

# AMERICAN BANK

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February 2, 2010

## **A message from John Kimball regarding American Bank's 2009 Financial Performance**

In the near future, you may see in the local media a report about American Bank of St. Paul's financial performance for 2009. There is no doubt that 2009 was a very difficult year for our industry and specifically for American Bank. We reported a very sizable loss during 2009 and I believe it is important for you to understand that this loss although quite large is not as daunting as it may seem. The strategy in taking a sizable write down was to cleanse the balance sheet in 2009 by removing undervalued assets and to create a strong foundation for the future. The loss was primarily driven by three sizable items and they are...

Increase in FDIC insurance premiums	\$1,850,000
Increase of loan loss reserves	\$14,050,000
Write off of Goodwill	\$13,234,127

These three things along with the increased cost of collection and non-performing loans drove the reasons for the loss. Our loan loss reserve is approximately 4.5% of total loans which according to the FDIC is well above the average in the industry of 1.42%. In addition, the write off of Goodwill is a one time, non-cash expense that does not negatively affect capital level ratios.

The bottom line is that management is doing everything it can to improve credit quality and improve performance. If not for the adjustments to the loan loss provision and the writing off of Goodwill in the last quarter of the year, American Bank would have been profitable.

The future of the economy is still unknown and due to this, it is appropriate for the Bank to raise capital in case there are any unforeseen "speed bumps" along the way. Currently, the Bank is "Adequately Capitalized" which is one level below the highest regulatory classification of "Well Capitalized".

Thank you for your loyalty and support over the years and we look forward to serving your needs in the years to come. Please remember that your deposits are insured by the FDIC up to the same federal maximums that apply to all financial institutions.