

M&I posts 10th consecutive quarterly loss

By [Paul Gores](#) of the Journal Sentinel

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In what likely was its last full quarter as a Milwaukee banking company, [Marshall & Ilsley](#) Corp. on Friday posted its 10th consecutive quarterly loss.

M&I, which is set to become part of Toronto-based [BMO Financial Group](#) this summer, lost \$142 million, or 27 cents a share, in the first quarter, compared with a loss of \$140.5 million, or 27 cents, in the same quarter in 2010.

The 2½ year losing streak, fueled mostly by the dogged housing slump in states where M&I aggressively had expanded, depressed the company's stock price and pushed the 164-year-old Milwaukee bank into seeking a healthier takeover partner.

M&I shareholders are scheduled to vote next month on the \$4.1 billion acquisition of their company by BMO, which operates [Harris Bank](#) from Chicago in the Midwest. After the merger, the M&I name will be dropped and BMO's banks in the United States will be known as BMO Harris Bank.

"They made some serious lending mistakes in Arizona and in Florida," said Jon C. Bruss, chief executive of Fortress Partners Capital Management in Hartland. "That's what did them in."

Money manager Marty McDevitt, who has followed M&I for decades, said the bank was once "an icon in banking" known for its high-quality loan portfolio.

"You look at what's happened to M&I and you come to the conclusion that this is a sad ending to a tragic story," said McDevitt, of McDevitt & Bird Investment Management Co. in Elizabeth, Ill.

Mark Furlong, M&I's chairman and chief executive, wasn't available for an interview Friday. But in a statement in the earnings report he acknowledged the pending end of M&I as an independent company.

"As we approach the closing of our merger, I would like to take this opportunity to thank our employees for their tireless efforts over the years and particularly leading up to the merger completion," Furlong said.

Furlong, who is joining BMO as president and CEO of Harris as part of the deal, also said the merger would make for a better bank.

"As we look to the future, we are excited about the pending merger with [BMO Financial Group](#). It will provide additional resources to enhance our commitment to customers and local communities. Over time, our customers can look forward to increased convenience and expanded products and services," Furlong said.

Too long to recover

It became clear in 2010 that it would take longer than hoped for M&I to return to profitability on its own, and bank leadership began looking for a buyer. BMO Financial Group, which has been seeking to expand in the Midwest, saw M&I - which also has banking operations in Minnesota, Indiana, Missouri and Kansas - as a good partner for its expansion strategy. BMO outbid an unidentified bank to acquire M&I, according to regulatory documents.

BMO has said the purchase of M&I is expected to close by July 31, but it appears the deal could be completed before the second quarter ends June 30.

In its report Friday, M&I noted that nonperforming loans decreased 19% from the first quarter of 2010, and early-stage delinquencies fell 17% from the same quarter last year.

But the bank said write-offs of bad loans rose \$8.9 million, or 2%, from last year's first quarter - an increase M&I said was driven by the sale of a small-business portfolio. [Net interest income](#) was \$352.1 million, down \$57 million, or 14%.

M&I is the largest bank based in Wisconsin, with assets of \$49.6 billion. However, it's about 12% smaller than a year ago at the same time, when its assets were \$56.7 billion.

M&I paid \$25.4 million in dividends to the U.S. Treasury in the first quarter in connection with the government's \$1.7 billion investment in the bank through the [Troubled Asset Relief Program](#), or TARP. M&I's TARP money is to be paid back by BMO just before the acquisition closes.

CEO's compensation soars

In a separate report with regulators Friday, M&I disclosed that Furlong received total compensation in 2010 of about \$5 million, up more than 200% from almost \$1.7 million in 2009. According to the company's [proxy statement](#), Furlong received a salary of \$875,000, stock salary awards and restricted stock awards totaling \$3,624,997, a change in the value of retirement benefits of \$569,607 and other compensation of \$24,432, for total compensation of \$5,094,036. The biggest change from 2009 was in the stock awards.

As part of the acquisition agreement, BMO has agreed to pay Furlong \$18 million under a change-of-control agreement that existed at M&I. In addition, he will be paid a base annual salary of \$600,000 under a three-year contract, and be eligible to receive an annual [incentive payment](#) of \$800,000 and midterm and annual equity awards of \$1.1 million each. On the first anniversary of the merger, Furlong will receive a \$6 million "transition completion" payment, according to regulatory documents.