

Data

Comparative Safety and Soundness of Industrial Banks

Safety and soundness: How do industrial banks compare?

Key measures of an insured institution's safety and soundness are capital adequacy, asset quality and profitability. NAIB had compiled and analyzed data related to these measures to provide an objective view of the US banking industry of the following segments: all insured institutions; industrial banks; 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, 2010.

Industrial banks have a significantly higher Capital to Asset Ratio than the banking industry as a whole, and commercially-owned industrial banks have the highest Capital to Asset Ratio of the group.

As of June 30, 2010, the US banking industry had \$13.2 trillion in Assets and \$1.5 trillion in Capital resulting in a Capital to Asset Ratio of 11.3%. Industrial banks had \$132.0 billion in Assets and Capital of \$21.5 billion resulting in a Capital to Asset Ratio of 16.3%. Commercially owned industrial banks have \$18.7 billion in Assets and \$2.8 billion in Capital resulting in a Capital to Assets Ratio of 15.1%. Other Banks have substantially the same ratio as the whole banking industry.

Industrial banks have a significantly lower Troubled Asset Ratio than the banking industry as a whole, and commercially-owned industrial banks have the lowest Troubled Asset Ratio of the group.

NAIB defines 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 loans. 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, 2010, the banking industry had \$435.2 billion in Total Troubled Assets and \$1.7 trillion in Capital Plus Reserves resulting in a Troubled Asset Ratio of 25.0%. Industrial banks have Total Troubled Assets of \$3.7 billion and Capital Plus Reserves of \$24.1 billion resulting in a Troubled Asset Ratio of 15.3%. Commercially owned industrial banks have Total Troubled Assets of \$85.5 million and Capital Plus Reserves of \$3.0 billion resulting in a Troubled Asset Ratio of 2.8%. Other Banks have substantially the same ratio as the whole banking industry.

Industrial banks have a significantly higher ROA than the banking industry as a whole, and commercially-owned industrial banks have the highest ROA of the group.

For the six months ending on June 30, 2010, the banking industry reported Net Income totaling \$40.1 billion resulting in an annualized ROA of 0.61%. Industrial banks reported Net Income for the period totaling \$1.3 billion resulting in an annualized ROA of 2.01%. Commercially owned industrial banks reported Net Income for the period totaling \$279.0 million resulting in an annualized ROA of 2.94%.

Industrial banks are safer and sounder institutions than other classes of banks and should be a model for a healthy financial system.

Compared to other banks, as of June 30, 2010, industrial banks remain safer and sounder institutions, having a significantly stronger Capital to Asset Ratio, a lower Troubled Asset Ratio and a higher annualized ROA. Commercially-owned industrial banks have 34.8% more capital compared to the national banking industry (15.1% compared to 11.2%); a Troubled Asset Ratio that is less than 1/9 that of the national banking industry (2.8% compared to 25.0%); and an annualized ROA that is almost five times that of the national banking industry (2.94% compared to 0.61%).