



October 27, 2023

Dear Valued Customer,

I am writing to give you an update on the bank's financial condition based on September 30, 2023 performance so you can be confident about the safety and soundness of American National Bank (ANB). While the media has stopped focusing on the banking industry after the failure of 3 banks in March 2023, there continue to be a few articles that question the future and stability of banks. You will see from the information below that your bank is financially strong, well-capitalized, and well managed. You do not have to be concerned about your deposits with us.

I want to start with ANB's strong capital position. Capital is the main indicator of a bank's overall strength and stability, as it is considered the cushion for the unexpected. Bank regulators set capital requirements using 3 levels: minimum, adequate, and well-capitalized. The leverage capital ratio for qualifying as "well-capitalized" is 5%. ANB's ratio is more than two and a half times higher than what is required to be considered well-capitalized, with a ratio of 13.30% and Tier 1 Capital of \$60.4 million at 9/30/23.

Liquidity and Unrealized Losses in banks' investment portfolios have continued to be items of concern. As of 9/30/23, we had \$42 million in cash, balances with Fed, Fed Funds Sold and balances with correspondent banks. We can also borrow over \$272 million in funds from the Federal Home Loan Bank (FHLB), Correspondent Banks and the Bank Term Lending Program (BTLP), should we need additional liquidity.

Our investment portfolio consists of U.S. Government Agency mortgage-backed securities with the entire portfolio classified as Available for Sale. The book value as of 9/30/23 was \$79.9 million, with a market value of \$66.5 million and an unrealized loss of \$13.4 million, which is marked to market monthly. The unrealized loss tax affected (AOCI) was \$10 million. We have \$4.3MM in pledged securities. The effective duration of the portfolio is short-term, less than 6 years. The unrealized losses in our portfolio have no impact on the financial strength of ANB. We plan to hold the securities until they mature; therefore, we would not have any losses on the portfolio.

ANB's asset quality is strong. As of 9/30/23 we have no past due or nonperforming loans.

Profitability remains strong. We, like most of the banking industry, are experiencing compression in our Net Interest Margin (NIM), an indicator of a bank's profitability. NIM is the difference between the interest the bank earns on loans/investments and the interest paid to depositors, referred to as the Cost of Funds (COF). The increase in COF is outpacing the increase in asset yield, impacting NIM.

ANB continues to be a 5-star rated bank by BauerFinancial, Inc. BauerFinancial is an independent 3rd party that rates banks based on the financial data reported quarterly to federal bank regulators. Five stars is the highest rating available and designates ANB as a "Superior" bank. ANB has been a 5-star rated bank for 37 consecutive quarters. The BauerFinancial Bank Summary Report for ANB based on 6/30/23 financial data is available for your review on the bank's website, www.americannationalbank.com. There is always a lag in the Bauer report because banks are not required to file their Quarterly Call Reports with the FFIEC until the end of the month after the quarter end. Then, it takes another 30 days for Bauer to analyze the data.

We greatly appreciate your relationship and that you have chosen to bank with ANB. You are a valued client, and we are committed to seeing that your funds remain safe and that we are helping you be successful, both personally and professionally. We want to be your trusted partner and will continue to manage the Bank in a safe and sound manner so that it remains well-capitalized, highly liquid, and resilient.

Please contact me with any questions. My cell number is 954-298-7408.

All my best,

A handwritten signature in blue ink, appearing to read "Ginger Martin", is written over a light blue circular watermark.

Ginger Martin, CEO & President

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