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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

Q2 '16: Driving Growth

Arbor Bancorp, Inc.

Statement of Condition, June 30, 2016

Greetings fellow shareholders: July 2016

I am pleased to report that we had the largest quarterly earnings in the history of the bank as the earnings for the second quarter registered \$4,153,000. Our year to date earnings also reached a record-level at nearly \$8 million. While we anticipate our strong earnings to continue, we will be incurring some one-time transaction related expenses in the third and fourth quarter associated with our pending acquisition. The very positive trend in our second quarter earnings is highlighted as follows:

	2016	2015	2014	2013
Earnings (millions)	\$8.0	\$6.9	\$5.7	\$4.8
% Increase (earnings)	15.6%	21.1%	27.4%	20.0%
Earnings Per Share	\$8.84	\$7.73	\$6.46	\$5.38

The continued strong growth in earnings is a reflection of the excellent work being done by all of the revenue producing areas of the bank. Needless to say, our sales teams are supported by some of the most talented and experienced colleagues in our operations, I/T, marketing, HR, credit, and accounting areas. Combined, we have a team second to none as reflected by our continued high performance. The World's Best Bankers, indeed.

In addition to the positive news on our earnings momentum, we were also very excited to share the recent news on the bank expanding into Oakland County with the signing of the definitive agreement to merge with Bank of Birmingham. This was a strategic opportunity to add a nicely profitable and sizeable one branch bank with nearly \$275 million in total assets. After closing, the combined organization is expected to have approximately 225 employees across eight locations in Washtenaw, western Wayne, and Oakland counties and approximately \$2.5 billion in combined total assets (approximately \$1.5 billion) and assets under management (approximately \$1.0 billion).

The increased footprint of the combined entity, following the close of the transaction by year end, will enable Bank of Ann Arbor to deliver its banking services into the enviable demographic of Oakland County. The close alignment of culture, clientele, and commitment to the community across the two institutions provides us with tremendous confidence that we have found the perfect partner with Bank of Birmingham to expand our reach into Oakland County. If you have any questions on this transaction or other matters relating to the bank, please do not hesitate to contact me.

Sincerely,



Timothy G. Marshall
President and CEO

ARBOR BANCORP, INC.

Balance Sheet

(000's omitted)	As of June 30	
	2016	2015
Assets:		
Cash	\$ 19,362	\$ 16,004
Overnight Investments	97,394	133,809
Investments	140,686	139,699
Loans:		
Commercial	645,501	575,313
Leases	120,252	72,975
Residential Mortgages	77,564	84,098
Mortgages held for resale	5,125	4,300
Installment	31,091	36,578
Total loans	879,533	773,264
Allowance for loan loss	(15,477)	(13,407)
Interest receivable	2,230	1,788
Bank Owned Life Insurance	20,029	14,531
Other Real Estate Owned	967	428
Other assets	12,474	12,378
Bank premises and equip.	19,435	14,840
Total Assets	\$1,176,633	\$1,093,334
Liabilities and Capital:		
Deposits		
Demand	\$ 321,449	\$273,634
NOW	90,142	68,567
Smart One	186,146	160,274
Money market savings	249,818	276,642
Savings	59,289	52,678
CDs < \$100,000	26,691	31,167
CDs > \$100,000	83,451	79,850
Total deposits	1,016,986	942,812
Federal Home Loan Bank advances	739	882
Repurchase agreements	43,281	49,179
Other debt	-	-
Interest payable	160	176
Other liabilities	14,278	13,633
Trust Preferred Securities	5,000	5,000
Retained earnings	89,144	75,702
Unrealized gain/(loss) on securities held for sale	2,142	1,397
Common stock	4,903	4,553
Total Capital	96,189	81,652
Total Liabilities and Capital	\$1,176,633	\$1,093,334

Income Statement

(000's omitted)	For six months ended	
	6/30/16	6/30/15
Interest income:		
Loans	\$19,662	\$17,317
Overnight Investments	357	208
Investments	1,604	1,618
Loans fees	871	1,132
Total income and fees	22,494	20,275
Interest expense:		
NOW	65	57
Smart One	191	145
Money market savings	291	222
Savings	44	45
CD's < \$100,000	63	86
CD's > \$100,000	171	184
Repurchase agreements	82	82
Other borrowed money	101	101
Total interest expense	1,008	922
Net interest income	21,486	19,353
Provision for loan losses	1,156	1,230
Net interest income after provision for loan losses	20,330	18,123
Other income:		
Service charges	253	205
Mortgage origination	971	994
Trust income	2,376	2,351
Miscellaneous income	1,759	1,438
Total other income	5,359	4,988
Operating expenses:		
Salaries and benefits	9,855	9,284
Marketing and bus. development	677	596
Building and equipment	1,517	1,379
Contracted services	1,427	1,299
FDIC expense	306	275
Other expenses	581	531
Total operating expenses	14,363	13,364
Net income before tax	11,326	9,747
Federal income tax	3,356	2,854
Net Income	\$ 7,970	\$ 6,893
Earnings per Share	\$ 8.84	\$ 7.73