

Johnson family investment to recapitalize bank

\$235 million ensures Johnson Bank will stay privately owned

By Paul Gores of the Journal Sentinel
Nov. 1, 2011 |

Johnson Financial Group said Tuesday that Racine's Johnson family will make a capital investment of \$235 million in the company, a move that will recapitalize Johnson Bank and ensure it remains privately owned.

Johnson Bank, the second-biggest bank based in Wisconsin, lost \$220 million in 2010, mostly because of real estate loans that soured in the weak economy. Through the third quarter of this year, it has lost about \$10 million, according to regulatory records.

"My father, Sam Johnson, founded Johnson Bank over 40 years ago to deliver the exceptional service our customers deserved but couldn't get from the large national banks, and that need has never been greater," Helen Johnson-Leipold, chairman of the board of Johnson Financial Group, said Tuesday in making the announcement. "This is a commitment by the family to ensure we remain independent, privately owned and focused on meeting the needs of our local customers and communities for the long term."

The Johnson family's investment was formalized Oct. 28 and will close after completion of the regulatory approval process. The additional capital will raise the bank's capital ratios above well-capitalized status and position the company and its customers for sustainable, long-term success, Johnson Financial Group said.

Last summer, Johnson Financial hired Tom Bolger, a former M&I and Harris Bank executive, to run the bank and its parent company.

Although Johnson Bank expects to have loan losses into 2013, Bolger said Tuesday that the infusion of capital allows the bank's employees "to begin playing offense rather than playing defense, as they have for basically a year now."

"As the economic recession has lingered and as the turmoil in the banking industry - particularly in Wisconsin - has intensified, we think there are many employees and customers of other banks who are unhappy or unsure or frustrated with their current financial institutions," Bolger said. "And we think this announcement today is really a key cornerstone in presenting Johnson Financial Group as a great alternative for employees and for customers."

Johnson-Leipold said the bank never was for sale as it struggled last year, but the company looked at all its options, including outside investors, to raise capital. The company has been under orders from regulators to develop a capital plan.

"I think it was very thorough and very productive, and the family always was going to participate in some way, but we didn't really know exactly at what level and we were still in the process of identifying how much capital actually was needed. So we went through the process and had quite a bit of interest," she said. "I think where we ended up is that we felt even better about the business and about the opportunities and also the importance of being family owned and operated, so we decided as a total family to participate at the 100% level."

Bolger said there were outside investors "that were very interested in the investment and made very credible offers to put the investment in," but those investors would have brought different terms and exit provisions as part of the deal.

"Ultimately, at the end, the family decided it was the best long-term investment to put all of the funds in and have it as a family-owned company," he said.

Johnson-Leipold said the commitment of Bolger to run the business also was "a critical aspect of moving forward."

Jon C. Bruss, chief executive of Fortress Partners Capital Management in Hartland, said the decision of the Johnson family to make the entire capital investment is good for banking in Wisconsin.

"I'm pleased with the outcome because ultimately I suspect what would have happened is that second-largest bank in the state would end up being controlled by someone out of state," Bruss said. "And I don't know that that's something that would be particularly healthy for the state of Wisconsin."

Forbes Magazine estimates that the net worth of Johnson-Leipold and her siblings H. Fisk Johnson, Winnie Johnson-Marquart and S. Curtis Johnson, as well as their mother, Imogene Powers Johnson, is \$2.3 billion each.