

Comparative Safety and Soundness The Industrial Banking Industry Second 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 June 30, 2020. Our findings are summarized below and, along with the data, are contained in the attached report.

CAPITAL RATIOS

As of June 30, 2020, the US banking industry had \$21.1 trillion in Assets and \$2.1 trillion in Capital¹ resulting in a Capital to Asset Ratio of 10.2%. Industrial banks have \$308.2 billion in Assets and Capital of \$33.4 billion resulting in a Capital to Assets Ratio of 10.8%. Commercially owned industrial banks have \$17.0 billion in Assets and \$2.1 billion in Capital resulting in a Capital to Assets Ratio of 12.5%. 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 June 30, 2020, the banking industry had \$123.3 billion in Total Troubled Assets and \$2.4 trillion in Capital Plus Reserves resulting in a Troubled Asset Ratio of 5.2%. Industrial banks have Total Troubled Assets of \$2.8 billion and Capital Plus Reserves of \$42.9 billion resulting in a Troubled Asset Ratio of 6.6%. Commercially-owned industrial banks have Total Troubled Assets of \$29.8 million and Capital Plus Reserves of \$2.3 billion resulting in a Troubled Asset Ratio of 1.3%. 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 June 30, 2020, the banking industry reported Net Income totaling \$37.3 billion resulting in an annualized ROA of 0.37%. Industrial banks reported Net Income for the period totaling \$2.9 billion resulting in an annualized ROA of 1.96%. Commercially owned industrial banks reported Net Income for the period totaling \$121.1 million resulting in an annualized ROA of 1.51%.

CONCLUSION

Compared to Other Banks, as of June 30, 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 22.5% more capital compared to the national banking industry (12.5% compared to 10.2%); a Troubled Asset Ratio that is four times lower than that of the national banking industry (1.3% compared to 5.2%); and an annualized ROA that is over four times that of the national banking industry (1.51% compared to 0.37%).

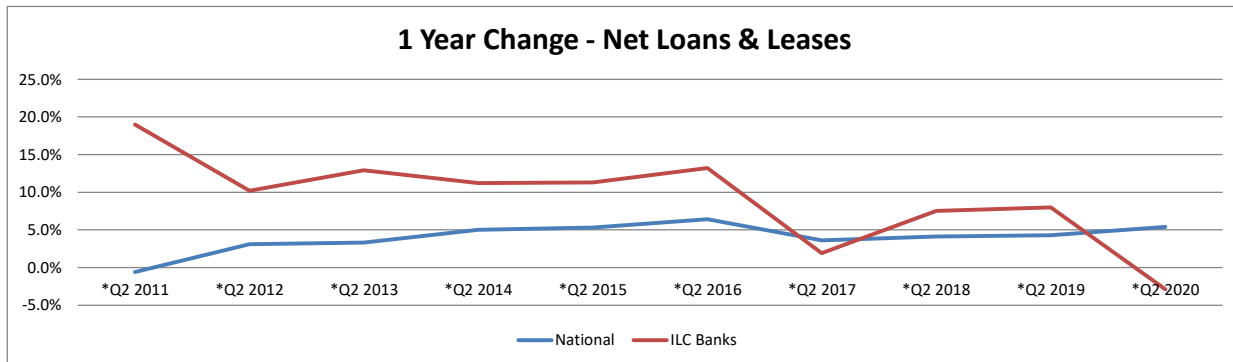
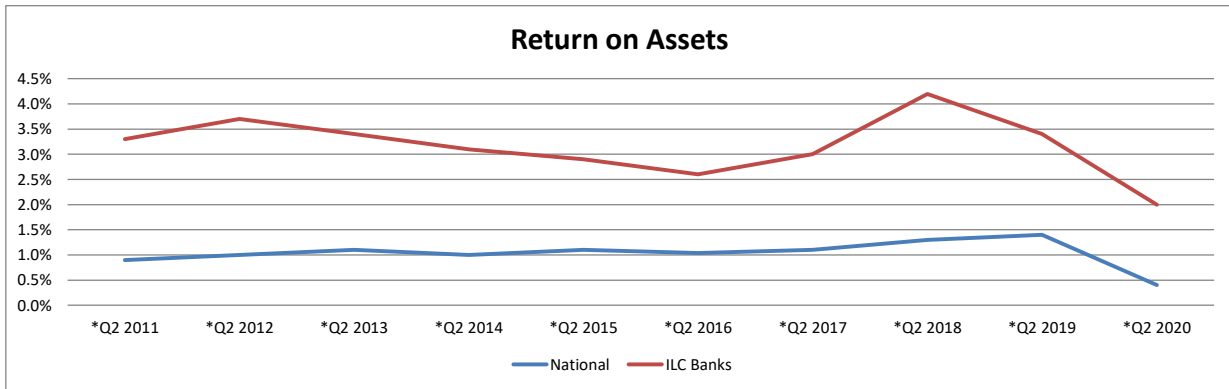
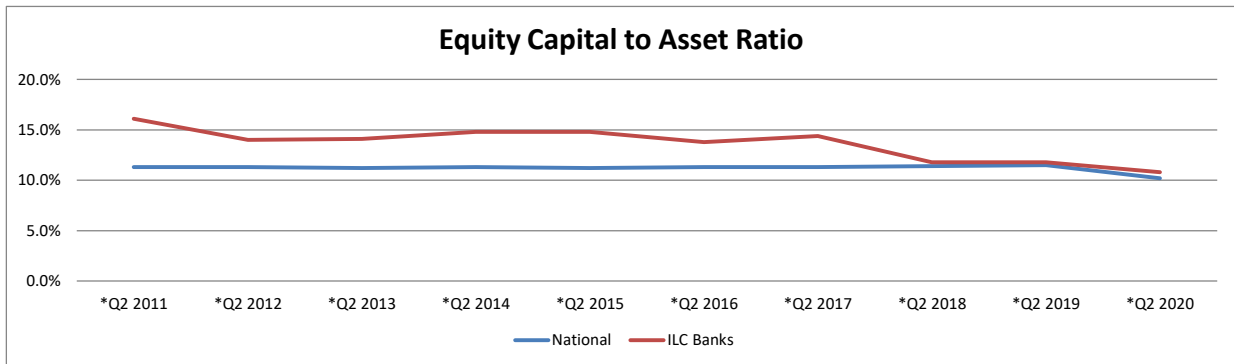
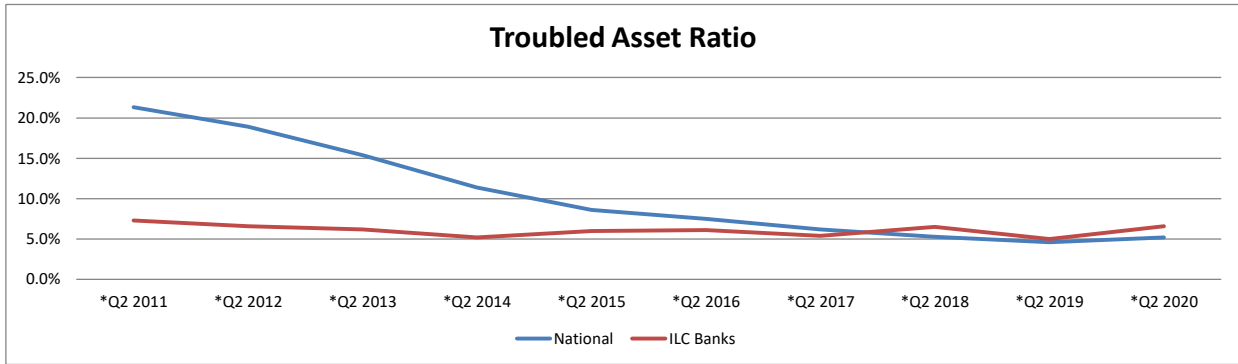
Data Source: FDIC Quarterly Call Reports

Attachments:

- *Safety and Soundness Statistics – Industrial Banking Industry*

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* Adjusted for banks no longer ILC

FDIC Statistics on Depository Institutions Report												
Net Loans & Leases (\$ in 000's)												
		Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	1 yr Change	2 yr Change
All Institutions - National		9,733,268,684	9,815,580,819	10,027,566,319	10,022,207,230	10,174,793,124	10,274,052,709	10,394,239,939	10,764,291,864	10,752,224,506	5.4%	9.5%
Financial ILC Bank Totals		170,384,619	175,657,518	180,961,123	181,019,030	185,139,705	187,612,187	193,026,301	183,748,276	177,317,550	-4.4%	3.9%
Commercial ILC Bank Totals		9,679,980	9,955,577	10,241,910	10,508,646	10,578,315	11,103,628	11,466,775	12,170,972	12,969,079	18.4%	25.4%
All ILC Bank Totals		180,064,599	185,613,095	191,203,033	191,527,676	195,718,020	198,715,815	204,493,076	195,919,248	190,286,629	-2.9%	5.4%
National Totals without ILC Bank Totals		9,553,204,085	9,629,967,724	9,836,363,286	9,830,679,554	9,979,075,104	10,075,336,894	10,189,746,863	10,568,372,616	10,561,937,877	5.5%	9.6%
ILC Banks												
		Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	1 yr Change	2 yr Change
Sallie Mae Bank	UT	20,311,513	21,982,229	22,274,685	23,503,601	23,275,144	24,724,621	24,678,812	21,707,092	21,180,514	-9.9%	4.1%
UBS Bank USA	UT	45,239,078	46,323,566	46,832,614	46,245,416	46,971,173	47,876,989	49,385,501	49,156,413	50,792,726	7.5%	10.9%
OptumHealth Bank, Inc	UT	843,490	931,826	1,054,299	1,049,024	1,131,638	1,213,193	1,329,435	1,486,021	1,590,623	28.9%	47.0%
Rancho Santa Fe Thrift & Loan	CA	59,840	48,562	39,219	47,835	50,737	62,585	56,955	58,281	53,336	4.9%	-12.2%
LCA Bank Corporation	UT	157,620	158,990	156,947	156,372	151,142	145,151	140,245	135,460	195,490	22.7%	19.4%
Medallion Bank	UT	930,026	872,879	878,085	897,744	953,608	1,003,138	1,019,668	1,039,882	1,102,806	13.5%	15.7%
World Financial Capital Bank	UT	6,799,237	7,086,940	7,186,720	7,122,024	7,408,386	7,400,589	7,310,681	6,553,085	5,832,901	-27.0%	-16.6%
Wright Express Financial Services	UT	2,507,610	2,505,763	2,183,828	2,306,190	2,643,212	2,593,200	2,170,272	1,758,881	1,594,344	-65.8%	-57.3%
The Morris Plan Co-Terre Haute	IN	64,947	65,142	66,687	71,350	76,327	81,972	85,924	95,271	102,714	25.7%	36.8%
Minnesota First Credit And Savings	MN	23,498	23,350	23,465	23,045	22,736	22,822	22,878	22,326	21,806	-4.3%	-7.8%
Balboa Thrift and Loan Association	CA	262,534	273,215	277,605	284,079	292,073	296,372	299,334	299,681	301,836	3.2%	13.0%
American Express Centurion	UT	85,094,499	87,293,796	91,694,824	91,053,569	93,480,475	93,739,874	97,132,094	92,218,563	80,489,584	-16.1%	-5.7%
Merrick Bank Corporation	UT	2,842,490	2,935,501	3,097,073	3,031,944	3,127,915	3,230,463	3,320,330	3,222,701	3,060,480	-2.2%	7.1%
Finance Factors, Ltd	HI	382,731	379,868	381,932	389,867	389,479	389,272	395,156	393,613	388,285	-0.3%	1.4%
Beal Bank Nevada	NV	3,682,071	3,510,258	3,437,502	3,389,823	3,626,823	3,146,884	3,910,100	4,060,946	4,092,647	11.4%	10.0%
Celtic Bank	UT	631,703	655,767	686,220	715,322	721,711	784,519	818,923	761,404	3,704,183	80.5%	82.9%
Community Commerce Bank	CA	167,519	173,876	183,153	192,703	198,398	200,689	206,940	208,872	240,632	17.6%	30.4%
WebBank	UT	384,213	435,990	506,265	541,122	618,728	689,854	743,053	569,784	2,572,643	75.9%	85.1%
		170,384,619	175,657,518	180,961,123	181,019,030	185,139,705	187,612,187	193,026,301	183,748,276	177,317,550	-4.4%	3.9%
Eaglemark Savings Bank	NV	13,418	11,124	15,488	16,218	12,395	25,143	11,758	10,560	33,278	62.8%	59.7%
First Electronic Bank	UT	10,370	13,088	15,732	16,471	12,514	15,810	18,376	7,147	9,416	-32.9%	-10.1%
EnerBank USA	UT	1,416,796	1,620,116	1,857,199	2,017,694	2,231,195	2,463,853	2,500,570	2,443,357	2,596,022	14.1%	45.4%
BMW Bank of North America	UT	7,260,637	7,317,656	7,330,626	7,433,607	7,278,964	7,493,903	7,775,259	8,467,457	8,593,218	15.3%	15.5%
Toyota Financial Savings Bank	NV	731,456	758,518	789,232	804,833	820,333	884,900	928,220	1,011,036	1,536,926	46.6%	52.4%
The Pitney Bowes Bank	UT	247,303	235,075	233,633	219,823	222,914	220,019	232,592	231,415	200,219	-11.3%	-23.5%
		9,679,980	9,955,577	10,241,910	10,508,646	10,578,315	11,103,628	11,466,775	12,170,972	12,969,079	18.4%	25.4%
ILC Banks - Nevada												
		Q2 18	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	1 yr Change	2 yr Change
Beal Bank Nevada	NV	3,682,071	3,510,258	3,437,502	3,389,823	3,626,823	3,146,884	3,910,100	4,060,946	4,092,647	11.4%	10.0%
Eaglemark Savings Bank	NV	13,418	11,124	15,488	16,218	12,395	25,143	11,758	10,560	33,278	62.8%	59.7%
Toyota Financial Savings Bank	NV	731,456	758,518	789,232	804,833	820,333	884,900	928,220	1,011,036	1,536,926	46.6%	52.4%
		4,426,945	4,279,900	4,242,222	4,210,874	4,459,551	4,056,927	4,850,078	5,082,542	5,662,851	21.2%	21.8%
ILC Banks - Utah												
American Express Centurion	UT	85,094,499	87,293,796	91,694,824	91,053,569	93,480,475	93,739,874	97,132,094	92,218,563	80,489,584	-16.1%	-5.7%
BMW Bank of North America	UT	7,260,637	7,317,656	7,330,626	7,433,607	7,278,964	7,493,903	7,775,259	8,467,457	8,593,218	15.3%	15.5%
Celtic Bank	UT	631,703	655,767	686,220	715,322	721,711	784,519	818,923	761,404	3,704,183	80.5%	82.9%
EnerBank USA	UT	1,416,796	1,620,116	1,857,199	2,017,694	2,231,195	2,463,853	2,500,570	2,443,357	2,596,022	14.1%	45.4%
First Electronic Bank	UT	10,370	13,088	15,732	16,471	12,514	15,810	18,376	7,147	9,416	-32.9%	-10.1%
LCA Bank Corporation	UT	157,620	158,990	156,947	156,372	151,142	145,151	140,245	135,460	195,490	22.7%	19.4%
Medallion Bank	UT	930,026	872,879	878,085	897,744	953,608	1,003,138	1,019,668	1,039,882	1,102,806	13.5%	15.7%
Merrick Bank Corporation	UT	2,842,490	2,935,501	3,097,073	3,031,944	3,127,915	3,230,463	3,320,330	3,222,701	3,060,480	-2.2%	7.1%
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Wright Express Financial Services	UT	2,507,610	2,505,763	2,183,828	2,306,190	2,643,212	2,593,200	2,170,272	1,758,881	1,594,344	-65.8%	-57.3%
		174,676,585	180,369,182	185,988,750	186,309,923	190,228,719	193,595,176	198,575,811	189,758,662	183,515,169	-3.7%	4.8%