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Standard Bank lures $130 million in new capital to finance future bank deals

A group of private-equity firms has agreed to pump more than $130 million into the parent of Standard Bank & Trust Co., one of the area's largest privately held banks, in the biggest such local banking deal since the financial crisis and recession staggered the industry.

The deal, led by Greenwich, Conn.-based Stone Point Capital LLC, is the first of what may be two big recapitalizations in the offing.

A group of Mexican investors led by former Banco Popular North America CEO Roberto Herencia continues to pursue approval of what is now a proposed $200 million recapitalization of Chicago-based Metropolitan Bank Group Inc., the network of five local banks owned by prominent civic-scene couple Peter and Paula Fasseas, according to people familiar with the matter.

The new investors in Hickory Hills-based Standard Bancshares Inc., parent of Standard Bank, have agreed to redeem $60 million in preferred shares held by the federal government under the Troubled Asset Relief Program.

The fresh capital also will be enough to make Standard a potential acquirer in what industry experts say will be a wave of bank buyouts in the market as lenders continue to slowly heal from the ravages of the recession.

Standard has $2.2 billion in assets and 42 branches in the Chicago area and Northwest Indiana. Its base of strength is in Chicago's south suburbs. In the first nine months of 2012, the bank generated $3.9 million in net income.

"The capital infusion, which marks an important milestone in Standard's history, will significantly improve our balance sheet and capital position, while allowing the company to fully repay its TARP obligation," CEO Lawrence P. Kelley said in a statement. "As a result, we will better be able to meet the needs of our retail and commercial banking customers and take advantage of anticipated growth opportunities in the consolidating Midwestern banking market."

The recapitalization could kick-start bank deals in the Chicago market, which has lagged many other metropolitan areas in the pace of its bank recovery. Even after 40 bank failures in nearly four years, Chicago has about 200 banks, more than any other urban area.

Mr. Kelley, who's worked for Standard for more than three decades, will remain CEO. The Gallagher family, which owns about 65 percent of the company, will continue to be a "major shareholder," according to the statement. Standard Bancshares Chairman Tim Gallagher will continue to hold that position.

Two prominent former Chicago bankers will join the board. Robert Rosholt, former chief financial officer of First Chicago NBD Corp. and later Bank One Corp., will become lead director of the board. The other new director will be Allen Koranda, former chairman and CEO of the parent of Clarendon Hills-based MidAmerica Bank, which his family sold for $1.9 billion in stock to Cleveland-based National City Corp. in 2007.

Other board members representing the new investors also are expected to be added.

Joining Stone Point as investors are private-equity firms Pantheon Ventures L.P., Cohesive Capital Partners, W Capital Partners, Constellation Wealth Advisors LLC, Athena Capital Advisors LLC and others.

Chicago-based River Branch Capital LLC and the Chicago office of Stifel Nicolaus & Co. advised Standard on the sale, and Kirkland & Ellis LLP acted as the bank's legal adviser.

The deal is expected to close in the first quarter and is subject to regulatory approvals.

Standard's recapitalization is the second major one in the Chicago market since the onset of the financial crisis. The parent of Schaumburg-based commercial

Standard Bank lures new capital *continued*

lender American Chartered Bank raised $50 million from four private-equity firms in 2011.

The Fasseas family's attempted recapitalization of Metropolitan Bank Group will be far more difficult than the infusions for Standard and American Chartered, which were in significantly better condition when they finalized their deals. The family's $2.8 billion-asset banking empire, with 96 Chicago-area branches, is at risk of failing without the financial lifeline, which now has been increased to $200 million from the $150 million proposed in April, sources say.

As of Sept. 30, two of the Fasseases' five banks had capital levels below the minimums needed to be deemed "adequately capitalized" by regulators.

If a deal is finalized, the Fasseas family's stake in the company is expected to be no more than 5 percent.

Mr. Herencia, former CEO of Puerto Rico-based Banco Popular's North American unit based in Rosemont, would be expected to replace Mr. Fasseas as CEO.

Mr. Fasseas in an email said the transaction is progressing, but declined to comment further.

By Steve Daniels