

## Board of Directors

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**Joshua T. Borders**

*Vice President of Mortgage Lending,  
Independent Bank Mortgage*

**Jan L. Garfinkle**

*Founder & Managing Partner,  
Arboretum Ventures*

**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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**Thomas P. Borders**

*President, Midtown Group, Inc.*

**Richard P. Eidswick**

*Managing Director, Arbor Partners*

**Isadore J. King**

*President & Owner,  
King Consultant Group, LLC*

**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

# Q1 '20: Thank you, Tom Borders & Isadore King

**Arbor Bancorp, Inc.**  
Statement of Condition, March 31, 2020

Greetings fellow shareholders: April 2020

We enjoyed our first virtual annual shareholders meeting on Monday April 20. The meeting was attended by nearly 90 of our shareholders via phone and computer. Bill Martin welcomed everyone who attended virtually and acknowledged our twenty-fourth anniversary this past January. It has been my pleasure and honor to serve as President and CEO for the last sixteen years. Bill paid tribute to Isadore King who is moving to Director Emeritus status after serving on the board of directors for the last eight years. Similarly, he recognized Tom Borders, an original board member and one of the founding shareholders, who is also moving to Director Emeritus status. We welcome Josh Borders who will be replacing his father on the board of directors. We also celebrated our tenth consecutive year of record-level performance in 2019 and highlighted the challenges we will face in 2020 due to the COVID-19 virus. We are hopeful that we can all gather together in person for our next annual shareholders meeting on April 19, 2021. Please mark your calendars.

Our first quarter earnings in 2020 came in at \$6.4 million, a 13.3% year-over-year decrease. The unfavorable variance was primarily due to an increased loan loss provision and a reduced net interest margin. We anticipate the need for higher levels of loan loss provision for the foreseeable future due to the potential impact of COVID-19 on our credit quality. Our net interest margin is being negatively impacted by the swift action taken by the Federal Reserve in lowering short term rates from 2% last August to zero in March, 1.5% of the reduction was in a two-week period in March. Our balance sheet reflects a large increase in deposits and a strong capital position.

The CARES Act, a COVID-19 stimulus package, was signed into law in late March. Our bankers have been utilizing the Paycheck Protection Program in the act to support our clients, their employees, and the communities we serve. We have so far assisted 583 clients with loans totaling \$195.3 million, a year's worth of production in just thirteen days. We will continue to support our clients in helping create solutions during this difficult time. I am always available for questions or referrals.

Sincerely,



Timothy G. Marshall  
President and CEO

## ARBOR BANCORP, INC.

### Balance Sheet

(000's omitted)	As of March 31	
	2020	2019
<b>Assets:</b>		
Cash	\$ 19,798	\$ 25,428
Overnight investments	252,967	133,396
Investments	104,534	98,901
<b>Loans:</b>		
Commercial	1,107,669	1,031,348
Leases	169,833	162,696
Residential mortgages	91,785	99,650
Mortgages held for resale	6,277	1,010
Installment	31,504	36,823
<b>Total loans</b>	<b>1,407,068</b>	<b>1,331,527</b>
Allowance for loan loss	(19,987)	(19,004)
Interest receivable	3,525	3,942
Bank owned life insurance	30,800	24,831
Goodwill	13,087	13,087
Other assets	12,520	14,915
Bank premises and equip.	20,229	19,650
<b>Total Assets</b>	<b>\$ 1,844,541</b>	<b>\$ 1,646,673</b>
<b>Liabilities and Capital:</b>		
<b>Deposits</b>		
Demand	\$ 483,809	\$ 473,319
NOW	209,029	184,575
Smart one	255,884	217,084
Money market savings	306,957	249,654
Savings	105,132	93,837
CDs < \$100,000	19,951	23,006
CDs > \$100,000	83,470	85,743
<b>Total deposits</b>	<b>1,464,232</b>	<b>1,327,218</b>
Repurchase agreements	32,953	33,080
Other debt	-	4,502
FHLB advances	130,000	80,000
Sub debt	22,650	22,650
Interest payable	559	552
Other liabilities	6,131	13,603
Trust preferred securities	5,000	5,000
Preferred stock	12,196	12,196
Retained earnings	109,304	83,251
Unrealized gain/(loss) on securities held for sale	(634)	(176)
Common stock	62,150	64,797
<b>Total Capital</b>	<b>183,016</b>	<b>160,068</b>
<b>Total Liabilities and Capital</b>	<b>\$ 1,844,541</b>	<b>\$ 1,646,673</b>

### Income Statement

(000's omitted)	For three months ended	
	3/31/20	3/31/19
<b>Interest income:</b>		
Loans	\$ 17,521	\$ 17,306
Overnight investments	756	1,040
Investments	580	653
Loans fees	617	538
<b>Total income and fees</b>	<b>19,474</b>	<b>19,537</b>
<b>Interest expense:</b>		
NOW	371	556
Smart one	133	332
Money market savings	318	418
Savings	59	87
CD's < \$100,000	55	58
CD's > \$100,000	302	281
Repurchase agreements	29	37
FHLB advances	703	587
Sub debt	392	383
Other debt	64	147
<b>Total interest expense</b>	<b>2,426</b>	<b>2,886</b>
<b>Net interest income</b>	<b>17,048</b>	<b>16,651</b>
Provision for loan losses	1,184	496
<b>Net interest income after provision for loan losses</b>	<b>15,864</b>	<b>16,155</b>
<b>Other income:</b>		
Service charges	197	177
Mortgage origination	380	212
Trust income	1,934	1,848
Miscellaneous income	1,086	950
<b>Total other income</b>	<b>3,597</b>	<b>3,187</b>
<b>Operating expenses:</b>		
Salaries and benefits	7,139	6,248
<b>Marketing and business development</b>		
development	587	560
Building and equipment	1,126	1,056
Contracted services	1,201	1,094
Other expenses	1,145	1,000
<b>Total operating expenses</b>	<b>11,198</b>	<b>9,958</b>
<b>Net income before tax</b>	<b>8,263</b>	<b>9,384</b>
Federal income tax	1,634	1,769
<b>Net Income</b>	<b>\$ 6,629</b>	<b>\$ 7,615</b>
Preferred stock dividends	\$ 185	\$ 185
<b>Net income available to common shareholders</b>	<b>\$ 6,444</b>	<b>\$ 7,430</b>
<b>Earnings per Share</b>	<b>\$ 2.29</b>	<b>\$ 2.63</b>