

# The Vault

A Midwest Bank  
Newsletter

## Midwest Bank Index Performance (shown as % change)



## Indices Performance (% change)

	<u>April 2018</u>	<u>LTM</u>		<u>April 2018</u>	<u>LTM</u>
S&P 500	2.6%	10.9%	SNL U.S. Bank	2.1%	13.9%
Dow Jones	2.2%	15.5%	SNL Midwest U.S. Bank	3.8%	7.9%
NASDAQ	2.9%	16.0%			

*Note: U.S. Bank index includes banks which trade on all Major Exchanges (NYSE, NYSE Amex, NASDAQ). Midwest region includes banks which trade on all Major Exchanges (NYSE, NYSE Amex, NASDAQ) headquartered in IA, IN, IL, KS, KY, MI, MN, MO, ND, NE, OH, SD, WI.*

## Movers and Losers (largest % changes in the month of April)

Bank Name	Price/Share	Price Change	Bank Name	Price/Share	Price Change
OFG Bancorp (OFG)	\$13.50	29.2%	HomeStreet (HMST)	\$25.50	(11.0%)
Farmers Capital Bank (FFKT)	\$50.15	25.5%	Signature Bank (SBNY)	\$127.15	(10.4%)
SVB Financial Group (SIVB)	\$299.61	24.8%	Hanmi Financial Corp. (HAFC)	\$27.60	(10.2%)
First BanCorp (FBP)	\$7.22	19.9%	Capital City Bank Group (CCBG)	\$22.38	(9.6%)
FCB Financial (FCB)	\$57.80	13.1%	ConnectOne Bancorp (CNOB)	\$26.40	(8.3%)

*Note: Price per share as of April 30, 2018. Consists of public banks listed on the NYSE and NASDAQ with a market capitalization greater than \$150 million.*

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## Select Public Trading Statistics (as of 4/30/2018)

### Large U.S. National Banks:

Institution Name	Ticker	State	Market		NPAs/ Assets (%)	Net Interest Margin (%)	Efficiency Ratio (%)	Risk-based Capital Ratio (%)	Leverage Ratio (%)	Price/ Book (%)	Price/ Tangible Book (%)
			Capitalization (\$ in millions)	Total Assets (\$ in thousands)							
JPMorgan Chase & Co.	JPM	NY	370,322.7	2,609,785,000	0.48	2.45	57.70	15.30	8.20	160.9	203.7
Bank of America Corporation	BAC	NC	303,369.5	2,328,478,000	0.56	2.38	59.72	14.77	8.41	126.0	177.1
Wells Fargo & Company	WFC	CA	253,194.5	1,915,388,000	1.02	2.82	67.27	16.92	9.32	139.8	164.7
Citigroup Inc.	C	NY	174,084.0	1,922,104,000	0.49	2.77	58.47	16.01	8.78	95.3	110.8
U.S. Bancorp	USB	MN	82,862.1	460,119,000	0.73	3.11	55.20	12.50	8.78	190.1	246.7
PNC Financial Services Group, Inc.	PNC	PA	68,363.7	379,161,000	0.81	2.90	61.02	12.80	9.40	159.2	204.6
Bank of New York Mellon Corporation	BK	NY	55,092.0	373,597,000	NA	1.22	63.50	13.40	6.50	144.3	319.9
BB&T Corporation	BBT	NC	41,044.6	220,729,000	NA	3.41	57.19	14.00	9.90	155.0	253.2
State Street Corporation	STT	MA	36,460.4	250,286,000	NA	1.41	72.52	14.60	6.90	189.9	315.5
SunTrust Banks, Inc.	STI	GA	31,376.6	204,885,000	1.59	3.20	62.35	12.90	9.75	141.7	198.6
<b>Minimum</b>			<b>31,377</b>	<b>204,885,000</b>	<b>0.5</b>	<b>1.2</b>	<b>55.2</b>	<b>12.5</b>	<b>6.5</b>	<b>95.3</b>	<b>110.8</b>
<b>Mean</b>			<b>141,617</b>	<b>1,066,453,200</b>	<b>0.8</b>	<b>2.6</b>	<b>61.5</b>	<b>14.3</b>	<b>8.6</b>	<b>150.2</b>	<b>219.5</b>
<b>Median</b>			<b>75,613</b>	<b>419,640,000</b>	<b>0.7</b>	<b>2.8</b>	<b>60.4</b>	<b>14.3</b>	<b>8.8</b>	<b>149.6</b>	<b>204.2</b>
<b>Maximum</b>			<b>370,323</b>	<b>2,609,785,000</b>	<b>1.6</b>	<b>3.4</b>	<b>72.5</b>	<b>16.9</b>	<b>9.9</b>	<b>190.1</b>	<b>319.9</b>

### Large Midwest Banks:

Institution Name	Ticker	State	Market		NPAs/ Assets (%)	Net Interest Margin (%)	Efficiency Ratio (%)	Risk-based Capital Ratio (%)	Leverage Ratio (%)	Price/ Book (%)	Price/ Tangible Book (%)
			Capitalization (\$ in millions)	Total Assets (\$ in thousands)							
Northern Trust Corporation	NTRS	IL	24,017.8	129,672,200	0.12	1.36	66.45	15.50	7.60	257.0	280.2
Fifth Third Bancorp	FTIB	OH	22,737.9	141,500,000	0.87	3.13	68.35	15.25	10.11	153.0	183.8
KeyCorp	KEY	OH	21,148.3	137,049,000	0.52	3.13	64.84	12.73	9.76	152.4	192.6
Huntington Bancshares Incorporated	HBAN	OH	16,427.8	104,246,000	NA	3.26	56.55	13.99	9.58	162.6	211.2
Commerce Bancshares, Inc.	CBSH	MO	6,772.3	24,611,242	0.43	3.32	57.57	14.87	10.83	265.2	280.7
Wintrust Financial Corporation	WTFC	IL	5,034.5	28,456,772	0.55	3.51	60.98	12.10	9.40	173.1	212.1
Associated Banc-Corp	ASB	WI	4,554.2	33,366,505	0.93	2.91	62.56	13.45	8.48	128.2	196.3
MB Financial, Inc.	MBFI	IL	3,591.3	20,167,523	0.50	3.67	66.26	13.57	9.73	130.8	212.8
First National of Nebraska, Inc.	FINN	NE	2,519.1	19,950,623	NA	6.39	56.42	13.95	10.76	117.2	127.8
First Midwest Bancorp, Inc.	FMBI	IL	2,506.2	14,379,971	NA	3.75	59.79	12.07	9.07	134.1	224.9
<b>Minimum</b>			<b>2,506</b>	<b>14,379,971</b>	<b>0.1</b>	<b>1.4</b>	<b>56.4</b>	<b>12.1</b>	<b>7.6</b>	<b>117.2</b>	<b>127.8</b>
<b>Mean</b>			<b>10,931</b>	<b>65,339,984</b>	<b>0.6</b>	<b>3.4</b>	<b>62.0</b>	<b>13.7</b>	<b>9.5</b>	<b>167.3</b>	<b>212.2</b>
<b>Median</b>			<b>5,903</b>	<b>30,911,639</b>	<b>0.5</b>	<b>3.3</b>	<b>61.8</b>	<b>13.8</b>	<b>9.7</b>	<b>152.7</b>	<b>211.6</b>
<b>Maximum</b>			<b>24,018</b>	<b>141,500,000</b>	<b>0.9</b>	<b>6.4</b>	<b>68.3</b>	<b>15.5</b>	<b>10.8</b>	<b>265.2</b>	<b>280.7</b>

### Small Midwest Banks:

Institution Name	Ticker	State	Market		NPAs/ Assets (%)	Net Interest Margin (%)	Efficiency Ratio (%)	Risk-based Capital Ratio (%)	Leverage Ratio (%)	Price/ Book (%)	Price/ Tangible Book (%)
			Capitalization (\$ in millions)	Total Assets (\$ in thousands)							
Horizon Bancorp, Inc.	HBNC	IN	735.0	3,969,750	0.40	3.73	60.59	13.08	9.82	159.6	223.6
Byline Bancorp, Inc.	BY	IL	624.8	3,462,372	0.83	4.39	68.77	16.05	12.14	138.1	163.6
First Mid-Illinois Bancshares, Inc.	FMBH	IL	465.9	2,837,346	0.70	3.60	56.32	13.07	10.06	150.0	193.3
West Suburban Bancorp, Inc.	WNRP	IL	264.6	2,269,263	2.53	3.42	64.15	16.10	9.57	122.8	123.2
First Business Financial Services, Inc.	FBIZ	WI	227.8	1,878,217	1.16	3.65	66.58	11.78	9.26	132.8	141.8
STAR Financial Group, Inc.	SFIGA	IN	219.0	1,934,531	1.07	3.76	73.32	13.17	10.50	106.1	109.1
Marquette National Corporation	MNAT	IL	140.2	1,580,771	1.49	3.55	77.74	15.97	8.12	97.3	128.9
<b>Minimum</b>			<b>140</b>	<b>1,580,771</b>	<b>0.4</b>	<b>3.4</b>	<b>56.3</b>	<b>11.8</b>	<b>8.1</b>	<b>97.3</b>	<b>109.1</b>
<b>Mean</b>			<b>382</b>	<b>2,561,750</b>	<b>1.2</b>	<b>3.7</b>	<b>66.8</b>	<b>14.2</b>	<b>9.9</b>	<b>129.5</b>	<b>154.8</b>
<b>Median</b>			<b>265</b>	<b>2,269,263</b>	<b>1.1</b>	<b>3.7</b>	<b>66.6</b>	<b>13.2</b>	<b>9.8</b>	<b>132.8</b>	<b>141.8</b>
<b>Maximum</b>			<b>735</b>	<b>3,969,750</b>	<b>2.5</b>	<b>4.4</b>	<b>77.7</b>	<b>16.1</b>	<b>12.1</b>	<b>159.6</b>	<b>223.6</b>



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## Valuation Summary (as of 4/30/2018)

Asset Size Index – Nationwide			Geographic Index		
	Price/Book (%)	Price/Tangible Book (%)		Price/Book (%)	Price/Tangible Book (%)
\$5B-\$10B	193.3	249.4	Mid-Atlantic	143.7	192.0
\$1B-\$5B	176.0	205.6	Midwest	183.4	229.0
\$500M-\$1B	162.6	171.5	New England	161.5	251.1
\$250M-\$500M	177.3	179.5	Southeast	134.3	191.7
< \$250M	NA	NA	Southwest	187.5	230.4
			Western	162.1	192.1

## Interest Rate Scorecard

Financial Yields	April 30, 2018	1 Month	3 Month	6 Month	1 Year
		Prior	Prior	Prior	Prior
2 Year T Note	2.49	2.27	2.13	1.58	0.27
5 Year T Note	2.79	2.56	2.51	2.00	0.82
10 Year T Note	2.95	2.74	2.73	2.37	1.95
30 Year T Bond	3.11	2.97	2.98	2.88	3.12
Prime Rate	4.75	4.75	4.50	4.25	3.25
3 Month LIBOR	2.36	NA	1.77	1.38	0.47

*Note:*

Mid-Atlantic region includes banks which trade on all Major Exchanges (NYSE, NYSE Amex, NASDAQ) headquartered in DE, DC, MD, NJ, NY, PA, PR.  
 Midwest region includes banks which trade on all Major Exchanges (NYSE, NYSE Amex, NASDAQ) headquartered in IA, IN, IL, KS, KY, MI, MN, MO, ND, NE, OH, SD, WI.  
 New England region includes banks which trade on all Major Exchanges (NYSE, NYSE Amex, NASDAQ) headquartered in CT, ME, MA, NH, RI, VT.  
 Southeast region includes banks which trade on all Major Exchanges (NYSE, NYSE Amex, NASDAQ) headquartered in AL, AR, FL, GA, MS, NC, SC, TN, VA, WV.  
 Southwest region includes banks which trade on all Major Exchanges (NYSE, NYSE Amex, NASDAQ) headquartered in CO, LA, NM, OK, TX, UT.  
 Western region includes banks which trade on all Major Exchanges (NYSE, NYSE Amex, NASDAQ) headquartered in AZ, AK, CA, HI, ID, MT, NV, OR, WA, WY.





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## Select Mergers and Acquisitions & Capital Raising News

### ❖ Triumph Acquiring 2 BHCs

April 9, 2018 – Triumph Bancorp Inc. of Dallas is acquiring Inverness, Illinois-based bank holding companies First Bancorp of Durango Inc. and Southern Colorado Corp. First Bancorp is the parent company of Durango, Colorado-based First National Bank of Durango, which had \$480.6 million in assets at the end of 2017, and of Grants, New Mexico-based Bank of New Mexico, which had \$153.0 million. Southern Colorado, meanwhile, is the parent of Citizens Bank of Pagosa Springs. The latter had \$87.3 million in assets. All three subsidiary banks will be merged into Triumph's TBK Bank SSB, which had assets of \$3.47 billion at the end of 2017. Under the terms of their respective merger agreements, each Durango common share will be converted into the right to receive a pro rata share of approximately \$134.5 million in cash, subject to adjustments. Each Southern Colorado share will be converted into the right to receive a pro rata share of approximately \$13 million in cash. The purchase price of the First Bancorp of Durango transaction equates to 196.2% of book, 202.5% of tangible book and 36.4x earnings, on an aggregate basis. The purchase price of the First Bancorp of Durango transaction also equates to 21.23% of assets, 23.43% of deposits and the tangible book premium-to-core deposits ratio is 12.16%. For the Southern Colorado transaction, the purchase price equates to 176.70% of book and tangible book as well as 30.12x earnings. The purchase price also equates to 16.36% of deposits, 14.89% of assets and tangible book premium-to-core deposits ratio is 7.27%, on an aggregate basis.

### ❖ Kentucky Federal Savings and Loan Association to Merge into Cincinnati Federal

April 18, 2018 – Cincinnati-based Cincinnati Bancorp (MHC) signed a definitive merger agreement that will see Covington, Kentucky-based Kentucky Federal Savings and Loan Association merge with and into Cincinnati Federal (MHC), a unit of Cincinnati Bancorp. Upon the closing of the transaction, Cincinnati Bancorp would have total assets of \$201.8 million, net loans of \$163.1 million, total deposits of \$143.5 million and stockholders' equity of \$22.3 million, as of December 31, 2017. Cincinnati Bancorp, at closing, will issue additional common shares to CF Mutual Holding Co., equal to Kentucky Federal's estimated market value.

### ❖ QCR Holdings Buying Springfield Bancshares in \$86.7M Cash-and-Stock Transaction

April 18, 2018 – Moline, Illinois-based QCR Holdings Inc. agreed to acquire Missouri-based Springfield Bancshares Inc. in a cash-and-stock transaction valued at approximately \$86.7 million, or \$15.33 per share, based on the April 16 closing price of QCR's common stock. Springfield Bancshares stockholders will receive 0.3060 QCR common share and \$1.50 in cash for each share held. The purchase price equates to 183.8% of book and tangible book and 17.4x earnings, on an aggregate basis. The purchase price also equates to 14.98% of assets and 18.90% of deposits, and carries a premium to tangible book that is 13.57% of core deposits. QCR has four bank charters — Bettendorf, Iowa-based Quad City Bank and Trust Co.; Iowa-based Cedar Rapids Bank and Trust Co.; Illinois-based Rockford Bank and Trust Co.; and Ankeny, Iowa-based Community State Bank. Springfield First Community Bank, on the other hand, operates one banking location. As of March 31, it had more than \$560 million in assets and \$445 million in deposits. QCR had approximately \$3.98 billion in assets as of December 31, 2017. Excluding one-time merger-related expenses of \$7.5 million, the buyer expects the transaction to be approximately 8% accretive to 2019 EPS, the first full year of combined operations. QCR also expects to incur tangible book value-per-share dilution of approximately 4% upon deal closing, with an earnback period of approximately three years.

### ❖ Illinois Regulator Approves Byline Bank-First Bank & Trust Transaction

April 18, 2018 – The Illinois Department of Financial and Professional Regulation approved First Bank & Trust's pending merger with and into Byline Bank. The merger is part of Chicago-based Byline Bancorp Inc.'s pending acquisition of Evanston, Illinois-based First Evanston Bancorp Inc. The Federal Deposit Insurance Corp. had earlier approved the transaction, while the Federal Reserve Bank of Chicago granted a waiver from the prior approval requirements of the Fed. Shareholders of both Byline and First Evanston have yet to approve the pending transaction, which is expected to close by the end of May.

### ❖ WesBanco Buying Farmers Capital in \$378.2M Transaction

April 19, 2018 – WesBanco Inc. is acquiring Farmers Capital Bank Corp. in a cash-and-stock transaction valued at approximately \$378.2 million, based on the buyer's April 18 closing price of \$43.03. Wheeling, West Virginia-based WesBanco will pay 1.053 common shares and \$5.00 in cash for each share of Frankfort, Kentucky-based Farmers' common stock. The purchase price equates to 195.0% of book and tangible book and 26.9x earnings, on a per-share basis. The purchase price also equates to 22.43% of assets and 27.13% of deposits. It carries a one-day premium of 20.22%, based on Farmers' April 18 closing price of \$41.85, and a one-month premium of 23.77%, based on the March 19 closing price of \$40.65. The premium to tangible book is 13.21% of deposits. The transaction is expected to be about 3% accretive to WesBanco's 2019



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earnings and 5% accretive to 2020 earnings, excluding one-time, merger-related costs. Approximately 35% in cost savings are projected. An estimated 2.1% dilution to tangible book value is projected to be earned back in 2.4 years, using the cross-over method and including \$22.3 million in merger-related charges, pretax. As of March 31, WesBanco had approximately \$10.2 billion in assets, \$7.2 billion in deposits, \$6.3 billion in loans and \$1.4 billion in shareholders' equity. Farmers had \$1.7 billion in assets, \$1.4 billion in deposits, \$1.0 billion in loans and \$200 million in shareholders' equity. WesBanco estimates it will have \$12.8 billion in total assets after the close.

## ❖ Clarke County State Bank to Merge into First National Bank Ames Iowa

April 19, 2018 – Ames, Iowa-based First National Bank Ames Iowa, a unit of Ames National Corp., is acquiring Osceola, Iowa-based Clarke County State Bank, a unit of United Bancorp. First National will pay \$15.0 million in cash, subject to adjustments, in the transaction. The purchase price equates to 133.3% of book and tangible book and 11.2x earnings, on an aggregate basis. The purchase price also equates to 13.54% of assets and 15.11% of deposits and carries a premium to tangible book that is 4.28% of core deposits. Clarke County State Bank has assets of approximately \$111 million, including loans of about \$78 million and deposit accounts of approximately \$99 million. As of March 31, First National Bank had assets of about \$759.7 million.

## ❖ Bank M&A Scoreboard Q1'18

April 20, 2018 – Fifty-eight bank M&A transactions were announced or completed during the first quarter, down slightly from the 60 announced or completed in the year-ago quarter. Aggregate transaction value fell by nearly half to \$4.13 billion from \$8.42 billion in the first quarter of 2017 as the median price-to-tangible book value for announced transactions surged to 174.2% compared to 155.8% in the first quarter of 2017.

## ❖ Old Second Closes Transaction for Greater Chicago Financial, ABC Bank

April 25, 2018 – Old Second Bancorp Inc. of Aurora, Ill., on April 20 closed its acquisition of Greater Chicago Financial Corp. and ABC Bank. Chicago-based ABC Bank has merged into Old Second National Bank. The parties had announced the \$41.1 million transaction in December 2017. ABC Bank, at the end of 2017, had \$343.1 million in assets.

## ❖ CenterState Becomes 2<sup>nd</sup> Bank in a Week to Accelerate Past \$10B Mark with M&A

April 27, 2018 – Five days after Wheeling, West Virginia-based WesBanco Inc. announced plans to buy Frankfort, Kentucky-based Farmers Capital Bank Corp. to push the company firmly above \$12 billion in assets, Winter Haven, Florida-based CenterState Bank Corp. announced that it would acquire West Point, Georgia-based Charter Financial Corp., sending its total assets to \$12 billion. Both WesBanco and CenterState grew slightly above \$10 billion in assets for the first time in the first quarter. The \$10 billion threshold is significant for banks because after growing above this size, they become subject to a raft of new regulations. Analysts generally expect companies to leap over the \$10 billion mark in order to make up for the lost debit card interchange revenue that comes with the Durbin Amendment. CenterState has long been a serial acquirer, announcing nine whole-bank transactions since the beginning of 2013. Between 2009 and 2012, CenterState also completed six failed-bank transactions and bought Federal Trust Corp. from The Hartford Financial Services Group Inc. The Charter Financial transaction marks the first time the company has ventured outside the Sunshine State for a bank buy.

## ❖ Capitol Federal Financial Acquiring Topeka bank Capital City Bancshares

April 30, 2018 – In Topeka, Kansas, Capitol Federal Financial Inc. is acquiring Capital City Bancshares Inc. Capital City Bank, which had total assets of \$438.3 million as of March 31, has agreed to merge into Capitol Federal Savings Bank which had assets of \$9.0 billion as of end-2017, upon merger completion. Excluding purchase accounting, the combined company would have pro forma total assets of \$9.5 billion, gross loans of \$7.5 billion and deposits of \$5.7 billion, as of March 31. Remaining under \$10 billion in assets will allow Capitol Federal to continue its current dividend policy of paying 100% of earnings, while providing a positive upside, Capitol Federal Chairman and President John Dicus said.



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## Select Industry News

### ❖ As Mortgage Rates Rise, HELOCs Gain Momentum

April 3, 2018 – Higher interest rates could be a boon for home equity lines of credit in the U.S. even though the products are among the first to pass on increased costs to borrowers in a rising-rate environment. Borrowers might face higher rates on HELOCs, but the loans are still preferable to losing a low-fixed-rate mortgage. As recently as 2016, 30-year, fixed-rate mortgages were below 3.5%, according to data from Freddie Mac. With rates that low, borrowers could refinance their 30-year mortgages into a higher balance, using the extra cash for renovations. But now that 30-year mortgage rates are at roughly 4.5%, a cash-out refinance can mean a much higher rate. As a result, homeowners with equity are increasingly choosing HELOCs, which carry higher rates but can be paid off more quickly, said Mike Kinane, head of consumer lending for TD Bank NA.

### ❖ Wells Fargo Leads in U.S. Branch Net Closures in March

April 16, 2018 – U.S. banks and thrifts continued to close branches across the country through the third month of 2018. Depository institutions shut down 118 offices and opened just 42. As of March 31, there were 88,872 active bank and thrift branches in the U.S. During the last 12 months, U.S. banks and thrifts closed a net 2,031 branches, with the Southeast region accounting for 28.37% and the Midwest region accounting for 27.68% of total net closures. In March, the mid-Atlantic region led the nation with 20 net closings, followed by the Southeast and West regions with 15 net closings each. Wells Fargo & Co. closed a net 24 branches during March, the most by any banking institution in the country. Half of those closures were in the Southeast region, with Florida seeing five offices being shut down, while Georgia seeing four. Meanwhile, Bank of America Corp. and JPMorgan Chase & Co. closed a net 12 branches each across the country, in March. BofA shut down offices in seven different states, including three each, in Connecticut and Massachusetts. JPMorgan, on the other hand, also closed branches in seven states. There were six net closings in the state of Texas for the bank, during the month.

### ❖ While M&A Helps Whittle Bank Branch Counts, CUs Keep Building

April 17, 2018 – Credit unions continued adding branches during the past four quarters while the number of community bank offices shrank further. One large factor in that discrepancy may be how the two industries view mergers. Both the credit union and community bank spaces continue to see consolidation, but while branch closures are often a way banks look to save costs in M&A deals, fewer branches are closed as a result of mergers in the credit union space. There were 21,255 active credit union branches at the end of the first quarter. That marked a net increase of 22 branches since a year earlier. By comparison, community banks shuttered a net 187 branches since the first quarter of 2017 with 38,403 branches remaining.

### ❖ Competitive C&I Landscape Could Get Tougher with Goldman

April 18, 2018 – Goldman Sachs Group Inc. might be getting into commercial banking at an inopportune time for other large banks. Loan growth has been soft in recent quarters, particularly for commercial-and-industrial loans, also known as C&I loans. Indications from the first banks to report first-quarter earnings suggest the trend continued into the start of this year. And pricing has tightened for nearly all types of loans. If a large, national bank with strong name recognition such as Goldman Sachs enters the space, C&I lending could become even tougher for large regional banks, which often count on the product to drive asset growth.

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