Area bank deposits down

DECLINE MAY INDICATE BUSINESSES DOING BETTER - OR WORSE, EXECS SAY

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THE BANK OF holland

The annual ranking of bank deposits illustrates the economic forces at work that have reshaped the West Michigan banking market.

On one side, bankers say the sluggish economy and low interest rates drove an overall decrease in bank deposits across many markets in West Michigan, as well as the entire state.

Or, perhaps, the decline in deposits reflects businesses that are doing better after the recession using their cash to pay off debt instead of putting it in the bank.

Some banks that have taken an aggressive posture increased deposits from both commercial and retail clients and their market share.

"We have worked the market hard" said Garth Deur, CEO of The Bank of Holland, one of a handful of banks in West Michigan to grow deposits from June 2010 to June 2011, according to the FDIC's annual Summary of Deposits.

Although still ranking fourth of 16 banks in its home market, The Bank of Holland grew deposits by $23.6 million during the 12-month period to $414.6 million through its single branch office in Ottawa County, boosting its market share to 12.05 percent as of June 30 from 10.91 a year earlier.

Deur attributes the increase to the same dynamic that may have driven deposits down elsewhere: the economy and low interest rates.

In this case, small businesses coming out of the recession in good shape have a lot of cash on hand, but amid lingering economic uncertainty, they are unwilling to re-invest it in the business, Deur said.

"The profits are piling up in the form of deposits, and these businesses are waiting for the economy to improve so they can invest in new opportunities," he said.

The same economic uncertainty also steers people from the stock market and into the safety of bank deposits, Deur said. Small businesses also are more apt these days to shop around for a new bank.

"In challenging times, there is a tendency by people to retrench, and we have used that as an opportunity," Deur said.

The Bank of Holland's home market of Ottawa County had one of the more notable changes in the annual Summary of Deposits as Fifth Third Bank regained the lead position this year, pushing Holland-based Macatawa Bank back to No. 2 after a number of years at the top.

The market leader across West Michigan, Fifth Third held a 21 percent share of the deposit market in Holland area, or $718.3 million, according to the FDIC's 2011 Summary of Deposits.

Total deposits at Fifth Third were down in the region from the previous year by almost $10 million, but the bank still viewed gaining the top spot as a win.

Deposits in the Holland market as a whole dropped by more than $142 million. Deposit market share figures sometimes may be skewed based on where banks decide to report deposit holdings.

"We are viewing this as a nice endorsement that we have the people in Ottawa County who trust us with their financial services at a time when there are a lot of challenges out there," said Lance Erickson, Fifth Third's executive vice president of retail banking in West Michigan.

Macatawa gains in Grand Rapids

Macatawa Bank, which has been recovering from hard times and saw a large one-year decline in deposits, held a 19.61 percent share, with $674 million in deposits in the Holland area, the third-largest market in West Michigan with $3.43 billion in total deposits. Between June 2010 and July 2011, Macatawa Bank's deposits in the market declined by $125.3 million. Macatawa gained ground in the Grand Rapids area, however reporting $30 million more in deposits than last year.

The FDIC Summary of Deposits provides a snapshot of deposit volumes the day each bank files data with federal regulators. Deposits fluctuate throughout the year according to how customers move their money.

Ranking less important?

At a time when low interest rates have generated little competition for deposits, Jon Chism of Plante Moran in Grand Rapids says annual market-share rankings are not as important as they were a few years ago when banks pursued deposits to support loan growth.

Soft loan demand means banks are no longer competing for hard deposits, Chism said.

"When loans are down, nobody is going to pay up for deposits," he said.

Still, some banks covet the deposit growth.

Huntington Bank views its gains during the year as a result of a number of efforts, including a new strategy launched in late 2009 to grow small business lending, as well as taking a "consumer-friendly" approach to not assess debit card fees on transactions as, for instance, Bank of America has done.

"We're not going to do that," Regional President Jim Dunlap said. "We're taking a different approach."

Huntington Bank grew both deposits and market

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share in the Grand Rapids area - to $1.35 billion and 10.48 percent, compared with $1.27 billion and 9.51 percent in 2010 - and continues to rank third in the market.

Overall in the Grand Rapids area, easily the largest market in the region, deposits declined 4 percent, or by $551 million, to $12 billion.

Fifth Third led the Grand Rapids area with a $22.61 percent market share and $29.1 billion in deposits, versus 23.54 percent and $3.16 billion in 2010.

Wells Fargo Bank was second in the market, with $16.8 billion in deposits - about the same level as a year earlier - and a 13.09 percent market share. Wells Fargo is unique among the top players in the market because it has no retail presence.

The Grand Rapids - area deposit market overall declined 4 percent from 2010 to 2011, or by $551 million, to $12.9 billion as of June 30.

The Ottawa County deposit market declined 3.9 percent, or by $143, to $3.43 billion. Huntington Bank held the third spot in Ottawa County, behind Fifth Third and Macatawa, with a 12.8 percent share, or $458 million.