



Dear valued customers,

The recent failures of two banks have unfortunately caused alarms throughout the country and the public to question the general systemic health of all banks. Fortunately, as I write this letter a calmer mood has prevailed, and the public realizes that most banks are doing well. However, it is important to review the facts that caused the alarms and to distinguish the differences between Virginia National Bank and in particular Silicon Valley Bank. First let us discuss the problem:

- Silicon Valley Bank failed due to a liquidity issue. This simply means that a large swath of deposits left the bank in a very short period of time in pursuit of a higher deposit rate or yield.
- Many of these deposits were tied to tech start-ups and some venture capital firms that fund them and about 90% of these deposits were over the \$250,000 FDIC insured amounts.
- Silicon Valley Bank then tried to sell off long term investments to regain their liquidity but as they put this directive in motion, they turned unrealized losses in their investment portfolio into realized losses creating another problem for the bank and this is when the FDIC stepped in and failed the bank.
- Normally when a bank is failed another bank has agreed to purchase the failed bank thereby avoiding the situation that leaves some deposits uninsured. This did not happen, and it is this issue that caused the angst among Silicon Valley Bank customers who had deposits over the \$250,000 FDIC insured amount.
- Government regulatory agencies and the current administration realized the problem and on Monday stated that all deposits, no matter the amount, will be insured and covered. This immediately calmed the situation.

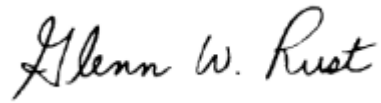
Virginia National Bank's business model is significantly different than that of Silicon Valley Bank and some other larger regional banks. Here are the differences:

- While we have nothing against tech start-ups, we do not bank this type of customer. We do not bank venture capital companies.
- We do not participate with or bank any crypto companies.
- We are a local community bank that is trusted in the markets we serve. Our deposits come from both individuals and businesses in our local markets.
- Most of our loans are with companies in our markets.
- We donate a significant portion of our net income to the non-profits in our local markets.
- Our customer base remains very loyal.

In closing, Virginia National Bank remains focused on our local customers and businesses and for over 25 years through the Great Recession, Covid, PPP lending and other events we have stood firm for all members in our community and in return our community has awarded us with record earnings in 2022.

I would also like to remind all of our customers that we have products that provide FDIC insurance beyond the stated \$250,000 coverage for individuals and businesses. If you are interested in one of these products, please reach out to our Client Care Center at 877.817.8621 or visit one of our branches and we will be happy to discuss these products with you.

Thank you for choosing us as your preferred financial institution,

A handwritten signature in black ink that reads "Glenn W. Rust". The signature is written in a cursive, flowing style.

Glenn Rust

Virginia National Bankshares President and CEO