

Comparative Safety and Soundness The Industrial Banking Industry First Quarter 2020

Key measures of an insured institution's safety and soundness are capital adequacy, asset quality and profitability. We have compiled and analyzed data related to these measures to provide an objective view of the US banking industry or a banking industry segment's safety and soundness profile. Industry segments in our report include: all insured institutions; industrial banks (a/k/a industrial loan companies or ILC's); commercially-owned industrial banks; and insured institutions net of industrial banks ("Other Banks"). All data is derived from FDIC quarterly call reports as of March 31, 2020. Our findings are summarized below and, along with the data, are contained in the attached report.

CAPITAL RATIOS

As of March 31, 2020, the US banking industry had \$20.3 trillion in Assets and \$2.1 trillion in Capital¹ resulting in a Capital to Asset Ratio of 10.4%. Industrial banks have \$294.8 billion in Assets and Capital of \$31.6 billion resulting in a Capital to Assets Ratio of 10.7%. Commercially owned industrial banks have \$16.0 billion in Assets and \$2.2 billion in Capital resulting in a Capital to Assets Ratio of 13.0%. Other Banks have substantially the same ratio as the banking industry. Commercially-owned Industrial banks have a higher Capital to Assets Ratio than the banking industry as a whole.

TROUBLED ASSET RATIOS

We define Troubled Assets as the sum of a) loans 90 days or more past due, b) non-accrual loans, and c) other real estate owned (net of any federally guaranteed loans) ("Total Troubled Assets"). Our report combines a) and b) into Non-current Loans and Leases which is then added to Other Real Estate Owned to equal Total Troubled Assets. The Troubled Asset Ratio is a measure of the stress placed on banks by non-performing assets. It compares loans that are not being paid on time and property already acquired by the bank against the bank's capital and loan loss reserves.

As of March 31, 2020, the banking industry had \$108.0 billion in Total Troubled Assets and \$2.3 trillion in Capital Plus Reserves resulting in a Troubled Asset Ratio of 4.7%. Industrial banks have Total Troubled Assets of \$3.0 billion and Capital Plus Reserves of \$40.2 billion resulting in a Troubled Asset Ratio of 7.4%. Commercially-owned industrial banks have Total Troubled Assets of \$22.7 million and Capital Plus Reserves of \$2.2 billion resulting in a Troubled Asset Ratio of 1.0%. Other Banks have substantially the same ratio as the banking industry. Commercially-owned Industrial banks have a significantly lower Troubled Asset Ratio than the banking industry as a whole.

¹ Total Bank Equity Capital as reported in FDIC quarterly call reports.

PROFITABILITY

For the three months ended March 31, 2020, the banking industry reported Net Income totaling \$18.5 billion resulting in an annualized ROA of 0.38%. Industrial banks reported Net Income for the period totaling \$1.4 billion resulting in an annualized ROA of 1.97%. Commercially owned industrial banks reported Net Income for the period totaling \$70.9 million resulting in an annualized ROA of 1.82%.

CONCLUSION

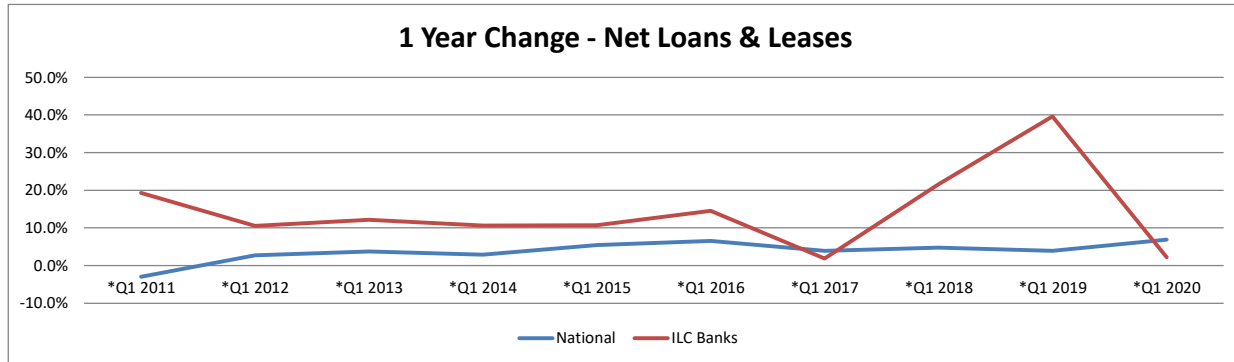
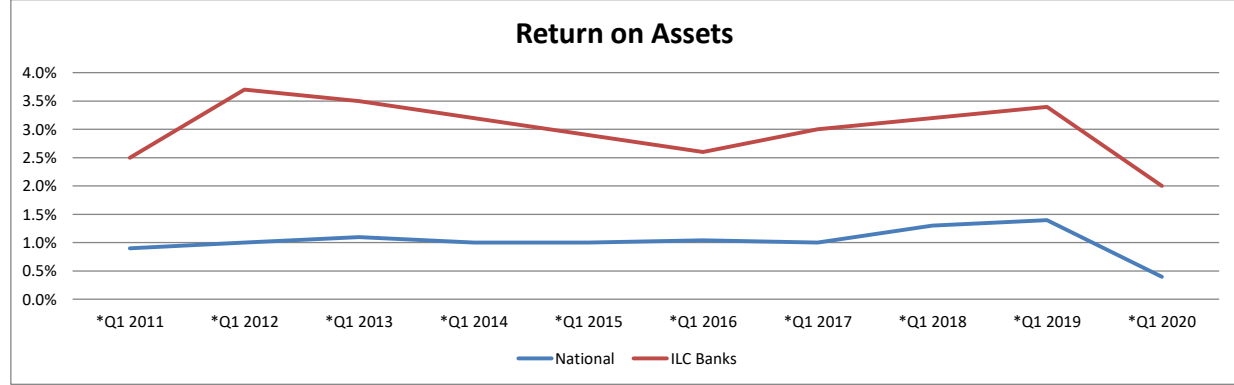
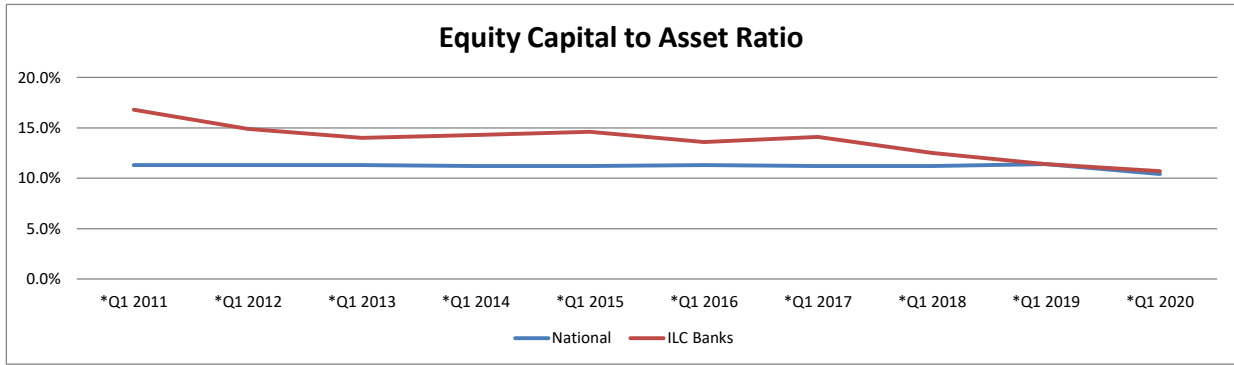
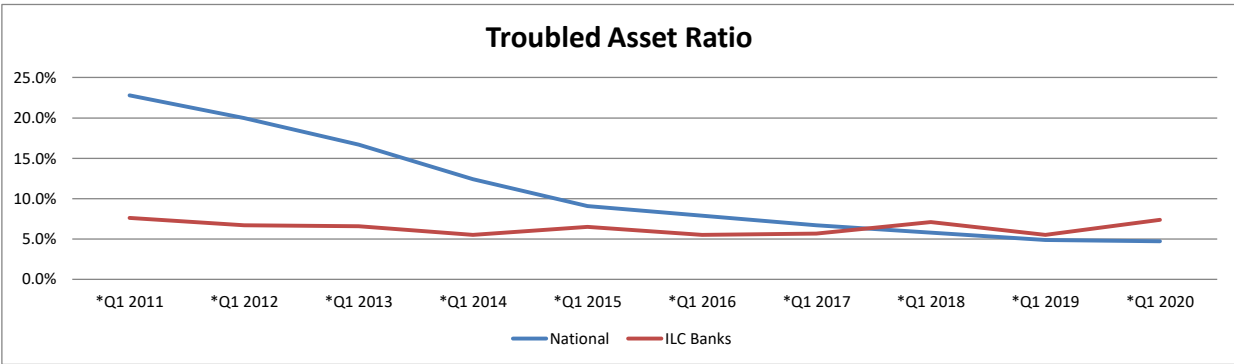
Compared to Other Banks, as of March 31, 2020, industrial banks remain safer and sounder institutions, having a stronger Capital to Assets Ratio and a higher annualized ROA. Commercially-owned industrial banks have 25.0% more capital compared to the national banking industry (13.0% compared to 10.4%); a Troubled Asset Ratio that is over four times lower than that of the national banking industry (1.0% compared to 4.7%); and an annualized ROA that is over four times that of the national banking industry (1.82% compared to 0.38%).

Data Source: FDIC Quarterly Call Reports

Attachments:

- *Safety and Soundness Statistics – Industrial Banking Industry*

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* Adjusted for banks no longer ILC

Safety and Soundness Statistics
 Industrial Banking Industry
 Information Date: 3/31/2020
 Data Source: FDIC Reports of Condition and Income

National Totals	# FTE Employees	Securities/ CRA Investments	YTD Net Income	Deposits	Assets	Noncurrent Loans and Leases	Other Real Estate Owned	Total Troubled Assets	Reserves	Total Bank Equity Capital	Bank Equity Capital Plus Reserves	Troubled Asset Ratio	Reserves to Total Troubled Asset Ratio	Equity Capital to Asset Ratio	Deposit to Asset Ratio	ROA	ROE	Operating Efficiency Ratio	
													4.7%	182.3%	10.4%	11.4%	77.9%	0.38%	3.5%
National Median Troubled Asset Ratio													NA						
Financial ILC Bank Totals	4,415	20,588,663,000	1,323,241,000	214,109,692,000	278,789,123,000	2,939,628,000	15,692,000	2,955,320,000	8,483,510,000	29,497,943,000	37,981,453,000	7.8%	287.1%	10.6%	13.6%	76.8%	1.98%	17.5%	50.91%
Financial ILC Bank Median													3.8%						
Commercial ILC Bank Totals	645	2,861,591,000	70,884,000	12,013,923,000	15,987,772,000	22,714,000	-	22,714,000	129,045,000	2,085,967,000	2,215,012,000	1.0%	568.1%	13.0%	13.9%	75.1%	1.82%	13.1%	30.39%
Commercial ILC Bank Median													0.9%						
All ILC Bank Totals	5,060	23,450,254,000	1,394,125,000	226,123,615,000	294,776,895,000	2,962,342,000	15,692,000	2,978,034,000	8,612,555,000	31,583,910,000	40,196,465,000	7.4%	289.2%	10.7%	13.6%	76.7%	1.97%	17.2%	50.54%
ILC Bank Median Troubled Asset Ratio													2.9%						
National Totals without ILC Bank Totals	2,064,220	4,185,072,080,000	17,072,425,000	15,550,012,956,000	19,958,778,696,000	99,419,750,000	5,571,855,000	104,991,605,000	188,197,145,000	2,083,440,592,000	2,271,637,737,000	4.6%	179.2%	10.4%	11.4%	77.9%	0.36%	3.3%	63.70%

ILC Banks	ST	Type	Commercial Backed	# FTE Employees	Securities/ CRA Investments	YTD Net Income	Deposits	Assets	Noncurrent loans and leases	Other Real Estate Owned	Total Troubled Assets	Reserves	Total Bank Equity Capital	Bank Equity Capital Plus Reserves	Troubled Asset Ratio	Reserves to Total Troubled Asset Ratio	Equity Capital to Asset Ratio	Deposit to Asset Ratio	ROA	ROE	Operating Efficiency Ratio	
																4.7%	182.3%	10.4%	11.4%	77.9%	0.38%	3.5%
Salle Mee Bank	UT	Financial	No	1,280	614,583,000	381,165,000	24,721,891,000	31,775,269,000	131,593,000	-	131,593,000	1,673,324,000	2,116,892,000	3,790,216,000	3.5%	1271.6%	6.7%	11.9%	77.8%	4.74%	56.8%	5.84%
UBS Bank USA	UT	Financial	No	406	6,829,191,000	216,552,000	69,326,447,000	77,464,036,000	224,785,000	-	224,785,000	66,856,000	7,124,986,000	7,191,842,000	3.1%	29.7%	9.2%	9.3%	89.5%	1.23%	12.6%	18.20%
OptumHealth Bank, Inc	UT	Healthcare	No	367	8,758,636,000	67,928,000	9,037,636,000	11,110,236,000	365,000	-	365,000	16,521,000	1,594,717,000	1,611,238,000	0.0%	4526.3%	14.4%	14.5%	81.3%	2.48%	17.1%	29.51%
Rancho Santa Fe Thrift & Loan	CA	Financial	No	5	9,000	157,000	41,020,000	72,368,000	-	-	-	887,000	27,193,000	28,080,000	0.0%	100.0%	37.6%	38.8%	56.7%	2.3%	64.57%	2.3%
USAA Savings Bank	NV	Financial	No	5	301,270,000	56,328,000	366,580,000	1,792,868,000	-	-	-	-	309,579,000	309,579,000	0.0%	100.0%	17.3%	17.3%	20.4%	12.60%	73.8%	70.26%
LCA Bank Corporation	UT	Leasing	No	49	1,213,000	209,000	127,077,000	155,513,000	841,000	-	841,000	3,969,000	24,715,000	28,684,000	2.9%	471.9%	15.9%	18.4%	81.7%	0.53%	3.4%	57.08%
Medallion Bank	UT	Financial	No	84	46,127,000	436,000	962,866,000	1,201,697,000	41,165,000	-	41,165,000	66,036,000	223,692,000	289,728,000	14.2%	160.4%	18.6%	24.1%	80.1%	-0.15%	-0.8%	36.84%
Comenity Capital Bank	UT	Financial	No	104	114,885,000	39,083,000	6,703,446,000	8,796,827,000	251,884,000	-	251,884,000	860,952,000	857,493,000	1,618,445,000	13.9%	341.8%	10.9%	20.7%	76.2%	-1.72%	-14.5%	45.49%
WEX Bank	UT	Transportation	No	61	25,902,000	35,362,000	1,856,125,000	2,263,880,000	27,469,000	-	27,469,000	13,533,000	265,058,000	278,591,000	9.9%	49.3%	11.7%	12.3%	82.0%	5.67%	-0.8%	77.58%
Morris Plan Co-Terre Haute	IN	Financial	No	27	3,399,000	890,000	74,714,000	104,394,000	853,000	44,000	897,000	4,704,000	25,870,000	30,574,000	2.9%	524.4%	24.8%	29.3%	71.6%	3.55%	13.8%	30.54%
Minnesota First Credit And Savings	MN	Financial	No	10	-	27,000	20,998,000	26,433,000	45,000	-	45,000	399,000	4,170,000	4,569,000	1.0%	886.7%	15.8%	17.3%	79.4%	0.41%	2.6%	90.72%
Balboa Thrift and Loan Association	CA	Insurance	No	91	-	388,000	287,263,000	329,782,000	919,000	-	919,000	5,233,000	41,400,000	46,633,000	2.0%	569.4%	12.6%	14.1%	87.1%	0.47%	3.7%	51.65%
American Express Centurion Bank	UT	Financial	No	331	2,173,304,000	567,463,000	91,506,729,000	130,004,248,000	819,169,000	-	819,169,000	5,095,054,000	13,294,515,000	18,389,569,000	4.5%	622.0%	10.2%	14.1%	70.4%	1.80%	16.8%	57.68%
Merrick Bank Corporation	UT	Financial	No	348	1,222,464,000	30,219,000	3,127,166,000	4,062,703,000	152,671,000	-	152,671,000	550,995,000	678,559,000	1,429,554,000	10.7%	360.9%	21.6%	35.2%	77.0%	3.01%	13.8%	27.49%
Finance Factors, Ltd	HI	Financial	No	123	122,368,000	1,990,000	490,622,000	596,542,000	5,964,000	-	5,964,000	11,760,000	68,446,000	80,206,000	7.4%	197.2%	11.5%	13.4%	82.2%	-1.34%	-11.6%	280.28%
Beal Bank USA	NV	Financial	No	124	1,440,734,000	3,785,000	3,814,730,000	6,681,372,000	1,261,459,000	-	1,261,459,000	41,036,000	2,112,890,000	2,153,926,000	59.2%	3.2%	31.6%	32.2%	57.1%	-0.25%	-0.7%	106.61%
Celtic Bank	UT	Financial	No	227	5,905,347,000	8,056,000	782,339,000	1,189,347,000	11,363,000	14,223,000	12,756,840,000	17,562,000	200,368,000	213,930,000	5.9%	137.4%	16.8%	18.3%	65.8%	2.98%	16.4%	45.87%
Community Commerce Bank	CA	Community Develop	No	42	172,000	398,000	193,296,000	287,385,000	671,000	-	671,000	2,267,000	53,488,000	55,755,000	1.2%	337.9%	18.6%	19.4%	67.2%	0.56%	3.0%	78.32%
WebBank	UT	Financial	No	131	28,693,000	3,398,000	688,977,000	874,222,000	8,416,000	-	8,416,000	52,422,000	173,912,000	226,334,000	3.7%	622.9%	19.9%	25.9%	76.5%	1.48%	7.8%	29.61%
				4,415	20,588,663,000	1,323,241,000	214,109,692,000	278,789,123,000	2,939,628,000	15,692,000	2,955,320,000	8,483,510,000	29,497,943,000	37,981,453,000	7.8%	287.1%	10.6%	13.6%	76.8%	1.98%	17.5%	50.91%

Eaglemark Savings Bank	NV	Automotive	Yes	121	20,000,000	764,000	2,501,000	51,869,000	-	-	-	-	9,400,000	9,400,000	0.0%	100.0%	18.2%	18.2%	4.8%	6.28%	32.8%	81.00%
First Electronic Bank	UT	Commercial	Yes	63	44,000	113,000	19,795,000	39,408,000	-	-	-	-	15,914,000	15,914,000	0.0%	100.0%	40.4%	40.4%	50.2%	0.98%	2.9%	92.64%
EneBank USA	UT	Energy	Yes	356	27,740,000	13,795,000	2,385,966,000	2,669,954,000	7,661,000	-	7,661,000	98,366,000	241,626,000	339,992,000	2.3%	1284.0%	9.0%	12.7%	89.4%	2.05%	21.3%	36.85%
BMW Bank of North America	UT	Automotive	Yes	25	2,395,791,000	39,657,000	8,180,689,000	11,352,231,000	10,026,000	-	10,026,000	20,198,000	1,569,032,000	1,589,230,000	0.6%	201.5%	13.8%	14.0%	72.1%	1.44%	9.7%	24.73%
Toyota Financial Savings Bank	NV	Automotive	Yes	56	11,398,000	607,000	805,495,000	1,134,396,000	2,108,000	-	2,108,000	6,191,000	117,826,000	123,990,000	1.2%	290.8%	15.1%	15.7%	71.0%	-0.30%	-1.9%	65.06%
The Pitney Bowes Bank	UT	Commercial	Yes	24	406,818,000	17,462,000	619,477,000	740,091,000	2,919,000	-	2,919,000	4,350,000	78,166,000	82,516,000	3.5%	149.0%	10.6%	11.1%	83.7%	9.39%	89.7%	5.29%
				645	2,861,591,000	70,884,000	12,013,923,000	15,987,772,000	22,714,000	-	22,714,000	129,045,000	2,085,967,000	2,215,012,000	1.0%	568.1%	13.0%	13.9%	75.1%	1.82%	13.1%	30.39%
				5,060	23,450,254,000	1,394,125,000	226,123,615,000	294,776,895,000	2,962,342,000	15,692,000	2,978,034,000	8,612,555,000	31,583,910,000	40,196,465,000	7.4%	289.2%	10.7%	13.6%	76.7%	1.97%	17.2%	50.54%

Troubled Asset Ratio: Total Troubled Assets / Capital Plus Reserves
 Reserve to Total Troubled Asset Ratio: Reserves/Total Troubled Assets