

## **Executive Q&A – Mark Meloy**

By Mary Balousek

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Madison bank head targets niche market

First Business Bank – Madison has no teller windows, just one office and fewer than 1,500 customers.

But the bank has \$735 million in deposits locally and has the sixth-largest deposit market share in the Madison area. It has increased deposits by 84.5 percent over the past five years.

Founded in 1990 and part of the publicly traded First Business Financial Services of Madison, the bank has stuck to a purely business model instead of trying to expand into retail banking, said president and chief executive Mark Meloy.

First Business Financial Services has six subsidiaries including business banks in Madison, the Milwaukee area and Oshkosh-Appleton as well as First Business Trust & Investments, First Business Capital Corp. and First Business Equipment Finance.

Meloy grew up in Platteville and graduated from Loras College in Dubuque, Iowa. He came to First Business Financial Services after 17 years at what now is U.S. Bank, becoming head of the Madison bank in 2006.

**Q:** How is First Business Bank different from other banks and what has contributed to its success?

**A:** The obvious things that one would recognize right away are we don't have a multitude of branches. We have one location here in Madison, one location in the Milwaukee area and in Oshkosh and Appleton – sort of one per community.

The reason we do that is because we've carved out a very particular niche of the marketplace – small business and low end of the middle-market-type businesses. For that marketplace, the numbers of locations are less important because those types of bank clients get their deposits to the bank in a number of different ways and in mostly fairly high-tech ways, either electronically by ACH (Automatic Clearing House), wire transfer or over the Web through our remote deposit product. In the pre-Web days, we had – and we still have – a courier service.

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Mark Meloy is president and chief executive of First Business Bank – Madison at 401 Charmany Drive. The bank, which is part of First Business Financial Services, is a niche player in the Madison banking market.

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The second thing is the number of clients that we have. A bank our size would have about 20,000 to 25,000 account holders if we were a retail and commercial bank. With our business bank focus, we probably have 1,800 clients across our company. In Madison, we probably have 1,300 to 1,400 clients.

The comparison I like to draw is to think about the teacher-to-student ration in school systems. I sort of describe it as the banker-to-client ratio in our model, which is very much tilted to the advantage of our clients where they get a lot personal attention that enables us to be very proactive in the relationship. It's frankly related to the growth we've been able to enjoy. As we bring on new business, we're not losing existing business out the back door because we are paying attention to who our clients are.

**Q:** Has the bank made any adjustments in lending or underwriting due to the struggling economy?

**A:** Some people have accused us of being conservative and I've quickly turned it around and said we're not conservative, we're consistent. I don't think we've made any significant changes in underwriting and I would emphasize that we look at lending the same way all the time. During the boom years, we were doing it the same way then as we did 10 years prior to that and the way we do it today. Did we refine things over time? Absolutely. Technology allows us to do that and information allows us to do that. But the basic tenets of underwriting we've tried to adhere to and have throughout our history.

Confidence plays a big part in credit on both sides. Certainly there are opportunities out there. We have looked at some very nice new opportunities in the last couple of months in the height of the bad financial news nationally where the prospects have been banking someplace else for an extended period of time and for whatever reason their relationship with their longtime previous provider has changed. That's created some discomfort for them and created an opportunity for us to show them our model.

We do have commercial real estate as part of our loan portfolio. That's a common characteristic of most Midwestern banks and Dane County area banks. Through the history of our company, we've had very good loan-quality experience.

**Q:** Do you think business banks will avoid the financial problems that have afflicted banks focused on home mortgages or do you think the impact has just been delayed?

**A:** There are other business-type banks across the country and we measure ourselves against some of those banks in key factors, particularly credit quality. We stack up very well against those other business banks. We've really taken the model probably further than other business banks because we're not trying to serve the mass market. We don't have teller lines. Other business banks have kind of tweaked into that area.

Just saying you're a business bank doesn't mean you're immune to national financial problems. We benefit from the Madison local economy. We're not immune to the economic woes, but we don't get the pendulum swings they do on the coasts. I think the purity of our model allows us to serve our clients better than other banks.

I don't think we're at the end of the national financial problems. I don't think we've bottomed out totally yet. In a Dane County economic survey we did recently, one of the telltale questions in looking forward to 2009 was that about 60 percent of the business owners projected 2009 to be better than 2008. This is the sixth year we've done that survey and it's the first year that's been under 80 percent. I think there's less confidence out there.

**Q:** What are the plans for First Business Bank over the next year regarding expansion or new products?

**A:** Over the past two years, we've invested in people and business units. Where we are now is a time to continue to leverage those investments. We put a bank in the Fox Valley a couple years ago. We've positioned our overall company to be nimble as far as what economic conditions present.