



March 13, 2023

Good Afternoon,

As you are likely aware, the sudden collapse of Silicon Valley Bank and Signature Bank has generated a great deal of confusion and angst for the banking industry and its customers. As you may have read, the U.S. Government plans to unwind both Silicon Valley Bank and Signature Bank “in a manner that protects all depositors”. We view this as positive news that will help provide broad assurance about the stability of the financial markets.

I am reaching out this afternoon to ensure that you understand why the confidence and trust that you have always had in Bank of Ann Arbor should be no different today. Here are a few highlights that should readily demonstrate the strength of our Bank and why we are different in many ways from those institutions making headlines.

Financial Strength

- Capital remains notably above regulatory well-capitalized levels
 - Asset quality remains strong
 - No loan concentration concerns and a diverse loan portfolio (no crypto related lending)
 - Solid and resilient earnings during the pandemic and Great Recession
 - 2022 earnings strength notably above national peer averages
- Liquidity is robust in terms of levels and flexibility
 - Diverse and historically stable deposit base (no crypto related deposits)
 - \$250 million of overnight funds at the Federal Reserve
 - \$750 million of combined borrowing capacity at the Federal Home Loan Bank and Federal Reserve
 - Conservative investment portfolio that is materially smaller than all domestic and Michigan domiciled banks and includes \$105 million which is available to be sold if deemed appropriate, and at prices that would not impact the Bank’s well capitalized status.
 - Additional liquidity sources also available
- The Bank’s Interest Rate Risk profile is asset sensitive and thus well positioned for an increase in interest rates

Risk Management

- We have robust risk management processes and governance, in general; and focused forward looking balance sheet risk management activities, in particular (liquidity, credit, interest rate sensitivity and capital risks).
- We conduct formalized ongoing stress testing activities for liquidity, credit and interest rate risks
- Strong Board of Directors engagement, understanding, and oversight

I trust that this information confirms Bank of Ann Arbor’s ongoing commitment to being one of the strongest community banks not only locally, but also in the State of Michigan and nationally. Please be assured that we remain ready and committed to meet your borrowing, depository and overall financial needs. Call us if you have any questions. We look forward to continuing to earn your confidence and trust in Bank of Ann Arbor.

Tim Marshall

President & CEO