



March 29, 2024

Dear Valued Customer,

Today we received the Audited Consolidated Financial Statements for ANB Holdings, Inc. and its wholly owned subsidiary American National Bank (ANB) for the years ended December 31, 2023 and 2022. You will see from the information below that your bank is financially strong, well-capitalized, and well managed. We want you to know we greatly appreciate that you have chosen to bank with us and that you can be confident in the financial strength and stability of your bank.

ANB continues with its history of strong capital. 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 Tier 1 Capital to Average Assets ratio of 13.38% and Tier 1 Capital of \$61.4 million at 12/31/23.

As of 12/31/23, the bank had Total Assets of \$451.9 million. Our Liquidity position was strong with \$35 million in cash, balances with Fed, Fed Funds Sold and balances with correspondent banks. We have the availability to borrow over \$268 million in funds from the Federal Home Loan Bank (FHLB), Correspondent Banks and the Bank Term Lending Program (BTLP), should we need additional liquidity. As of 12/31/23, we had no borrowed funds or brokered deposits.

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 12/31/23 was \$78.3 million, with a market value of \$67.1 million and an unrealized loss of \$11.2 million, which is marked to market monthly. The unrealized loss tax affected (AOCI) was \$8.3 million. We have \$4.3 million in pledged securities. The effective duration of the portfolio is short-term, less than 7 years. The unrealized losses in our portfolio have no impact on the financial strength of ANB. Since we plan to hold the securities until they mature, we would not have any realized losses on the portfolio.

ANB's asset quality continues to be strong. As of 12/31/23, we have no past due or nonperforming loans.

Profitability remains strong. Net Income for the Year ended December 31, 2023, was \$5.4MM. The bank's Return on Average Assets was 1.17%. We, like most of the banking industry, are experiencing compression in our Net Interest Margin (NIM). 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 in 2023 outpaced the increase in asset yield, impacting NIM.

ANB continues to be a 5-star rated bank by BauerFinancial, Inc. BauerFinancial is an independent 3<sup>rd</sup> 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 38 consecutive quarters. The BauerFinancial Bank Summary Report for ANB based on 12/31/23 financial data is available for your review on the bank's website at [www.americannationalbank.com](http://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.

You are a valued client. We want to be your trusted partner and make banking easier for you both professionally and personally. We are committed to running the Bank in a safe and sound manner, staying focused on building long-term relationships and helping our customers succeed. We are not on every corner, but we ARE in your corner!

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

All my best,

A handwritten signature in blue ink that reads "Ginger". The signature is fluid and cursive.

Ginger Martin, President & CEO