

Comparative Safety and Soundness The Industrial Banking Industry Fourth 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 December 31, 2020. Our findings are summarized below and, along with the data, are contained in the attached report.

CAPITAL RATIOS

As of December 31, 2020, the US banking industry had \$21.9 trillion in Assets and \$2.2 trillion in Capital¹ resulting in a Capital to Asset Ratio of 10.2%. Industrial banks have \$183.5 billion in Assets and Capital of \$20.3 billion resulting in a Capital to Assets Ratio of 11.1%. Commercially owned industrial banks have \$17.5 billion in Assets and \$2.2 billion in Capital resulting in a Capital to Assets Ratio of 12.7%. 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 December 31, 2020, the banking industry had \$133.1 billion in Total Troubled Assets and \$2.5 trillion in Capital Plus Reserves resulting in a Troubled Asset Ratio of 5.4%. Industrial banks have Total Troubled Assets of \$1.5 billion and Capital Plus Reserves of \$23.6 billion resulting in a Troubled Asset Ratio of 8.6%. Commercially-owned industrial banks have Total Troubled Assets of \$43.3 million and Capital Plus Reserves of \$2.4 billion resulting in a Troubled Asset Ratio of 1.8%. 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 12 months ended December 31, 2020, the banking industry reported Net Income totaling 147.9 billion resulting in an annualized ROA of 0.72%. Industrial banks reported Net Income for the period totaling \$3.2 billion resulting in an annualized ROA of 1.88%. Commercially owned industrial banks reported Net Income for the period totaling \$244.1 million resulting in an annualized ROA of 1.47%.

CONCLUSION

Compared to Other Banks, as of December 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 24.5% more capital compared to the national banking industry (12.7% compared to 10.2%); a Troubled Asset Ratio that is three times lower than that of the national banking industry (1.8% compared to 5.4%); and an annualized ROA that is over two times that of the national banking industry (1.47% compared to 0.72%).

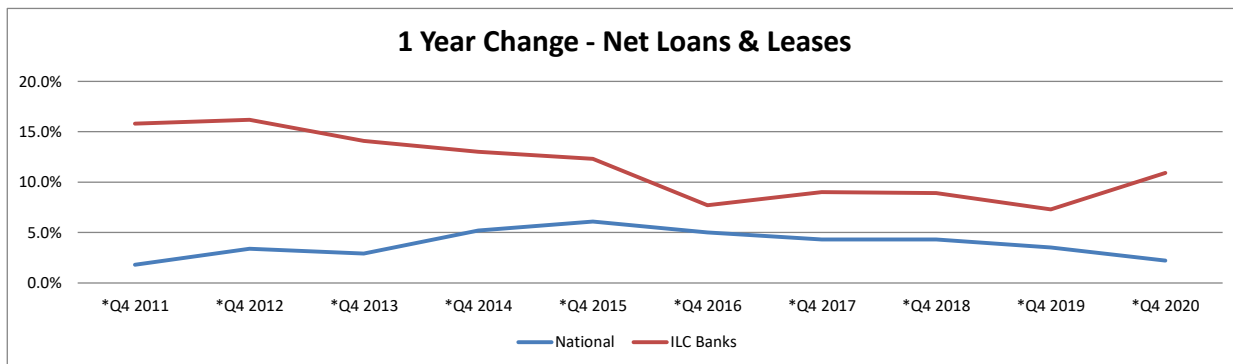
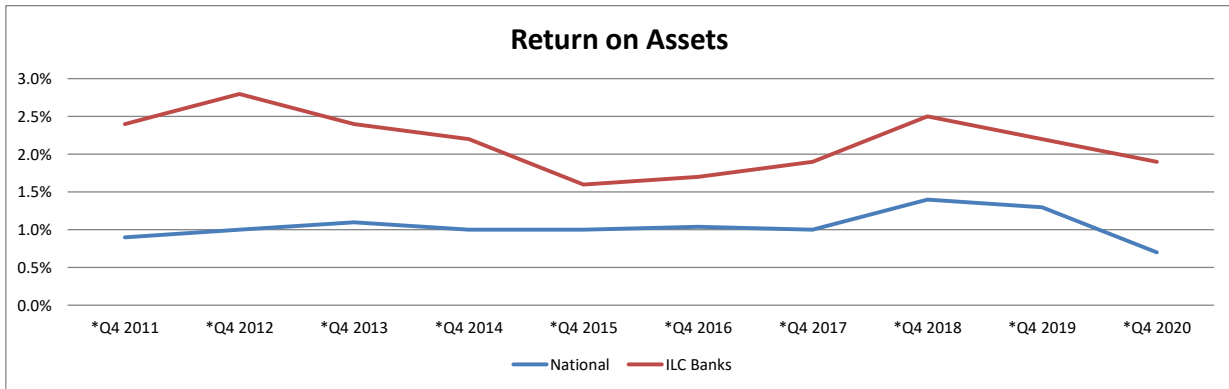
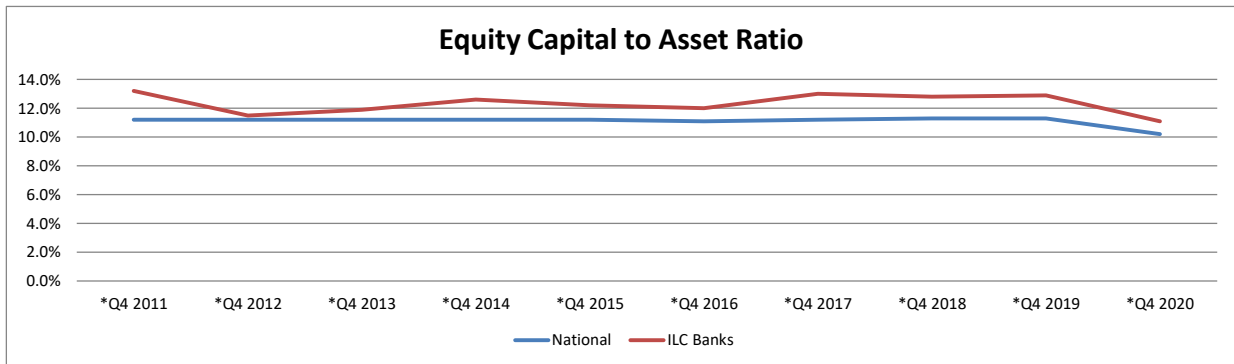
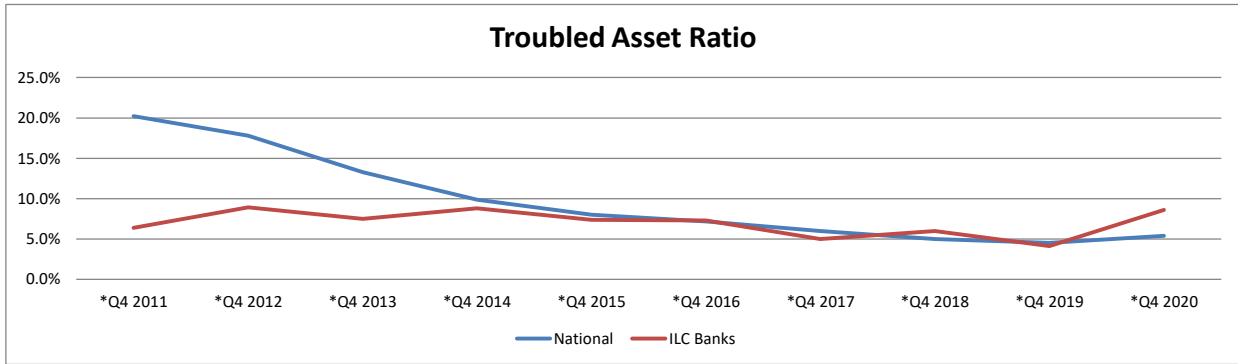
Data Source: FDIC Quarterly Call Reports

Attachments:

- *Safety and Soundness Statistics – Industrial Banking Industry*

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* Adjusted for banks no longer ILC

