

# More banks look ripe for acquisition

## Big suitors see a chance to expand their horizons

By PAUL GORES

[pgores@journalsentinel.com](mailto:pgores@journalsentinel.com)

*Posted: July 21, 2007*

A recent flurry of Wisconsin bank acquisitions may be the start of a trend in a state that still has plenty of room for bank consolidation, analysts say.

Some of the state's 300 institutions - particularly smaller ones in solid economic markets - could be good merger candidates in the current wave of bite-sized takeovers, they say.

Three such acquisitions in Wisconsin were announced this month. On July 10, Canada-based Harris Bank announced it would buy Ozaukee Bank in Cedarburg for \$190 million in stock and New Berlin's Merchants and Manufacturers Bancorporation Inc. - which runs Lincoln State Bank, Grafton State Bank, Community Bank Financial, Fortress Bank, The Reedsburg Bank and Wisconsin State Bank - for \$137.2 million in cash.

Two days later, Madison-based Anchor Bancorp Wisconsin Inc. said it would buy S&C Bank of New Richmond for an undisclosed price, giving it a big presence in the fast-growing region of northwestern Wisconsin.

A bank can be sold at any time for various reasons, ranging from the chief executive reaching retirement age to the pressures of overcoming increasingly tough competition.

But the current interest rate environment, in which banks can't charge rates much higher for loans than they pay customers for deposits, is making it harder to increase profits - especially for banks that rely on mortgage lending. As earnings affect stock prices, it could put pressure on some to sell.

"That might scare a few into doing a deal," said Kenneth Brusda, president of North Star Asset Management Inc. in Menasha. "There will be more deals because there's still a lot of banks around and we still need to have a lot of consolidation."

Robert C. Ollech, managing principal for Fortress Partners Capital Management Ltd., said banking isn't as easy as it once was.

"The last couple of years it's been tough to be a banker," he said. "They've been fighting for loans, fighting for deposits. And I suspect there's a bunch of guys who are within a few years of retirement who are significant owners of banks going, 'Hmm, maybe this is a good time to sell out.'"

Most analysts doubt that the state's biggest bank, Milwaukee's Marshall & Ilsley Corp., has thoughts about selling. It is the hunter rather than the hunted, and made that point again on July 9 when it announced it would expand into Indianapolis by buying First Indiana Corp. for \$529 million in cash.

It would take a big institution such as Wells Fargo & Co. or Cincinnati's Fifth Third to swallow a bank as large as M&I, analysts say.

The same goes for the state's second-biggest bank, Associated Banc-Corp in Green Bay, they said. But two large banks that have shown recent interest in the Wisconsin market - Harris and Cleveland-based National City Corp., which in May said it would buy MidAmerica Bank - might have the muscle to do a deal with Associated, some analysts said.

"My personal opinion is that they're still takeout bait at some point. I'm just not sure who buys them," Ollech said.

Analysts have considered Anchor BancCorp an acquisition candidate for the last several years, but that might be changing. Anchor's deal for S&C puts it in the acquirer's seat, at least for the moment. Analysts say they also believe that even though Anchor's CEO, Doug Timmerman, is nearing retirement age at 66, his son, Mark, 39, is being groomed to succeed him.

"I don't see them selling in the near term," said Ronald Peterson, of Sterne, Agee & Leach Inc.

Brown Deer's Bank Mutual may need to grow and reduce excess capital from a stock sale before it becomes an attractive merger partner, Peterson said.

Brusda, however, sees Bank Mutual as a possible way for National City "to beef up their small presence" in Wisconsin.

So who else might be on the radar screens of banks that want to come into Wisconsin or get bigger here?

"The Ozaukees of the world," Peterson said. "I think that's the type you may be seeing in the near term."

Jon C. Bruss, who is chief executive at Fortress Partners, agrees. He thinks there will be more mergers like Anchor's purchase of S&C.

"I think it's just natural progression that the smaller, publicly traded banks are going to want to bulk up a little bit if there are some attractive deals in adjacent markets," Bruss said.

And the new players in Wisconsin - Harris and National City - are sure to have their eyes peeled, too, for smaller business lenders in good markets, analysts said.

Among area banks that could draw attention from would-be buyers, according to Bruss: Waukesha State Bank, Citizens Bank of Mukwonago, First Bank Financial Centre of Oconomowoc, ISB Community Bank and Community Bank & Trust of Sheboygan.

"There are plenty of targets" for banks that are interested in buying institutions that have \$1 billion or less in assets, Bruss said.