

## 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

# Q2 '20: Creating Solutions in Uncertain Times

**Arbor Bancorp, Inc.**

Statement of Condition, June 30, 2020

Dear fellow shareholders:

July 2020

I would like to initially provide an update on our proposed acquisition of First National Bank in Howell. In late June, the board of directors of both banks mutually agreed to terminate the merger agreement due to the significant economic uncertainty being driven by the COVID-19 pandemic. We continue to believe in the long-term benefit of both banks coming together, but the right decision at this time of heightened uncertainty was to focus our attention internally on our clients and the communities we serve.

The pandemic has negatively impacted the banking industry as banks have begun to aggressively build the allowance for loan loss, our rainy-day fund, in anticipation of some of our clients not being able to survive this recession. Through the first six months of this year our provision for loan losses was \$6.4 million compared to \$936 thousand in the same period last year. In spite of the large increase in our provision, we were able to post earnings of nearly \$11.2 million. Our balance sheet continues to grow and finished the quarter at \$2.1 billion in total assets, up from \$1.8 billion at 6/30/19.

Our team, the World's Best Bankers, was exemplary in the support of our clients throughout this most recent quarter as Congress and our regulatory agencies provided the industry with much needed flexibility to assist our commercial and consumer clients who were impacted by the economy being shut down in late March in Michigan and throughout most of the country. We successfully provided some level of payment relief on over \$238 million in loans in a very short period of time. Shortly thereafter, the CARES Act provided funding for the Paycheck Protection Program (PPP) to help companies with less than 500 employees continue to pay employees, make payments on their loans, and pay rent. Our team worked 24/7 through the two rounds of the PPP loans helping over 1,400 businesses with loans totaling nearly \$280 million. These efforts supported over 24,000 jobs in the communities we serve.

We will continue to support our clients in helping to create solutions during these unprecedented times. If you know someone who could use assistance, please let us know and we will do our best to offer support. In the meantime, be well and stay healthy.

Sincerely,



Timothy G. Marshall  
President and CEO

## ARBOR BANCORP, INC.

### Balance Sheet

(000's omitted)	As of June 30	
	2020	2019
<b>Assets:</b>		
Cash	\$ 26,160	\$ 22,116
Overnight investments	310,764	291,914
Investments	97,594	84,707
<b>Loans:</b>		
Commercial	1,064,438	1,012,375
PPP Loans	278,672	-
Leases	168,626	157,977
Residential mortgages	88,789	99,694
Mortgages held for resale	7,379	6,411
Installment	29,839	34,967
<b>Total loans</b>	<b>1,637,734</b>	<b>1,311,424</b>
Allowance for loan loss	(25,017)	(19,228)
Interest receivable	3,403	3,738
Bank owned life insurance	31,001	26,988
Goodwill	13,087	13,087
Other assets	13,013	13,392
Bank premises and equip.	20,212	19,398
<b>Total Assets</b>	<b>\$ 2,127,951</b>	<b>\$ 1,767,536</b>
<b>Liabilities and Capital:</b>		
<b>Deposits</b>		
Demand	\$ 682,564	\$ 453,793
NOW	195,880	185,949
Smart one	254,524	212,457
Money market savings	328,698	274,348
Savings	126,871	94,943
CDs < \$100,000	18,800	21,979
CDs > \$100,000	81,371	209,931
<b>Total deposits</b>	<b>1,688,708</b>	<b>1,453,400</b>
Repurchase agreements	33,604	26,969
Other debt	-	3,193
FHLB advances	180,000	80,000
Sub debt	22,650	22,650
Interest payable	365	687
Other liabilities	10,089	8,358
Trust preferred securities	5,000	5,000
Preferred stock	12,196	12,196
Retained earnings	113,761	90,775
Unrealized gain/(loss) on securities held for sale	202	171
Common stock	61,376	64,137
<b>Total Capital</b>	<b>187,535</b>	<b>167,279</b>
<b>Total Liabilities and Capital</b>	<b>\$ 2,127,951</b>	<b>\$ 1,767,536</b>

### Income Statement

(000's omitted)	For six months ended	
	6/30/20	6/30/19
<b>Interest income:</b>		
Loans	\$ 35,087	\$34,794
Overnight investments	835	2,183
Investments	1,105	1,260
Loans fees	3,821	1,103
<b>Total income and fees</b>	<b>40,848</b>	<b>39,340</b>
<b>Interest expense:</b>		
NOW	504	1,057
Smart one	209	649
Money market savings	482	876
Savings	117	182
CD's < \$100,000	103	120
CD's > \$100,000	529	632
Repurchase agreements	46	75
FHLB advances	1,324	1,130
Sub debt	784	780
Other debt	120	265
<b>Total interest expense</b>	<b>4,218</b>	<b>5,766</b>
<b>Net interest income</b>	<b>36,630</b>	<b>33,574</b>
<b>Provision for loan losses</b>	<b>6,414</b>	<b>936</b>
<b>Net interest income after provision for loan losses</b>	<b>30,216</b>	<b>32,638</b>
<b>Other income:</b>		
Service charges	340	353
Mortgage origination	1,234	474
Trust income	3,631	3,798
Miscellaneous income	2,114	1,948
<b>Total other income</b>	<b>7,319</b>	<b>6,573</b>
<b>Operating expenses:</b>		
Salaries and benefits	13,349	12,812
<b>Marketing and business development</b>		
Building and equipment	1,003	1,161
Contracted services	2,264	2,084
Other expenses	2,616	2,094
<b>Total operating expenses</b>	<b>3,983</b>	<b>2,101</b>
<b>Total operating expenses</b>	<b>23,215</b>	<b>20,252</b>
<b>Net income before tax</b>	<b>14,320</b>	<b>18,959</b>
<b>Federal income tax</b>	<b>2,779</b>	<b>3,645</b>
<b>Net Income</b>	<b>\$ 11,541</b>	<b>\$ 15,314</b>
<b>Preferred stock dividends</b>	<b>\$ 371</b>	<b>\$ 371</b>
<b>Net income available to common shareholders</b>	<b>\$ 11,170</b>	<b>\$14,943</b>
<b>Earnings per Share</b>	<b>\$ 3.98</b>	<b>\$ 5.30</b>