

## Byline Bank bulks up in small-biz lending through \$105 million deal

By Steve Daniels June 09, 2016

The parent of Byline Bank, one of Chicago's largest privately held lenders, is buying a Wisconsin bank that is the largest Small Business Administration lender in Illinois.

Byline Bancorp has agreed to pay \$105 million in cash and stock to acquire the parent of Brookfield, Wis.-based Ridgestone Bank, Byline announced today.

The deal is the first traditional bank acquisition for Byline Bank since a group led by longtime Chicago banker Roberto Herencia **recapitalized the former Metropolitan Bank Group** with more than \$200 million three years ago. They **rebranded the company as Byline Bank** last year.

Ridgestone is an SBA lending specialist with \$433 million in assets. Much of its activity is focused on the Chicago area.

Byline Bank says the deal will make it the sixth-largest SBA originator in the U.S. It will give Byline about \$3 billion in assets and 69 branches, most of them in Chicago.

Ridgestone CEO Bruce Lammers will join the combined bank and lead SBA lending efforts for Byline.

In an interview, Byline CEO Alberto Paracchini said adding Ridgestone's team of SBA lenders gives Byline a product that's crucial for a bank its size to offer. The alternative, he said, would have been building such a business from scratch.

The deal values Ridgestone at about 2.6 times its tangible book value—roughly in line with current multiples for solid banks. Ridgestone generated \$11.5 million in net income in 2015, an impressive 20 percent return on equity.

Paracchini said now is the perfect time for Byline Bank to move on a deal. He and his team have spent more than two years cleaning up the bad loans left by the old Metropolitan Bank Group, as well as building a team that has originated \$1.3 billion in new loans during that time.

Byline also has pruned the extensive branch network of the old bank, closing about 20 locations last year, most of them in Chicago.

The \$2.6 billion-asset bank posted losses in 2015 and in the first quarter of 2016 as it worked through the legacy problems.

"For us at this point, it's about being able to profitably and prudently grow our business," he said.

He declined to forecast growth rates for the SBA lending business Byline is acquiring. But Ridgestone's total loans grew 14 percent in 2015, to \$360 million from \$316 million.

The deal also puts Byline on the map as a potential acquirer in a Chicago banking market that has more willing sellers than able or willing buyers right now. Paracchini made clear that Byline would be in the market for Chicago buyouts in the future.