54,237
Interest expense:		
NOW	1,631	464
Smart one	928	688
Money market savings	1,366	1,040
Savings	273	228
CD's < \$100,000	184	97
CD's > \$100,000	971	577
Repurchase agreements	122	108
FHLB advances	1,733	850
Sub debt	1,177	1,177
Other debt	348	364
Total interest expense	8,733	5,593
Net interest income	50,569	48,644
Provision for loan losses	1,321	2,066
Net interest income after provision for loan losses	49,248	46,578
Other income:		
Service charges	548	515
Mortgage origination	945	1,037
Trust income	5,742	5,510
Miscellaneous income	3,468	3,917
Total other income	10,703	10,979
Operating expenses:		
Salaries and benefits	19,870	19,048
Marketing and business development	1,810	1,556
Building and equipment	3,104	3,009
Contracted services	3,185	3,103
Other expenses	2,629	3,194
Total operating expenses	30,598	29,910
Net income before tax	29,353	27,647
Federal income tax	5,557	5,436
Net Income	\$ 23,796	\$ 22,211
Preferred stock dividends	\$ 556	\$ 556
Net income available to common shareholders	\$ <u>23,240</u>	\$ <u>21,655</u>
Earnings per Share	\$ <u>8.25</u>	\$ <u>7.73</u>

FOR IMMEDIATE RELEASE

Contact: Timothy Marshall, 734.662.1600

Media Release



Bank of Ann Arbor Welcomes Kennicott and Spencer

Ann Arbor, Michigan, October 22, 2019 – Bank of Ann Arbor would like to welcome Amanda Kennicott and Rich Spencer to the team.

Amanda Kennicott, Vice President and Private Banking Officer, joins Bank of Ann Arbor in the Birmingham office with more than 15 years of retail banking experience as a branch manager, banking center officer, and mortgage loan officer. She held the position of retail branch manager for the past twelve years, leading a branch team, performing supervisory tasks, and servicing clients with deposit, loan, and investment products. She earned her Bachelor of Arts in Secondary Education with a major in English and a minor in History from Saginaw Valley State University. Active in the community, she has volunteered at the Jackson County Animal Shelter, hosted financial education workshops through Strategies to Overcome Obstacles and Avoid Recidivism, and previously served as a member of the Belleville Chamber of Commerce.

Serving as Senior Vice President and Chief Innovation & Information Officer, Rich Spencer comes to Bank of Ann Arbor with an extensive background in operations and information technology. With nearly 15 years of experience, he most recently served as the Chief Innovation and Information Officer at another banking institution, where he was responsible for IT transformation, enterprise risk management, vendor management, cybersecurity prevention, and strategic planning. Rich comes to Bank of Ann Arbor as an experienced leader, knowledgeable in technology and innovation, with strong inter-personal skills.

“I am honored to be joining such a successful and high performing institution. The incredible people and engaging culture helped solidify my decision to make this move” said Rich Spencer. “I look forward to working alongside the knowledgeable and tenured staff at Bank of Ann Arbor to create and emphasize technology initiatives that will transform the way we work and the way our customers bank.”

Rich is a graduate of Michigan State University with a BA in Telecommunications. He obtained his MBA from University of Toledo and completed the University of Wisconsin Graduate School of Banking program in 2013. He is committed to his community, serving as a member of the Monroe Rotary Club, Monroe County Chamber of Commerce, and numerous technology related banking groups. He is looking forward to volunteering in Washtenaw County.

“Welcoming Amanda and Rich to the team is an excellent way to round out 2019,” said Tim Marshall, President & CEO of Bank of Ann Arbor. “Amanda is going to be another great addition to our Birmingham team as we continue to expand the team with exceptional new talent. Rich has displayed a strategic and collaborative leadership approach that can help us innovate our technology, products, operations, and customer outreach. Currently, cybersecurity is also of the utmost importance and he has proven his expertise in this field as well.”

About Bank of Ann Arbor

Bank of Ann Arbor is a locally owned and operated bank with total assets and assets under management of over \$3.2 billion, serving people and businesses in Southeast Michigan with offices at the corner of Fifth Avenue and Washington Street in downtown Ann Arbor, in the Traver Village Shopping Center, at the corner of Stadium and Liberty streets, on West Ellsworth Road in Pittsfield Township, on West Michigan Avenue in downtown Ypsilanti, in Plymouth on Ann Arbor Road, on East Michigan Avenue in downtown Saline, and on Woodward Avenue just north of 14 Mile Road in Birmingham Michigan. UniFi Equipment Finance, a wholly owned subsidiary of the bank and headquartered in Ann Arbor, is a well-established company with a national presence in the small ticket vendor space. UniFi has funded more than 85,000 transactions, totaling over \$1 billion. www.boaa.com / www.unifedge.com. Visit us on Facebook, Twitter, and LinkedIn.

Bank of Ann Arbor

Ann Arbor, MI

Assets \$1,768.3 mm | ROE % | ROA % | Efficiency Ratio 48.25%

Asset Band: 1B - 3B

Banks: 475

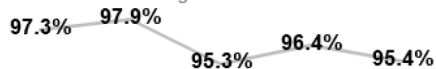
Assets \$1,625.9 mm | ROE 10.72% | ROA 1.24% | Efficiency Ratio 63.89%

National % Rank

Return on Equity (ROE)



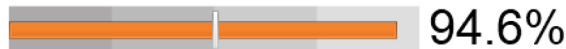
Number of Banks: 5,292
**Including Thrifts



Dec-15 Dec-16 Dec-17 Dec-18 Jun-19

Michigan % Rank

Return on Equity (ROE)



Number of Banks: 92



Dec-15 Dec-16 Dec-17 Dec-18 Jun-19

Peer Group % Rank

Return on Equity (ROE)



Number of Banks: 475

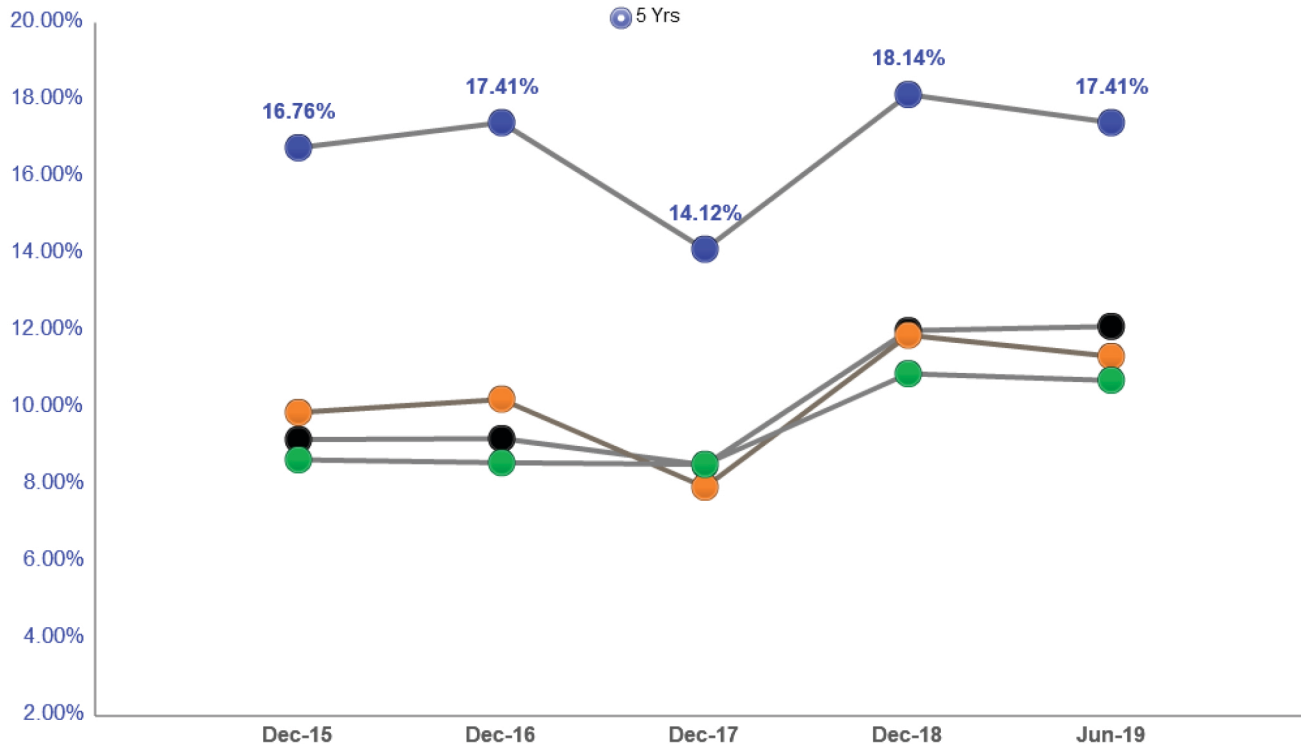


Dec-15 Dec-16 Dec-17 Dec-18 Jun-19

Return on Equity (ROE)

● National Average ● Michigan Banks ● Peer Group ● Bank of Ann Arbor

5 Yrs



Michigan Banks

2015 = 9.88%
2016 = 10.23%
2017 = 7.94%
2018 = 11.89%
2019 = 11.34%

National

2015 = 9.18%
2016 = 9.21%
2017 = 8.52%
2018 = 12.01%
2019 = 12.12%

Peer Group

2015 = 8.66%
2016 = 8.58%
2017 = 8.54%
2018 = 10.89%
2019 = 10.72%

Bank of Ann Arbor

Ann Arbor, MI

Assets \$1,768.3 mm | ROE % | ROA % | Efficiency Ratio 48.25%

Asset Band: 1B - 3B

Banks: 475

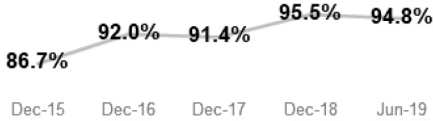
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National % Rank

Return on Assets (ROA)

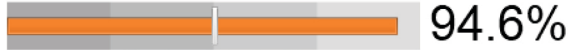


Number of Banks: 5,292
**including Thrifts

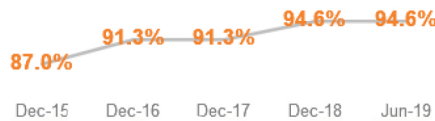


Michigan % Rank

Return on Assets (ROA)



Number of Banks: 92

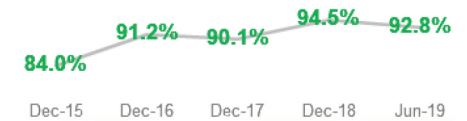


Peer Group % Rank

Return on Assets (ROA)

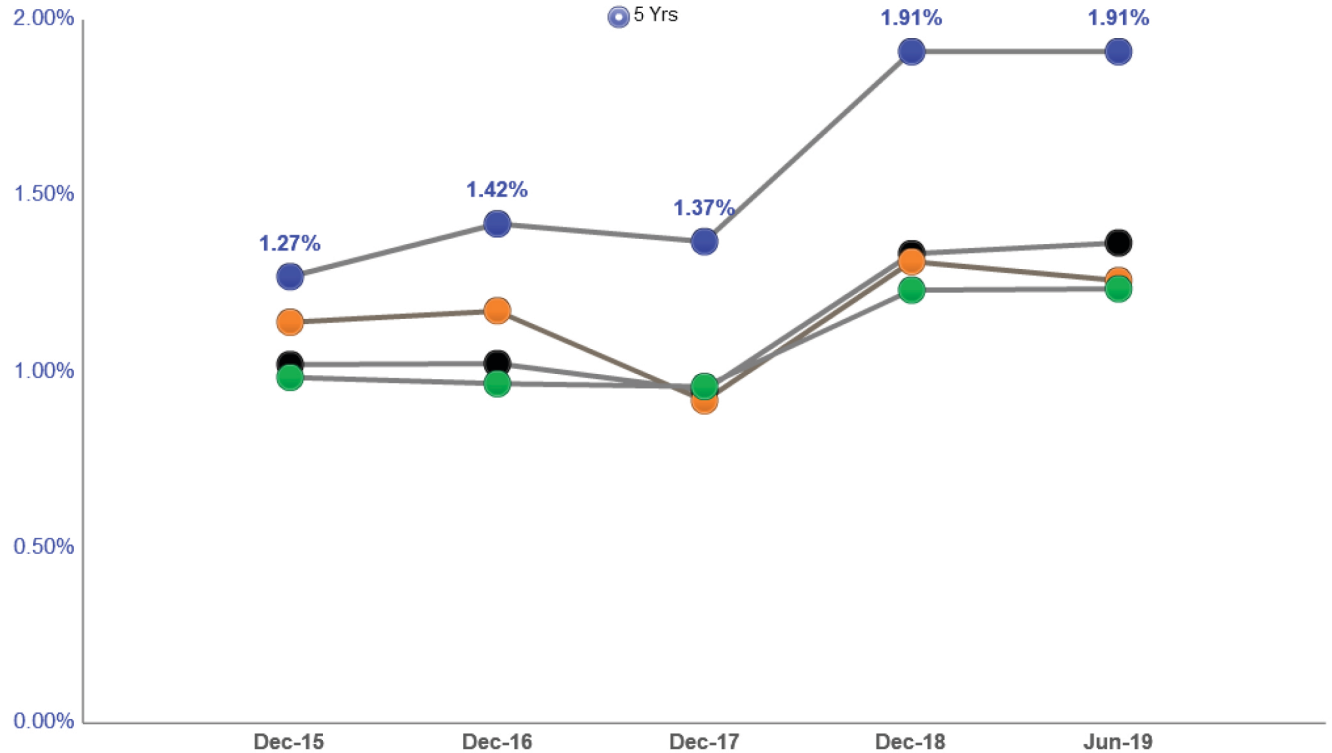


Number of Banks: 475



Return on Assets (ROA)

● National Average ● Michigan Banks ● Peer Group ● Bank of Ann Arbor



Michigan Banks

2015 = 1.14%
2016 = 1.17%
2017 = 0.92%
2018 = 1.31%
2019 = 1.26%

National

2015 = 1.02%
2016 = 1.02%
2017 = 0.95%
2018 = 1.34%
2019 = 1.37%

Peer Group

2015 = 0.98%
2016 = 0.97%
2017 = 0.96%
2018 = 1.23%
2019 = 1.24%

Bank of Ann Arbor

Ann Arbor, MI

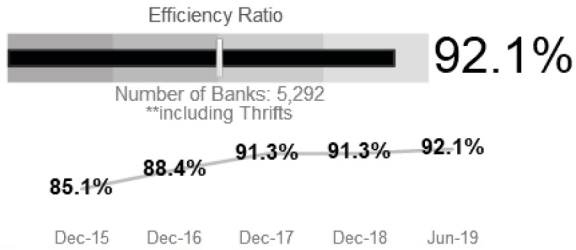
Assets \$1,768.3 mm | ROE % | ROA % | Efficiency Ratio 48.25%

Asset Band: 1B - 3B

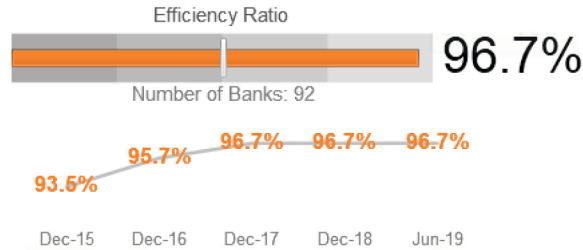
Banks: [475](#)

Assets \$1,625.9 mm | ROE 10.72% | ROA 1.24% | Efficiency Ratio 63.89%

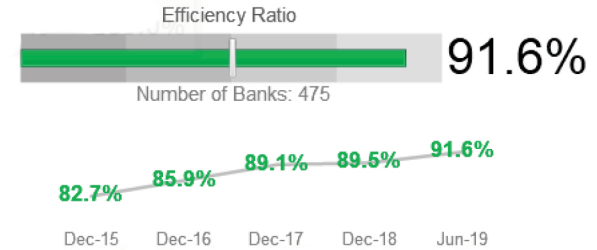
National % Rank



Michigan % Rank

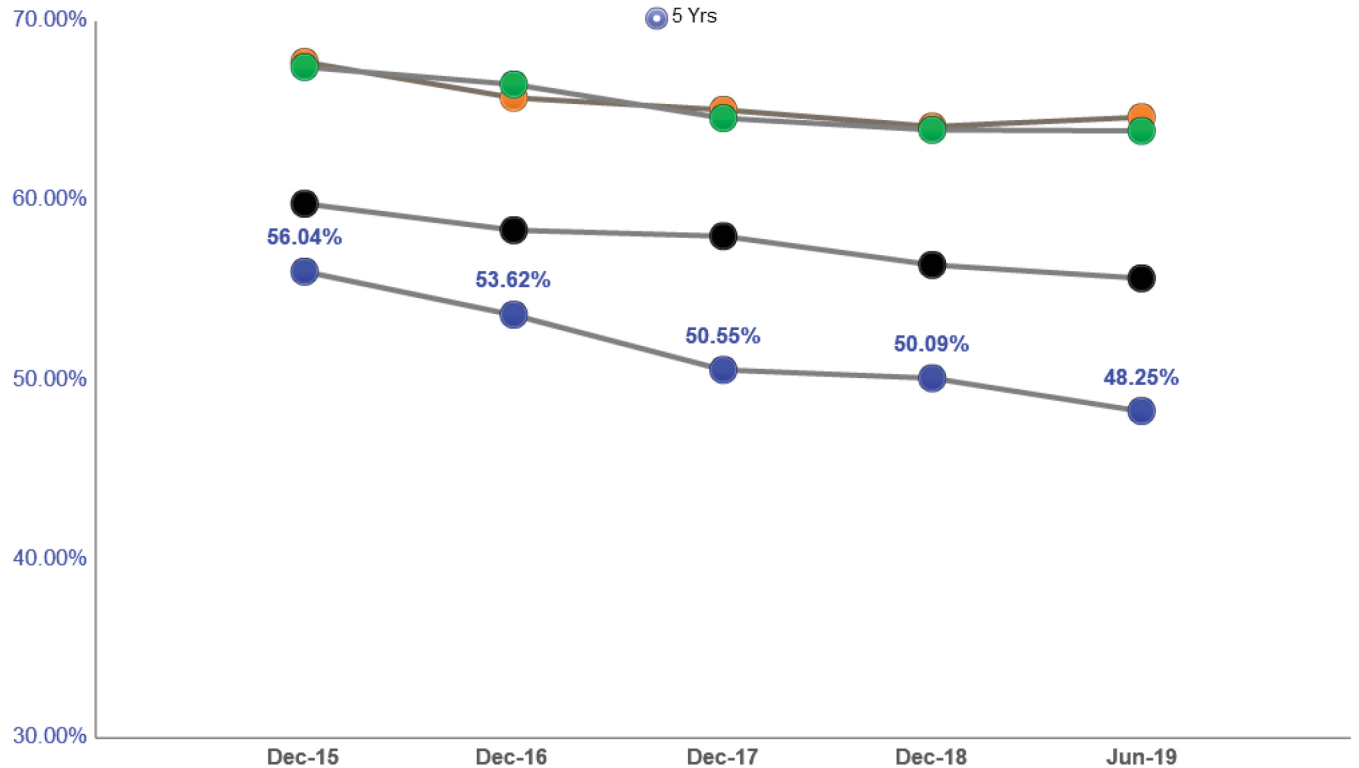


Peer Group % Rank



Efficiency Ratio

● National Average ● Michigan Banks ● Peer Group ● Bank of Ann Arbor



Michigan Banks

2015 = 67.72%

2016 = 65.74%

2017 = 65.06%

2018 = 64.14%

2019 = 64.65%

National

2015 = 59.82%

2016 = 58.35%

2017 = 58.02%

2018 = 56.40%

2019 = 55.67%

Peer Group

2015 = 67.44%

2016 = 66.47%

2017 = 64.59%

2018 = 63.95%

2019 = 63.89%

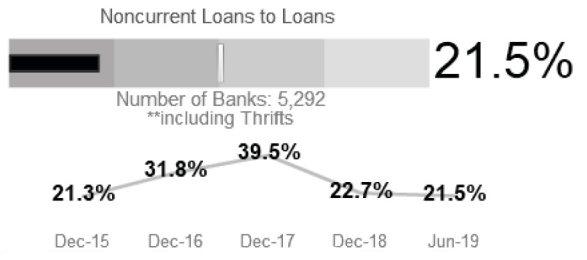
Bank of Ann Arbor

Ann Arbor, MI
 Assets \$1,768.3 mm | ROE % | ROA % | Efficiency Ratio 48.25%

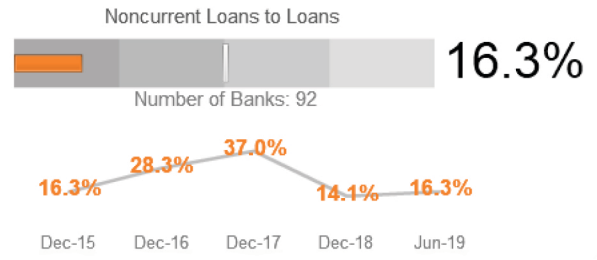
Asset Band: 1B - 3B

Banks: 475
 Assets \$1,625.9 mm | ROE 10.72% | ROA 1.24% | Efficiency Ratio 63.89%

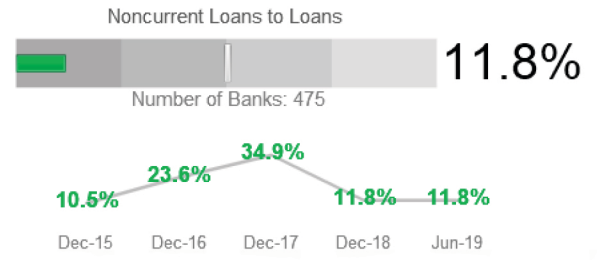
National % Rank



Michigan % Rank

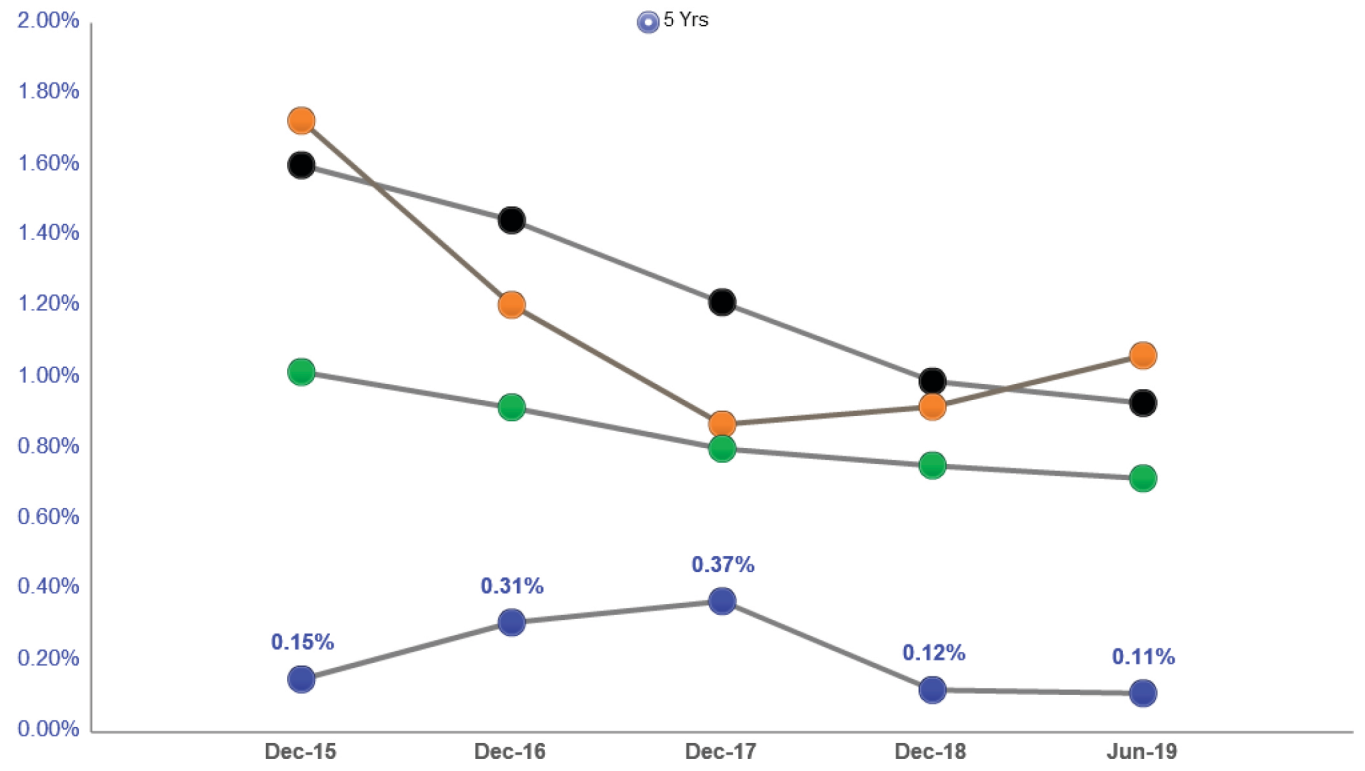


Peer Group % Rank



Noncurrent Loans to Loans

● National Average ● Michigan Banks ● Peer Group ● Bank of Ann Arbor



Michigan Banks

2015 = 1.72%
 2016 = 1.21%
 2017 = 0.87%
 2018 = 0.92%
 2019 = 1.06%

National

2015 = 1.60%
 2016 = 1.44%
 2017 = 1.21%
 2018 = 0.99%
 2019 = 0.93%

Peer Group

2015 = 1.02%
 2016 = 0.92%
 2017 = 0.80%
 2018 = 0.75%
 2019 = 0.72%