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## How Bank of Ann Arbor takes on giants – and thrives

Local bank rose from No. 6 in market share to No. 2 by finding riches in niches

By [Tom Henderson](#)

The **Bank of Ann Arbor** has earned a reputation as the little bank that can — hold its own, that is, in the fight for market share among the national and regional powerhouses in one of the most highly competitive banking environments in the state.

Eighteen banks do business in the Ann Arbor area. The top seven by deposit market share include banks based in New York City (**Chase**), Cleveland (**KeyBank**), Dallas (**Comerica**), Minneapolis (**TCF**), Pittsburgh (**PNC**) and Columbus (**Fifth Third**).

As of March 31, those banks had assets, respectively, of \$2.5 trillion, \$323.6 billion, \$129.7 billion, \$99.9 billion, \$65.8 billion and \$18.8 billion.

The Bank of Ann Arbor? It had assets of \$964 million, a number small enough that it wouldn't even count as a rounding error in Chase's asset tally.

But the bank has carved out lending niches including:

- Local investment real estate, which post-recession is a space many other banks strongly avoid.
- Wealth management, where it has nearly \$1 billion under management.
- Lines of credit for venture capital firms — an area of particular interest to the tech community in its hometown. The bank brags about its role as the hometown underdog through funny radio and billboard campaigns that began in 2010. It contends that its brand recognition has helped it consistently eat into its rivals' market share. (*See related story.*)

In 2007, before the recession hit, the Bank of Ann Arbor was sixth in deposit market share with 8.04 percent in the city, with deposits of \$329.8 million, according to the **Federal Deposit Insurance Corp.** KeyBank was No. 1 at 16.45 percent with deposits of \$675.1 million.

As of June 30, 2013, the latest date for which data are available on the FDIC website, Chase was No. 1 at 17.3 percent with deposits of \$901.6 million, while the Bank of Ann Arbor had climbed into second place at 12.38 percent and deposits of \$646.2 million. (*See chart, below.*)

That is an increase in market share of 54 percent. Of the five banks that ranked ahead of it in 2007, only Chase also increased market share, improving 49 percent.

The Bank of Ann Arbor, which followed record net income of more than \$8.4 million in

LEISA THOMPSON



President and CEO Tim Marshall credits the Bank of Ann Arbor's success to an emphasis on community, including an ad campaign that stresses that its bankers know that Fielding Yost is a legendary University of Michigan football coach.

**Ann Arbor's Biggest Banks: What 6 Years Can Do**

Percent market share in Ann Arbor as of June 30, 2013

Bank	Number of branches	Assets	Market share	Bank	Number of branches	Assets	Market share
1. Chase	4	\$901.6	17.3%	1. Chase	4	\$901.6	17.3%
2. Bank of Ann Arbor	2	\$646.2	12.38%	2. Bank of Ann Arbor	2	\$646.2	12.38%
3. Comerica	2	\$415.1	7.9%	3. Comerica	2	\$415.1	7.9%
4. PNC	2	\$323.6	6.2%	4. PNC	2	\$323.6	6.2%
5. KeyBank	2	\$259.8	5.0%	5. KeyBank	2	\$259.8	5.0%
6. Fifth Third	1	\$187.8	3.6%	6. Fifth Third	1	\$187.8	3.6%

Percent market share in Ann Arbor as of June 30, 2007

Bank	Number of branches	Assets	Market share	Bank	Number of branches	Assets	Market share
1. Chase	4	\$675.1	16.45%	1. Chase	4	\$675.1	16.45%
2. Bank of Ann Arbor	2	\$329.8	8.04%	2. Bank of Ann Arbor	2	\$329.8	8.04%
3. Comerica	2	\$259.8	6.57%	3. Comerica	2	\$259.8	6.57%
4. PNC	2	\$187.8	4.87%	4. PNC	2	\$187.8	4.87%
5. KeyBank	2	\$129.7	3.37%	5. KeyBank	2	\$129.7	3.37%
6. Fifth Third	1	\$99.9	2.59%	6. Fifth Third	1	\$99.9	2.59%

Source: FDIC. Bank assets include all FDIC-insured deposits as of 6/30/13.  
 \*\*Assets of Ann Arbor include all FDIC-insured deposits as of 6/30/13.  
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2012 with record income of almost \$9.7 million last year, continues to grow its presence both inside Ann Arbor and out.

**ANN ARBOR'S BIGGEST BANKS: WHAT 6 YEARS CAN DO** (click to enlarge)

### 3 ways to expand

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Three kinds of expansion are part of the bank's strategy:

- **Geographic:** Last year, it expanded into Saline, rehabbing a branch it bought from **Bank of America**. In addition, for years the bank's technology group has provided a variety of funding to Detroit's **TechTown Detroit** and to that city's tech companies.
- **Products:** Last year, the bank purchased **Ervin Leasing**, a 35-year-old Ann Arbor company that provided equipment financing for businesses. This month, it was rechristened **UniFi Equipment Finance**.
- **Headquarters:** In September, the bank will begin a \$4 million renovation and 10,000-square-foot expansion of its downtown Ann Arbor headquarters, adding a third floor.

Bank President and CEO Tim Marshall credits the successes to an emphasis on the community, including sponsorship of numerous organizations and events; the long-running ad campaign by Ann Arbor-based **Perich + Partners Ltd.**; and his bank's conservative lending before the recession.

"The only hedges we understood were the ones you trimmed in your front yard," Marshall said.

The bank was one of the founding organizations of **Ann Arbor Spark**. It committed \$150,000 when approached in 2005 by Mary Sue Coleman, then president of the **University of Michigan**, and Rick Snyder, then a local venture capitalist, about helping launch a new nonprofit economic development agency.

Marshall is now Spark's chairman of the board.

"The community recognized the commitment we have to the area," he said. "It's tough to go to a community event where there aren't three or four Bank of Ann Arbor people."



John Donnelly

His competitors and observers of the local banking scene praise Marshall and the bank for having good vision and planning.

"This is a best-in-class bank and has been from day one," said John Donnelly, managing director of Grosse Pointe investment banking firm **Donnelly Penman & Partners**.

"When they started, they handpicked their investors. They were almost interviewing people to become investors. Not many banks have that luxury."

### 'The bank bleeds Ann Arbor'

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The bank opened its headquarters on Jan. 16, 1996, at 125 S. Fifth Ave. in a former Comerica branch. The bank was capitalized with \$6 million raised from business leaders and launched with 15 employees and one location. Today, it has seven branches and 170 employees.

One of the original investors was Bill Martin, founder of the prominent Ann Arbor real estate firm **First Martin Corp.** and the UM athletic director from 2000 to 2010.

Other business leaders who invested included Robert Teeter, for many years the leading pollster for the Republican Party and its national candidates; Peter Fletcher, an Ypsilanti businessman and activist in the **Michigan Republican Party**; Thomas Borders, founder of the **Borders** bookstores; and Cynthia Wilbanks, now vice president for government relations at UM.

The result? The community ties that helped it compete with better resourced national and regional banks.

"The bank bleeds Ann Arbor," Donnelly said.

Kirk Albert is president of the Michigan region of KeyBank (*see [A Conversation With](#)*), a regional bank with assets of \$91 billion that ranks third in market share in the city, behind the Bank of Ann Arbor. His office is in downtown Ann Arbor, a few blocks from Marshall's.

Albert said that the Bank of Ann Arbor's ad campaign, stressing its local roots, helps it carve out a niche but that the economic health of the city and region allows other banks to carve out their own niches.

"The Bank of Ann Arbor is a real formidable competitor," Albert said. "There is an appeal to being the hometown bank. Some people love that, but you just have to find your niche.

"There are things we can do that they can't. For example, we do a lot of **Small Business Administration** lending because we have the infrastructure to do it.

"On the other hand, the Bank of Ann Arbor is strong in investment real estate. They do it better than anyone. We have less of an appetite for that. If you don't do it right, you can really get hammered."

As for Marshall, Albert said: "We sit on a lot of boards together. Tim is everywhere in the market. I'm trying to rival him by being on as many boards as him, but he still beats me."

John Carter, the Michigan market leader for **J.P. Morgan Chase & Co.**, called the Bank of Ann Arbor "a very competitive bank in a really good and fertile banking environment. It's a great example of a bank that has created a niche."

Carter said the Ann Arbor economy, anchored by UM and including technology companies backed by a strong venture capital community, has created "a broad and deep enough client base for community banks to have their niche and for national and regional banks to compete as well. Anyone who has a presence of any size in Michigan has to be in Ann Arbor."

### A technology niche

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The Bank of Ann Arbor has had a technology industry group for 12 years. It's headed by Michael Cole, who had been head of the technology group in Los Angeles for the **Royal Bank of Canada**.

Three of the Bank of Ann Arbor's 12 directors have a strong technology background — Dick Eidswick, a founding director of **Arbor Partners**, one of the early venture capital firms in Ann Arbor; Jan Garfinkle, founder and managing director of **Arboretum Ventures**, which has had several successful exits from tech startups it helped launch; and Jeffrey Williams, the CEO of two of Garfinkle's companies, **HandyLab Inc.** and **Accuri Cytometers Inc.**, when they were sold.



Michael Cole

After starting the tech group in 2004, Cole founded the **Ann Arbor Angels** to provide seed and early-stage funding for tech entrepreneurs. The bank can't invest in the companies themselves but can provide lending and traditional banking services as they grow.

Today, Cole's group does debt financing for companies backed by venture capital, provides cash management and 401(k) services, makes bridge loans to companies getting other financing and provides lines of credit to venture capital firms.

"The bank has been very supportive of us, both on the cash management side and on the lending side," said Tim Mayleben, president and CEO of Ann Arbor-based **Esperion Therapeutics Inc.**, a pharmaceutical company that went public on the **Nasdaq** stock exchange last year under the symbol ESPR.

"They understand our kind of business. Fifteen years ago, when Roger (Newton, Esperion's founder and chief science officer) and I first started doing this, banks didn't."

From the start, the tech group looked beyond Ann Arbor.

"Josh Linkner was one of the first customers of the tech group when he was at **ePrize**," Cole said of the founder of the Internet marketing firm who now is managing partner of **Detroit Venture Partners**.

"We're working more and more in downtown Detroit and TechTown and happy to be part of that."

Chris Rizik, president and CEO of the Ann Arbor-based **Renaissance Venture Capital Fund**, a firm that invests in venture capital companies that in turn invest in Michigan companies, said he maintains a line of credit with the Bank of Ann Arbor — as do other area venture capitalists — to provide money for the short term while he waits for investors to respond to his requests for capital as needed.

"Sometimes, it's hard for banks to adjust to the needs of tech startups, but they've really stuck with it and got very good at it," Rizik said.

Said Leslie Smith, president and CEO of TechTown: "The bank has been very interested from the beginning in becoming more involved with our tech clients and has offered sponsorship, mentorship and access to capital in hopes of developing long-term relationships."

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