We did it:

record performance for ten straight years.
Dear fellow shareholders:

2019 was our 10th consecutive year of record-level earnings performance and balance sheet growth. Hopefully, you’re enjoying how your investment in Bank of Ann Arbor has performed.

A DECADE OF GROWTH
Since 2009, our total assets, loans, and deposits have grown steadily and significantly. More and more businesses, organizations, and individuals have chosen Bank of Ann Arbor for the exceptional customer service and value we provide every day.

GROWTH BY THREE ACQUISITIONS, AND ONE MORE ON THE WAY
• In 2010, we acquired New Liberty Bank in Plymouth, Michigan.
• In 2013, we acquired Ann Arbor-based UniFi Equipment Finance, a small-ticket leasing company.
• In 2017, we acquired Bank of Birmingham, a community bank serving individuals, families, and businesses throughout Oakland County, Michigan.
• In February 2020, we announced the pending acquisition of First National Bank in Howell, which will add eight branches and over $435 million in assets to our organization.

NOW VS. 10 YEARS AGO ($ in millions)

<table>
<thead>
<tr>
<th></th>
<th>'09</th>
<th>'19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Loans</td>
<td>$328</td>
<td>$1,340</td>
</tr>
<tr>
<td>Total Deposits</td>
<td>$466</td>
<td>$1,390</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$542</td>
<td>$1,758</td>
</tr>
</tbody>
</table>

The more we’ve helped, the more you, our shareholders, have benefited.
SPECIFICALLY IN 2019:

- Revenue generated by our Trust and Investment Management Group reached a record $7.8 million, thanks to assets growing to more than $1.6 billion (compared to $668 million in 2009).
- UniFi Equipment Finance performed exceptionally well. Their earnings exceeded $1.7 million, up 49% from 2018. Credit metrics were significantly better than its peers. With their excellent leadership and passionate team, UniFi should continue to grow.
- Net income continued at record levels. The success of all revenue-generating areas of the bank profoundly impacted earnings growth. In the last decade, earnings have grown by an average of 23% annually, reaching $30.3 million in 2019 (compared to $2 million in 2009).

WE'RE MORE EFFICIENT THAN MOST BANKS
Our 2019 efficiency ratio – the cost to generate $1 in revenue – was just 49.9%, compared to 63.4% for peer U.S. banks and 67.2% for all Michigan banks. Generally, the more efficiently we operate, the better our earnings. Your team at Bank of Ann Arbor takes great pride in growing revenue while keeping expenses down.

860% GROWTH IN STOCK PRICE IN 10 YEARS
At year-end 2019, shares of Bank of Ann Arbor were $80, up from $8.33 exactly 10 years earlier. That’s an 860% increase.

ANNUAL DIVIDEND: NOW UP TO $1.10 PER SHARE
We continue to watch capital levels closely to support future growth. We're determined to preserve our status as a financial institution the FDIC deems “well capitalized,” their highest designation.

SHAREHOLDER EQUITY: STEADY GROWTH THROUGHOUT OUR HISTORY
When the bank first opened in 1996, shareholder equity was $3 million. By 2009, it was $36.2 million. At the end of 2019, it was $181.3 million.

ROA, ROE: CONSISTENTLY IN TOP 5% OF ALL U.S. BANKS
In 2019, our return on assets (ROA) was 1.92%; our return on equity (ROE) was 17.15%.

CREDIT QUALITY: BETTER THAN OUR INDUSTRY AS A WHOLE
Our credit quality is critically important to our success, as it is for any financial institution. We closely monitor our loan portfolio to make sure we maintain our high credit standing, and generously fund our allowance for loan loss, which ended 2019 at a record $19.3 million (in 2009, it was $5.4 million). It is important to maintain an adequate reserve, should any loan problems arise.

But our business isn't all about numbers.

AT BANK OF ANN ARBOR, IT’S REALLY ABOUT “HELP.”
We generously contribute our time, energy, effort, and financial resources to organizations that make Washtenaw County, Plymouth and Birmingham even better places to live, work, and play. Our financial support has been provided to more than 200 local nonprofits. At many of these organizations, our colleagues from Bank of Ann Arbor serve on boards, committees, and as volunteers.

RECORD CONTRIBUTIONS TO UNITED WAY PACESETTER CAMPAIGN
This year, two of our colleagues contributed more than $10,000 to this campaign; 50 contributed $1,000 or greater; and 19 contributed $500 or more. Our total contributions exceeded $105,000, a new Bank of Ann Arbor record.

SONIC LUNCH CONTINUES TO REVERBERATE
For the 12th year, this summer concert series attracted thousands downtown for free music by international, national, and local performers. Two artists stand out from this past year’s lineup, Guster, and Michael Franti and Spearhead.

THE WORLD’S BEST BANKERS STRIKE AGAIN
As always, our success is made possible by the hard work of each of the 235 members of our team of the World’s Best Bankers. (In 2009, our team had 97 members). We work hard, support each other, and help our clients any way we can. After all, help is what we do. Help is what we give.

THANK YOU, TOO
So many others help Bank of Ann Arbor be a successful, well-performing banking institution: board of directors, shareholders, clients, and members of each of the communities we serve. We look forward to delivering another year of exceptional financial performance in 2020.
Our “World’s Best Bankers” have had quite the decade.
They all love to help.
2019 FINANCIAL HIGHLIGHTS

10th consecutive year of record-level earnings: over $30 million; diluted earnings per share of $8.80

Total revenue: $93.9 million, up from $89.1 million

Trust and Investment Management revenue: nearly $7.8 million, up from $7.4 million in 2018, $6.1 million in 2017

Loan revenue: over $72.5 million, up from $68.4 million

Mortgage area: over $1.7 million in total fee income on more than $85 million in closed mortgage loans

Commercial loan portfolio: grew by 5.9%, finishing the year at over $1.04 billion

UniFi: eclipsed $175 million in leases, record-level earnings of $1.78 million

Delinquent loans: on a $1.34 billion loan portfolio and at year-end, ZERO past dues on performing commercial, mortgage, home equity and consumer installment loans

Efficiency ratio: 49.9%, first time in history below 50% and well below the Michigan bank average of 67.2%

Total assets: $1.76 billion, up from $1.69 billion in 2018

Total loans and deposits: $1.34 billion and $1.39 billion, respectively

Trust and Investment assets: grew nearly $200 million to $1.64 billion, up from $1.45 billion; combined assets of the bank totaled $3.4 billion

Total capital: exceeded $181 million, up from $155 million in 2018, $131 million in 2017

Annual dividend: increased 10%, to $1.10 per share

Giving back: since we opened our doors in January 1996, our financial support to nonprofit organizations and events in the communities we serve exceeds $7.2 million

Recognition:

- Detroit Free Press “One of the Top Work Places in Michigan”
- Crain’s Detroit Fast 50 fastest growing companies
- DBusiness ranked #4, largest banks and thrifts in Metro Detroit

This doesn’t happen every decade at just any bank.
26.4% 860%

Average annual return since 2009
Increase since 2009

2019 RETURN ON ASSETS

TOP
4.7%
OF BANKS

1.92% vs. 1.29% industry average

2019 RETURN ON EQUITY

TOP
4.4%
OF BANKS

17.15% vs. 11.14% industry average

ASSETS UNDER MANAGEMENT

($ in millions)

2019 PERFORMING LOANS

(as of year-end)

No commercial loans past due
No mortgage loans past due
No installment loans past due
No home equity loans past due
### Consolidated Balance Sheets, December 31, 2019 and 2018

**2019** | **2018**
---|---
Cash and due from financial institutions | $25,972 | $35,312
Interest-bearing balances in banks | 232,822 | 178,661
  - Cash and cash equivalents | 258,794 | 213,973
Securities available-for-sale | 67,774 | 104,075
Loans held for sale | 2,720 | 199
Loans, excluding covered loans, net | 1,339,463 | 1,290,037
Covered loans | 557 | 647
  - Total loans | 1,340,020 | 1,290,684
Federal Home Loan Bank stock, at cost | 5,400 | 4,050
Premises and equipment, net | 19,858 | 19,948
Cash surrender value of life insurance | 30,383 | 24,455
Other real estate owned (OREO) | 729 | 553
Goodwill | 13,087 | 13,087
Core deposit intangible | 2,093 | 2,111
Accrued interest receivable and other assets | 17,198 | 16,614

**$1,758,056** | **$1,690,149**

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### Consolidated Statements of Income, Years Ended December 31, 2019 and 2018

**2019** | **2018**
---|---
Interest income |  
  - Loans, including fees | $72,520 | $68,375
Securities:
  - Taxable | 1,391 | 1,408
  - Tax exempt | 917 | 1,363
  - Federal funds sold and other | 4,150 | 2,462
**78,978** | **73,608**
Interest expense |  
  - Deposits | 6,805 | 4,685
  - Federal Home Loan Bank advances | 2,335 | 1,258
  - Subordinated debentures | 1,858 | 1,843
  - Other borrowings | 131 | 225
  - Repurchase agreements | 157 | 134
**11,286** | **8,145**
Net interest income | **67,692** | **65,463**
Provision for loan losses | 1,923 | 2,814
Net interest income after provision for loan losses | **65,769** | **62,649**
Non-interest income |  
  - Service charges on deposit accounts | 747 | 684
  - Income from fiduciary activities | 7,774 | 7,378
  - Net gains on sales of loans | 1,718 | 1,488
  - Gain on sales of OREO | 581 | 1,557
  - Other | 4,068 | 4,404
**14,888** | **15,521**
Non-interest expense |  
  - Salaries and employee benefits | 28,037 | 26,791
  - Occupancy and equipment | 4,242 | 4,062
  - Marketing and business promotion | 2,772 | 2,536
  - FDIC expense | 32 | 490
  - Other | 7,860 | 8,365
**42,943** | **42,244**
Income before income taxes | **37,714** | **35,926**
Income tax expense | 6,647 | 6,806
Net income | **31,067** | **29,120**
Preferred stock dividends | 741 | 741
Net income available to common shareholders | **$30,326** | **$28,379**
Basic earnings per share | $10.62 | $9.97
Diluted earnings per share | 8.80 | 8.13

Dollar amounts in thousands.
DIRECTORS

Joshua T. Borders
Vice President-Mortgage Lending,
Independent Bank Mortgage

Thomas P. Borders
President,
Midtown Group, Inc.

Jan L. Garfinkle
Founder & Managing Partner,
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 Director,
Arbor Partners

Jan Barney Newman
Trustee,
Ann Arbor District Library Board

Richard N. Robb, DDS
Regent Emeritus,
Eastern Michigan University

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Managing Partner,
Fenner Melstrom & Dooling PLC

Tom Murray
President,
Hosco Fittings, LLC

Alison Orlans
President & Chief Executive Officer,
Orlans Group

Bernd M. Ronnisch
President,
Ronnisch Construction Group

Michael G. Sarafa
Managing Partner,
Vision Growth Partners

OFFICE LOCATIONS

Ann Arbor
Downtown
125 South Fifth Avenue

Ellsworth
801 West Ellsworth Road

Stadium
2204 West Stadium Boulevard

Traver Village
2601 Plymouth Road, Suite A

Birmingham
Downtown
33585 Woodward Avenue

Plymouth
1333 West Ann Arbor Road

Saline
179 East Michigan Avenue

Ypsilanti
7 West Michigan Avenue

Photos: Leisa Thompson Photography