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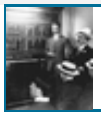
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DEALS

South Korean investors eyeing small U.S. banks

Fri, Oct 08 14:21 PM EDT

* Sterling saw Koreans invest $100 mln in capital raise

* Belstar raising $250 mln-$500 mln from Asian investors

* Korean investors eye low-risk, undervalued banks

By Paritosh Bansal

NEW YORK, Oct 8 (Reuters) - Small U.S. banks, many of which are still hurting for capital, are seeing a new source of funds -- South Korean investors.

Sterling Financial Corp STSA.O saw Korean institutional investors put up $100 million of a $730 million capital raise this summer, helping the Washington state-based bank recapitalize, according to a regulatory filing and a bank adviser.

Sterling's Korean investors included a life insurance company, an asset manager and two family trusts, according to Daniel Yun, chief executive of Belstar Group, which advised Sterling on the recapitalization.

New York-based Belstar is also raising a $250 million to $500 million private equity fund from Asian investors, primarily from South Korea, to invest in U.S. financial institutions, Yun said in an interview at his midtown Manhattan office.

These are the latest investors to look at the battered U.S. banking sector, hoping to find undervalued banks that can be salvaged and positioned for growth after recapitalization.

The interest is good news for hundreds of smaller U.S. banks that have found it hard to raise money from both public and private markets due to their size.

Even Sterling, which has $9.7 billion in assets and 178 branches, took several months to raise capital. Its capital raise was anchored by private equity firms Warburg Pincus [WP.UL] and Thomas H. Lee Partners [THL.UL]. [ID:nSGE67J0FV]

Korean investors would look at low-risk situations as well as opportunities that that might not be perfect fits for traditional private equity firms, said Yun, a U.S. Army veteran who ran a special situations hedge fund before founding Belstar in 2005.

Belstar, which plans to have its private equity fund in place by end of the year, will focus on community banks and take non-controlling stakes,

Yun said.

Belstar has also raised more than $280 million in two funds to take part in the Term Asset-Backed Securities Loan Facility administered by the U.S. Federal Reserve, according to the firm. (Reporting by Paritosh Bansal, editing by Gerald E. McCormick) (For more M&A news and our DealZone blog, go to http://www.reuters.com/deals)

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