

BANKING: STARTUP BRINGS TECH FEEL

# Nano Banc Intends To Keep Growing Big

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Mark Troncale

Nano Banc is indeed a real bank, not a fintech or a research firm.

But the company's founders don't mind the fintech comparisons, particularly in terms of its rapid growth, which any upstart Silicon Valley tech business would be proud of.

Nano Banc has grown from no assets in 2018 when it was founded to \$815 million as of Dec. 31.

"No other de novo bank start has done something like that," co-founder and President Mark Troncale told the Business Journal.

"A lot of tech company disrupters have shorter names. Nano is associated with technology and small and we wanted to reflect that."

The Irvine-based firm, which has an office overlooking the Spectrum, is the newest bank based in Orange County. It's also among the area's fastest-growing businesses, bank or otherwise.

It rose to No. 29 on the Business Journal's annual list of banks doing business in Orange County, reporting \$611.4 million in OC deposits as of June 30 (see list, page 28). It has 63 employees, including 41 in Orange County.

### **The CRB Connection**

The three who started the bank have a long history in Orange County, including all working at California Republic Bank, which was founded in 2007 and acquired for \$330 million by Mechanics Bank in 2016.

Chief Executive Mark Rebal was co-founder and chief credit officer of California Republic Bank. A 1983 USC grad, Rebal has experience in many areas such as indirect auto finance, risk management and commercial real estate appraisal. He serves on the board of directors of the Clearinghouse Community Development Financial Institution that promotes business in poorer communities.

The other co-founder is Chief Credit Officer Anthony Gressak, who was a senior vice president at California Republic Bank, responsible for about 50% of the bank's portfolio. He oversaw the financing of more than \$1 billion in commercial real estate along with over \$100 million in various lines of credit with a focus in financial services, foodservice and restaurants.

Troncale was also a senior vice president of California Republic Bank where he focused on treasury, cash management and internet technology.

A focus on technology is part of Troncale and Nano Banc's growth strategy.

Nano Banc is building its own software and hardware platform and has patents pending. It will license the technology to other community banks.

"There are banking technologies out there that aren't being utilized. You've be very surprised," he said.

Fraud is a hot topic among bankers, some of whom say the smaller ones are having a tougher time keeping up (see industry Q&A, page 20).

"One hundred years ago, a banker would be talking about his safe and how nobody could crack it.

"Today, our safe is our technology and how we're protecting our deposits. We have a high emphasis on security," Troncale said.

“Banks need to be leading that conversation and not following technology companies.”

## **Woodbridge Grad**

Troncale, who grew up in the Irvine neighborhood of Woodbridge, went to a private school in Oregon and obtained a JD from the California School of Law while working as a banker. Rather than become a lawyer, he decided to stay in banking because he saw “[his] career take off” while working at California Republic Bank.

After California Republic was acquired by Mechanics, the three decided to strike out on their own. Troncale said his clients didn’t find Mechanics “a good fit for them.”

The threesome plotted the new bank on the proverbial napkin at a restaurant overlooking Newport Beach harbor.

They focused on four things: service, technology, culture and being “a low branch model.”

“We have a term what you’d call a white glove service. Our vision is that like how you walk into the Ritz [Carlton] hotel or the Montage, you have that kind of white glove service.”

## **Business Casual**

They wanted to change the workplace culture from that of a typically sterile bank to that of a technology company.

“We saw tech companies having great ideas where employees were excited about work,” he said. “We modeled our culture more like a tech company. We’re more business casual, focused on key synergies, collaboration and less hierarchal command and control structures that you typically see at other banks.”

In 2017, the three co-founders raised \$71.7 million in equity capital to acquire commercial banks in Southern California.

In May 2018, they bought Commerce Bank of Temecula Valley for \$23.3 million and renamed it Nano Banc. At that time, the bank had \$60 million in loans and deposits, he said.

They kept the branch in Murrieta and a loan production office in Los Angeles.

The bank originally had a goal to raise as much as \$200 million, but closed its initial round at \$71.7 million at the request of banking regulators when it acquired the Temecula Valley bank, Troncale said.

Last year, it raised another \$25 million private placement of fixed senior unsecured notes due 2025 with a fixed rate of 7% for five years.

## **Zero Marketing, Wealthy Clients**

It has zero expenditures on marketing, nor does it entice customers with a high interest rate on certificates of deposits. Instead, it has relied on hiring rival bankers who bring their wealthy clients—who are largely entrepreneurs and who have \$5 million to \$10 million available to deposit.

“We’re really good at servicing those types of clients,” Troncale said. “We hire rock star type of bankers who are fed up with the banking cultures where they’re at. We had no idea how many bankers are unhappy at their current banks.”

The bank posted a \$2.3 million profit last year, factoring in all its startup costs.

Troncale said it has a 4.7% net interest margin, which is above many locally based banks. The net interest margin is a key metric of banking profitability.

It’s currently exploring whether to raise more capital. An initial public offering is part of its long-term strategy.

It plans to grow assets to about \$1.2 billion, mostly organically and then perhaps through acquisitions if it can raise the capital.

“Keep an eye on Nano,” Troncale said. “With our long-term vision with our growth and success organically, I think there is a huge opportunity for us to be one of the most competitive and largest banks in Southern California in the next five years.”