

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

CAPITAL RATIOS

As of September 30, 2020, the US banking industry had \$21.2 trillion in Assets and \$2.2 trillion in Capital¹ resulting in a Capital to Asset Ratio of 10.3%. Industrial banks have \$172.6 billion in Assets and Capital of \$19.3 billion resulting in a Capital to Assets Ratio of 11.2%. Commercially owned industrial banks have \$17.4 billion in Assets and \$2.1 billion in Capital resulting in a Capital to Assets Ratio of 12.2%. 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 September 30, 2020, the banking industry had \$132.1 billion in Total Troubled Assets and \$2.4 trillion in Capital Plus Reserves resulting in a Troubled Asset Ratio of 5.4%. Industrial banks have Total Troubled Assets of \$2.0 billion and Capital Plus Reserves of \$23.0 billion resulting in a Troubled Asset Ratio of 8.6%. Commercially-owned industrial banks have Total Troubled Assets of \$40.7 million and Capital Plus Reserves of \$2.4 billion resulting in a Troubled Asset Ratio of 1.7%. 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 nine months ended September 30, 2020, the banking industry reported Net Income totaling \$88.4 billion resulting in an annualized ROA of 0.58%. Industrial banks reported Net Income for the period totaling \$2.1 billion resulting in an annualized ROA of 1.67%. Commercially owned industrial banks reported Net Income for the period totaling \$154.3 million resulting in an annualized ROA of 1.26%.

CONCLUSION

Compared to Other Banks, as of September 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 18.4% more capital compared to the national banking industry (12.2% compared to 10.3%); a Troubled Asset Ratio that is over three times lower than that of the national banking industry (1.7% compared to 5.4%); and an annualized ROA that is over two times that of the national banking industry (1.26% compared to 0.58%).

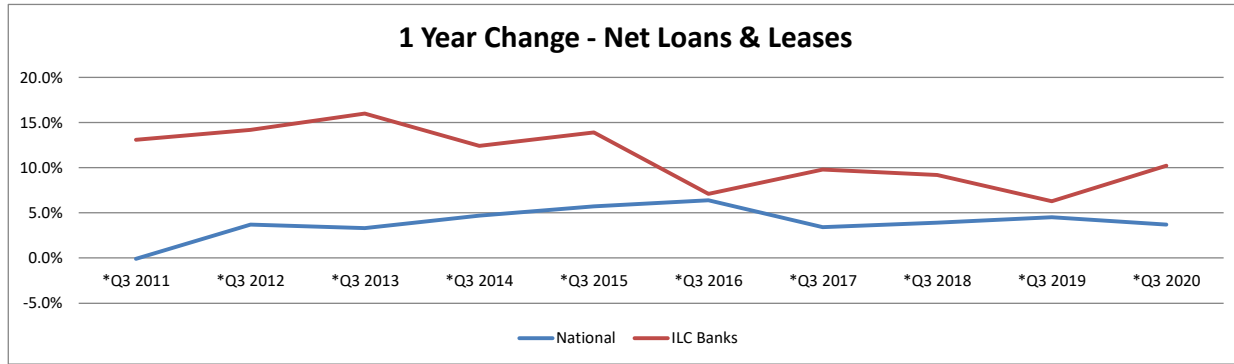
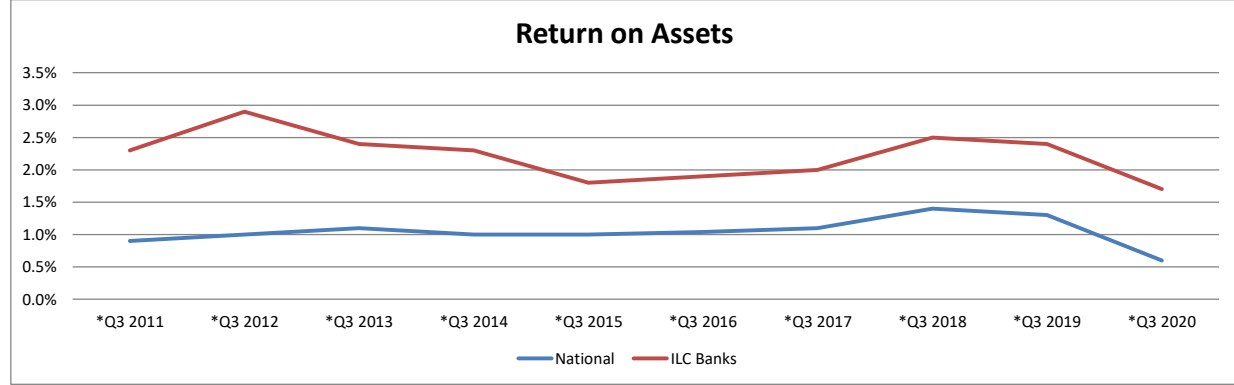
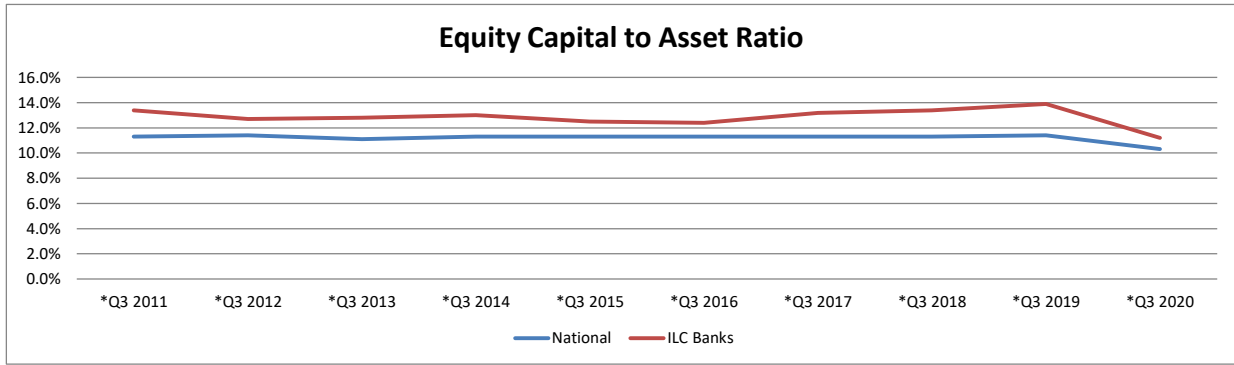
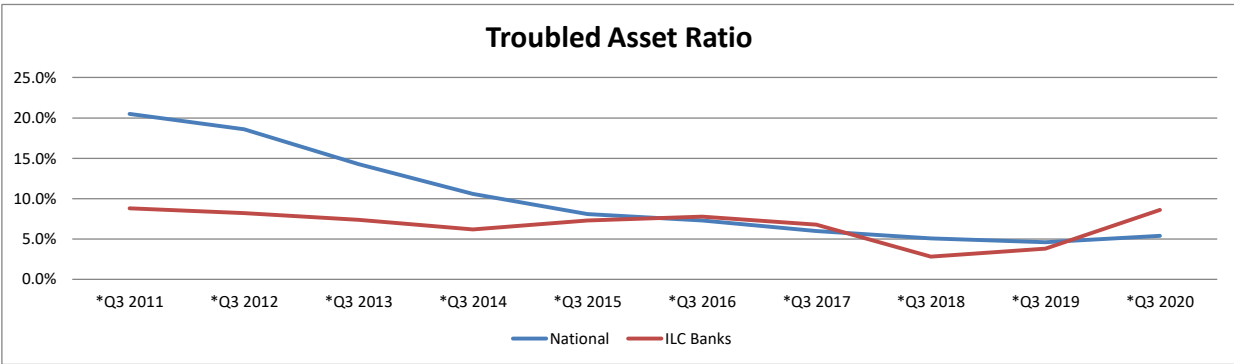
Data Source: FDIC Quarterly Call Reports

Attachments:

- *Safety and Soundness Statistics – Industrial Banking Industry*

For more information, please contact Charlie Knadler

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* Adjusted for banks no longer ILC

Safety and Soundness Statistics																							In (000's)						
Industrial Banking Industry																													
Information Date: 9/30/2020																													
Data Source: FDIC Reports of Condition and Income																													
				# FTE Employees	Securities/ CRA Investments	YTD Net Income	Deposits	Assets	Loans 90 Days or More Past Due	Non-Accruing Loans	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	YTD Total NonInterest Expense	YTD Total Interest Income	YTD Total NonInterest Income	YTD Total Interest Expense	Net Bank Revenue	Operating Efficiency Ratio
National Totals				2,071,910	\$ 4,790,986,384,000	\$ 88,351,845,000	\$ 17,116,652,565,000	\$ 21,219,742,010,000			\$ 127,549,629,000	\$ 4,547,915,000	\$ 132,097,544,000	\$ 244,265,808,000	\$ 2,183,201,271,000	\$ 2,427,467,079,000	5.4%	184.9%	10.3%	11.4%	80.7%	0.58%	5.51%	\$ 373,849,742	\$ 461,562,720	\$ 210,048,547	\$ 65,182,290	\$ 606,428,977	61.85%
National Median Troubled Asset Ratio																	N/A												
Financial ILC Bank Totals				4,148	\$ 23,031,801,000	\$ 1,902,754,000	\$ 123,219,613,000	\$ 155,237,633,000	\$ 453,151,000	\$ 1,472,823,000	\$ 1,925,974,000	\$ 8,197,000	\$ 1,934,171,000	\$ 3,472,428,000	\$ 17,173,710,000	\$ 20,646,138,000	9.4%	179.5%	11.1%	13.3%	79.4%	1.71%	15.00%	\$ 2,773,003	\$ 5,709,781	\$ 1,801,832	\$ 899,779	\$ 6,611,834	41.94%
Financial ILC Bank Median																	3.0%												
Commercial ILC Bank Totals				704	\$ 2,878,180,000	\$ 154,305,000	\$ 12,639,913,000	\$ 17,401,841,000	\$ 7,408,000	\$ 33,271,000	\$ 40,679,000	\$ -	\$ 40,679,000	\$ 222,153,000	\$ 2,131,049,000	\$ 2,353,202,000	1.7%	546.1%	12.2%	13.5%	72.6%	1.26%	9.59%	\$ 152,981	\$ 606,630	\$ 88,570	\$ 208,601	\$ 486,599	31.44%
Commercial ILC Bank Median																	1.1%												
All ILC Bank Totals				4,852	\$ 25,909,981,000	\$ 2,057,059,000	\$ 135,859,526,000	\$ 172,639,474,000	\$ 460,559,000	\$ 1,506,094,000	\$ 1,966,653,000	\$ 8,197,000	\$ 1,974,850,000	\$ 3,694,581,000	\$ 19,304,759,000	\$ 22,999,340,000	8.6%	187.1%	11.2%	13.3%	78.7%	1.67%	14.39%	\$ 2,925,984	\$ 6,316,411	\$ 1,890,402	\$ 1,108,380	\$ 7,098,433	41.22%
ILC Bank Median Trouble Asset Ratio																	2.3%												
National Totals without ILC Bank Totals				2,067,058	\$ 4,765,076,403,000	\$ 86,294,786,000	\$ 16,980,793,039,000	\$ 21,047,102,536,000	\$ (460,559,000)	\$ (1,506,094,000)	\$ 125,582,976,000	\$ 4,539,718,000	\$ 130,122,694,000	\$ 240,571,227,000	\$ 2,163,896,512,000	\$ 2,404,467,739,000	5.4%	184.9%	10.3%	11.4%	80.7%	0.57%	5.43%	\$ 370,923,758	\$ 455,246,309	\$ 208,158,145	\$ 64,073,910	\$ 599,330,544	61.89%
ILC Banks	ST	Type	Commercial Backed	# FTE Employees	Securities/ CRA Investments	YTD Net Income	Deposits	Assets	Loans 90 Days or More Past Due	Non-Accruing Loans	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	NonInterest Expense	Total Interest Income	NonInterest Income	Total Interest Expense	Net Bank Revenue	Operating Efficiency Ratio
Sallie Mae Bank	UT	Financial	No	1,850	\$ 2,090,707,000	\$ 476,597,000	\$ 23,251,459,000	\$ 30,564,341,000	\$ 133,552,000	\$ 4,000	\$ 133,556,000	\$ -	\$ 133,556,000	\$ 1,734,559,000	\$ 2,202,891,000	\$ 3,937,450,000	3.4%	1298.8%	7.2%	12.9%	76.1%	2.03%	26.53%	\$ 404,622	\$ 1,548,078	\$ 321,355	\$ 421,820	\$ 1,447,613	27.95%
UBS Bank USA	UT	Financial	No	444	\$ 8,396,094,000	\$ 686,691,000	\$ 69,698,955,000	\$ 77,831,265,000	\$ 877,000	\$ 95,716,000	\$ 96,593,000	\$ -	\$ 96,593,000	\$ 52,279,000	\$ 7,054,661,000	\$ 7,106,940,000	1.4%	54.1%	9.1%	9.1%	89.6%	1.24%	13.00%	\$ 212,221	\$ 1,292,967	\$ 16,836	\$ 175,812	\$ 1,133,991	18.71%
OptumHealth Bank, Inc	UT	Healthcare	No	380	\$ 9,525,376,000	\$ 199,968,000	\$ 9,534,991,000	\$ 12,560,547,000	\$ 189,000	\$ -	\$ 189,000	\$ -	\$ 189,000	\$ 19,742,000	\$ 1,938,233,000	\$ 1,957,975,000	0.0%	10445.5%	15.4%	15.6%	75.9%	2.30%	15.29%	\$ 110,019	\$ 215,169	\$ 143,602	\$ 5,327	\$ 353,444	31.13%
Hatch Bank	CA	Financial	No	5	\$ 10,000	\$ 725,000	\$ 69,525,000	\$ 110,191,000	\$ 8,000	\$ -	\$ 8,000	\$ -	\$ 8,000	\$ 849,000	\$ 27,759,000	\$ 28,608,000	0.0%	10612.5%	25.2%	26.0%	63.1%	1.17%	3.53%	\$ 1,429	\$ 2,359	\$ 555	\$ 655	\$ 2,259	63.26%
USAA Savings Bank	NV	Financial	No	7	\$ 262,759,000	\$ 125,577,000	\$ 213,375,000	\$ 1,647,080,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 349,835,000	\$ 349,835,000	0.0%	100.0%	21.2%	21.2%	13.0%	9.70%	51.23%	\$ 486,260	\$ 9,734	\$ 642,746	\$ 2,831	\$ 649,649	74.85%
LCA Bank Corporation	UT	Leasing	No	57	\$ 1,115,000	\$ 1,372,000	\$ 117,426,000	\$ 217,790,000	\$ -	\$ 815,000	\$ 815,000	\$ -	\$ 815,000	\$ 5,380,000	\$ 25,800,000	\$ 31,180,000	2.6%	680.1%	11.8%	14.3%	53.9%	0.96%	7.33%	\$ 4,905	\$ 12,268	\$ 28	\$ 2,155	\$ 10,141	48.37%
Medellion Bank	UT	Financial	No	87	\$ 45,991,000	\$ (11,812,000)	\$ 1,060,237,000	\$ 1,282,691,000	\$ -	\$ 87,732,000	\$ 87,732,000	\$ 1,800,000	\$ 89,532,000	\$ 98,446,000	\$ 207,221,000	\$ 305,667,000	29.3%	110.0%	16.2%	23.8%	82.7%	-1.26%	-7.15%	\$ 25,411	\$ 104,213	\$ (10,562)	\$ 17,316	\$ 76,335	33.29%
Comenity Capital Bank	UT	Financial	No	98	\$ 93,152,000	\$ (44,159,000)	\$ 6,386,913,000	\$ 7,742,592,000	\$ 189,345,000	\$ 228,000	\$ 189,573,000	\$ -	\$ 189,573,000	\$ 901,138,000	\$ 952,308,000	\$ 1,853,446,000	10.2%	475.4%	12.3%	23.9%	82.5%	-0.69%	-5.86%	\$ 562,860	\$ 1,082,915	\$ 82,129	\$ 135,091	\$ 1,029,953	54.65%
WEX Bank	UT	Transportation	No	65	\$ 26,259,000	\$ 78,037,000	\$ 1,990,963,000	\$ 2,459,370,000	\$ 24,138,000	\$ 485,000	\$ 24,623,000	\$ -	\$ 24,623,000	\$ 7,677,000	\$ 310,986,000	\$ 318,663,000	7.7%	31.2%	12.6%	13.0%	81.0%	4.20%	35.56%	\$ 517,642	\$ 366,174	\$ 289,152	\$ 19,606	\$ 635,720	81.43%
Morris Plan Co-Terre Haute	IN	Financial	No	27	\$ 2,330,000	\$ 2,587,000	\$ 90,358,000	\$ 118,404,000	\$ 202,000	\$ 676,000	\$ 878,000	\$ -	\$ 878,000	\$ 6,269,000	\$ 27,201,000	\$ 33,470,000	2.6%	714.0%	23.0%	28.3%	76.3%	3.21%	13.13%	\$ 2,579	\$ 9,819	\$ 143	\$ 1,060	\$ 8,902	28.97%
Minnesota First Credit And Savings	MN	Financial	No	10	\$ -	\$ 86,000	\$ 20,220,000	\$ 25,497,000	\$ 16,000	\$ 25,000	\$ 41,000	\$ -	\$ 41,000	\$ 406,000	\$ 4,202,000	\$ 4,608,000	0.9%	990.2%	16.5%	16.5%	79.3%	0.44%	2.75%	\$ 900	\$ 1,304	\$ 38	\$ 334	\$ 1,008	89.29%
Balboa Thrift and Loan Association	CA	Insurance	No	88	\$ -	\$ 2,406,000	\$ 287,040,000	\$ 331,683,000	\$ 40,000	\$ 625,000	\$ 665,000	\$ -	\$ 665,000	\$ 6,380,000	\$ 43,420,000	\$ 49,800,000	1.3%	959.4%	13.1%	15.0%	86.5%	0.98%	7.64%	\$ 7,973	\$ 19,767	\$ 574	\$ 4,706	\$ 15,635	50.99%
Merrick Bank Corporation	UT	Financial	No	360	\$ 110,550,000	\$ 186,893,000	\$ 3,017,621,000	\$ 4,082,482,000	\$ 65,310,000	\$ 10,362,000	\$ 10,362,000	\$ -	\$ 10,362,000	\$ 482,955,000	\$ 1,019,388,000	\$ 1,502,343,000	5.0%	638.2%	25.0%	36.8%	73.9%	6.13%	26.80%	\$ 187,599	\$ 608,280	\$ 112,138	\$ 44,650	\$ 675,768	27.76%
Finance Factors, Ltd	HI	Financial	No	120	\$ 88,935,000	\$ 2,151,000	\$ 445,052,000	\$ 565,517,000	\$ -	\$ 1,422,000	\$ 1,422,000	\$ -	\$ 1,422,000	\$ 11,799,000	\$ 72,318,000	\$ 84,117,000	1.7%	829.7%	12.8%	14.9%	78.7%	0.49%	4.10%	\$ 13,147	\$ 17,808	\$ 2,402	\$ 4,042	\$ 16,168	81.31%
Beal Bank USA	NV	Financial	No	137	\$ 2,341,140,000	\$ 106,561,000	\$ 5,473,944,000	\$ 8,291,530,000	\$ 30,925,000	\$ 1,260,055,000	\$ 1,290,980,000	\$ 4,974,000	\$ 1,295,954,000	\$ 59,293,000	\$ 2,433,100,000	\$ 2,492,393,000	52.0%	4.6%	29.3%	30.1%	66.0%	1.99%	6.17%	\$ 146,292	\$ 276,166	\$ 44,428	\$ 34,989	\$ 285,605	51.22%
Celtic Bank	UT	Financial	No	259	\$ 33,535,000	\$ 61,830,000	\$ 969,079,000	\$ 4,286,139,000	\$ -	\$ 10,821,000	\$ 10,821,000	\$ 1,423,000	\$ 12,244,000	\$ 39,766,000	\$ 254,143,000	\$ 293,909,000	4.2%	324.8%	5.9%	6.9%	22.6%	3.09%	37.07%	\$ 50,577	\$ 59,358	\$ 119,268	\$ 16,544	\$ 162,082	31.20%
Community Commerce Bank	CA	Community Develo	No	45	\$ 142,000	\$ 1,272,000	\$ 203,517,000	\$ 338,351,000	\$ -	\$ 3,857,000	\$ 3,857,000	\$ -	\$ 3,857,000	\$ 2,862,000	\$ 53,758,000	\$ 56,620,000	6.8%	74.2%	15.9%	16.7%	60.1%	0.55%	3.17%	\$ 5,020	\$ 10,548	\$ 350	\$ 3,395	\$ 7,503	66.91%
WebBank	UT	Financial	No	109	\$ 13,706,000	\$ 25,972,000	\$ 388,938,000	\$ 2,782,223,000	\$ 8,549,000	\$ -	\$ 8,549,000	\$ -	\$ 8,549,000	\$ 42,628,000	\$ 196,486,000	\$ 239,114,000	3.6%	498.6%	7.1%	8.6%	14.0%	1.89%	19.23%	\$ 33,547	\$ 72,854	\$ 36,650	\$ 9,446	\$ 100,058	33.53%
Rancho Santa Fe Thrift & Loan changed name to Hatch Bank				4,148	\$ 23,031,801,000	\$ 1,902,754,000	\$ 123,219,613,000	\$ 155,237,633,000	\$ 453,151,000	\$ 1,472,823,000	\$ 1,925,974,000	\$ 8,197,000	\$ 1,934,171,000	\$ 3,472,428,000	\$ 17,173,710,000	\$ 20,646,138,000	9.4%	179.5%	11.1%	13.3%	79.4%	1.71%	15.00%	\$ 2,773,003	\$ 5,709,781	\$ 1,801,832	\$ 899,779	\$ 6,611,834	41.94%
American Express Centurion Bank removed from reports as of Q3-2020				4,852	\$ 25,909,981,000	\$ 2,057,059,000	\$ 135,859,526,000	\$ 172,639,474,000	\$ 460,559,000	\$ 1,506,094,000	\$ 1,966,653,000	\$ 8,197,000	\$ 1,974,850,000	\$ 3,694,581,000	\$ 19,304,759,000	\$ 22,999,340,000	8.6%	187.1%	11.2%	13.3%	78.7%	1.67%	14.39%	\$ 2,925,984	\$ 6,316,411	\$ 1,890,402	\$ 1,108,380	\$ 7,098,433	41.22%

