

Comparative Safety and Soundness The Industrial Banking Industry Second Quarter 2019

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 July 31, 2019. Our findings are summarized below and, along with the data, are contained in the attached report.

CAPITAL RATIOS

As of July 31, 2019, the US banking industry had \$18.3 trillion in Assets and \$2.1 trillion in Capital¹ resulting in a Capital to Asset Ratio of 11.5%. Industrial banks have \$259.1 billion in Assets and Capital of \$30.6 billion resulting in a Capital to Assets Ratio of 11.8%. Commercially owned industrial banks have \$14.6 billion in Assets and \$2.1 billion in Capital resulting in a Capital to Assets Ratio of 14.5%. 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 July 31, 2019, the banking industry had \$102.0 billion in Total Troubled Assets and \$2.2 trillion in Capital Plus Reserves resulting in a Troubled Asset Ratio of 4.6%. Industrial banks have Total Troubled Assets of \$1.7 billion and Capital Plus Reserves of \$34.5 billion resulting in a Troubled Asset Ratio of 5.0%. Commercially-owned industrial banks have Total Troubled Assets of \$16.0 million and Capital Plus Reserves of \$2.2 billion resulting in a Troubled Asset Ratio of 0.7%. 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 six months ended July 31, 2019, the banking industry reported Net Income totaling \$123.3 billion resulting in an annualized ROA of 1.36%. Industrial banks reported Net Income for the period totaling \$4.4 billion resulting in an annualized ROA of 3.43%. Commercially owned industrial banks reported Net Income for the period totaling \$154.1 million resulting in an annualized ROA of 2.15%.

CONCLUSION

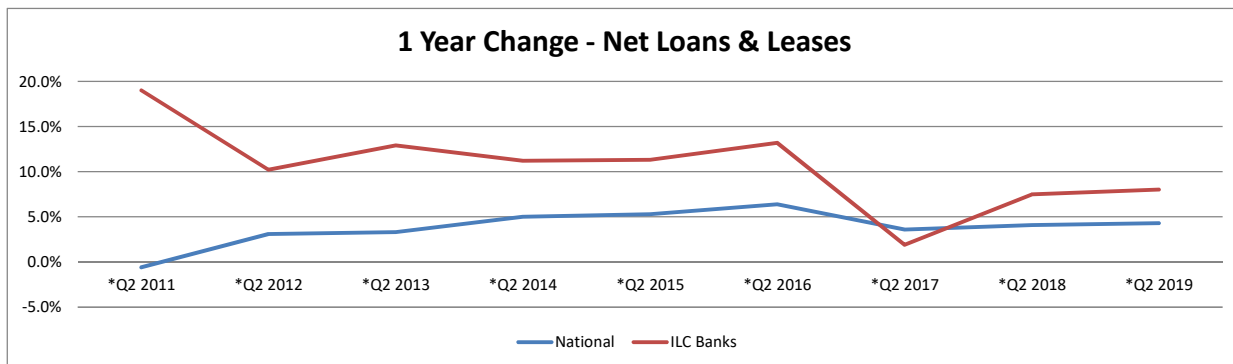
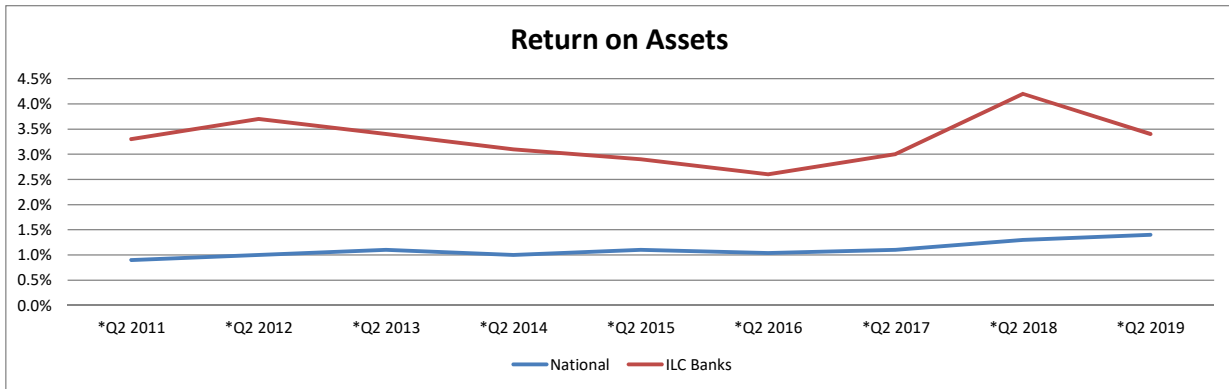
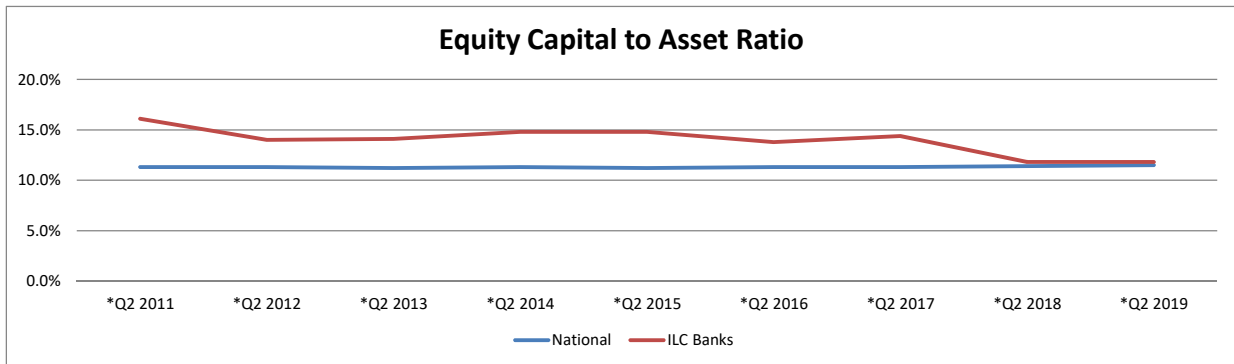
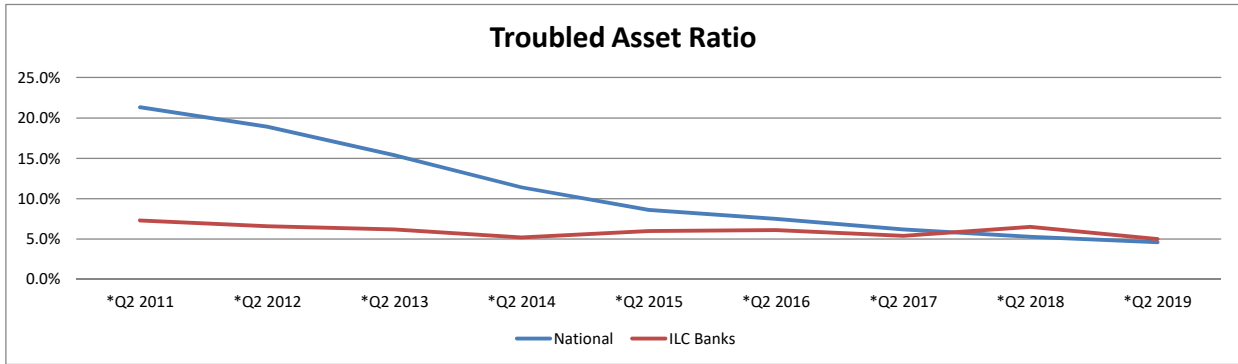
Compared to Other Banks, as of July 31, 2019, industrial banks remain safer and sounder institutions, having a stronger Capital to Assets Ratio and a higher annualized ROA. Commercially-owned industrial banks have 26.1% more capital compared to the national banking industry (14.5% compared to 11.5%); a Troubled Asset Ratio that is over six times lower than that of the national banking industry (0.7% compared to 4.6%); and an annualized ROA that is over one and one-half times that of the national banking industry (2.15% compared to 1.36%).

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: 6/30/2019
 Data Source: FDIC Reports of Condition and Income

		# 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	Equity Capital + Reserve to Asset Ratio	Deposit to Asset Ratio	ROA	ROE	Operating Efficiency Ratio	
National Totals		2,069,218	\$ 3,779,175,582,000	\$ 123,267,225,000	\$ 14,039,674,624,000	\$ 18,267,234,751,000	\$ 95,680,292,000	\$ 6,361,322,000	\$ 102,041,614,000	\$ 124,887,113,000	\$ 2,097,712,879,000	\$ 2,222,599,992,000	4.6%	122.4%	11.5%	12.2%	76.9%	1.36%	11.97%	64.77%	
National Median Troubled Asset Ratio													4.6%	122.4%	11.5%	12.2%	76.9%	1.36%	11.97%	64.77%	
Financial ILC Bank Totals		4,337	\$ 22,281,424,000	\$ 4,256,454,000	\$ 176,649,269,000	\$ 244,414,718,000	\$ 1,691,540,000	\$ 20,152,000	\$ 1,711,692,000	\$ 3,837,724,000	\$ 28,429,180,000	\$ 32,266,904,000	5.3%	224.2%	11.6%	13.2%	72.3%	3.51%	30.75%	55.18%	
Financial ILC Bank Median													5.3%	224.2%	11.6%	13.2%	72.3%	3.51%	30.75%	55.18%	
Commercial ILC Bank Totals		609	\$ 2,699,003,000	\$ 154,088,000	\$ 10,079,797,000	\$ 14,643,186,000	\$ 15,958,000	\$ -	\$ 15,958,000	\$ 54,183,000	\$ 2,130,414,000	\$ 2,184,597,000	0.7%	339.5%	14.5%	14.9%	68.8%	2.15%	14.54%	32.62%	
Commercial ILC Bank Median													0.7%	339.5%	14.5%	14.9%	68.8%	2.15%	14.54%	32.62%	
All ILC Bank Totals		4,946	\$ 24,980,427,000	\$ 4,410,542,000	\$ 186,729,066,000	\$ 259,057,904,000	\$ 1,707,498,000	\$ 20,152,000	\$ 1,727,650,000	\$ 3,891,907,000	\$ 30,559,594,000	\$ 34,451,501,000	5.0%	225.3%	11.6%	13.3%	72.1%	3.43%	29.60%	54.80%	
ILC Bank Median Troubled Asset Ratio													5.0%	225.3%	11.6%	13.3%	72.1%	3.43%	29.60%	54.80%	
National Totals without ILC Bank Totals		2,064,272	\$ 3,754,195,155,000	\$ 118,856,683,000	\$ 13,852,945,558,000	\$ 18,008,176,847,000	\$ 93,972,794,000	\$ 6,341,170,000	\$ 100,313,964,000	\$ 120,995,206,000	\$ 2,067,153,285,000	\$ 2,188,148,491,000	4.6%	120.6%	11.6%	12.2%	76.9%	1.33%	11.72%	65.27%	
		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	Equity Capital + Reserve to Asset Ratio	Deposit to Asset Ratio	ROA	ROE	Operating Efficiency Ratio
ILC Banks																					
Salle Mae Bank	UT Financial	No	1,952	\$ 331,541,000	\$ 319,721,000	\$ 21,857,119,000	\$ 29,485,766,000	\$ 132,878,000	\$ -	\$ 132,878,000	\$ 383,997,000	\$ 2,994,738,000	\$ 3,378,735,000	3.9%	289.4%	10.2%	11.5%	73.1%	2.29%	21.57%	30.55%
UBS Bank USA	UT Financial	No	366	\$ 6,902,065,000	\$ 503,231,000	\$ 48,516,990,000	\$ 56,996,450,000	\$ 26,547,000	\$ -	\$ 26,547,000	\$ 32,374,000	\$ 6,638,186,000	\$ 6,670,560,000	0.4%	121.9%	11.8%	11.9%	86.5%	1.75%	16.12%	15.46%
OptumHealth Bank, Inc	UT Healthcare	No	371	\$ 8,441,846,000	\$ 127,235,000	\$ 8,370,878,000	\$ 10,300,041,000	\$ 2,292,000	\$ -	\$ 2,292,000	\$ 11,701,000	\$ 1,433,588,000	\$ 1,445,289,000	0.2%	510.5%	13.9%	14.0%	81.3%	2.57%	19.98%	29.92%
Rancho Santa Fe Thrift & Loan	CA Financial	No	4	\$ -	\$ (897,000)	\$ 35,490,000	\$ 62,822,000	\$ 48,000	\$ -	\$ 48,000	\$ 839,000	\$ 27,919,000	\$ 27,758,000	0.2%	1747.9%	42.8%	44.2%	96.5%	-1.54%	-3.59%	113.0%
USA Savings Bank	NV Financial	No	7	\$ 344,446,000	\$ 121,374,000	\$ 323,745,000	\$ 1,866,198,000	\$ -	\$ -	\$ -	\$ -	\$ 302,565,000	\$ 302,565,000	0.0%	100.0%	16.2%	16.2%	17.3%	13.73%	82.79%	69.26%
LCA Bank Corporation	UT Leasing	No	12	\$ 1,416,000	\$ 1,740,000	\$ 137,498,000	\$ 169,477,000	\$ 1,111,000	\$ -	\$ 1,111,000	\$ 4,053,000	\$ 25,593,000	\$ 29,646,000	3.7%	364.8%	15.1%	17.5%	81.1%	2.02%	13.92%	44.24%
Metallion Bank	UT Financial	No	80	\$ 44,819,000	\$ 4,462,000	\$ 927,758,000	\$ 1,109,361,000	\$ 13,846,000	\$ -	\$ 13,846,000	\$ 59,674,000	\$ 171,500,000	\$ 231,174,000	6.0%	431.0%	15.5%	20.8%	83.6%	0.84%	5.27%	35.25%
Comenity Capital Bank	UT Financial	No	119	\$ 119,950,000	\$ 136,783,000	\$ 7,355,921,000	\$ 9,897,956,000	\$ 173,598,000	\$ -	\$ 173,598,000	\$ 368,319,000	\$ 1,314,153,000	\$ 1,682,472,000	10.3%	212.2%	13.6%	17.3%	75.9%	2.94%	21.90%	55.46%
WEX Bank	UT Transportation	No	47	\$ 25,168,000	\$ 127,773,000	\$ 2,564,453,000	\$ 3,191,732,000	\$ 37,976,000	\$ -	\$ 37,976,000	\$ 18,432,000	\$ 348,907,000	\$ 367,339,000	10.3%	48.5%	10.5%	11.5%	80.3%	8.79%	80.10%	63.78%
Moris Plan Co-Tente Haute	IN Financial	No	27	\$ 4,047,000	\$ -	\$ 59,302,000	\$ 85,662,000	\$ 643,000	\$ 149,000	\$ 792,000	\$ 4,245,000	\$ 25,093,000	\$ 29,338,000	2.7%	536.0%	29.3%	34.2%	69.2%	4.07%	13.52%	35.31%
Minnesota First Credit And Savings	MN Financial	No	11	\$ -	\$ 54,000	\$ 26,793,000	\$ 26,793,000	\$ 51,000	\$ 13,000	\$ 64,000	\$ 427,000	\$ 4,127,000	\$ 4,554,000	1.4%	687.2%	15.4%	17.0%	79.5%	0.40%	2.62%	91.56%
Balboa Thrift and Loan Association	CA Insurance	No	92	\$ -	\$ 784,000	\$ 274,087,000	\$ 315,276,000	\$ 638,000	\$ -	\$ 638,000	\$ 4,633,000	\$ 40,294,000	\$ 44,927,000	1.4%	729.6%	14.3%	16.3%	86.9%	0.49%	3.83%	61.42%
American Express Centurion Bank	UT Financial	No	282	\$ 5,166,014,000	\$ 2,785,744,000	\$ 78,734,355,000	\$ 120,127,630,000	\$ 719,520,000	\$ -	\$ 719,520,000	\$ 2,319,339,000	\$ 11,670,350,000	\$ 13,989,689,000	5.1%	322.3%	9.7%	11.6%	65.5%	4.65%	47.90%	60.09%
Merrick Bank Corporation	UT Financial	No	324	\$ 60,272,000	\$ 110,076,000	\$ 3,060,919,000	\$ 3,929,480,000	\$ 121,517,000	\$ -	\$ 121,517,000	\$ 496,355,000	\$ 920,274,000	\$ 1,315,629,000	9.2%	407.6%	20.9%	33.5%	77.9%	5.66%	27.74%	25.93%
Finance Factors, Ltd	HI Financial	No	128	\$ 105,890,000	\$ 2,744,000	\$ 494,760,000	\$ 580,597,000	\$ 1,834,000	\$ 355,000	\$ 2,189,000	\$ 11,741,000	\$ 68,504,000	\$ 80,245,000	2.7%	536.4%	11.8%	13.8%	85.2%	0.95%	8.22%	68.84%
Beal Bank USA	NV Financial	No	125	\$ 668,189,000	\$ (26,479,000)	\$ 2,607,020,000	\$ 5,269,206,000	\$ 446,466,000	\$ 18,174,000	\$ 464,640,000	\$ 80,412,000	\$ 2,168,479,000	\$ 2,248,891,000	20.7%	17.3%	41.2%	42.7%	49.5%	-0.99%	-2.41%	207.34%
Celtic Bank	UT Financial	No	225	\$ 6,174,000	\$ 18,436,000	\$ 672,695,000	\$ 898,493,000	\$ 7,044,000	\$ 1,461,000	\$ 8,505,000	\$ 10,480,000	\$ 171,715,000	\$ 182,195,000	4.7%	123.2%	19.1%	20.3%	74.9%	4.28%	22.62%	52.99%
Community Commerce Bank	CA Community Develo	No	39	\$ 233,000	\$ 706,000	\$ 183,884,000	\$ 237,305,000	\$ 733,000	\$ -	\$ 733,000	\$ 2,267,000	\$ 52,751,000	\$ 55,018,000	1.3%	309.3%	19.0%	19.8%	66.3%	0.53%	2.68%	75.44%
WebBank	UT Financial	No	126	\$ 60,454,000	\$ 20,941,000	\$ 751,237,000	\$ 924,693,000	\$ 5,093,000	\$ -	\$ 5,093,000	\$ 29,436,000	\$ 151,443,000	\$ 180,879,000	2.8%	588.4%	16.4%	19.6%	4.93%	28.54%	29.92%	
ILC Bank Totals		4,337	\$ 22,281,424,000	\$ 4,256,454,000	\$ 176,649,269,000	\$ 244,414,718,000	\$ 1,691,540,000	\$ 20,152,000	\$ 1,711,692,000	\$ 3,837,724,000	\$ 28,429,180,000	\$ 32,266,904,000	5.3%	224.2%	11.6%	13.2%	72.3%	3.51%	30.75%	55.18%	
Commercial Bank Totals		609	\$ 2,699,003,000	\$ 154,088,000	\$ 10,079,797,000	\$ 14,643,186,000	\$ 15,958,000	\$ -	\$ 15,958,000	\$ 54,183,000	\$ 2,130,414,000	\$ 2,184,597,000	0.7%	339.5%	14.5%	14.9%	68.8%	2.15%	14.54%	32.62%	
All Bank Totals		4,946	\$ 24,980,427,000	\$ 4,410,542,000	\$ 186,729,066,000	\$ 259,057,904,000	\$ 1,707,498,000	\$ 20,152,000	\$ 1,727,650,000	\$ 3,891,907,000	\$ 30,559,594,000	\$ 34,451,501,000	5.0%	225.3%	11.6%	13.3%	72.1%	3.43%	29.60%	54.80%	