



March 13, 2023

In Response to Recent Developments

The banking industry headlines over the last several days have been concerning for all of us. With that said, we want to share some information with you about how Nano Banc is positioned to withstand some of the current challenges impacting all banks, and information regarding the impactful regulatory responses taken over this past weekend.

Nano Banc has no cryptocurrency exposure. Nano Banc has no financial exposure to any cryptocurrency or related activities. We do not offer banking services to the cryptocurrency industry. Our policy is to separate from any customers who seek to utilize our products and services to engage in such activities.

Nano Banc has a small and conservative securities portfolio. Nano Banc has a relatively small investment securities portfolio of \$38.1 million, or approximately 4.0% of total assets at December 31, 2022. Of this amount, 82% are high credit quality U.S. government backed securities. For the total investment securities portfolio, the unrealized loss at December 31, 2022 was \$2.7 million, or 2.2% of total equity capital. The investment securities portfolio composition has remained static since year end 2022. Many banks have opted to build large long term investment securities portfolios to hold their liquidity. In the current interest rate environment that can pose issues when the securities are sold to raise cash.

Nano Banc has elected to maintain higher cash balances at the Fed. One of the reasons that Nano Banc has such a relatively modest investment securities portfolio compared to its peer group average is that Nano Banc has elected to maintain higher cash balances in its accounts at the Federal Reserve Bank of San Francisco and other correspondent banks over the past year. Our liquidity management team targets an on-balance sheet liquidity ratio of 12%-15% of total deposits. Our decision to maintain a higher than our peer bank average on-balance sheet liquidity ratio means we have foregone higher income opportunities such as those available in the investment securities market. Our Board and management believe that has been a prudent strategy.

Nano Banc’s capital ratios are above regulatory “Well-Capitalized” requirements. Nano Banc’s capital ratios remain significantly above regulatory “well capitalized” levels and are comparable to its peer group:

December 31, 2022	Nano Banc	Peer Group (5) ¹	Regulatory “Well-Capitalized” ²
Common equity tier 1 capital ratio	13.56%	14.37%	6.50%
Tier 1 capital ratio	13.56%	14.40%	8.00%
Total capital ratio	14.84%	15.49%	10.00%
Tier 1 leverage ratio	12.20%	10.21%	5.00%

¹ Peer group data updated quarterly from FFIEC UBPR reporting (as of December 31, 2022); Peer Group 5 is 1,293 insured commercial banks with assets between \$300 million and \$1 billion.

² Prompt Corrective Action Provisions

Nano Banc has good relationships with its regulators. We believe that we continue to have good working relationships with our state and federal banking regulators as we maintain our focus on remediating existing enforcement actions. We have made significant progress in this effort since mid-2022 when the new Board of Directors and a strengthened executive management team were installed.

As noted above, we believe that Nano Banc is well-positioned to serve the needs of our clients and is not burdened with certain of the issues that appear to have contributed to the recent bank failures. That said, we believe that the regulatory responses described below should give all market participants confidence in the U.S. banking system.

Impactful regulatory responses. As has been widely reported, the U.S. Department of the Treasury, the Federal Reserve Board and the Federal Deposit Insurance Corporation took action on March 12th to protect depositors of Silicon Valley Bank and Signature Bank, which were placed into receiverships on Friday and Sunday, respectively. Those actions were taken “...in a manner that fully protects all depositors.”³ Also on March 12th, the Federal Reserve Board announced the availability of an additional funding mechanism to help assure banks have the ability to meet the needs of all their depositors.⁴ And earlier today President Biden said that with those actions “...Americans can have confidence that the banking system is safe.”⁵

If you have any questions, please feel free to contact me directly.

Sincerely,



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This letter contains statements about future events that constitute forward-looking statements. Forward-looking statements may be identified by reference to time periods or by the use of the words “believe,” “expect,” “anticipate,” “intend,” “estimate,” “assume,” “will,” “should,” “plan,” and other similar terms or expressions. Forward-looking statements should not be relied on because they involve known and unknown risks, uncertainties and other factors, some of which are beyond the control of Nano Banc. These risks, uncertainties and other factors may cause the actual results, performance and achievements of Nano Banc to be materially different from the anticipated future results, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause such differences include, but are not limited to, general economic conditions, changes in interest rates, regulatory considerations, the maintenance and development of well-established and valued client relationships and referral source relationships, and acquisition or loss of key production personnel. Any forward-looking statements contained in this shareholder letter, including statements related to compliance with our enforcement action, are made as of the date of this letter, and we undertake no duty, and specifically disclaim any duty, to update or revise any such statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

³ [Joint Statement by Treasury, Federal Reserve, and FDIC dated March 12, 2023.](#)

⁴ [Federal Reserve Board announces it will make available additional funding to eligible depository institutions to help assure banks have the ability to meet the needs of all depositors. Press release dated March 12, 2023.](#)

⁵ [Remarks by President Biden on Maintaining a Resilient Banking System and Protecting our Historic Economic Recovery dated March 13, 2023.](#)