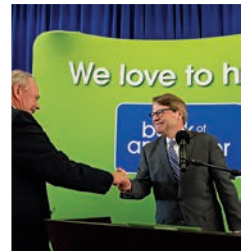
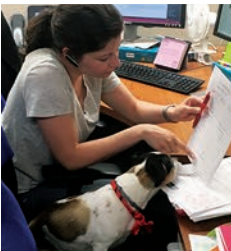
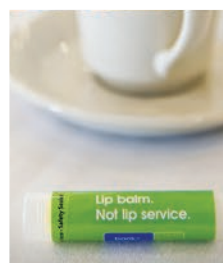
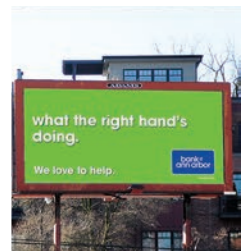
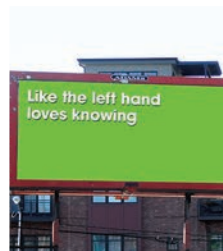


Not your typical performance.



Not your typical bank.



Highlights of 2018, our 9th straight year of record-level performance:

+67%

EARNINGS

\$28.379 million

HIGH
ROI

50.1% efficiency ratio* vs. 64.2% Michigan bank average

*cost to generate \$1 revenue

RETURN ON EQUITY

TOP
3.6%



OF U.S. BANKS

18.1% (vs. industry average: 11.8%)

RETURN ON ASSETS

TOP
4.5%



OF U.S. BANKS

1.91% (vs. industry average: 1.34%)

YES!

NO COMMERCIAL LOANS PAST DUE
NO MORTGAGE LOANS PAST DUE
NO INSTALLMENT LOANS PAST DUE
NO CREDIT CARDS PAST DUE

(Applies only to performing loans)

UP **+10%** & UP **+20%**

BANK ASSETS

\$1.69 billion

TRUST & INVESTMENT REVENUE

\$7.4 million

Dear fellow shareholders:

NINE, AND COUNTING.

In 2018, our positive momentum continued.

Our team of the World's Best Bankers delivered a ninth straight year of record-level financial performance.



HOW DOES THAT HAPPEN?

Our almost decade-long string of great financial performance is due to the dedication and hard work of our employees as well as the support of our customers, board members, and shareholders. At Bank of Ann Arbor, we don't make excuses. We put forth our very best effort every day to be as efficient as possible, support each other, take ownership of our respective missions, collaborate willingly, and solve problems quickly.

S&P SAYS BOAA IS IN TOP HALF OF ONE PERCENT OF U.S. BANKS.

Others seem to think we're doing a good job, too.

- After analyzing the 2017 performance of 627 U.S. banks with assets from \$1 billion to \$10 billion, S&P Global Market Intelligence deemed Bank of Ann Arbor third best in the nation. Out of 627. That's pretty good, being in the top half of one percent nationally.
- Also in 2018, *Crain's Detroit Business* included Bank of Ann Arbor on its 2018 list of the 50 fastest-growing companies in southeastern Michigan.
- For the second time in the last four years, Bank of Ann Arbor received the Financial Literacy Innovator Award from the Michigan Banker's Association. This time, the award recognized our Youth Stock Market Education program, created and taught by Lou Morse, Bank of Ann Arbor's Financial Literacy Coordinator. In 2018, Lou provided financial lessons to more than 600 individuals.



IN 2018, WE DID IT A LOT.

Since we opened Bank of Ann Arbor in 1996, "help" has been our guiding principal. We've helped and supported the communities we serve in a variety of ways. Over \$6,000,000 has been contributed to nonprofit organizations, schools, faith-based

institutions, the arts and other worthwhile entities. Over the past two years, members of our team have volunteered more than 5,000 hours to 200+ organizations throughout Ann Arbor, Birmingham, Plymouth, Saline and Ypsilanti.

TRUST AND INVESTMENT CONTINUES TO GROW.

For the second consecutive year, the revenue generated by our Trust and Investment Management Group grew by at least 20%. For our many customers and referral sources, we're a go-to shop of

seasoned trust and investment officers committed to providing hands-on care and good, sound investment advice. Congratulations to Erik Bakker and his 27-person Trust and Investment team, which includes five Certified Financial Analysts and three attorneys.

A SECOND GOOD YEAR IN BIRMINGHAM.

We completed our second successful year of serving Birmingham and the surrounding communities. Congratulations to Steve Guy, our Birmingham President since last summer. Steve joined the bank in 2017 and has made a tremendous impact in the community and on our team. He's energetic, talented, experienced, accessible, responsive and always ready and willing to collaborate. We are fortunate to have Steve leading our Birmingham team.

UNIFI STAYS EXCELLENT.

Congratulations to everyone at UniFi Equipment Finance, our Ann Arbor-based, wholly owned small-ticket leasing subsidiary. They, too, generated record-level performance in 2018. Under the leadership of R.J. Grimshaw, the UniFi team continues to exceed expectations.

Once again, thanks to everyone in every department at every branch office for their hard work and dedication every day. Without you, our ninth consecutive year of record-level performance wouldn't have been possible.

NOW, LET'S GO FOR 10.

Our goal? To continue the positive momentum into 2019, and to attain a tenth consecutive year of record-level performance.



2010-

**NINE STRAIGHT YEARS OF
RECORD-LEVEL PERFORMANCE (AND COUNTING)**

Hopefully, we'll see you at community events this year, including the Birmingham Hometown Parade, First Fridays in Ypsilanti, Sonic Lunch Concert Series at Liberty Plaza in downtown Ann Arbor, Music in the Air Concert Series in Plymouth, Saline Holiday Parade, and more. Please stop by and say hello.

AGAIN, THANK YOU.

To everyone who helps make the success of Bank of Ann Arbor possible, our sincere and heartfelt thanks.



Timothy G. Marshall
President & CEO



William C. Martin
Chairman of the Board

2018 FINANCIAL HIGHLIGHTS

Ninth consecutive year of record-level earnings: over \$28 million; diluted earnings per share: \$8.13

In 2018, earnings were positively impacted by \$4.4 million from the reduction in the corporate tax rate from 35% to 21%

Total revenue: \$89.1 million, up from \$79.0 million

Trust and Investment revenue: nearly \$7.4 million, up from \$6.1 million in 2017, \$5.1 million in 2016

Loan revenue: nearly \$68.4 million, up from \$61.2 million

Mortgage area: over \$1.6 million in total fee income in a rising rate environment and low inventory of available homes for sale

Commercial loan portfolio exceeded \$1 billion at year-end for the first time in bank history

UniFi: \$166 million in leases, record-level earnings of nearly \$1.2 million

Delinquent loans: at year-end, ZERO past dues on performing commercial, mortgage and consumer loans; total loan portfolio: \$1.16 billion

Efficiency ratio: 50.1%, well below the Michigan bank average of 64.2%

Total assets: nearly \$1.7 billion, up from \$1.5 billion in 2017, \$1.2 billion in 2016

Total loans and deposits: approaching \$1.3 billion and \$1.4 billion, respectively

Trust and Investment assets: grew nearly \$110 million to \$1.45 billion, up from \$1.34 billion; combined assets with the bank exceeded \$3.1 billion at year-end

Total capital: exceeded \$155 million, an increase of 18.6%

Annual dividend: increased 17.7%, to \$1.00 per share

**THANK
YOU**

**ANNUAL DIVIDEND INCREASED
17.7%, TO \$1/SHARE**

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Cash and due from financial institutions	\$ 35,312	\$ 22,042
Interest-bearing balances in banks	178,661	69,075
Cash and cash equivalents	213,973	91,117
Securities available-for-sale	104,075	116,652
Loans held for sale	199	4,127
Loans, excluding covered loans, net	1,290,037	1,244,593
Covered loans	647	1,131
Total loans	1,290,684	1,245,724
Federal Home Loan Bank stock, at cost	4,050	1,992
Premises and equipment, net	19,948	20,918
Cash surrender value of life insurance	24,455	23,616
Other real estate owned (OREO)	553	698
Goodwill	13,087	13,087
Core deposit intangible	2,511	2,930
Accrued interest receivable and other assets	16,614	14,745
	<u>\$ 1,690,149</u>	<u>\$ 1,535,606</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Non interest bearing	\$ 482,682	\$ 456,846
Interest bearing	894,694	868,728
Total deposits	1,377,376	1,325,574
Federal Home Loan Bank advances	90,000	-
Other borrowings	4,636	5,380
Repurchase agreements	21,990	34,975
Subordinated debentures	27,378	27,344
Accrued expense and other liabilities	13,426	11,359
Total liabilities	1,534,806	1,404,632
Shareholders' equity		
Preferred stock, \$1,000 par value; 15,000 shares authorized; 12,350 and 12,350 shares issued and outstanding at December 31, 2018 and 2017, liquidation value of \$12,350,000 and \$12,350,000 at December 31, 2018 and 2017	12,196	12,196
Common stock, no par value; 10,000,000 shares authorized; 2,854,204 and 2,796,514 shares issued and outstanding at December 31, 2018 and 2017	65,255	66,014
Retained earnings	78,411	52,462
Accumulated other comprehensive income/(loss)	(519)	302
Total shareholders' equity	155,343	130,974
	<u>\$ 1,690,149</u>	<u>\$ 1,535,606</u>

Dollar amounts in thousands.

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Interest income		
Loans, including fees	\$ 68,375	\$ 61,246
Securities:		
Taxable	1,408	1,154
Tax exempt	1,363	1,577
Federal funds sold and other	2,462	1,347
	73,608	65,324
Interest expense		
Deposits	4,685	2,387
Federal Home Loan Bank advances	1,258	-
Subordinated debentures	1,843	1,798
Other borrowings	225	233
Repurchase agreements	134	129
	8,145	4,547
Net interest income	65,463	60,777
Provision for loan losses	2,814	2,498
Net interest income after provision for loan losses	62,649	58,279
Noninterest income		
Service charges on deposit accounts	684	613
Income from fiduciary activities	7,378	6,146
Net gains on sales of loans	1,488	2,271
Net loss on sales and calls of securities	-	(98)
Gain on sales of OREO	1,557	880
Other	4,414	3,845
	15,521	13,657
Noninterest expense		
Salaries and employee benefits	26,791	25,713
Occupancy and equipment	4,062	4,008
Marketing and business promotion	2,536	2,166
FDIC expense	490	863
Other	8,365	7,951
	42,244	40,701
Income before income taxes	35,926	31,235
Income tax expense	6,806	13,529
Net income	29,120	17,706
Preferred stock dividends	741	743
Net income available to common shareholders	\$ 28,379	\$ 16,963
Basic earnings per share	\$ 9.97	\$ 6.08
Diluted earnings per share	8.13	4.94

Dollar amounts in thousands except per share data.

DIRECTORS

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

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David Colman

Principal,
ROCO Real Estate

John Hamaty

President,
Vibra-Tite

Brian J. Hunter

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

Group President,
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

Birmingham

33583 Woodward Avenue

Plymouth

1333 West Ann Arbor Road

Saline

179 East Michigan Avenue

Ypsilanti

7 West Michigan Avenue



boaa.com

