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Industrial Loan Companies

Supporting America's Financial System

James R. Barth and Tong Li
with Apanard Angkinand, Yuan-Hsin Chiang and Li Li

Milken Institute

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Note

All data used in this report is as of November 2010.

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Executive Summary

> *"The ILC charter has proven to be a strong, responsible part of our nation's banking system. ILCs have offered innovative approaches to banking. Many have contributed significantly to community reinvestment and development."*

FDIC chairman Sheila C. Bair
Testimony before the U.S. House of Representatives
April 25, 2007

Should commercial firms be prohibited from owning banking institutions? Should the United States remain the only G20 country opposed to the "mixing of banking and commerce"? Should officials block a safe, sound, and well-capitalized segment of the banking industry from expanding?

These questions have assumed new urgency as the nation struggles to recover from the worst economic downturn since the Great Depression while addressing major disruptions in its credit markets. Ensuring the availability of adequate credit to businesses and consumers is crucial to boosting economic growth. Financial and nonfinancial companies alike could help in this regard if allowed to invest in the nation's banking system—whether to serve their own customers and or to launch stand-alone operations.

It's worth recalling that General Motors and Ford, for example, helped revive the banking industry during the Great Depression when they assisted in recapitalizing the two largest banks in Michigan. This kind of broader assistance is not possible today because existing laws (first enacted in the 1950s) do not allow companies to own most types of banks unless the consolidated entities *only* engage in banking and other financial activities.

The type of banks that companies with more diverse activities can own has been subject to a moratorium on new charters since 2007. Prior to the moratorium, a handful of states approved charters that allowed diversified companies to invest in banks, contributing to the availability of credit (albeit on a limited scale). These banks are known as commercially owned ILCs,[1] and they have operated successfully during the past 20 years without a single institutional failure.[2]

Understandably, other companies have also expressed an interest in deploying available capital into the banking industry by obtaining charters to operate ILCs, but some voices (both within and without the banking industry) have urged caution. There is a growing debate over whether prohibitions in the Bank Holding Company Act (BHCA) should be repealed, retained as is, or strengthened. In short, should the U.S. allow the future expansion of commercially owned ILCs?

This study aims to help policymakers better understand the dynamics of the modern credit markets and the safeguards that could allow legitimate, capable businesses to deploy capital into the banking industry. ILCs are subject to all the same rules, regulations, and taxes as commercial banks. Many of the firms that would be logical candidates for establishing ILCs have credit programs that are already developed and proven. In fact, some have major financial operations, including insurance, commercial finance, and consumer finance. The development of the ILC industry has been driven mostly by the desire of various companies to organize bank subsidiaries to run an existing financial operation in a more reliable and cost-effective manner, or to develop new financial programs

1. Industrial loan companies (ILCs) are also known as industrial banks. There are two ILC ownership models: For purposes of this study, **a commercially owned ILC** is one whose parent or affiliates engage in activities other than banking, insurance and securities. A **financially owned ILC** is owned or controlled by a company that only engages in financial activities, similar to a financial holding company.
2. Two *financially* owned ILCs failed in the recent downturn. One was a California-based ILC that was structurally similar to the kinds of community banks that failed in large numbers during the downturn. It specialized in real estate lending in a local market, and was impacted by the decline in real estate just like other community banks in that state. The other was a financially owned ILC in Utah that specialized in small business credit cards. That customer group was also heavily impacted during the downturn. The FDIC classifies the California-based ILC as a voluntary closure, whereas the Utah-based ILC is classified as a failure. Nevertheless, some have suggested to us that the California-based institution was a failure.

that complement their other business lines. All the available evidence suggests that these efforts have been conducted in a safe and sound manner to date.

Consider the following facts on the comparative financial performance and strength of industrial loan companies (all based on FDIC data for the third quarter of 2010):

- ILCs in the aggregate have a significantly higher ratio of capital to assets (16.7 percent) than the banking industry as a whole (11.3 percent).
- ILCs have a significantly lower percentage of troubled assets (15 percent) than the banking industry as a whole (31 percent). Commercially owned ILCs in particular have the lowest percentage of troubled assets of all banks (2.35 percent).
- These institutions are significantly and consistently more profitable, with a higher return on assets (2.18 percent), than the banking industry as a whole (0.56 percent). As a group, commercially owned ILCs are the most profitable banks in the nation (with a 2.97 percent ROA).
- ILCs are routinely examined by state and federal regulators in the same manner as other types of banks, and have proven to be no more likely to fail.

This track record underscores the strength of the industry, even after absorbing the impacts of the financial crisis and the recession. Performance figures for a longer period are generally even more impressive. At the very least, the business model that produced this history of safe and sound operations during good and bad times alike merits further study and consideration.

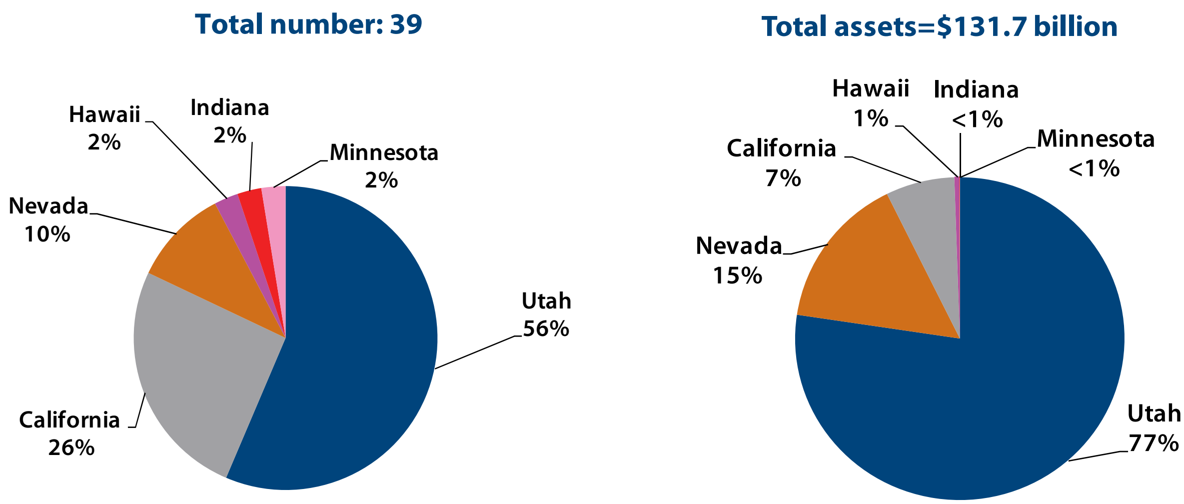
The Industry's Evolution

As a type of banking charter, ILCs have been around for a century; they actually pre-date the establishment of the Federal Reserve in 1913. Their names are a nod to their original mission: lending to industrial workers who had difficulty obtaining credit elsewhere. But over time, as the financial marketplace changed, ILCs evolved into more modern financial institutions offering a greater variety of financial services to a broader customer base.

The ILC industry has never been very large in terms of number of institutions or total assets—and it has always been dwarfed by the traditional banking industry. Nationally, in 1920, there were 87 ILCs with $31 million in total assets, compared to about 30,000 commercial banks holding nearly $50 billion in total assets. The ILC industry experienced rapid growth after the 1930s, reaching a high of 254 institutions with $408 million in assets in 1966. But as of mid-2010, there were only 39 ILCs offering federally insured deposits to their customers. With $132 billion in total assets, these institutions represent only about 0.5 percent of the total number of FDIC-insured institutions and roughly 1 percent of the total assets of all the insured institutions.

In the early years of the industry, at least 40 states chartered or licensed ILCs. As of mid-2010, however, only six states still had active FDIC-insured ILCs, with Utah far outranking all others in terms of both number of institutions and total assets. ES figure 1 illustrates Utah's dominance. Utah and Nevada by far are the two most important states in today's ILC industry.

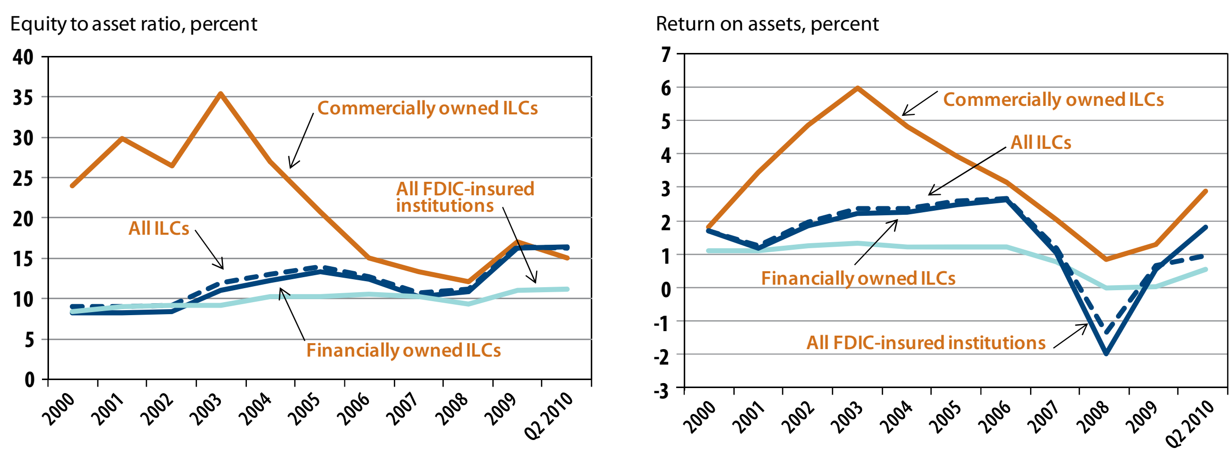
ES figure 1. State distribution of ILCs by number and assets, Q2 2010



Note: This excludes ILCs that do not take deposits.
Sources: FDIC, Milken Institute.

As of mid-2010, ILCs owned by companies engaged in commercial activities (often in addition to financial activities) accounted for only 14 percent of the industry's total assets. Nevada and Utah were the only two states with active commercially owned ILCs over the past decade, with the vast majority chartered in Utah. And though they are a small segment of the broader banking industry, commercially owned ILCs were the best-capitalized type of bank in the nation throughout most of the past decade as compared to the other types shown in ES figure 2. In addition, ILCs performed far better than other banks in terms of return on assets (ROA) throughout most of the decade (and again, commercially owned ILCs, specifically, posted the best performance).

ES figure 2. ILCs and banks: Financial performance, 2000 to Q2 2010



Sources: FDIC, Milken Institute.

Since the first ILCs were small, not all offered deposits, and they catered to a narrow group of customers, these early institutions essentially operated like local consumer finance companies—and they were hardly considered real competition for banks. But that equation started to change during the 1930s, when the FDIC was established in response to numerous bank runs and associated failures. In 1934, the FDIC decided to insure the thrift certificates of 29 ILCs, and thereafter added ILCs to the ranks of insured financial institutions on a case-by-case basis. Over time, more states began allowing ILCs to offer both demand and time deposits. Then, with the passage of the Garn-St Germain Act in 1982, all deposit-taking industrial loan companies became eligible for federal deposit insurance. California, Colorado, and Utah responded by enacting state laws requiring deposit-taking ILCs to obtain FDIC insurance. In the Competitive Equality Banking Act (CEBA) of 1987, Congress provided for an express exemption for owners of FDIC-insured ILCs chartered in states that required FDIC insurance as of that date.

Throughout most of the industry's history, ILCs were either stand-alone institutions or their parents were financial firms. In 1988, however, General Motors acquired an ILC charter. Many other commercial firms, including BMW, Volkswagen, Toyota, General Electric, Target, Pitney Bowes, and Harley-Davidson, subsequently formed ILCs in Utah or Nevada without any significant political controversy.

But in 2005, Wal-Mart filed an application with the Utah Department of Financial Institutions and the FDIC to form a new ILC, igniting a firestorm of protest. The FDIC placed a moratorium on new ILC applications in 2006, and held two public hearings on Wal-Mart's application—the first such proceedings in the agency's 78-year history. More than 12,600 comment letters flooded the FDIC, mostly arguing against Wal-Mart's plans. Our research finds that by 2007, California, Colorado, Illinois, Iowa, Kansas, Maine, Maryland, Missouri, Oklahoma, Texas, Wisconsin, Virginia, and Vermont had passed laws restricting the operation of ILCs to various degrees. Wal-Mart ultimately withdrew its application in March 2007, before any decision had been rendered by the FDIC.

Some banks and trade associations opposing Wal-Mart's banking plans pressed their case by pointing to the "historical" policy in the United States against mixing banking and commerce. But in actuality, laws limiting commercial ownership of a bank were first enacted in 1956 and applied to only a certain type of bank. Commercial ownership of a depository institution has never been absolutely prohibited in the U.S. For most of the nation's history, commercial firms could own any type of banking institution, be it a commercial bank, a savings and loan association, or an industrial loan company. Indeed, as far back as 1799, New York State allowed Aaron Burr to use the surplus capital in a water company he owned to establish a bank (which ultimately became JPMorgan Chase). And as mentioned previously, during the Great Depression, General Motors and Ford organized new banks (the National Bank of Detroit and Manufacturers National Bank of Detroit) to help restart banking in Michigan.

Restrictions

The BHCA of 1956 was the first federal law restricting ownership of a bank. It prohibited any entity directly or indirectly engaged in any activity other than banking (and closely related products and services) from owning more than one bank. According to the FDIC (1987):

> *"[T]he primary purpose underlying [BHCA]'s passage was fear of monopolistic control in the banking industry. Federal regulators and independent bankers lobbied Congress for over twenty years to pass more restrictive bank holding company legislation, but it wasn't until the Transamerica case was lost by the Federal Reserve Board that legislation was approved. … [In that case,] Transamerica controlled 46 banks, in addition to owning a large percentage of Bank of America. The Federal Reserve Board charged that Transamerica was in violation of the Clayton Antitrust Act by monopolizing commercial banking in the states of California, Oregon, Nevada, Washington and Arizona. In 1952, the Board ordered Transamerica to divest itself of all its bank stock, except for Bank of America, within two years."*

As a result of the 1956 law, the number of one-bank holding companies increased dramatically, until the BHCA was amended in 1970 to bar non-banking companies from owning even one bank. Any company, including a commercial firm, could still own one savings and loan institution, but the Savings and Loan Holding Company Act of 1967 prohibited commercial ownership of multiple savings and loans through the establishment of multi-thrift holding companies.

The fact that the BHCA defined a bank as an entity that offered both demand deposits and made commercial loans created an opening: It enabled a company engaged in diverse activities to organize or acquire a bank that did not offer *one* of these services. This indeed happened, giving rise to the federally insured depository institutions known as "nonbank banks." In response, Congress passed the Competitive Equality Banking Act (CEBA) in 1987, which grandfathered existing nonbank banks but suspended the formation of new ones while a study was conducted (and said study never happened). The Gramm-Leach-Bliley Act of 1999 eliminated the restrictions imposed on insurance companies and/or securities firms regarding bank ownership but prohibited commercial firms from owning unitary thrift holding companies in the future (ownership of existing unitary thrift holding companies was grandfathered). Gramm-Leach-Bliley also retained the exemption for parents of ILCs in the BHCA. By 1999, Congress repealed all restraints on ownership of banks by purely financial companies and explicitly left one point of entry into banking by companies that also engage in commercial activities: the acquisition or formation of an industrial loan company.

These ownership restrictions place the United States out of step with most countries around the world. According to World Bank data, only four of 142 countries surveyed prohibit the ownership of banks by commercial firms. Most importantly, this restricts the ability of the U.S. banking industry to draw upon the substantial equity of commercial firms. This, in turn, limits the ability of the U.S. banking industry to enlarge its capital base and thereby to maintain its role as a major player in the increasingly competitive global banking industry.

Understanding How ILCs Are Regulated

Those who have cautioned against allowing commercial firms to own ILCs, or banks more generally, have raised questions about oversight and the potential for parent companies to use their ILCs for anti-competitive practices. However, regulation that is already in place appears to be adequate to address these concerns.

For example, some observers fear that ILCs may endanger community banks if their commercial parents have the size, resources, and will to use predatory pricing to drive local bank competitors out of business. Others have expressed concerns that ILCs may have incentives to deny credit to their parents' competitors or their competitors' customers, to provide funds on preferential terms to their commercial parents, and to tie loans inappropriately to purchases of the parents' products. But unfair competition and conflicts of interest are prohibited under existing federal law, giving regulators the authority and the tools to address these issues without eliminating an entire industry.

While the sheer size of some of the corporations that might wish to enter this market has been a flashpoint in the debate, the Dodd-Frank Act also provides a means to limit the growth of any company that might pose a systemic risk to the economy. And in times of crisis, commercial firms do not gain direct access to the federal safety net (meaning FDIC insurance and access to the Federal Reserve discount window) merely by owning an ILC.

Is systemic risk heightened by the fact that ILCs and their parents are regulated by the states and the FDIC, rather than the Federal Reserve? Recent history would seem to indicate that is not the case; there is no evidence that the Federal Reserve has done or will do a better job than state regulators or the FDIC. (Indeed, in the most recent financial crisis, the Fed did not do a particularly good job of overseeing bank holding companies, while none of the state- and FDIC-regulated commercially owned ILCs failed.)

It is also important to consider the potential impact of a parent company failure. If this occurs and the ILC subsidiary is largely in the business of financing purchases from the parent, would the ILC be forced into insolvency? The record shows this has not been a problem in the past. ILCs, as separately chartered and capitalized subsidiaries, can continue to operate. In a worst-case scenario, an ILC with a failing parent would undergo a controlled liquidation with the goals of paying depositors (no losses to the FDIC), paying all other creditors in full, and paying a liquidating dividend to the parent. For instance, when Conseco filed for bankruptcy, its ILC subsidiary self-liquidated, paid all depositors and other debts, and then paid a large dividend to the bankruptcy trustee to pay the parent's creditors. The ILC owned by Lehman Brothers also remained solvent and is self-liquidating despite the bankruptcy of its parent. (According to the latest quarterly reports, in the past two years, it has shrunk from over $6.4 billion in assets to $2.8 billion, has a 26.6 percent capital ratio, and is earning about 2.4 percent ROA in the third quarter of 2010.) In two other instances, ILCs owned by companies that were reorganizing under bankruptcy laws continued operating normally under close regulatory oversight to ensure that the bank's assets were not used to help rescue the parent. More generally, these examples show that prudent regulation and supervision can prevent (and has prevented) any exploitation of the insured subsidiary by the parent when the parent faces financial difficulties.

Given the range of concerns that have been expressed about this little-known corner of the banking industry, it is essential to understand exactly how ILCs are regulated. ILCs are subject to all of the same restrictions and requirements, regulatory oversight, compliance, and safety and soundness exams as any other kind of bank. In addition, ILCs have more restrictions on the types of deposits they are able to offer compared to commercial banks. Unlike commercial banks, ILCs are required to have a majority of outside independent directors on their boards. Since all ILCs are state-chartered institutions, they are regulated and supervised like state-chartered commercial banks—and this includes being examined, supervised, and regulated by the FDIC. The most important distinction between ILCs and commercial banks is that ILCs may be owned by companies that engage in broader activities than banking or purely financial services.

ILCs and all of their affiliates must comply with the restrictions and prohibitions on affiliate transactions outlined in sections 23A and 23B of the Federal Reserve Act, which forbid a parent or affiliate from using an ILC as a source of financing. Furthermore, the "attribution rule" prevents an ILC from making any loan to any borrower if the loan proceeds are used for the benefit of an affiliate. Any transactions that are allowed between an ILC and affiliate must be on market terms. ILCs do not finance the sale of goods by an affiliate unless the loan is collateralized dollar-for-dollar with a cash deposit in the bank or a pledge of U.S. government securities. ILCs can only be organized and operated for other purposes in which conflicts of interest cannot arise. According to the U.S. Treasury Department in March 2008, "the history of commercial firms affiliating with insured depository institutions has not supported the view of greater risks present in such structures."

Consistent with these affiliate transaction restrictions, three general or broad types of ILCs have evolved over the past 20 years. One is a bank that is essentially a depository institution, with its own marketing program and assets kept separate and distinct from any parent. These are largely indistinguishable from traditional banks, but may just happen to be owned by a company that engages in other activities. Another is a bank that engages in a business that complements the business of its affiliates. (A good example of this type is Transportation Alliance Bank, which was organized to serve the normal banking needs of long-haul truckers who otherwise have little, if any, access to banking services while on the road.) These types of banks typically share common customers with their affiliates. Finally, there are banks that engage in covered transactions, financing sales by an affiliate. In accordance with section 23A, however, all such extensions of credit are secured dollar-for-dollar with cash deposits in the bank or a pledge of U.S. government securities. The institutions engaging in covered transactions represent the smallest group of banks—and ironically, they're perhaps the safest banks in the nation due to the collateral securing of their loans.

The Commercially Owned ILC Business Model

Data show that ILC parents can and do serve as a source of strength for their subsidiary ILCs, often to a much greater degree than bank holding companies. During the past several years, the FDIC has formalized that support through capital maintenance and liquidity support agreements with companies that own ILCs, and those companies are now subject to serving as sources of strength under the Dodd-Frank Act.

Moreover, most ILC parents serve as an important source of *governance* over their ILCs, since they do not want to incur any reputational damage to the parent's brand. Understandably, firms like BMW, Target, and Toyota consider their brands to be extremely important assets and go to great lengths to ensure that no part of the corporate group creates any negative or harmful publicity. The business model associated with commercial ILCs has multiple characteristics that contribute to their stability:

- *Marketing advantages and economies of scale.* Many ILCs serve the lowest-risk parts of a broader financial operation. The bank obtains its business with little or no marketing cost and often only makes loans selected from a broad pool of applicants. Even if the broader pool is affected in an economic downturn, it may have little impact on the loans made by the bank.
- *Geographical risk reduction.* Most ILCs serve specialized customer groups spread across the nation, which helps reduce risk through geographical diversification. Access to such a broadly diversified market is impossible for a bank not owned by a large diversified parent.
- *Capital.* In times of stress, a diversified parent may be in a better position to provide capital support to a bank subsidiary than a banking holding company whose assets consist almost entirely of a bank subsidiary.
- *Informational efficiencies.* An ILC parent engaged in multiple business lines may be better able to identify underserved markets and opportunities to provide banking services to customers of the parent. This information may enable the institution to make better loan decisions than traditional banks, to provide other financial services that are desired by the customers of the parent firm, and to make credit available when it is not readily available elsewhere. For example, the ILC owned by Harley-Davidson is in a much better position to assess the collateral value of a motorcycle than a typical bank. Transportation Alliance Bank, because of its affiliation with the company operating truck stops nationwide, is better positioned to serve the banking needs of long-haul truckers.

These underlying strengths were reflected in ILCs' performance as a group from 2007 to 2009, during the depths of the financial crisis and recession. Clearly, ILCs were not responsible for either of these events. For most of the past decade, both financially and commercially owned ILCs have been better capitalized and have performed better in terms of ROA as compared to all FDIC-insured institutions. In the second quarter of 2010, 82 percent of ILCs performed better than the average of all FDIC-insured institutions and 85 percent performed better than the average of all state-chartered institutions in terms of ROA. Furthermore, as of mid-2010, ILCs accounted for less than 2 percent of all FDIC-insured deposits, so they do not pose a serious threat to the Federal Deposit Insurance Fund at the present time or in the foreseeable future.

Conclusion

Previous academic studies that have examined the issue of mixing banking and commerce have found no evidence that allowing ownership of ILCs by commercial firms is unsound policy or that whatever risks might exist cannot be contained by appropriate regulation. In addition, according to the FDIC (1987), "the public policy implication of [this study's major] conclusion is that … the Bank Holding Company Act … should be abolished."

In summary, ILCs have performed well over the years—better, in many respects, than most other FDIC-insured institutions. There is simply no evidence that the U.S. financial system and the nation's economy would be on sounder footing if diversified firms were prohibited from owning ILCs, and this kind of empirical evidence should be required before acting on calls for any change in the ILC industry (especially its abolition through repeal of the current exemption for ILC owners in the BHCA).

Companies with diversified businesses may have significant expertise, resources, capital, and often an established credit business to contribute to a bank, both during the start-up phase and over time. As the U.S. Treasury Department (1991) pointed out, "the development of these broadly diversified firms has often proven beneficial to the economy at large, and financial markets in particular. Most important has been the ability and willingness of such firms to strengthen the capital positions of their financial services subsidiaries. … The stability brought to the financial markets in this way is a net benefit to the economy overall."

During the most recent financial crisis, ILCs provided credit when other financial institutions were unable or unwilling to do so (due to a lack of liquidity or capital). If the ILC industry is allowed to grow, it may be able to tap into new sources of capital from companies that are otherwise prohibited from owning a bank by the BHCA. The total net worth of U.S. non-financial corporate businesses was $13 trillion as of mid-2010. If even a small percentage of this capital were invested in ILCs, it could contribute to an expansion in the availability of credit, a development that could have wider ramifications for U.S. economic growth.

1. Introduction

After the financial crisis of 2007–2009, Washington responded (as it always does) by passing legislation that is supposed to prevent the *next* calamity. The latest effort, the voluminous Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), weighs in at more than 2,000 pages—a whopping 20 times longer than the law establishing the Federal Reserve System.

Buried within this mammoth piece of legislation, and little noticed by the public and the press, are nine specific mentions of "industrial loan companies" or "industrial banks," financial institutions that are probably a mystery to most Americans.

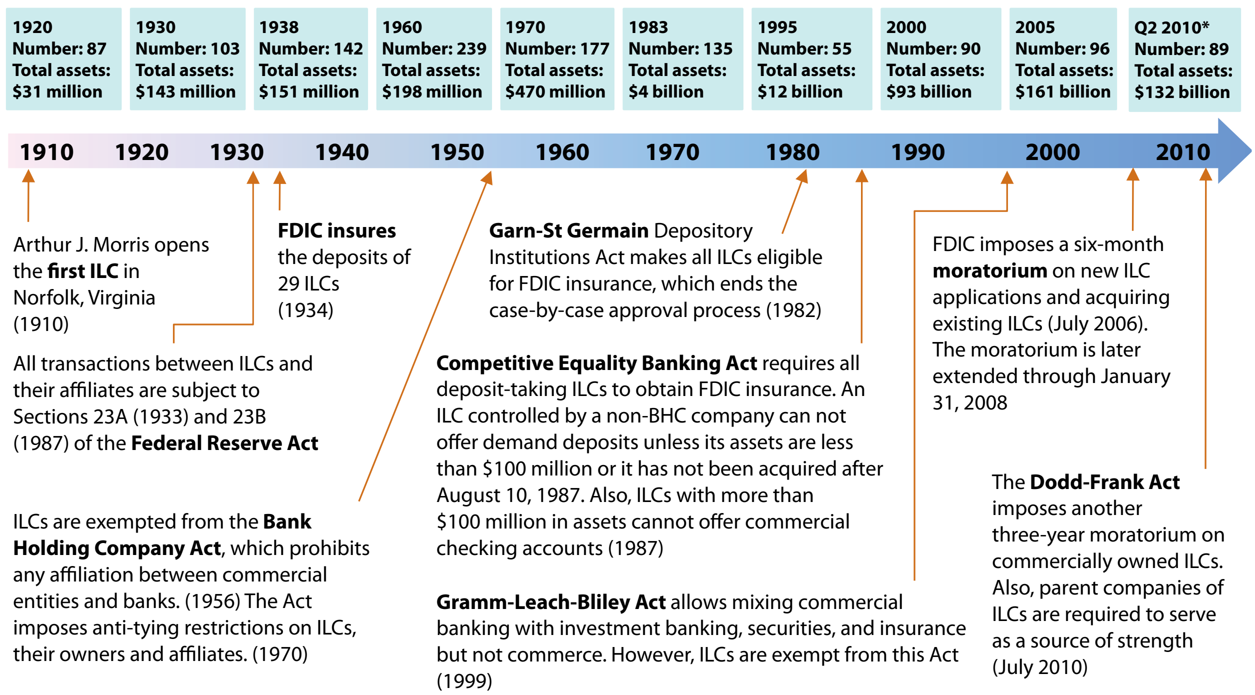
They may not be household names, but industrial loan companies (ILCs), or industrial banks, have been around for a century; they actually pre-date the establishment of the Federal Reserve in 1913. Their names are a nod to their original mission, which was lending to industrial workers who had difficulty obtaining credit elsewhere. Over time, ILCs evolved right along with the financial marketplace, expanding their customer base. Today they are more modern financial institutions offering a greater variety of financial services (although some still cater to a narrower group of customers than the typical commercial bank).

If the term does ring familiar to the public today, it's likely because they recall a flurry of news coverage back in 2005, when Wal-Mart filed an application to charter an industrial loan company and applied for federal deposit insurance. Other commercial firms like BMW, Toyota, General Electric, and Harley-Davidson already owned ILCs, but Wal-Mart's application aroused a wave of heated opposition. The FDIC declared a moratorium on new applications in 2006 and held public hearings on the Wal-Mart proposal—the first time in the agency's 78-year history that such proceedings had been held. The controversy was eventually defused when Wal-Mart withdrew its application for federal deposit insurance in 2007, before the FDIC ever ruled on its application.

So what does this have to do with the Dodd-Frank Act? For starters, the act placed another three-year moratorium on new charters for commercially owned ILCs. It also required the Government Accountability Office (GAO) to issue a report assessing the role and regulation of ILCs.

This report provides our own appraisal of the role industrial loan companies have played over time in the U.S. economy, paying particular attention to the ownership of ILCs by commercial firms. Figure 1 provides a brief timeline of the industry's development, which has been shaped by legislation and regulation that will be discussed in greater detail in the sections that follow. We will also analyze the size and performance of ILCs relative to the banking industry, and carefully examine the differences between ILCs that are owned by commercial firms versus those owned by financial firms. The oversight of these institutions, especially as compared to bank regulation, will also be an important part of our evaluation as we consider the question of whether commercially owned ILCs represent a greater potential risk to the financial system than non-commercially owned banks.

Figure 1. An ILC industry timeline



*Based on available data, there were 39 active depository ILCs a nd 50 active non-depository ILCs as of June 2010. "Total assets " in this case refers to the 39 active depository ILCs. Note: Sections 23A and 23B of the Federal Reserve Act impose restrictions on various financial transactions between a bank and its subsidiaries with an affiliate. Section 23A places restrictions on the amount of transactions relative to the amount of a bank's capital, while 23B places restrictions such that the transactions must be based on terms and conditions that would be comparable with or involving nonaffiliated companies. Sources: Saulnier (1940), state regulatory authorities, FDIC, Milken Institute.

2. A Century-Old Industry

"ILCs are an excellent example of the spirit of creativity and experimentation embodied by the state banking system… for more than 100 years."

Neil Milner, president and CEO of Conference of State Bank Supervisors,
in response to a trade group's ILC query
April 24, 2003

A Brief History of ILCs

A century ago, in 1910, a new financial industry was born in Norfolk, Va., when an entrepreneur by the name of Arthur J. Morris founded an institution called the Fidelity Savings & Trust Company. Its basic purpose was to provide loans to low- and moderate-income industrial workers who had stable jobs but little access to bank credit.

At the time, commercial banks primarily catered to businesses, while savings and loan associations largely focused on home loans. (There were also mutual savings banks, but these institutions were largely confined to the New England states.) This situation provided an ideal opening for a new type of financial institution geared toward an underserved market. Loans extended by these institutions to workers, moreover, were not typical of the day; instead of being made on the basis of available collateral, they relied on recommendations from two creditworthy individuals who knew the workers.[3] In addition, the new institutions initially funded themselves by issuing investment certificates rather than offering deposits. Since their primary customers were industrial workers, these institutions have been known ever since as either "industrial loan companies" or "industrial banks."

Arthur J. Morris decided at the outset to try to copyright his particular type of institution as a "Morris Plan" company.[4] In subsequent years, he busied himself overseeing the establishment of these institutions in cities around the country, all with the words "Morris Plan" in their titles and billed as members of the "Morris Plan" system. But Morris never obtained that long-sought copyright for his lending model. As a result, similar institutions that did not join his system sprouted up in various states, calling themselves industrial banking companies, industrial loan and thrift companies, and industrial loan associations.[5]

These variations in names largely came about to comply with various state chartering and licensing laws under which financial institutions were allowed to operate.[6] This early confusion has complicated the task of determining the exact number and assets of these institutions over a long period of time. Of course, even though these institutions were quite similar in overall orientation, they sometimes offered a different mix of services to a different mix of customers. To simplify matters, we will refer to them simply as industrial loan companies (ILCs) throughout this report.[7]

Throughout their existence, ILCs have always been state-chartered or -licensed institutions that make loans and offer their customers deposits, investment certificates, or both. In their early years, some states prohibited ILCs

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3. Some state laws limited the size of loans by industrial loan companies, unlike those of commercial banks and savings and loans. As Saulnier (1940) points out, for example, Arizona and Pennsylvania limited their loans to $1,000, while Colorado and Rhode Island limited the size to $5,000.
4. It has been reported that the "Morris Plan" was originated by a Mr. Stein as early as 1898. He is said to have established the first such company, the Merchants-Mechanics Savings Association, in Newport News, Va., in 1901. There is documentation that a judge held that there are "vital difference" between the Morris and Stein plans; see *The Survey* (1915) and (1916).
5. See appendix 3 for some of the different names used in some of the states in which these institutions were operating. This appendix also provides information on when industrial loan company charters were first issued in nearly 20 states as well as the current status of these institutions.
6. See Saulnier (1940). Also, in some states like Minnesota, state law prohibited industrial loan companies from using the word "banking" in their titles.
7. The Dodd-Frank Act of 2010, as noted earlier, refers to these institutions as both industrial loan companies and industrial banks.

from offering deposits, which meant they had little choice but to offer investment certificates to individuals to obtain funding for making loans. In other states, however, ILCs were allowed to offer either deposits or certificates, or both.[8]

The legal restrictions on the sources of funding available to ILCs in various states is depicted in table 1, which provides selected financial information on 142 ILCs operating in 15 states in 1938. It shows that in some states, these institutions only offered deposits; in others, they only offered investment certificates; and in still other states, they offered both types of products to their customers. Most tended to rely mainly on one type of funding in addition to owner-contributed equity capital. The table shows, for example, that for ILCs in Nebraska, investment certificates were virtually the only source of funding besides equity capital. By contrast, ILCs in New York relied almost entirely on deposits in addition to equity capital. Today, there are still non-depository ILCs that do not offer deposit accounts for their customers. All depository ILCs, which *do* offer deposit accounts, are now FDIC-insured institutions.

Table 1. ILC profiles in 15 states, 1938

	Number of ILCs	Estimates of total assets (US$ thousands)	Equity account (capital, surplus, and undivided profits, as % of total assets)	Deposits and certificates (% of total assets)		Borrowing and rediscounts (% of total assets)
				Time and demand deposits	Investment certificates	
Connecticut	12	5,549	55.1	0	33.8	3.2
Florida	6	2,543	28.6	65.5	0	0.2
Indiana	8	5,033	18.5	0	69.8	5.1
Maine	1	491	33.2	0	62.3	0
Maryland	1	2,344	15.8	74.1	3.5	0
Michigan	7	23,550	11.5	82	0	0
Nebraska	5	1,343	21.2	0	71.6	1.1
New Hampshire	1	1,248	5.1	92	0	0
New York	15	57,726	14.2	78.8	0	0.3
North Carolina	33	13,408	31.1	0	60	2.4
Ohio	8	20,512	15.9	66.4	0	0
Rhode Island	5	6,077	27	0.2	63.3	0.1
Utah	4	599	54.4	28	0	11
Virginia	19	4,682	49.4	1.8	37.4	6.3
West Virginia	17	5,641	53.2	0	33.2	6
Grand total	**142**	**$150,746**				

Source: Adapted from Saulnier (1940).

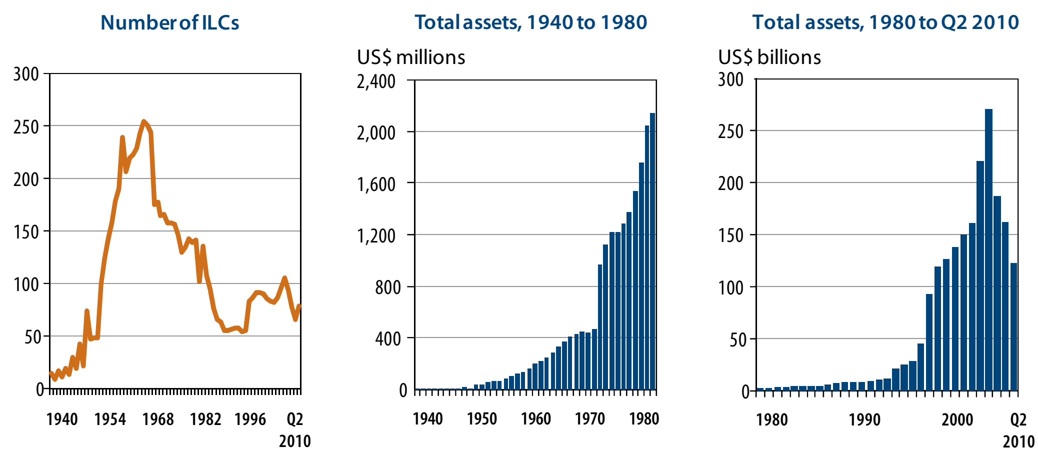
8. For example, Saulnier (1940) points out that Arizona allowed ILCs to accept time deposits, but prohibited the taking of demand deposits or commercial accounts. Kentucky, however, prohibited ILCs from accepting deposits and only allowed them to issue investment certificates.

The ILC industry has never been very large in terms of either number of institutions or total assets (as figure 2 and appendix 4 show), and it has always been dwarfed by the banking industry.

In 1920, for example, there were 87 ILCs with $31 million in total assets—but in that same year, there were some 30,000 commercial banks holding nearly $50 billion in total assets.[9] Both the number and total assets of ILCs increased for several decades thereafter. During the 1930s, there were more than a hundred in operation. The Great Depression was a pivotal period for ILCs: While banks were failing in large numbers, ILCs, despite their relatively small role in the credit markets, became the leading providers of consumer credit to workers. From 1934 to 1938, total assets and loans at ILCs grew by 65 and 81 percent, respectively, while assets and loans at commercial banks grew by only 22 and 9 percent, respectively. In addition, loans accounted for 74 percent of the assets of ILCs over this period, whereas for commercial banks this figure is 29 percent.[10] (As we will discuss later, ILCs reprised this role as an important source of credit during the most recent financial crisis.)

Figure 2 shows the size of the ILC industry from 1940 to mid-2010, based on available data from state regulatory authorities.[11] ILCs grew rapidly after the 1930s, eventually reaching a high of 254 institutions with $408 million in assets in 1966 (still relatively small when compared to more than 13,000 commercial banks with $403 billion in assets in that same year). After 1966, the number of ILCs declined steadily to 130 in 1977, before increasing again to 155 in 1983. Once again, the number then declined, falling to 78 ILCs in the second quarter of 2010.[12]

Figure 2. ILCs by number and total assets, 1940 to Q2 2010



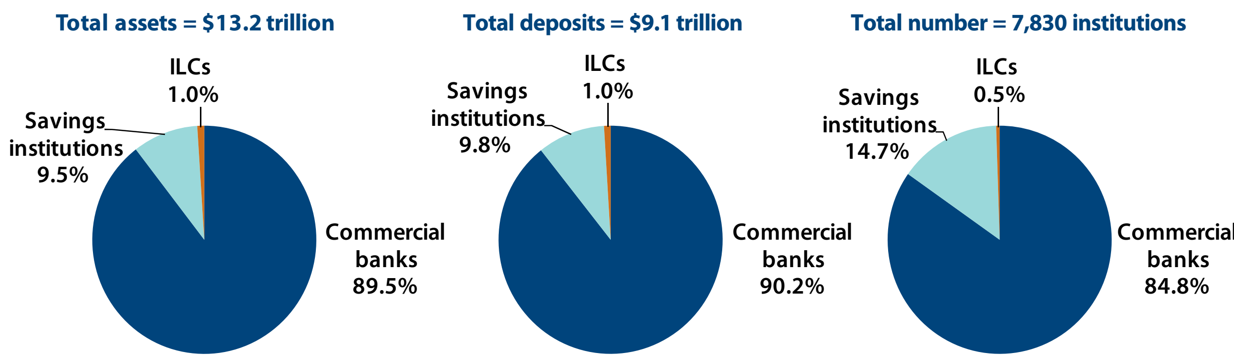
Note: See appendix 4 for detailed information.
Sources: State regulatory authorities, Milken Institute.

In terms of total assets, as shown in figure 2, ILCs grew sharply from $3.8 billion in 1983 to $9 billion a decade later and eventually an all-time high of $270 billion in 2007, before declining to $122 billion in the second quarter of 2010.[13] (This decline was almost entirely due to some fairly large ILCs converting to bank charters in response to the financial crisis.)

9. As appendix 4 shows, there is limited data on the ILC industry over time. The 87 ILCs mentioned here are all Morris Plan companies.
10. These calculations are based on data from Saulnier (1940).
11. This data includes both depository and non-depository ILCs. The data for all FDIC-insured depository ILCs that we could publicly obtain was only available starting in 2000. However, we were able to obtain data for currently active depository ILCs starting in 1992, as shown in appendix 11.
12. This number does not include 11 ILCs in California and Hawaii because those state regulatory authorities did not provide data for the second quarter of 2010. However, we were able to include these 11 ILCs based upon data from the FDIC.
13. Appendix 4 shows that there is a difference in number and total assets for ILCs when obtaining data from the FDIC as compared to the state regulatory authorities. These differences are due to 1) the inclusion of non-depository ILCs in data provided by the state regulatory authorities; 2) not all states with ILCs supplying information; and 3) other relatively minor issues involving the time period in which ILCs become inactive.

Figure 3 provides a current picture of depository ILCs as a share of all FDIC-insured institutions.[14] As of mid-2010, there were 39 depository ILCs with $132 billion in total assets. These institutions represent about 0.5 percent of the total number of insured institutions and roughly 1 percent of the total deposits as well as the total assets of all the insured institutions. Commercial banks are by far the most dominant institutions in terms of number, assets, and deposits. This striking imbalance further helps explain why so few people are aware of the existence of ILCs as compared to commercial banks or even savings institutions.

Figure 3. ILCs are a small fraction of FDIC-insured financial institutions, Q2 2010



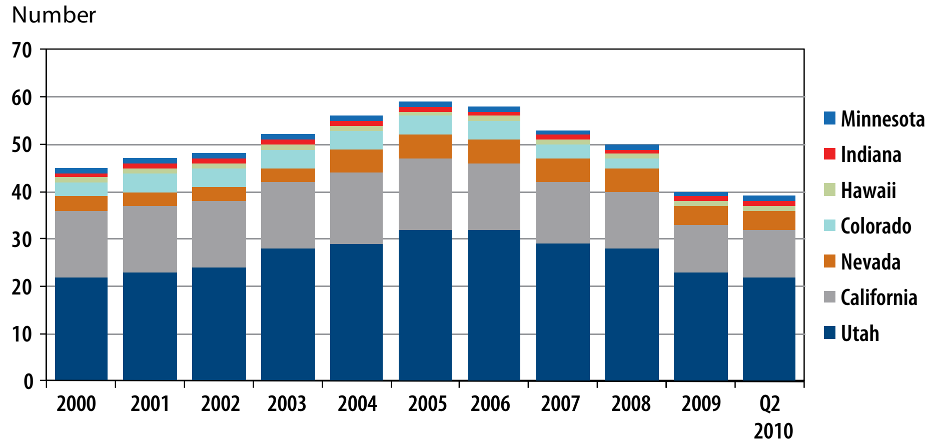
Note: This excludes ILCs that do not take deposits.
Sources: FDIC, Milken Institute.

In the early years of the ILC industry, at least 40 states chartered or licensed depository and/or non-depository ILCs. During the past decade, however, this number declined to seven states. And as of mid-2010, only six states still had active FDIC-insured ILCs. This situation is due to the enactment of the Competitive Equality Banking Act (CEBA) of 1987. CEBA specifies that only ILCs chartered in states that had in effect or under consideration a statute requiring ILCs to be FDIC-insured as of March 5, 1987, were exempt from the definition of "bank" in the Bank Holding Company Act (BHCA). This means that only ILCs chartered in "grandfathered" states, as determined by the Federal Reserve, are eligible for the ILC exemption from the BHCA. Until 2009 there were seven such states, but the last ILC in Colorado became inactive that year (see appendix 5 for information on ILCs that became inactive during the past decade).[15] There are currently only six grandfathered states with active depository ILCs.

Information on the distribution of both the number and total assets of ILCs among the different states from 2000 to the second quarter of 2010 is provided in figures 4 and 5. Utah ranks a clear first in both number of institutions and total assets throughout the entire decade. California ranks second in number of institutions over the period.[16] It also ranked second in terms of total assets in the first half of the decade, but was supplanted by Nevada in the second half. As figure 5 shows, Utah clearly dominates the other states in terms of share of total assets of all ILCs, accounting for at least 70 percent in every year throughout the decade.

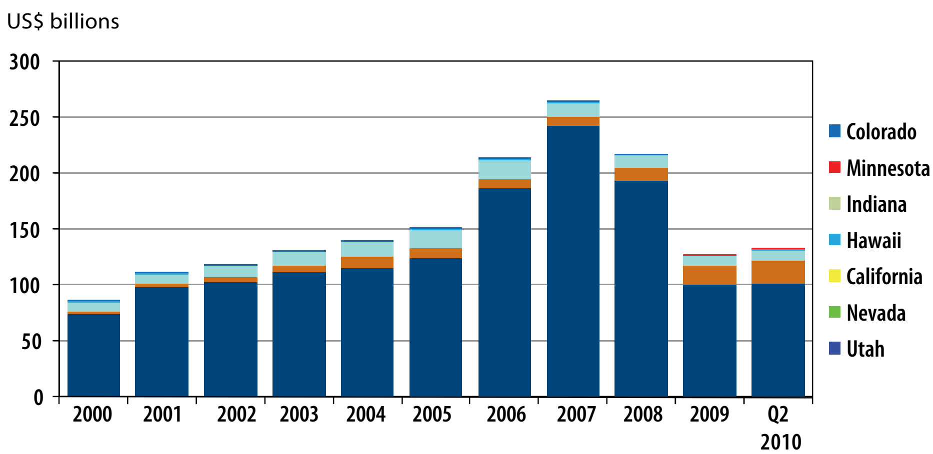
14. We are unable to obtain any financial information on non-depository ILCs. Almost all of the report therefore focuses on depository ILCs, which is most appropriate since these are the institutions that have access to the federal safety net.
15. See GAO (2007). In this report, it is noted that at the time of the CEBA exemption, there were six states that qualified (California, Colorado, Hawaii, Minnesota, Nevada, and Utah). However, an ILC that was already in existence prior to the law in Indiana obtained FDIC insurance in 1990 and, apparently, the Federal Reserve considered Indiana to also be a grandfathered state.
16. Some of these ILCs were quite similar in their operations to finance companies.

Figure 4. State distribution of ILCs, 2000 to Q2 2010



Note: This excludes ILCs that do not take deposits. Appendix 5 provides information on ILCs that became inactive between 2001 and March 2010.
See appendixes 6 and 7 for more detailed information.
Sources: FDIC; Milken Institute.

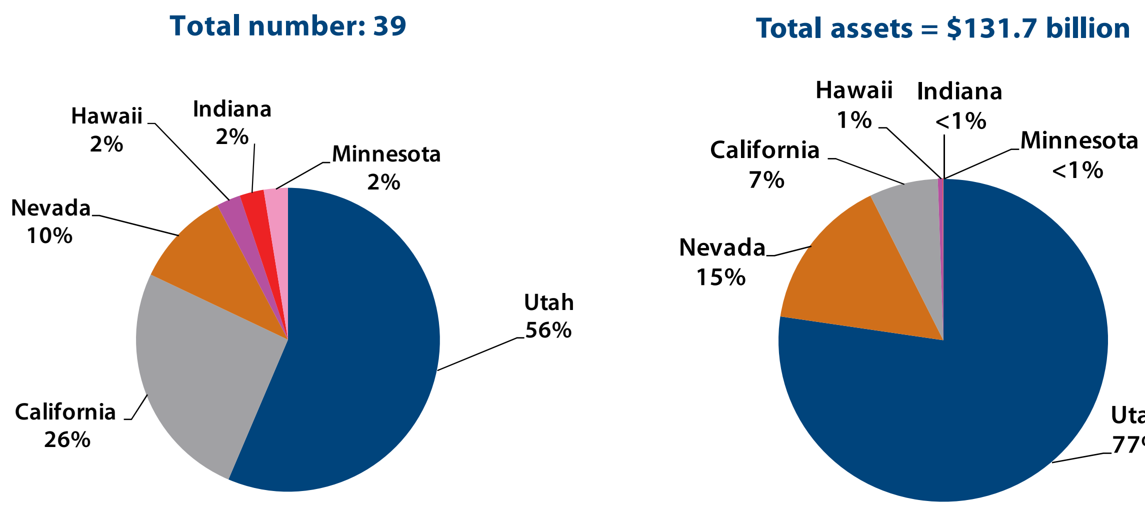
Figure 5. State distribution of ILC assets, 2000 to Q2 2010



Note: This excludes ILCs that do not take deposits. Appendix 5 provides information on ILCs that became inactive between 2001 and March 2010.
See appendixes 6 and 7 for more detailed information.
Sources: FDIC; Milken Institute.

Figure 6, which shows the ranking of the states as of the second quarter of 2010, illustrates Utah's dominance in the ILC industry. California is home to approximately a quarter of ILCs, but accounts for only 7 percent of the total assets of these institutions. In contrast, only 10 percent of the ILCs are located in Nevada, but its share of total assets increased from less than 4 percent in 2000 to slightly more than 15 percent in the second quarter of 2010. Utah and Nevada are by far the two most important states for the ILC industry today, and they derive many important economic benefits from this concentration.

Figure 6. State distribution of ILCs by number and assets, Q2 2010



Note: This excludes ILCs that do not take deposits.
Sources: FDIC, Milken Institute.

Two Ownership Types: Financially Owned and Commercially Owned

"[There is] a virtual total lack of evidence in the U.S. that affiliations between banks and nonbank firms present serious threats to the banking system. [Critics] are very frequently motivated less by philosophy than by a desire to segment markets in order to diminish competition."

Jerry Hawke, former Comptroller of the Currency in *American Banker*
November 17, 2005

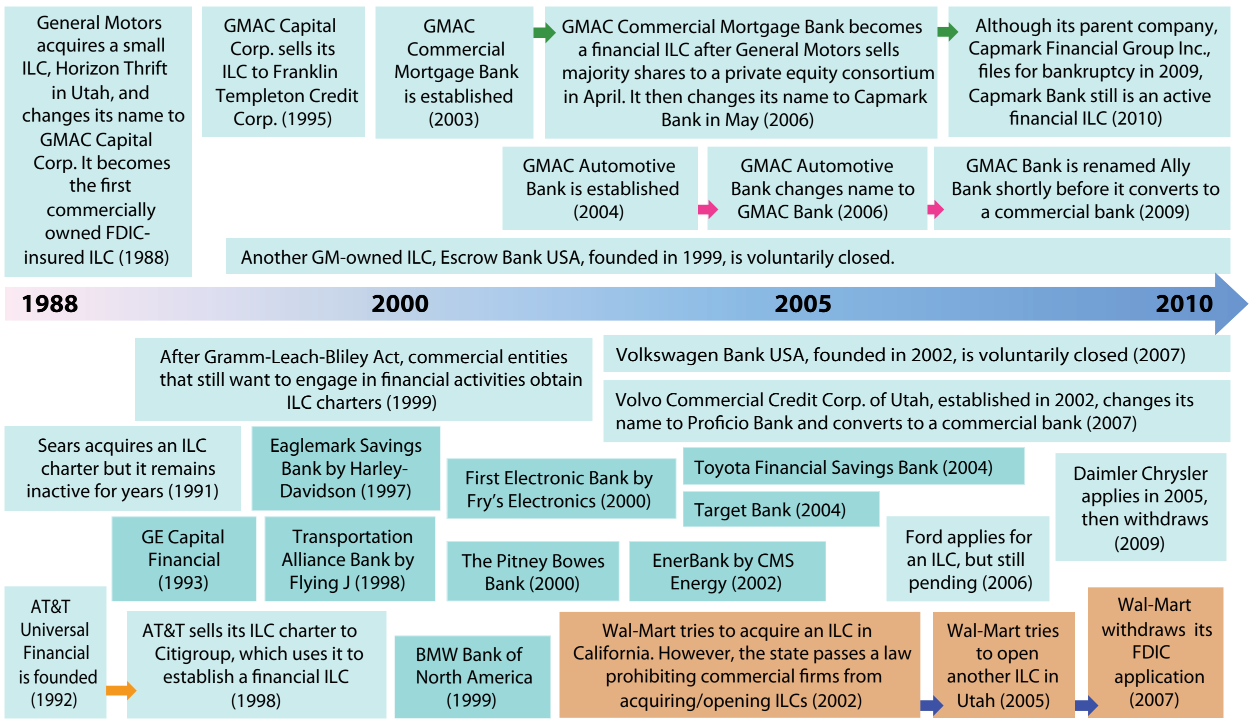
"… [T]he ownership of ILCs by nonfinancial companies represents a sensible direction for public policy. … Any party that is otherwise qualified … should be allowed to own a bank, so long as the bank is adequately capitalized and competently managed, the activities of the bank are restricted to those that are examinable and supervisable, and the relationships and transactions between the bank and the owner are closely monitored by bank regulators."

Lawrence White, Stern School of Business, New York University
Testimony before U.S. House of Representatives
July 12, 2006

Throughout the industry's history, most ILCs were either stand-alone entities or their parents were financial firms. In 1988, however, General Motors acquired an ILC charter. From this point forward, there have been two ownership models: Financially owned ILCs are those owned by financial firms, while commercially owned ILCs are those owned by commercial firms. According to the Dodd-Frank Act, a company is a "commercial firm" if "the annual gross revenues derived by the company and all of its affiliates from activities that are financial in nature and, if applicable, from the ownership or control of one or more insured depository institutions, represent less than 15 percent of the consolidated annual gross revenues of the company."

A timeline showing some of the developments in the commercial segment of the ILC industry is provided in figure 7. It shows that there have been entries and exits from this segment of the industry since the first such institution was established; nine commercially owned ILCs remained active as of June 2010. The figure also shows that while there are very few commercially owned ILCs, there is clearly a variety of commercial parents, ranging from automobile companies to retailers to transportation companies to a motorcycle manufacturer.

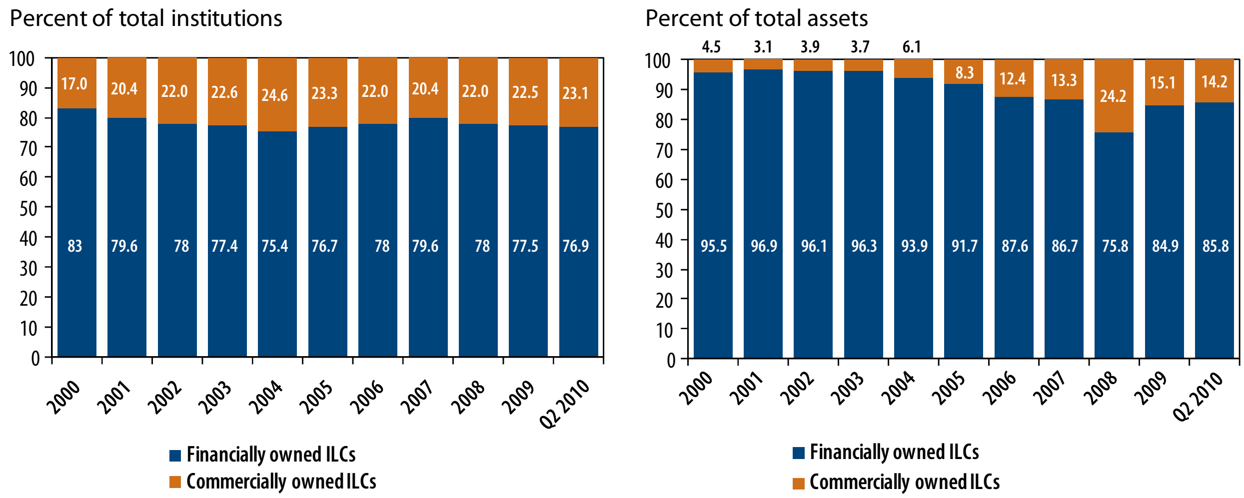
Figure 7. A timeline for commercially owned ILCs



Note: The upper half focuses on General Motors and its ILC subsidiaries. The light yellow represents currently active commercially owned ILCs as of June 2010.
Sources: Various media reports, FDIC, Milken Institute.

From 2000 to the second quarter of 2010, as figure 8 shows, financially owned ILCs have dominated commercially owned ILCs with respect to both the number of institutions and total assets (also see appendix 8). As of mid-2010, financially owned ILCs accounted for 86 percent of the total assets and commercially owned ILCs accounted for the remaining 14 percent. In 2008, the commercially owned ILCs accounted for their largest share of assets, at nearly 25 percent. However, the conversion of GMAC Bank to a commercial bank led to a decline in share of total assets of this type of ILC in the subsequent two years. In terms of numbers, the financially owned ILCs also accounted for roughly three-fourths to four-fifths of all ILCs for nearly the entire decade.

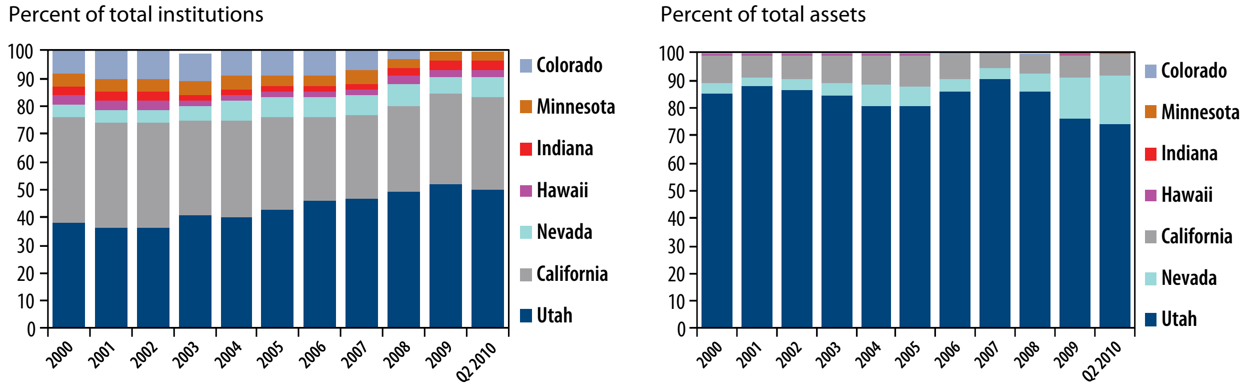
Figure 8. Distribution of ILCs and their assets by parent type, 2000 to Q2 2010



Note: This figure excludes ILCs that do not take deposits. If an ILC has no parent, it is classified as a financially owned ILC. Also see appendix 8.
Sources: FDIC, Milken Institute.

Information on the distribution of financially owned ILCs among the different states in which they are chartered is provided in figure 9, with Utah again dominating the list. The total assets of all financially owned ILCs increased from \$82 billion in 2000 to a high of \$228 billion in 2007, before declining to \$113 billion in mid-2010 (see appendix 9). Almost all of this decrease occurred at financially owned ILCs located in Utah and was due to the conversion of several ILCs to commercial banks during the financial crisis, after the parent companies registered as bank holding companies (BHCs). The only state in which there was a significant increase in ILC assets was Nevada, which saw its share of the total assets of financially owned ILCs increase from less than 4 percent in 2007 to slightly more than 17 percent in the second quarter of 2010. In terms of number of all financially owned ILCs, there was an increase from 33 institutions to a high of 41 institutions in 2005 and 2006 before declining to 30 institutions in the second quarter of 2010. Colorado was the only state among seven that began the decade with some industry representation but ended without a single active institution.

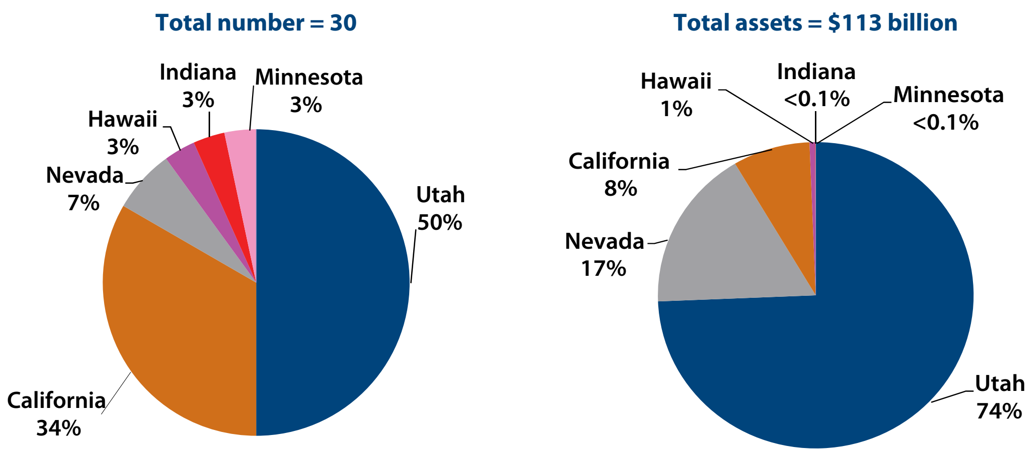
Figure 9. State distribution of financially owned ILCs by number and assets, 2000 to Q2 2010



Note: This excludes ILCs that do not take deposits. If an ILC has no parent, it is classified as a financially owned ILC.
Also see appendix 9.
Sources: FDIC, Milken Institute.

Figure 10 shows the distribution of the numbers and total assets of financially owned ILCs as of the second quarter of 2010 among the six states with still-active institutions. Utah accounts for roughly three-quarters of the total assets of financially owned ILCs and half of the number of all financially owned ILCs. California is second in terms of share of number and Nevada is second in terms of share of assets of these institutions.

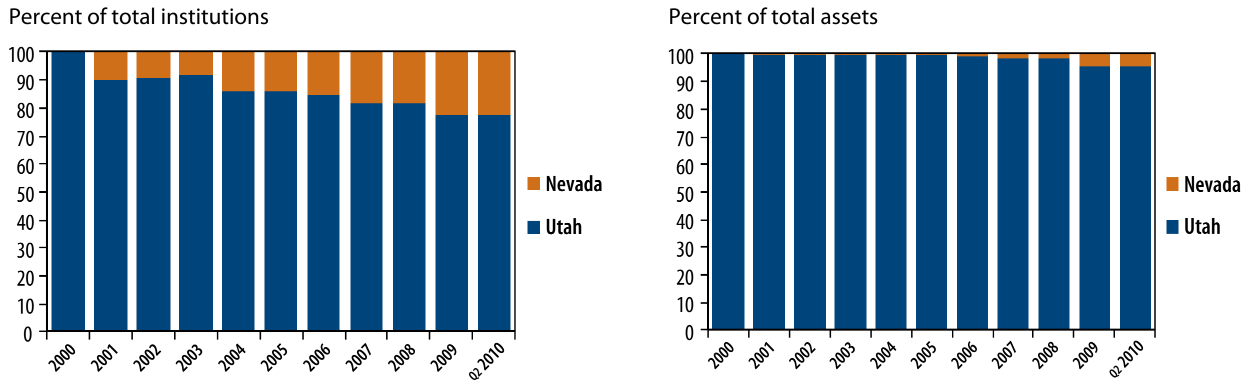
Figure 10. State distribution of financially owned ILCs by number and assets, Q2 2010



Note: This excludes ILCs that do not take deposits. If an ILC has no parent, it is classified as a financially owned ILC.
Sources: FDIC, Milken Institute.

There were only two states in which there were active commercially owned ILCs over the past decade: Nevada and Utah. Figure 11 shows that the vast majority (95 percent) of the assets were held by commercially owned ILCs chartered in Utah during this period. The same is true of the number of commercially owned ILCs, with Utah accounting for just short of 80 percent of all these institutions. The total assets of commercially owned ILCs increased from $4 billion in 2000 to $19 billion in the second quarter of 2010 (see appendix 10). The biggest jump in assets occurred from 2007 to 2008, when the increase was $18 billion, which was accounted for by GE Capital Financial Inc. and BMW Bank of North America.

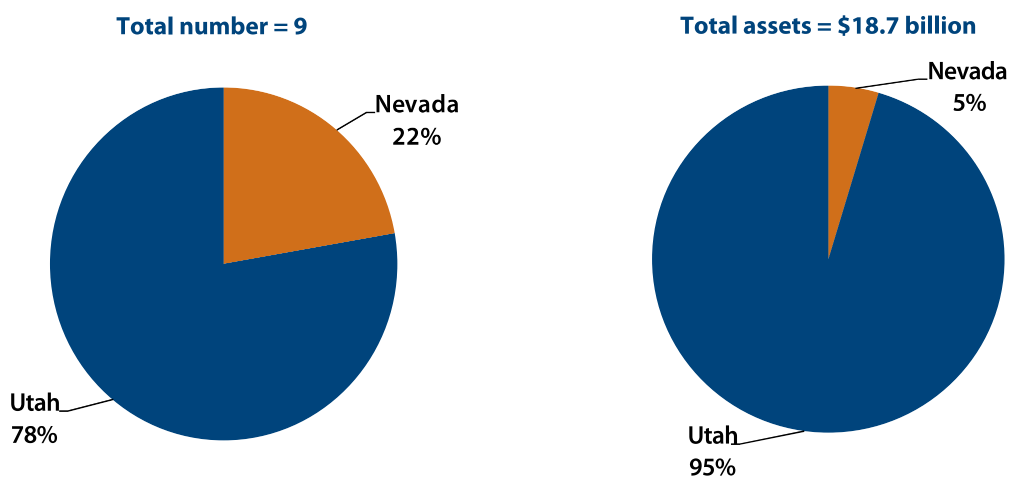
Figure 11. State distribution of commercially owned ILCs by number and assets, 2000 to Q2 2010



Note: This excludes ILCs that do not take deposits. Also see appendix 10.
Sources: FDIC, Milken Institute.

The current distribution of the number and assets of commercially owned ILCs among the two states in which they exist is shown in figure 12. This figure depicts the overwhelming importance of Utah to this segment of the industry. This state has clearly led the way with respect to allowing commercial firms to own FDIC-insured depository institutions.

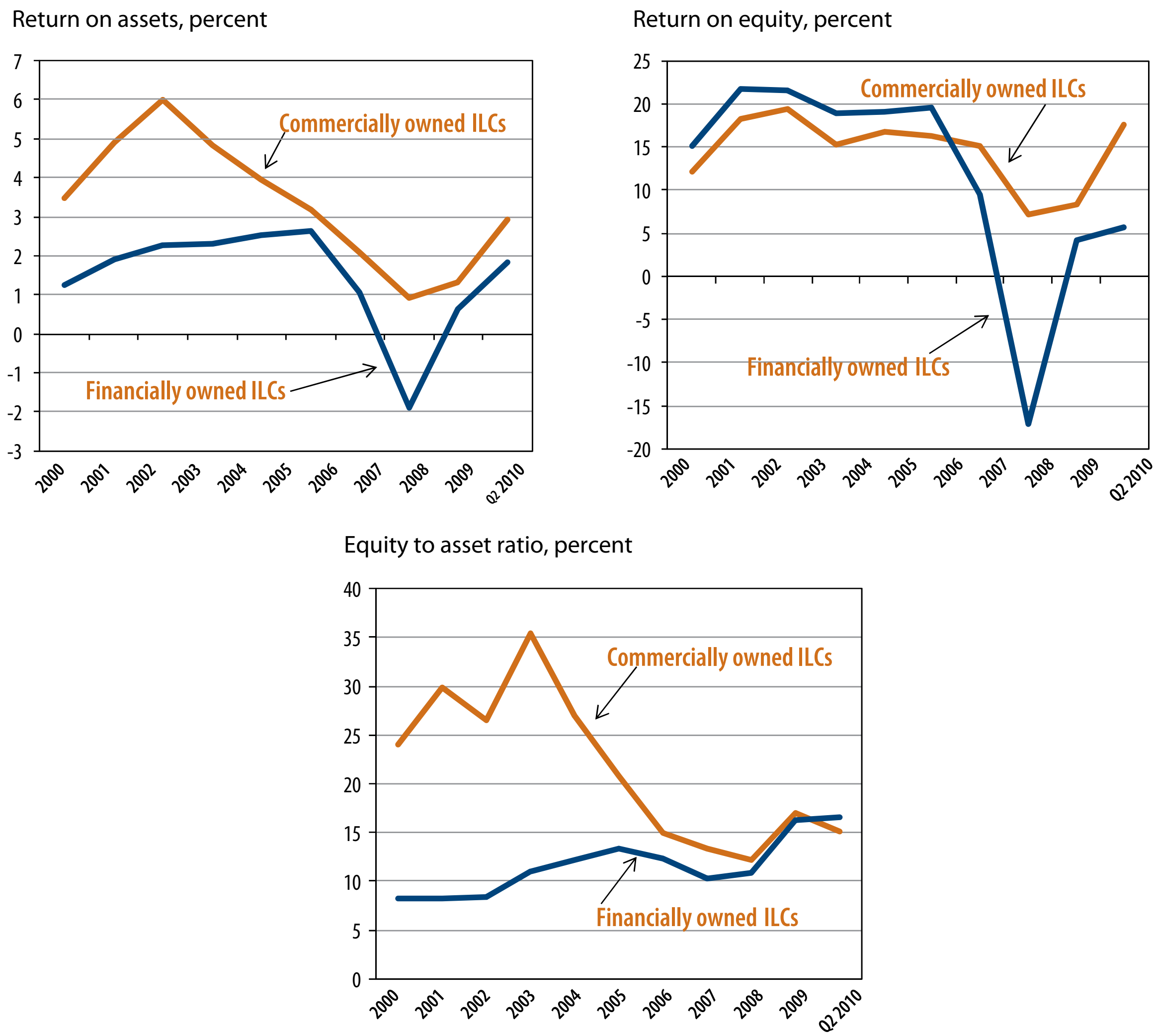
Figure 12. State distribution of commercially owned ILCs by number and assets, Q2 2010



Note: This excludes ILCs that do not take deposits.
Sources: FDIC, Milken Institute.

In comparing the financial performance of commercially and financially owned ILCs, figure 13 shows the return on assets (ROA) and return on equity (ROE), as well as the equity capital–to–total asset ratio for these two types of institutions. Through almost the entire decade, commercially owned ILCs remained better capitalized than financially owned ILCs. In the second quarter of 2010, however, both types had roughly the same equity capital–to–total asset ratio. In addition, commercially owned ILCs performed far better in terms of ROA. In the early part of the decade, their performance was slightly below that of financially owned ILCs in terms of ROE, but that trend changed after 2007. However, the better performance of the financially owned ILCs in terms of ROE in the early part of the decade was due to the fact that they held less capital relative to their assets as compared to their commercially owned counterparts.

Figure 13. Financially and commercially owned ILCs: Financial performance, 2000 to Q2 2010



Sources: FDIC, Milken Institute.

Tables 2 and 3 provide additional information about the 30 financially owned ILCs and nine commercially owned ILCs that operated as of the second quarter of 2010. Though they began with a fairly narrow scope of business and customer base in their formative years, ILCs have evolved over time to become a modern financial industry offering a wider range of products and services to a more diverse group of customers. Clearly, however, the individual ILCs differ not only in type of ownership but also in terms of the specific products and services offered as well as their customer mix. Financially owned ILCs have $55 million in assets per employee, while commercially owned ILCs have $30 million in assets per employee (by contrast, all FDIC-insured institutions have $6.5 million in assets per employee). The three largest ILCs are all financially owned (American Express Centurion Bank, UBS Bank USA, and USAA Savings Bank).[17] These three institutions account for slightly more than half of the total assets of the ILC industry. It is also interesting to note it's not readily apparent from the names of these institutions that they are ILCs.

17. We were told that American Express established its ILC in Utah due to the fact that there were many missionaries who spoke a variety of languages that were useful to the firm given its worldwide operations. We were also told that USAA Savings Bank was established in Nevada because its immediate parent was a savings and loan operating in Texas and therefore subject to interest rate ceilings that became binding in a high inflationary period. These ceilings were not applicable for its ILC in Nevada.

Table 2. Selected information on currently active financially owned ILCs, Q2 2010

Name	State	Date established	Date FDIC-insured	Number of employees	Total assets (US$M)	Description of business line	Registered holding company: immediate parent	Ultimate parent
American Express Centurion Bank	UT	3/20/1989	3/20/1989	74	29,992	A broad range of financial products, including credit cards and consumer travel services	American Express Travel Related Services Company Inc.	American Express Company
UBS Bank USA	UT	9/15/2003	9/15/2003	52	28,979	A broad range of financial services	UBS America Inc.	UBS AG
USAA Savings Bank	NV	10/1/1997*	9/27/1996	6	13,764	Financial services, primarily serving the military, veterans, and their families	USAA Federal Savings Bank	United Services Automobile Association (USAA)
Capmark Bank**	UT	4/1/2003	4/1/2003	137	9,533	Financial services to investors in commercial real estate–related assets	Capmark Financial Group Inc.	General Motors Co., private equity consortium
Sallie Mae Bank	UT	11/28/2005	11/28/2005	31	7,373	Education loans to students and their families	SLM Corp.	SLM Corp.
CapitalSource Bank	CA	7/25/2008	7/25/2008	340	5,778	Financial services	CapitalSource Inc.	CapitalSource Inc.
Beal Bank Nevada	NV	8/2/2004	8/2/2004	78	5,544	Financial services with specialization in purchasing loans and portfolios of loans in the secondary market	Beal Financial Corp.	Beal Financial Corp.
Woodlands Commercial Bank	UT	8/24/2005	8/24/2005	27	3,213	Commercial/industrial loans, commercial real estate loans, and warehouse lines of credit.	Lehman Brothers Bancorp Inc.	Lehman Brothers Holdings
OptumHealth Bank Inc.	UT	7/21/2003	7/21/2003	88	1,441	Financial products and services to individuals and families to pay for health care	Optum Financial Services Inc.	UnitedHealth Group Inc.
Merrick Bank Corporation	UT	9/22/1997	9/22/1997	132	1,038	Loans for boat and RV customers	CardWorks Inc.	CardWorks LP
Wright Express Financial Services Corp.	UT	6/1/1998	6/1/1998	32	968	Payment processing and fleet and corporate charge cards to the U.S. commercial and government vehicle fleet industry	Wright Express Corp.	Wright Express Corp.
Centennial Bank	CA	10/25/1979	11/3/1989	21	812	Multifamily HUD/FHA223(f) loan product	Orange County Bancorp	LandAmerica Financial Group Inc.
Fireside Bank	CA	12/31/1950	10/5/1984	400	787	Non-prime automobile loans	Unitrin Inc. and Fireside Securities Corp.	Unitrin Inc.
Finance Factors Ltd.	HI	5/14/1952	6/4/1984	129	620	Financial services to local communities	Finance Enterprises Ltd.	Finance Enterprises Ltd.
Medallion Bank	UT	12/22/2003	12/22/2003	29	527	Recreation, health care, and taxi medallion loans	Medallion Financial Corp.	Medallion Financial Corp.
World Financial Capital Bank	UT	12/1/2003	12/1/2003	8	477	Credit card and billing account statements and commercial lending for businesses	Alliance Data Systems Corp.	Alliance Data Systems Corp.
Community Commerce Bank	CA	10/1/1976	9/10/1985	51	383	A wide range of loan products and deposit accounts	TELACU	TELACU
First Security Business Bank	CA	3/31/1988	6/28/1989	14	347	Loans secured by commercial property in Southern California	First American Financial Corp.	First American Financial Corp.
Circle Bank	CA	1/22/1990	1/22/1990	55	307	Personal and commercial financial services	Circle Bancorp	Circle Bancorp
Celtic Bank	UT	3/1/2001	3/1/2001	47	228	Business loans, real estate loans, asset-based lending, and equipment/construction financing	Celtic Investment Inc.	Celtic Investment Inc.

Table 2. Selected information on currently active financially owned ILCs, Q2 2010 *(cont.)*

Name	State	Date established	Date FDIC-insured	Number of employees	Total assets (US$M)	Description of business line	Registered holding company: immediate parent	Ultimate parent
Balboa Thrift and Loan Association	CA	12/11/1980	7/3/1986	76	198	Financial services, including savings and investment products, residential loans, commercial loans, automobile financing, and more	Hafif Bancorp Inc.	Hafif Bancorp Inc.
Golden Security Bank	CA	12/9/1982	2/25/1986	20	165	Financial services including savings and investment products, residential loans, construction loans, and more	No affiliation	No affiliation
Finance & Thrift Company	CA	7/9/1925	12/17/1984	105	120	Personal loans and auto loans	F&T Financial Services Inc.	F&T Financial Services Inc.
WebBank***	UT	5/15/1997	5/15/1997	20	68	Loans and credit cards	Steel Partners II LP	Steel Partners Holdings LP
The Morris Plan Company of Terre Haute Inc.	IN	7/27/1962	3/23/1990	21	64	Consumer lending	First Financial Corp.	First Financial Corp.
LCA Bank Corp.	UT	1/26/2006	1/26/2006	7	53	Full service leasing company	Lease Corporation of America	Lease Corporation of America
ADB Bank	UT	8/1/2005	8/1/2005	15	49	Finance insurance premiums	Leavitt Group Agency Association LLC	Leavitt Group Enterprises
ARCUS Bank	UT	9/9/2008	9/9/2008	4	40	Financial advisory, personal credit, HSA accounts	ARCUS Financial Holding Corp.	WellPoint Inc.
Rancho Santa Fe Thrift & Loan Association	CA	1/2/1982	12/17/1984	15	36	Consumer lending	Semperverde Holding Co. Inc.	Semperverde Holding Company Inc.
Minnesota First Credit & Savings Inc.	MN	1/1/1956	8/7/1986	14	29	Consumer loans and home mortgage	Minnesota Thrift Co.	Minnesota Thrift Company

*USAA Savings Bank was established as a credit card bank and licensed as an industrial loan company in 1997 according to state regulatory authorities.
**Capmark Bank is categorized as a financially owned ILC after 2006. Currently its immediate parent, Capmark Financial Group Inc., is in bankruptcy proceedings.
***WebBank informed us that it should be considered a commercially owned ILC rather than a financially owned ILC because its parent is a conglomerate with controlling business interests in a number of different industries, including financial, industrial, and others. However, since insufficient data were available to us regarding different sources of revenue, and others have classified WebBank as a financially owned ILC, we have also done so in this report.
Sources: FDIC, company websites, Milken Institute.

Table 3. Selected information on currently active commercially owned ILCs, Q2 2010

Name	State	Date established	Date FDIC-insured	Number of employees	Total assets (US$M)	Description of business line	Registered holding company-immediate parent	Ultimate parent
BMW Bank of North America	UT	11/12/1999	11/12/1999	33	8,170	Financial services for BMW customers	BMW Financial Services NA LLC	BMW AG
GE Capital Financial Inc.	UT	2/12/1993	2/12/1993	100	8,028	Commercial lending and leasing to mid-market customers	GE Consumer Finance Inc.	General Electric Co.
Toyota Financial Savings Bank	NV	8/16/2004	8/16/2004	37	822	Financial services for Toyota dealers and customers	Toyota Financial Services Americas Corp.	Toyota Motor Corp.
The Pitney Bowes Bank Inc.	UT	1/16/1998	1/16/1998	15	722	Small business credit cards	Pitney Bowes Global Financial Services LLC	Pitney Bowes Inc.
Transportation Alliance Bank Inc.	UT	10/1/1998	10/1/1998	210	512	Fuel purchase cards, small business lending, and trucking financing	Flying J Inc.	Flying J Inc.
EnerBank USA	UT	6/3/2002	6/3/2002	78	313	Home improvement and consumer energy product financing	CMS Capital LLC	CMS Energy Corp.
Target Bank	UT	9/27/2004	9/27/2004	18	112	Credit card and payment services	Target Corp.	Target Corp.
Eaglemark Savings Bank	NV	9/27/2001*	8/25/1997	91	40	Financial services for Harley-Davidson customers	Harley-Davidson Financial Services Inc.	Harley-Davidson Motor Co.
First Electronic Bank	UT	10/5/2000	10/5/2000	43	7	Financial and private label credit card services	Fry's Electronics Inc.	Fry's Electronics Inc.

*Eaglemark Savings Bank was established in 1997 but changed organization type to become an industrial loan company in 2001.
Sources: FDIC, company websites, Milken Institute.

3. Regulation of ILCs

"… the ILC charter, per se, poses no greater safety and soundness risk than other charters…. Further, the firewalls and systems of governance safeguarding ILCs from misuse by their parents are, in many cases, more stringent than what exists in many affiliates of bank holding companies."

FDIC chairman Donald Powell
Conference of State Bank Supervisors
May 30, 2003

"ILCs are subject to the same banking laws and regulations as other depository institutions. They are supervised and examined by the states that charter them as well as by the FDIC."

Neil Milner, president and CEO, Conference of State Bank Supervisors
CSBS response to trade group's ILC query
April 24, 2003

"The FDIC has the authority to examine the affairs of any affiliate of an ILC, including a parent company and any of its subsidiaries, as may be necessary to disclose fully the relationship between the ILC and the affiliate, and the effect of any such relationship on the ILC."

FDIC chairman Sheila C. Bair
Testimony before the U.S. House of Representatives
April 25, 2007

Legislative Developments

ILCs essentially operated like local consumer finance companies during their early years; they were not deemed important competitors for banks. But things started to change when the Federal Deposit Insurance Corporation (FDIC) was established in 1934 in response to numerous bank runs and associated failures. The FDIC decided to insure the thrift certificates of 29 industrial loan companies that year and later added ILCs to the ranks of insured financial institutions on a case-by-case basis. The Banking Act of 1935 also made ILCs eligible for membership in the Federal Reserve System. As a result, four ILCs located in Illinois, Michigan, North Carolina, and Ohio were members as of 1940.[18] Over time, more states began allowing ILCs to offer both demand and time deposits. Then, with the passage of the Garn-St Germain Act in 1982, all deposit-taking ILCs became eligible for federal deposit insurance. And five years later, the Competitive Equality Banking Act *required* all depository ILCs to obtain FDIC insurance.[19] Today, as noted earlier, there are two types of ILCs: depository and non-depository institutions. As of mid-2010, there were 39 depository ILCs and 50 non-depository ILCs (unfortunately, detailed financial information on the latter over time is not available).[20]

From the outset, ILCs, being state-chartered financial institutions, have always been regulated by the states in which they are chartered. After the establishment of the FDIC, however, depository ILCs that acquired FDIC insurance also came under the supervision of the FDIC. As a result, the FDIC has the authority to examine any affiliate of any insured depository institution, including the parent company. This authority applies to ILCs, so that the FDIC is able to determine the relationship between the ILC and its parent as well as the effect of such a relationship on the ILC.[21]

18. See Saulnier (1940).
19. However, that act did bar ILCs from offering demand deposits unless their assets were less than $100 million or an ILC had been acquired before the law was enacted.
20. The FDIC only provides information on depository ILCs, but the data is quite difficult to obtain from the FDIC website; only data for a limited number of recent years are shown. A list of ILCs is also not available from the FDIC website.
21. West (2004).

Moreover, regulatory authorities in California, Nevada, and Utah have the authority to conduct examinations of both the parents and affiliates of ILCs.

In addition, ILCs are subject to Sections 23A and 23B of the Federal Reserve Act, which restrict transactions among ILCs, affiliates, and parents. More specifically, ILCs are prohibited from extending significant loans to their parent or affiliates or from offering them on preferential or non-market terms.

Lastly, Utah and the FDIC require a majority of ILC board members to be outside directors unaffiliated with the parent companies.

The parents of ILCs are not subject to Federal Reserve oversight because they are not bank holding companies. In particular, the parent of an ILC is exempt from the definition of a bank holding company in the Bank Holding Company Act (BHCA) so long as the ILC satisfies at least one of the following conditions: (1) the institution does not accept demand deposits, (2) the institution's total assets are less than $100 million, or (3) control of the institution has not been acquired by any company after August 10, 1987. Of the 39 active ILCs as of mid-2010, nine of these institutions had less that $100 million in total assets. This includes two of the commercially owned ILCs (see tables 2 and 3).[22]

Regulatory Barriers to Commercial Companies Owning Banking Institutions

Banks did not seem very concerned about competition from ILCs for a long time—not even in 1988, when the first commercial firm acquired an ILC charter.[23] From then on, a variety of different types of commercial firms acquired or formed ILCs, including such companies as BMW, General Electric, Target, Pitney Bowes and Harley-Davidson, without generating a controversy.

The banking industry began to focus on competition from ILCs when those ILCs owned by Merrill Lynch and Morgan Stanley began to grow dramatically by providing insured deposits to their customers. This led to a controversy over interest-bearing business checking accounts and proposals to prevent ILCs from offering such accounts. But it was Wal-Mart's attempt to enter this market that created a real storm.

Wal-Mart made its first move in this arena in 1999, when it tried to acquire a small savings and loan in Oklahoma. But the Gramm-Leach-Bliley Act, which prohibited the mixing of banking and commerce, took effect that year, and Wal-Mart missed the deadline for such an acquisition. In 2001, it then tried to partner with Toronto-Dominion Bank USA to buy a thrift institution, but the Office of Thrift Supervision (OTS) denied its application. A year later, Wal-Mart tried yet again to purchase an ILC, this time in California, but the state quickly passed a law prohibiting such an acquisition.

22. According to the Section 2(c)(2)(H) of the Bank Holding Company Act:
(H) An industrial loan company, industrial bank, or other similar institution which is—
(i) an institution organized under the laws of a State which, on March 5, 1987, had in effect or had under consideration in such State's legislature a statute which required or would require such institution to obtain insurance under the Federal Deposit Insurance Act—
(I) which does not accept demand deposits that the depositor may withdraw by check or similar means for payment to third parties;
(II) which has total assets of less than $100,000,000; or
(III) the control of which is not acquired by any company after the date of the enactment of the Competitive Equality Amendments of 1987; or
(ii) an institution which does not, directly, indirectly, or through an affiliate, engage in any activity in which it was not lawfully engaged as of March 5, 1987, except that this subparagraph shall cease to apply to any institution which permits any overdraft (including any intraday overdraft), or which incurs any such overdraft in such institution's account at a Federal Reserve bank, on behalf of an affiliate if such overdraft is not the result of an inadvertent computer or accounting error that is beyond the control of both the institution and the affiliate.

23. It might be noted that ILCs had an advantage over commercial banks because they were not subject to Regulation Q; thus the ownership of ILCs provided an option when competing with money market funds after 1975, when interest rates rose. An additional advantage was that ILCs, unlike bank holding companies, were not blocked from going nationwide with their operations.

Finally, in 2005, Wal-Mart filed an application with the Utah Department of Financial Institutions and the FDIC to establish a federally insured ILC. The state of Utah approved the application for a charter, but the FDIC did not approve the application for deposit insurance. Instead, the FDIC placed a six-month moratorium on all industrial loan company applications in July 2006.[24] In January 2007 the moratorium was extended by the FDIC for an additional year for ILCs that would be owned or controlled by commercial companies.[25] [26]Prior to the moratorium, the FDIC held two public hearings in April 2006 on Wal-Mart's deposit insurance application. In response to its request for public comments, the FDIC received more than 12,600 comment letters, mostly opposing the approval of Wal-Mart's request.

Many banks opposed Wal-Mart's entry into this market, fearing that such a behemoth would use the ILC to establish branches in all its stores throughout the country and eventually offer a full line of banking services. They were not placated by Wal-Mart's statement that it only wanted to own such an institution to reduce the transaction costs it was incurring by paying banks to process credit card, debit card, and electronic check transactions in its stores. Wal-Mart eventually withdrew its application in March 2007, before the end of the moratorium and before any decision had been made by the FDIC. But we find that by 2007, California, Colorado, Illinois, Iowa, Kansas, Maine, Maryland, Missouri, Oklahoma, Texas, Wisconsin, Virginia, and Vermont had passed legislation restricting to various degrees the operation of ILCs.[27] (See figure 14 for information on state-level industry developments during the past three decades.)

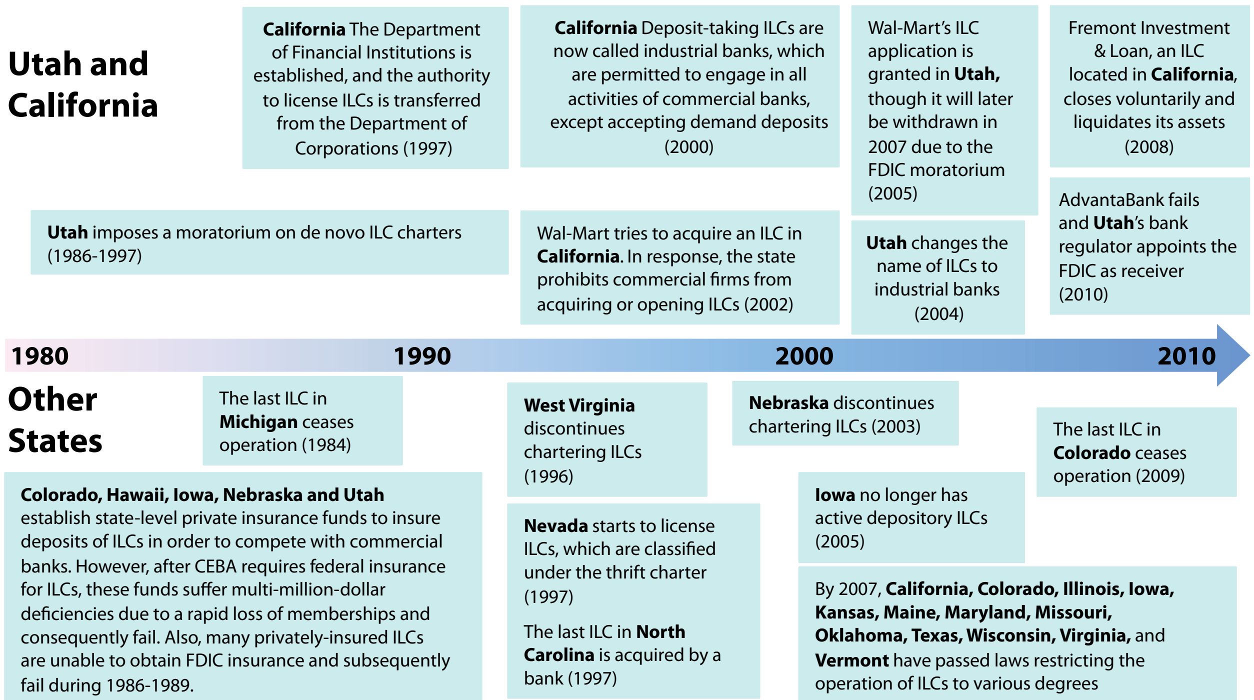
24. In November 2007, the FDIC granted an exception to the moratorium when it approved an application by a consortium of investors to acquire GMAC Automotive Bank, an ILC in Utah. At the same time, Utah approved the change of control and name change of this ILC to GMAC Bank. According to FDIC chairman Sheila C. Bair, "The FDIC Board decided to act on this notice during the moratorium to avoid the potential for substantial interference with a major restructuring by General Motors Corporation." See http://www.fdic.gov/news/news/press/2006/pr06103.html, last accessed on December 27, 2010.

25. According to Bovenzi (2007), "At the time that the initial moratorium expired on January 31, 2007, eight ILC deposit insurance applications and one change in bank control notice were pending before the FDIC."

26. Subsequent to the moratorium, JC Flowers in December 2007 withdrew its application to acquire Sallie Mae Bank, Home Depot in January 2008 withdrew its application to acquire EnerBank USA, and Chrysler Financial in June 2009 withdrew its application for FDIC insurance.

27. Wal-Mart Watch, "Wal-Mart's Industrial Loan Company Talking Points," http://walmartwatch.com/img/documents/ILC.pdf. This article refers to six states that prohibited commercial firms from owning ILCs in 2006. Two states had prohibited such ownership before 2006. Also, see Falanga (2007).

Figure 14. A timeline of recent state-level events regarding ILCs



Sources: State regulatory authorities, Milken Institute.

At the time of the moratoriums, the FDIC acknowledged that commercially owned ILCs had not caused serious problems to date but pledged to closely monitor the existing ones. It further stated that "… the FDIC determined that it is appropriate to provide Congress with a reasonable period to consider the developments in the ILC industry and, if necessary, to make revisions to existing statutory authority. Even though the FDIC has authority to act on any particular application, notice, or request involving an ILC, the FDIC … believes that congressional resolution of these issues is preferable."[28]

Since the Dodd-Frank Act requires a GAO study of the ILC industry, Congress will have an opportunity once this study is completed to decide whether it wishes to take any legislative action that would change the nature of the industry. The exact requirements for the study are summarized in the box below.

The opposition by some banks to ILCs has largely been focused on commercial ownership. It should be emphasized that not *all* banks are opposed to ILCs, whether commercially owned or not. In addition to some of the banks, other critics are opposed to commercial firms owning any federally insured depository institutions (not just ILCs).

The Dodd-Frank Wall Street Reform and Consumer Protection Act

Impact on ILCs in three areas:

1. Three-year moratorium and study of exemption to BHC Act
2. Requires a parent company to serve as a source of strength for ILCs
3. Subject to deposit concentration cap on interstate mergers and acquisitions involving all insured depository institutions

The Dodd-Frank reform bill requires the GAO to provide information on ILCs in the following areas:

1. Identify the types and number of institutions
2. Generally describe the size and geographic locations of the institutions
3. Determine the extent to which the institutions are held by holding companies that are commercial firms
4. Determine whether the institutions have any affiliates that are commercial firms
5. Identify the federal banking agency responsible for the supervision of the institutions
6. Determine the adequacy of the federal bank regulatory framework, including any restrictions (including limitations on affiliate transactions or cross-marketing) that apply to transactions between an institution, the holding company of the institution, and any other affiliate of the institution
7. Evaluate the potential consequences of subjecting the institutions to the requirements of the BHC Act, including the availability and allocation of credit, the stability of the financial system and the economy, safe and sound operation, and the impact on the types of activities in which such institutions and the holding companies of such institutions may engage.

28. See Bovenzi (2007).

Given such opposition, it is instructive to note that throughout most of U.S. history, commercial firms could own any type of banking institution, be it a commercial bank, savings and loan association, or an industrial loan company. As far back as 1799, New York State allowed Aaron Burr to use the surplus capital in a water company that he owned to establish a bank—which ultimately became JPMorgan Chase. During the Great Depression, moreover, the federal government asked Henry Ford to convert a portion of his car company's deposits at Manufacturers National Bank of Detroit into stock to prevent its collapse. He refused, but his son Edsel subsequently recapitalized the bank with his own funds. General Motors, for its part, injected capital into the National Bank of Detroit to save it from insolvency during this turbulent period.[29]

It is also interesting to know that Marriner Stoddard Eccles, who became the first chairman of the re-organized Federal Reserve Board during the 1930s, was, prior to his appointment, "president and owner of 26 banks and one trust company, vice president of one of the largest sugar companies in the country, president of a multistate dairy concern, president of the large Intermountain construction company and one of the builders of the Boulder Dam, among many other enterprises."[30]

The BHCA of 1956, however, started to change ownership flexibility by prohibiting commercial firms from owning more than one bank. The first federal law restricting ownership of a bank, it prohibited any entity directly or indirectly engaged in any activity other than banking (and closely related products and services) from owning more than one bank. According to the FDIC (1987):

> *"[T]he primary purpose underlying [BHCA]'s passage was fear of monopolistic control in the banking industry. Federal regulators and independent bankers lobbied Congress for over twenty years to pass more restrictive bank holding company legislation, but it wasn't until the Transamerica case was lost by the Federal Reserve Board that legislation was approved. … Transamerica controlled 46 banks, in addition to owning a large percentage of Bank of America. The Federal Reserve Board charged that Transamerica was in violation of the Clayton Antitrust Act by monopolizing commercial banking in the states of California, Oregon, Nevada, Washington and Arizona. In 1952, the Board ordered Transamerica to divest itself of all its bank stock, except for Bank of America, within two years."*

As a result of the prohibition on establishing multi-bank holding companies, the number of one-bank holding companies increased dramatically until 1970, as shown in table 4. Before 1956, there were only 83 one-bank holding companies. But between 1956 and 1970, an additional 1,235 one-bank holding companies were established. In the latter year, the BHCA was amended to bar commercial firms from owning even one bank.

The story does not end here, however, because commercial firms could still own savings and loans. But around the same time, the Savings and Loan Holding Company Act of 1967 imposed restrictions on commercial firm ownership of this type of banking institution, too. Similar to the BHCA of 1956, the act prohibited the commercial ownership of multiple savings and loans through the establishment of multi-thrift holding companies.

29. *Time* (1933).
30. "How Marriner Eccles Saved America," *The Salt Lake Tribune*, January 17, 2011.

Table 4. Number of one-bank holding company formations

By date of formation for organizations registered as of December 31, 1970*

Type of company**	Before 1956	1956 to 1960	1960 to 1966	1966 to June 1968	June 1968 to Dec. 1970	Number of companies	Total assets of all companies (US$ millions)
Banking only	11	12	35	34	160	252	929
Closely related	10	8	79	55	173	325	2,902
Not closely related	58	32	172	109	344	715	42,319
Foreign	3	1	4	2	7	17	32,800
Not classifiable***	1	-	1	1	6	9	455
Total	**83**	**53**	**291**	**201**	**690**	**1,318**	**79,404**

* Excludes 34 holding companies that submitted late registration statements.
** Classifications are defined as follows: i) banking only: company is engaged only in banking activities; ii) closely related: company is engaged in banking and activities determined by the Federal Reserve Board as closely related to banking; iii) not closely related: company is engaged in activities other than banking and activities solely related to banking; iv) foreign: company is chartered in a foreign country and derives at least half of its consolidated revenue or has at least half of its consolidated assets outside the United States.
***Mainly trusts.
Source: Federal Reserve (1972).

Despite these legislative attempts to block commercial firms' entry into banking, the door was not entirely closed, since the BHCA defined a bank to be a financial institution that offered demand deposits and made commercial loans. Based on this definition, a commercial firm could acquire a bank but then cease to offer either demand deposits or commercial loans. This indeed happened; such federally insured depository institutions became known as "nonbank banks." As the U.S. Treasury Department (1991) stated, "these nonbank banks were attractive to a wide range of business organizations seeking to capitalize on the efficiencies and 'synergies' that come with offering largely complementary services." By the mid-1980s, firms such as General Electric, Textron, ITT, Gulf & Western, John Hancock, Prudential Bache, American Express, Merrill Lynch, Dreyfus, Household, Beneficial, Sears Roebuck, J.C. Penney, McMahan Valley Stores, Bankers Trust Corp., Bank of Boston Corp., and others had established nonbank banks.[31] In response, Congress passed the Competitive Equality Banking Act (CEBA) in 1987. It grandfathered existing nonbank banks (but limited their growth) and prohibited the formation of new nonbank banks by expanding the definition of a bank to include any depository institution covered by FDIC insurance.

31. U.S. Treasury Department (1991).

Table 5 provides a list of nonbank banks as of June 1987 and their status after being grandfathered. Of the 17 nonbank banks that existed in 1987, only two still existed as of June 2010. This suggests that once a type of institution is grandfathered, the result seems to be the eventual shrinkage, if not total disappearance, of that type of institution.

Table 5. Selected FDIC-insured "nonbank banks"

FDIC-insured "nonbank bank"	Assets as of June 30, 1987 (US$ millions)	Assets as of June 30, 2010 (US$ millions)	Parent company
Merrill Lynch Bank & Trust	115	Merged into Bank of America on 11/2/2009	Merrill Lynch & Co. Inc.
Custodial Trust Co.	306	358	Bear Stearns & Co.
Dreyfus Consumer Bank	61	Closed voluntarily on 3/16/1993	Dreyfus Corp.
Harbor Trust Co.	12	Dissolved in 10/1990	Drexel Burnham Lambert
Investors Fiduciary Trust	340	Acquired by State Street Bank on 01/31/1995	Kemper Corp.
Liberty Bank & Trust	24	Merged into Commercial Federal Bank on 2/13/1998	Aetna
First Signature Bank & Trust	38	Merged into First Republic Bank on 1/31/2006	John Hancock
Prudential Bank & Trust	88	1,957	Prudential Insurance Co.
Boston Safe Deposit & Trust	10,298	Acquired by Mellon Financial Corp. in 1993	Shearson/American Express
American Express Centurion Bank	614	29,992 (became an FDIC-insured ILC in 1989)	American Express Co.
Greenwood Trust Co.	2,287	59,501 (now Discover Bank)	Sears Roebuck & Co.
Hurley State Bank	7	Acquired by Citibank USA in 01/2002	Sears Roebuck & Co.
Clayton Bank & Trust	24	Merged into PNC Bank on 8/21/2009	Mobil Corp.
City Loan Bank	598	n.a.	Control Data Corp.
Hickory Point Bank & Trust	45	866 (currently a FSB)	Archer Daniels Midland
Fireside Thrift Co.	317	767 (now Fireside Bank, owned by Unitrin)	Teledyne Inc.
GECC Financial Corp.	357	Deposits accepted by First Hawaiian Bank on 6/26/1995	General Electric Co.

Sources: FDIC, Milken Institute, company websites.

The other track that a commercial firm could take to gain entry into banking was to become a unitary thrift holding company that only owned a single savings and loan. Given the prohibition on commercial ownership of multiple thrift holding companies, it's not surprising that there were far more unitary thrift holding companies controlling many more savings and loans than multiple thrift holding companies in 1996 (as table 6 shows). The Gramm-Leach-Bliley Act of 1999 further blocked entry by prohibiting commercial firms from ownership of unitary thrift holding companies. It did, however, grandfather existing companies.

Table 6. Holding companies that own OTS-regulated thrifts, as of December 31, 1996

Holding company type	Number of holding companies	Number of thrifts owned	Thrift assets (US$ billions)
Unitary thrift holding companies	704	515	467
Multiple thrift holding companies	40	39	94
Bank holding companies owning thrifts	131	97	71
Total	875	651	632

Note: The total does not include 685 independent thrifts, which held $137 billion in assets.
Source: Office of Thrift Supervision (1997).

Table 7 shows a list of unitary thrift holding companies as of June 1996 and their status as of June 2010. Of the 28 companies, 16 still existed as of June 2010. The largest such company is USAA, the parent of USAA Federal Savings Bank, which in turn is the parent of an ILC.

Table 7. Diversified unitary thrift holding companies and selected information on their thrift subsidiaries

Holding company	Type of business	Thrift name	Thrift assets (US$ millions)		Note
			June 1996	June 2010	
Acacia Mutual Life Insurance Co.	Insurance	Acacia Federal Savings Bank	516	1,314	
American Mutual Holding Co.	Life insurance	Amerus Bank	1,198	n.a.	Inactive, 7/31/1998
B.A.T. Industries	Tobacco, cigarettes	First FS&LA of Rochester	7,341	n.a.	Inactive, 3/20/1997
Carpenters Pension Trust Fund Southern California	Pension trust	United Labor Bank FSB	71	260	
Club Corp. International	Resorts	Franklin Federal Bancorp FSB	900	n.a.	Inactive, 1/1/1997
Equity Holdings Ltd.	Real estate	Firstate Financial FA	103	n.a.	Inactive, 4/18/1997
Estate of Bernice Pauahi Bishop	Nonprofit education	Southern Cal. FS&LA	1,695	n.a.	Inactive, 11/13/2001
First Pacific Investment Ltd. and Ltd. II	Numerous holdings	United Savings Bank	1,527	10,895	Name is now United Commercial Bank
Hawaiian Electric Industries Inc.	Public electric	American Savings Bank FSB	3,413	4,875	
Heritage Mutual Insurance Co.	Insurance	Westland Savings Bank SA	91	n.a.	Heritage Mutual Insurance is now Acuity
Hy-Vee Food Stores	Grocery	Midwest Heritage Bank FSB	97	149	
Illinois Mutual Life & Casualty Co.	Insurance	Bankplus FSB	190	n.a.	Inactive, 7/31/2007
Krause Gentle Corp.	Gas and food	Liberty Savings Bank FSB	77	152	
The Langdale Co.	Manufacturing-forest based products	Commercial Banking Co.	34	198	
Massachusetts State Carpenters Pension Fund, Guaranteed Annuity Fund	Pension trust/trust	First Trade Union Savings Bank FSB	286	636	
McMorgan & Co.	Manages union pension funds	United Labor Bank FSB	71	260	
The Monticello Cos. Inc.	Medicine sales	Monticello Bank	24	n.a.	Inactive, 9/15/2007
P H M Corp.	Home building	First Heights Bank FSB	252	n.a.	Inactive, 9/9/2005
Pacific Electric Wire & Cable	Manufacturer	Pacific Southwest Bank	1,337	n.a.	Inactive, 3/19/2001
Prudential Insurance Co.	Insurance	The Prudential Savings Bank FSB	204	1,957	
Raymond James Financial Inc.	Security brokerage	Raymond James Bank FSB	190	7,465	
Southwest Gas Corp.	Gas transmission	Primerit Bank FSB	1,705	1,608	
Sun Life Assurance Co.	Insurance	New London Trust FSB	289	n.a.	Inactive, 10/30/1999
Temple Inland Inc.	Paper	Guaranty Federal Bank FSB	9,153	731	
USAA	Insurance	USAA Federal Savings Bank	5,806	41,749	
Watts Health Systems Inc.	Health plans	Family Savings Bank FSB	167	n.a.	Inactive, 12/31/2002
State Farm Mutual Auto Insurance Co.*	Mortgage lending specialization	State Farm Bank FSB	-	15,663	
Nordstrom Inc.*	Credit-card specialization	Nordstrom FSB	n.a.	196	

Note: As of July 9, 1996, the OTS reported the following number of first-tier thrift holding companies: 28 diversified unitary holding companies and 650 nondiversified unitary holding companies. There were no diversified multiple holding companies and 44 nondiversified multiple holding companies. A diversified thrift holding company is defined by statute as one in which the subsidiary savings association and certain other financial activities represent less than 50 percent of consolidated net worth and consolidated net earnings.
*Non-diversified thrift holding companies.
Sources: OCC, FDIC, Milken Institute.

As table 8 shows, legislative actions taken by the federal government over the past 50 years have steadily and consistently blocked entry into banking by commercial firms. Commercial firms after 1987 and before 1999 had only two choices: become a unitary thrift holding company or own an ILC. If a commercial firm became a unitary thrift holding company, however, its subsidiary was subject to the Qualified Thrift Lender Test, which meant the savings and loan institution had to hold a relatively high percentage of its loan portfolio in housing-related assets. It should not be surprising, then, that not all commercial firms would consider this option desirable. Some, therefore, like General Motors, decided to acquire an ILC. When General Motors did this in 1988, it subsequently changed the ILC's name to GMAC Capital Corp. (see figure 7 for more detailed information).

By 1999, there was only one remaining point of entry: the acquisition or formation of an industrial loan company.[32] As already noted, there are currently nine commercially owned and 30 financially owned ILCs. The nine commercially owned institutions now account for 14 percent of the total assets of the ILC industry—and this segment could presumably account for even more, if and when the moratorium on newly chartered commercially owned ILCs is lifted.

Table 8. Legislation prohibiting commercial ownership of federally insured depository institutions

Legislation and year prohibiting commercial ownership of specific types of federally insured depository institutions	Types of federally insured institutions that legislation prohibits commercial firms to own	Type of federally insured institution that can be owned by a commercial firm
Prior to 1956	–	Any type of depository institution
Bank Holding Company Act of 1956	Individual banks and multiple-bank holding companies	One-bank holding companies Nonbank banks Multiple thrift holding companies Unitary thrift holding companies ILCs
Savings and Loan Holding Company Act (SLHCA) of 1967	Multiple thrift holding companies	One-bank holding companies Nonbank banks Unitary thrift holding companies ILCs
Bank Holding Company Act Amendments of 1970	One-bank holding companies (existing commercial ownership grandfathered)	Nonbank banks Unitary thrift holding companies ILCs
Competitive Equality Banking Act of 1987	Nonbank banks (existing commercial ownership grandfathered)	Unitary thrift holding companies ILCs
Gramm-Leach-Bliley Act of 1999	Unitary thrift holding companies (existing commercial ownership grandfathered)	ILCs
Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010	Moratorium and GAO study	ILCs

Note: Unless a law specifically prohibits a commercial firm from owning a depository institution, it is assumed here that such ownership is allowed. Credit unions and mutual savings and loans are excluded.
Source: Milken Institute.

The concern over commercial firms owning banking institutions presents some striking contradictions. After all, Bill Gates can own a bank, but Microsoft cannot. Members of the Walton family, moreover, *do* own a commercial bank (the Arvest Bank, with some 200 branches in Arkansas, Oklahoma, Missouri, and Kansas), but Wal-Mart cannot. The company does, however, operate a full-service bank in Mexico and could own banks in most of the foreign jurisdictions in which it operates. It seems rather paradoxical that an individual can own a bank and a company, and yet that company itself cannot invest in a bank.

32. There was also the ownership of a limited, credit-card-only bank charter.

Furthermore, the United States is out of step with most countries around the world. According to World Bank data, only four of 142 countries surveyed prohibit the ownership of banks by commercial firms (see table 9). Most importantly, this restricts the ability of the U.S. banking industry to draw upon the substantial equity of commercial firms. With options for enlarging its capital base narrowed, the U.S. banking industry will find it more challenging to remain a major player in the increasingly competitive global arena.

Table 9. Countries that do not prohibit commercial ownership of banks

No prohibition									Prohibition
Algeria	Bosnia & Herzegovina	Cook Islands	Gabon	Israel	Luxembourg	Nicaragua	Seychelles	Tajikistan	Fiji
Angola	Botswana	Costa Rica	Germany	Italy	Macao, China	Niger	Singapore	Tanzania	Guernsey
Anguilla	Brazil	Côte d'Ivoire	Ghana	Jamaica	Macedonia, FYR	Nigeria	Slovak Republic	Thailand	Isle of Man
Antigua and Barbuda	British Virgin Islands	Croatia	Gibraltar	Japan	Malawi	Norway	Slovenia	Togo	United States*
Argentina	Bulgaria	Cyprus	Greece	Jersey	Malaysia	Oman	South Africa	Trinidad and Tobago	
Armenia	Burkina Faso	Czech Republic	Grenada	Jordan	Maldives	Pakistan	South Korea	Uganda	
Australia	Burundi	Denmark	Guatemala	Kazakhstan	Mali	Panama	Spain	United Kingdom	
Austria	Cameroon	Dominica	Guinea-Bissau	Kenya	Malta	Papua New Guinea	Sri Lanka	Uruguay	
Bahrain	Canada	Dominican Republic	Guyana	Kosovo	Mauritius	Peru	St. Kitts and Nevis	Venezuela	
Bangladesh	Cayman Islands	Egypt	Honduras	Kuwait	Mexico	Philippines	St. Lucia	Zimbabwe	
Belarus	Central African Republic	El Salvador	Hong Kong, China	Kyrgyz Republic	Moldova	Poland	St. Vincent and the Grenadines		
Belgium	Chad	Equatorial Guinea	Hungary	Latvia	Montserrat	Portugal	Suriname		
Belize	Chile	Estonia	Iceland	Lebanon	Morocco	Romania	Sweden		
Benin	China	Ethiopia	India	Lesotho	Mozambique	Russia	Switzerland		
Bhutan	Colombia	Finland	Indonesia	Liechtenstein	Netherlands	Saudi Arabia	Syrian Arab Republic		
Bolivia	Congo, Rep.	France	Ireland	Lithuania	New Zealand	Senegal	Taiwan, China		

* This excludes commercial ownership of ILCs.
Source: Barth, Caprio and Levine (2008)/World Bank.

Those who have cautioned against allowing commercial firms to own ILCs, or banks more generally, have raised questions about oversight and the potential for parent companies to use their ILCs for anti-competitive practices. But regulation that is already in place appears to be adequate to address these concerns.

For example, some observers fear that ILCs may endanger community banks if their commercial parents have the size, resources, and will to use predatory pricing to drive local bank competitors out of business. Others have expressed concerns that ILCs may have incentives to deny credit to their parents' competitors or their competitors' customers, to provide funds on preferential terms to their commercial parents, and to tie loans inappropriately to purchases of the parents' products. However, unfair competition and conflicts of interest are prohibited under existing federal law, giving regulators the authority and the tools to address these issues without eliminating an entire industry.

While the sheer size of some of the corporations that might wish to enter this market has been a flashpoint in the debate, the Dodd-Frank Act also provides a means to limit the growth of any company that might pose a systemic risk to the economy. And in times of systemic crisis, commercial firms do not gain direct access to the federal safety net (meaning FDIC insurance and access to the Federal Reserve discount window) merely by owning an ILC.

Is systemic risk heightened by the fact that ILCs and their parents are regulated by the states and the FDIC, rather than the Federal Reserve? Recent history would seem to indicate that is not the case; there is no evidence that the Federal Reserve has done or will do a better job than state regulators or the FDIC. (Indeed, in the most recent financial crisis, the Fed did not do a particularly good job of overseeing bank holding companies, while none of the state – and FDIC-regulated commercially owned ILCs failed.)

It is also important to consider the potential impact of a parent company failure. If this occurs and the ILC subsidiary is largely in the business of financing purchases from the parent, would the ILC be forced into insolvency? The record shows this has not been a problem in the past. ILCs, as separately chartered and capitalized subsidiaries, can continue to operate. In a worst-case scenario, an ILC with a failing parent would undergo a controlled liquidation with the goals of paying depositors (no losses to the FDIC), paying all other creditors in full, and paying a liquidating dividend to the parent. For instance, when Conseco filed for bankruptcy, its ILC subsidiary self-liquidated, paid all depositors and other debts, and then paid a large dividend to the bankruptcy trustee to pay the parent's creditors. The ILC owned by Lehman Brothers also remained solvent and is self-liquidating despite the bankruptcy of its parent. (According to the latest quarterly reports, in the past two years, it has shrunk from over $6.4 billion in assets to $2.8 billion, has a 26.6 percent capital ratio, and is earning about 2.4 percent ROA in the third quarter of 2010.) In two other instances, ILCs owned by companies that were reorganizing under bankruptcy laws continued operating normally under close regulatory oversight to ensure that the bank's assets were not used to help rescue the parent. More generally, these examples show that prudent regulation and supervision can prevent (and has prevented) any exploitation of the insured subsidiary by the parent when the parent faces financial difficulties.

Given the range of concerns that have been expressed about this little-known corner of the banking industry, it is essential to understand exactly how ILCs are regulated. Table 10 compares the powers, ownership forms, and regulatory oversight of ILCs vs. state commercial banks. It shows that ILCs have more restrictions on the types of deposits they are able to offer, though in most other respects, both are subject to similar restrictions and oversight. More generally, both ILCs and their parent companies are subject to regulation by the bank's regulators. They are examined and required to provide reports and other information specified by the regulators. The regulators can issue cease and desist orders, orders of prohibition, and civil money penalties to the parent company and every affiliate that has transactions with the bank or otherwise influences its operations, all individuals serving as officers or representatives of an affiliate, outside auditors, consultants and legal counsel, and anyone else that qualifies as an "institution affiliated party" as defined in the Federal Deposit Insurance Act. These powers are comparable to the Federal Reserve's authority over bank holding companies and financial holding companies.

The primary differences between the regulation of an ILC holding company and a bank holding company is that ILC affiliates can engage in any lawful activity that does not pose a risk to the bank; ILC regulators do not govern the activities of a diversified parent that have no relevance to the bank, such as manufacturing and retail sales operations. The parents of commercially owned ILCs are also now subject to serving as sources of strength as a result of the Dodd-Frank Act.

Table 10. ILCs vs. state commercial banks: Differences in powers, ownership form and regulatory oversight

	State commercial banks	ILCs
Ability to offer full range of deposits and loans	Yes	Yes*
Ability to export interest rates	Yes	Yes
Ability to branch interstate	Yes	Yes
Examination, supervision, and regulation by FDIC	Yes	Yes
FDIC may conduct limited scope exam of affiliates	Yes	Yes
Federal Reserve Act 23A & 23B, Reg. O, CRA apply (see note)	Yes	Yes
Anti-tying restrictions apply	Yes	Yes
Full range of enforcement actions can be applied to the subsidiary depository institutions if parent fails to maintain adequate capitalization	Yes	Yes
Ability to accept demand deposits and commercial checking accounts	Yes	No**
Parent subject to umbrella federal oversight	Yes	No***
Parent activities generally limited to banking and financial activities	Yes	No
Parent serves as a source of strength	Yes	Yes, Dodd-Frank Act makes explicit
Chartered as a national institution	Yes	No
Chartered as a state institution	Yes	Yes
Golden Parachute restrictions apply	Yes	Yes
Parent could be prohibited from commencing new activities if a subsidiary depository institution has a CRA rating that falls below satisfactory	Yes	No
Parent could be ordered by a federal banking agency to divest of a depository institution subsidiary if the subsidiary becomes less than well capitalized	Yes	No
Control owners who have caused a loss to a failed institution may be subject to personal liability	Yes	Yes
Cross-guarantee requirement for affiliates	Yes	No

* Including NOW (negotiable order of withdrawal) accounts. However, ILCs with more than $100 million in assets cannot accept demand deposits or offer commercial checking accounts.
** Except those ILCs that have assets of less than $100 million or ILCs that were not acquired after August 10, 1987.
***Publicly traded parent companies are subject to SEC oversight.
Note: Federal Reserve Act Sections 23A and 23B limit bank transactions with affiliates and the parent company. Regulation O limits loans to bank insiders and applies to all FDIC-insured institutions. CRA denotes the Community Reinvestment Act.
Sources: Adapted from FDIC (2004); Milken Institute.

It is important to point out the relative importance of parent companies to their ILCs. Tables 11 and 12 (on the following pages) provide information on the ILCs' assets and equity capital as a percentage of the parents' assets and equity capital, respectively, as well as the ROA and ROE for both the ILCs and their parents. Table 12 shows that the assets of ILCs as a percent of the parents' assets range from a low of 0.3 percent to a high of 29.1 percent, while the ILCs' equity capital as a percent of the parents' equity capital ranges from a low of 0.1 percent to a high of 28.4 percent. In general, these figures indicate that to the extent that the parents are financially healthy, they can serve as a source of strength for their subsidiary ILCs.

Moreover, parent firms serve as an important source of governance over their ILCs. Commercial firms like BMW, Target, and Toyota clearly do not wish to have their brands damaged by inappropriate behavior on the part of their subsidiary ILCs, given their overriding dependency on the products produced by the parents.

Table 11. Importance of corporate parents for financially owned ILCs, Q2 2010

Parent company	Parent company					Financially owned ILC	State	ILC				
	Total assets (US$B)	Total equity capital (US$B)	Equity capital to total assets (%)	ROA (%)	ROE (%)			ILC assets as % of its parent's assets	ILC equity as % of its parent's equity	Equity capital to total assets (%)	ROA (%)	ROE (%)
Leavitt Group	n.a.	n.a.	n.a.	n.a.	n.a.	ADB Bank	UT	n.a.	n.a.	15.6	0.5	3.1
American Express Co.	143.8	14.5	10.1	2.5	23.3	American Express Centurion Bank	UT	20.9	35.6	17.2	4.5	24.8
WellPoint	50.2	23.8	47.4	10.2	22.0	ARCUS Bank	UT	0.1	0.2	90.4	2.4	9.5
Hafif Bancorp	n.a.	n.a.	n.a.	n.a.	n.a.	Balboa Thrift and Loan Association	CA	n.a.	n.a.	10.1	0.6	6.1
Beal Financial Corp.	n.a.	n.a.	n.a.	n.a.	n.a.	Beal Bank Nevada	NV	n.a.	n.a.	35.3	9.1	25.4
CapitalSource	10.7	2.0	18.4	-5.5	-31.1	CapitalSource Bank	CA	54.0	44.6	15.2	-0.1	-0.5
General Motors Co., private equity consortium	n.a.	n.a.	n.a.	n.a.	n.a.	Capmark Bank	UT	n.a.	n.a.	19.0	-6.9	-37.6
Celtic Investment	n.a.	n.a.	n.a.	n.a.	n.a.	Celtic Bank	UT	n.a.	n.a.	11.2	1.4	12.9
LandAmerica Financial Group*	3.3	0.5	14.7*	n.a.	n.a.	Centennial Bank	CA	24.4	17.1	10.3	0.6	5.9
Circle Bancorp	0.3	n.a.	n.a.	n.a.	n.a.	Circle Bank	CA	99.7	n.a.	7.5	0.8	10.2
TELACU	0.4	n.a.	n.a.	n.a.	n.a.	Community Commerce Bank	CA	95.8	n.a.	9.3	-0.4	-4.4
F&T Financial Services	0.1	0.0	n.a.	n.a.	n.a.	Finance & Thrift Co.	CA	92.4	81.9	21.7	1.5	6.8
Finance Enterprises	n.a.	n.a.	n.a.	n.a.	n.a.	Finance Factors Ltd.	HI	n.a.	n.a.	9.7	-1.2	-11.9
Unitrin	8.5	2.1	24.3	2.5	11.4	Fireside Bank	CA	9.3	11.6	30.5	1.2	4.5
First American Financial Corp.	5.5	1.9	34.3	n.a.	n.a.	First Security Business Bank	CA	6.3	1.9	10.3	1.5	14.4
No affiliation						Golden Security Bank	CA	n.a.	n.a.	6.69	-1.07	-15.7
Lease Corp. of America	n.a.	n.a.	n.a.	n.a.	n.a.	LCA Bank Corp.	UT	n.a.	n.a.	11.9	2.0	15.6
Medallion Financial	0.6	0.2	29.2	0.1	0.2	Medallion Bank	UT	87.8	45.7	17.4	n.a.	n.a.
CardWorks LP	n.a.	n.a.	n.a.	n.a.	n.a.	Merrick Bank Corp.	UT	n.a.	n.a.	21.4	2.6	12.9
Minnesota Thrift Co.	n.a.	n.a.	n.a.	n.a.	n.a.	Minnesota First Credit & Savings Inc.	MN	n.a.	n.a.	11.2	0.6	5.3
First Financial Corp.	2.5	0.3	12.6	1.1	8.8	The Morris Plan Company of Terre Haute Inc.	IN	2.5	2.9	14.6	3.3	22.8
UnitedHealth Group	60.4	24.8	41.1	7.4	18.5	OptumHealth Bank Inc.	UT	2.4	0.7	11.9	3.1	26.3
Semperverde Holding Co.	n.a.	n.a.	n.a.	n.a.	n.a.	Rancho Santa Fe Thrift & Loan Assoc.	CA	n.a.	n.a.	71.9	3.0	4.9
SLM Corp.	207.3	3.7	2.5	0.5	26.7	Sallie Mae Bank	UT	3.6	35.3	17.8	1.7	10.1
UBS AG	1,353.1	42.7	3.7	0.3	12.2	UBS Bank USA	UT	2.1	6.3	9.3	0.8	8.5
USAA	n.a.	n.a.	n.a.	n.a.	n.a.	USAA Savings Bank	NV	n.a.	n.a.	20.1	2.9	13.7
Steel Partners Holdings LP	n.a.	n.a.	n.a.	n.a.	n.a.	WebBank	UT	n.a.	n.a.	24.2	5.0	24.1
Lehman Brothers Holdings**	639.4	19.3	3.0**	n.a.	n.a.	Woodlands Commercial Bank	UT	0.5	3.8	23.1	3.4	15.4
Alliance Data Systems	8.1	0.0	0.4	2.9	122.9	World Financial Capital Bank	UT	5.9	n.a.	14.1	2.1	14.7
Wright Express	1.6	0.5	30.1	5.2	18.7	Wright Express Financial Services Corp.	UT	60.5	25.1	13.0	8.4	64.8

*Data is as of Q3 2008; LandAmerica Financial Group, Inc. filed bankruptcy on November 26, 2008.
**Data is as of Q2 2008; Lehman Brothers filed bankruptcy in September 2008.
Sources: FDIC; Bloomberg; Milken Institute.

Table 12. Importance of corporate parents to commercially owned ILCs, Q2 2010

Parent company	Parent company					Commercially owned ILC	State	ILC				
	Total assets (US$B)	Total equity capital (US$B)	Equity capital to total assets (%)	ROA (%)	ROE (%)			ILC assets as % of its parent's assets	ILC equity as % of its parent's equity	Equity capital to total assets (%)	ROA (%)	ROE (%)
BMW AG	133.1	24.8	18.6	1.3	6.9	BMW Bank of North America	UT	6.1	3.1	9.4	2.9	31.7
Harley-Davidson	10.2	2.1	20.6	-0.9	-4.0	Eaglemark Savings Bank	NV	0.4	0.3	17.6	10.5	47.9
CMS Energy	15.1	3.0	19.9	1.6	9.2	EnerBank USA	UT	2.1	0.9	9.0	2.5	27.9
Fry's Electronics	n.a.	n.a.	n.a.	n.a.	n.a.	First Electronic Bank	UT	n.a.	n.a.	69.4	-11.4	-28.9
GE	749.9	120.7	16.1	1.3	9.1	GE Capital Financial Inc.	UT	1.1	1.5	22.1	2.4	9.9
Pitney Bowes	8.3	0.2	2.4	4.1	n.a.	The Pitney Bowes Bank Inc.	UT	8.7	28.4	7.9	11.5	147.8
Target Corp.	43.7	15.3	35.0	6.2	18.2	Target Bank	UT	0.3	0.1	11.8	2.0	17.2
Toyota	324.8	110.9	34.1	0.7	2.1	Toyota Financial Savings Bank	NV	0.3	0.1	14.1	1.8	15.7
Flying J*	1.8	0.5	29.7	18.9	63.5	Transportation Alliance Bank Inc.	UT	29.1	13.5	13.2	1.8	13.2
Total assets of U.S. nonfinancial corporate business: $27 trillion Total net worth of U.S. nonfinancial corporate business: $13 trillion												

*The owner of Transportation Alliance Bank Inc. changed from Flying J to FJ Management Inc. in July 2010.
Sources: "Flow of Funds," Federal Reserve, FDIC, Bloomberg, Milken Institute.

While ILCs tend to be dwarfed by their parent companies in terms of assets and equity capital, the bank subsidiaries of bank holding companies are generally vital to the overall enterprise. Table 13 shows that the bank subsidiaries of bank holding companies generally account for a relatively large share of the total assets of their parents. In most cases, the reputation of the bank holding companies is highly dependent upon the reputation of the subsidiary bank, while the reverse is true for commercially owned ILCs and their parents.

In short, for most bank holding companies, as the financial performance of the bank goes, so goes the parent. This is not the case for commercial firms like BMW, Toyota, and Target that own ILCs.

Table 13. Total assets and equity of selected bank holding companies and their subsidiaries, Q2 2010

Bank holding company name	Location	Holding company		FDIC-insured subsidiaries			% holding company	
		Total assets (US$B)	Total equity capital (US$B)	No. of bank subsidiaries	Combined total assets (US$B)	Combined total bank equity capital (US$B)	Total assets	Total equity capital
Bank of America Corp.	Charlotte, NC	2,366	235.0	5	1,788	218.9	75.6	93.2
JPMorgan Chase & Co.	New York, NY	2,014	171.4	5	1,717	156.5	85.3	91.3
Citigroup Inc.	New York, NY	1,938	157.3	5	1,321	146.1	68.2	92.8
Wells Fargo & Co.	San Francisco, CA	1,226	121.4	6	1,133	129.2	92.4	106.4
Goldman Sachs Group Inc.	New York, NY	884	74.8	1	96	18.3	10.8	24.4
Morgan Stanley	New York, NY	809	59.2	2	73	8.6	9.0	14.6
MetLife Inc.	New York, NY	574	39.7	1	15	1.1	2.5	2.7
Barclays Group US Inc.	Wilmington, DE	356	9.8	1	13	1.7	3.8	17.1
Taunus Corp.	New York, NY	349	5.7	2	43	9.3	12.3	162.7
HSBC North America Holdings Inc.	New York, NY	334	29.3	3	186	18.5	55.6	63.2
U.S. Bancorp	Minneapolis, MN	283	28.9	2	284	27.0	100.3	93.4
PNC Financial Services Group Inc.	Pittsburgh, PA	262	31.0	1	251	31.0	95.9	100.0
Bank of New York Mellon Corp.	New York, NY	236	31.1	4	190	18.9	80.3	60.7
Capital One Financial Corp.	McLean, VA	197	25.3	2	195	29.9	98.7	118.4
Ally Financial Inc.	Detroit, MI	177	20.8	1	62	8.3	34.9	40.2
SunTrust Banks Inc.	Atlanta, GA	171	23.0	1	161	19.5	94.1	84.5
State Street Corp.	Boston, MA	161	16.1	1	157	16.4	98.0	101.9
TD Bank US Holding Co.	Portland, ME	159	17.1	2	164	25.6	102.9	150.0
BB&T Corp.	Winston-Salem, NC	155	16.7	2	152	17.5	97.8	104.6
American Express Co.	New York, NY	143	14.5	2	63	10.4	44.1	71.8
Regions Financial Corp.	Birmingham, AL	135	17.7	1	131	15.9	96.8	89.8
Fifth Third Bancorp	Cincinnati, OH	112	13.7	1	110	16.7	98.2	121.9
KeyCorp	Cleveland, OH	94	11.1	1	91	8.9	96.2	80.7
Northern Trust Corp.	Chicago, Il	80	6.6	3	80	6.3	100.2	95.8
Discover Financial Services	Riverwoods, IL	61	6.1	2	60	5.6	98.0	92.1
Comerica Inc.	Dallas, TX	56	5.8	2	56	5.9	99.7	102.0
CIT Group Inc.	New York, NY	55	8.6	1	8	1.7	13.8	19.9
Marshall & Ilsley Corp.	Milwaukee, WI	54	6.8	4	55	5.9	101.0	87.4
Zions Bancorporation	Salt Lake City, UT	52	6.4	8	52	6.9	100.0	106.7
Huntington Bancshares Inc.	Columbus, OH	52	5.5	1	51	3.3	98.9	60.0
Popular Inc.	San Juan, PR	42	3.6	2	42	3.9	98.5	108.1
New York Community Bancorp Inc.	Westbury, NY	42	5.5	2	42	5.8	100.7	106.1
Synovus Financial Corp.	Columbus, GA	32	3.4	1	32	3.1	98.8	90.7
First Horizon National Corp.	Memphis, TN	26	3.3	1	26	3.5	99.2	105.5
BOK Financial Corp.	Tulsa, OK	24	2.5	7	26	2.3	109.4	94.2
Associated Banc-Corp	Green Bay, WI	23	3.2	1	22	2.8	98.7	88.3
City National Corp.	Los Angeles, CA	21	1.9	1	21	2.0	98.4	105.5
First Citizens Bancshares Inc.	Raleigh, NC	21	1.7	2	21	1.8	99.4	108.1
First Niagara Financial Group Inc.	Buffalo, NY	21	2.8	1	20	2.5	99.6	90.9
East West Bancorp Inc.	Pasadena, CA	20	2.3	1	20	2.3	99.7	96.5
Commerce Bancshares Inc.	Kansas City, MO	18	2.0	1	18	1.8	99.0	89.3
First Bancorp	San Juan, PR	18	1.4	1	18	1.6	99.9	111.0

Note: Assets and equity capital of subsidiaries sometimes exceed those of the parent due to a lack of consolidation of affiliates and the inclusion of retained earnings, respectively.
Sources: National Information Center, Federal Reserve, FDIC, Milken Institute.

4. The Capitalization and Performance of ILCs

"The FDIC's experience and the comments suggest that no risk or other possible harm is unique to the ILC charter."

FDIC chairman Sheila C. Bair
Testimony before the U.S. House of Representatives
April 25, 2007

"There's not a single ILC that contributed to the crisis, not a single ILC that went down..."

Sen. Robert Bennett to Treasury Secretary Timothy Geithner before the Senate Banking Committee
June 19, 2009

"A review of the record demonstrates that FDIC funds have never been used to help an ILC with a commercial parent. ... Throughout the history of ILC existence, including the current financial crisis, not one commercially owned ILC has failed or caused even one dollar of loss to the FDIC insurance fund. "

Darryle Rude
Utah Department of Financial Institutions phone interview, December 2, 2009

"No commercially owned ILC has caused a single dollar of loss to the deposit insurance fund."

John C. Dugan, Comptroller of the Currency
Statement at FDIC Board of Directors Meeting
January 31, 2007

"In our view, Congress has given us good tools to manage the relationship between parents and insured subsidiaries. These are a great help in preventing the problems that have been identified with this sort of business arrangement—indeed FDIC manages these relationships every day in the industrial loan company model with little or no risk to the deposit insurance funds—and no subsidy transferred to the nonbank parent."

Donald Powell, former FDIC chairman
Statement at American Bankers Association Annual Meeting
October 8, 2002

It's clear that ILCs were not responsible for the financial crisis of 2007–2009. After all, these institutions accounted for only a very small portion of the number and total assets of all financial firms during these years.

Furthermore, most of the FDIC's deposit insurance protects deposits of non-ILC institutions. As shown in table 14, ILCs accounted for 4.1 percent or less of all FDIC-insured deposits over the past decade. As of mid-2010, they accounted for less than 2 percent. Most of the insured deposits, moreover, are held by financially owned ILCs, not commercially owned ILCs. If the FDIC had to write a check to all insured depositors to cover losses, the sum going to ILC depositors would be at most $87 billion (assuming all ILC deposits are FDIC-insured) while the check going to all other depositors would be a daunting sum indeed, at more than $5 trillion. In short, ILCs do not pose a serious threat to the FDIC insurance fund at the present time or in the foreseeable future.

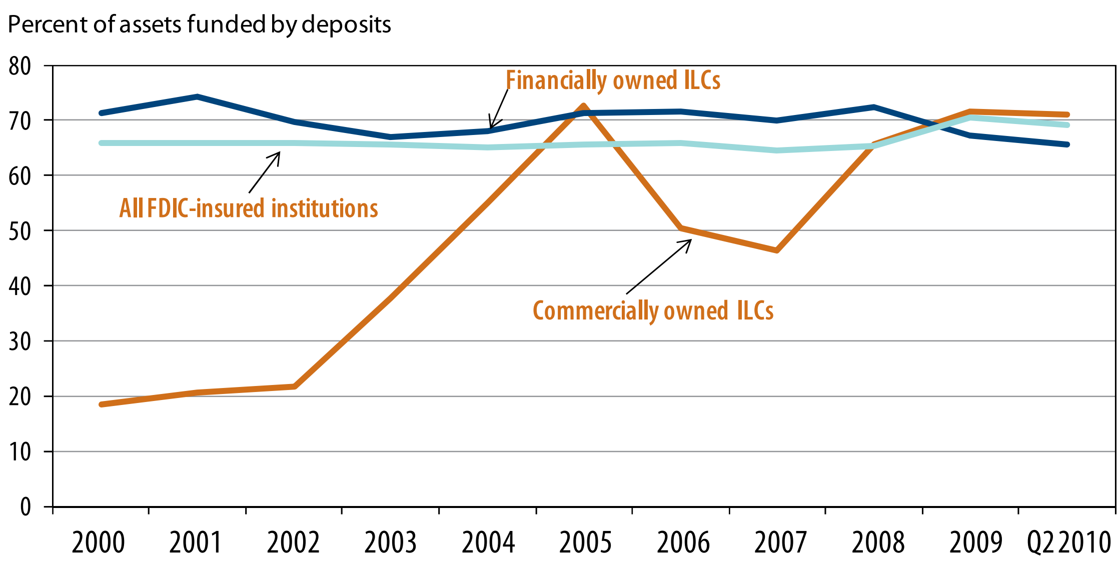
Table 14. ILCs account for a small share of all FDIC-insured deposits, 2000 to Q2 2010

	All deposits at FDIC-insured institutions (US$B)	All FDIC-insured deposits (US$B)	ILC deposits ($ billions)		ILC deposits as % of all deposits at FDIC-insured institutions		ILC deposits as % of all FDIC-insured deposits	
			Commercially owned ILCs	Financially owned ILCs	Commercially owned ILCs	Financially owned ILCs	Commercially owned ILCs	Financially owned ILCs
2000	4,915	3,054	0.6	58.9	0.01	1.20	0.02	1.93
2001	5,189	3,214	0.6	80.2	0.01	1.55	0.02	2.50
2002	5,569	3,382	0.7	79.6	0.01	1.43	0.02	2.35
2003	5,960	3,452	1.3	84.4	0.02	1.42	0.04	2.45
2004	6,585	3,621	1.9	92.6	0.03	1.41	0.05	2.56
2005	7,141	3,890	2.5	105.4	0.04	1.48	0.06	2.71
2006	7,825	4,147	2.9	143.8	0.04	1.84	0.07	3.47
2007	8,415	4,286	3.3	173.1	0.04	2.06	0.08	4.04
2008	9,036	4,744	15.4	139.1	0.17	1.54	0.32	2.93
2009	9,227	5,399	13.7	72.4	0.15	0.78	0.25	1.34
Q2 2010	9,423	5,426	13.3	74.0	0.14	0.79	0.25	1.36

Note: ILCs include all active ILCs during a year (some ILCs were established after 2000 and some were closed before Q2 2010). Capmark Bank is classified as a financially owned ILC after 2006.
Sources: FDIC, Milken Institute.

Figure 15 shows that today, both commercially and financially owned ILCs fund about the same percentage of their assets with deposits as all FDIC-insured institutions. This is neither surprising nor alarming. (See appendix 11 for more detailed information on the percentages of assets that are funded by total deposits and FDIC-insured deposits, respectively.)

Figure 15. Percentage of ILC assets funded by deposits



Note: There were 7,830 FDIC-insured institutions as of Q2 2010. Some ILCs were established after 2000 and some were closed before Q2 2010. Ally Bank and Capmark Bank are classified as financially owned ILCs after 2006.
Sources: FDIC, Milken Institute.

Of course, there have been some failures of ILCs over time. Table 15 shows that since 1986, 21 ILCs have failed, costing the FDIC $212 million to resolve. But no ILC failed from 2004 to 2009, which encompasses the recent financial crisis. Furthermore, none of the failures involved *commercially* owned ILCs. The two biggest ILCs accounted for 43 percent of the total FDIC resolution cost for all failed ILCs over this time period.

Table 15. Failures of FDIC-insured ILCs and loss to FDIC's deposit insurance fund, 1986 to 2009

Name	Location	Effective date of failure	Transaction type*	Total deposits (US$ millions)	Total assets (US$ millions)	Estimated loss to FDIC deposit insurance fund (US$ millions)	Loss to total assets (%)
Orange Coast Thrift & Loan Association	Los Alamitos, CA	6/27/1986	PA	12.3	14.0	5.4	38.3
Whittier Thrift and Loan	Whittier, CA	6/12/1987	PA	14.4	15.2	3.3	21.5
Colonial Thrift and Loan Association	Culver City, CA	4/15/1988	PA	24.0	26.8	4.6	17.2
First Industrial Bank of Rocky Ford	Rocky Ford, CO	12/16/1988	PA	11.4	12.5	6.7	53.6
Metropolitan Industrial Bank	Denver, CO	4/15/1988	IDT	12.5	12.4	4.7	38.0
Westlake Thrift and Loan Association	Westlake Village, CA	7/29/1988	IDT	51.2	55.2	7.7	14.0
Lewis County Savings and Loan Co.	Weston, WV	5/12/1989	PA	3.9	4.0	0.4	10.2
Federal Finance and Mortgage Ltd.	Honolulu, HI	12/13/1991	IDT	7.4	7.7	0.9	11.4
Landmark Thrift and Loan Association	San Diego, CA	7/12/1991	PO	15.8	16.6	2.2	13.3
Assured Thrift and Loan Association	Stockton, CA	1/3/1992	PO	46.6	48.2	21.0	43.6
Huntington Pacific Thrift and Loan	Huntington, CA	12/4/1992	PO	38.3	40.5	17.4	42.9
North American Thrift and Loan	Corona Del Mar, CA	5/29/1992	PO	20.9	21.3	0	0
Statewide Thrift and Loan Co.	Redwood City, CA	11/13/1992	PA	9.5	9.6	2.3	24.3
Brentwood Thrift and Loan Association	Los Angeles, CA	10/15/1993	PO	11.5	12.9	3.3	25.7
Century Thrift and Loan	Corona Del Mar, CA	11/5/1993	PO	24.5	31.9	9.6	30.0
City Thrift and Loan Association	Redwood City, CA	7/9/1993	PO	37.0	39.4	17.7	44.9
Regent Thrift and Loan Association	San Francisco, CA	9/17/1993	PI	7.2	35.8	1.5	4.1
Los Angeles Thrift and Loan Co.	Los Angeles, CA	3/31/1995	PI	22.3	23.4	6.1	26.0
Commonwealth Thrift and Loan	Torrance, CA	8/16/1996	PI	10.9	11.5	5.6	48.8
Pacific Thrift and Loan Co.	Woodland Hills, CA	11/22/1999	PI	119.5	127.3	42.0	33.0
Southern Pacific Bank	Torrance, CA	2/7/2003	PI	864.2	904.3	49.2	5.4
Total loss to FDIC from all ILC failures (1986-2003): $212 million							
Total loss to FDIC from all ILC failures (2004-2009): $0 (none of ILCs failed)							

*Transaction types: PA: purchase and assumption, in which the insured and uninsured deposits, certain other liabilities, and a portion of the assets were sold to an acquirer; PI: purchase and assumption of the insured deposits only, in which the traditional P&A approach was modified so that only the insured deposits were assumed by the acquiring institution; IDT: insured deposit transfer; PO: payout, in which the insurer paid the depositors directly and placed the assets in a liquidating receivership.
Sources: FDIC, "FDIC Supervisory Insights: The FDIC's Supervision of Industrial Loan Companies: A Historical Perspective" (2004); Milken Institute.

The 21 failed ILCs accounted for 1 percent of all FDIC-insured depository institution failures during this time period, as shown in table 16. The other 2,237 institutions that failed cost the FDIC $163 billion to resolve, while the 21 ILCs cost $212 million. In terms of losses relative to assets, the ILCs' ratio was 14.4 percent over the period, as compared to 13.7 percent for the other institutions. From 2004 to 2009, however, the ratio for ILCs was 0 because there were no failures, while the ratio for the other 172 failed institutions was 10.5 percent.

Table 16. Losses incurred by the FDIC's deposit insurance fund from failed institutions: ILCs vs. all other FDIC-insured institutions, 1986 to 2009

	ILCs	All other FDIC-insured depository institutions	ILCs as % of all other FDIC-insured depository institutions
1986-2003			
Number of failed institutions	21	2,065	1.0%
Total assets of failed institutions (US$ millions)	$1,470	$642,575	0.2%
Total loss to the FDIC (US$ millions)	$212	$105,309	0.2%
Total loss to total assets of failed institutions (%)	**14.4%**	**16.4%**	**-**
2004-2009			
Number of failed institutions	0	172	0%
Total assets of failed institutions (US$ millions)	$0	$544,440	0%
Total loss to the FDIC (US$ millions)	$0	$57,431	0%
Total loss to total assets of failed institutions (%)	**-**	**10.5%**	**-**
1986-2009			
Number of failed institutions	21	2,237	0.9%
Total assets of failed institutions (US$ millions)	$1,470	$1,187,104	0.1%
Total loss to the FDIC (US$ millions)	$212	$162,740	0.1%
Total loss to total assets of failed institutions (%)	**14.4%**	**13.7%**	**-**

Sources: FDIC, Milken Institute.

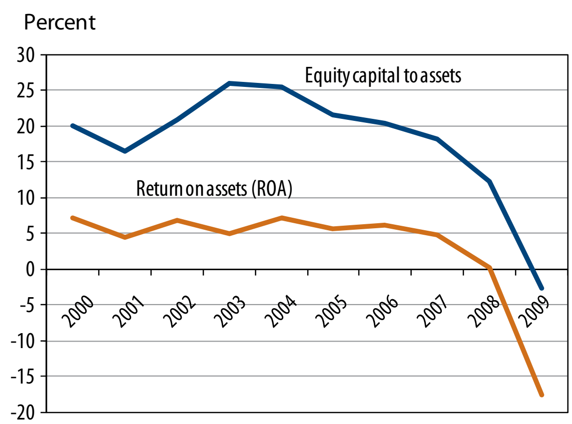
During the crisis years, some ILCs closed and others were converted to commercial banks. Table 17 provides a list of these institutions and shows that after 2009, only one ILC failed. This institution, Advanta Bank Corp., was a financially owned ILC that provided loans to small businesses; it failed in March 2010 as its clients suffered the effects of the Great Recession. Figure 16 shows that this institution, like so many others, became a victim of the crisis, as its income and capital plummeted. Other ILCs closed or converted to commercial bank charters, contributing to substantial changes in the assets and loans of the ILC industry during the past several years. It should be noted that the charter conversions during the recent crisis were, in most cases, driven by the parent companies' conversion to bank holding companies.

Table 17. Closed and converted ILCs, 2007 to 2010

Industrial loan companies	State	Inactive date	Year-end assets as of the inactive date (US$ millions)	Inactive type	Parent company
Financially owned ILCs					
Merrill Lynch Bank USA	UT	7/1/2009	67,995	M&A	Merrill Lynch
Morgan Stanley Bank	UT	9/23/2008	38,530	CB	Morgan Stanley
Goldman Sachs Bank USA	UT	9/26/2008	21,630	CB	Goldman Sachs
Fremont Investment & Loan	CA	7/25/2008	5,657	VC	Fremont General Corp.
CIT Bank	UT	12/22/2008	3,117	CB	CIT Group
Advanta Bank Corp.	UT	3/19/2010	1,526	Failed	Advanta
Trust Industrial Bank	CO	12/1/2009	798	VC	FISERV
Tamalpais Bank	CA	1/30/2009	702	CB	Tamalpais Bancorp
Republic Bank Inc.	UT	5/28/2009	554	CB	No affiliation
Silvergate Bank	CA	2/28/2009	327	CB	Silvergate Capital
Security Savings Bank	NV	2/27/2009	238	M&A	Stampede Capital LLC
5 Star Bank	CO	5/1/2009	157	CB	Armed Forces Benefit Association
First Financial Bank	CO	9/19/2007	152	VC	First Data Corp.
Home Bank of California	CA	7/11/2008	148	CB	La Jolla Savers and Mortgage Fund
Marlin Business Bank	UT	1/31/2009	84	CB	Marlin Business Services
Home Loan Industrial Bank	CO	6/1/2008	41	CB	Home Loan Investment Co.
Commercially owned ILCs					
Ally Bank (GMAC Bank)*	UT	10/1/2009	52,513	CB	GM
Volkswagen Bank USA	UT	10/26/2007	288	VC	Volkswagen AG
Escrow Bank USA	UT	6/30/2009	2	VC	GM
Volvo Commercial Credit Corp. of Utah	UT	1/16/2007	3	CB	Volvo

*Ally Bank originally was established on 8/2/2004 as GMAC Automotive Bank; Capmark Bank was originally established on 4/1/2003 as GMAC Commercial Mortgage Bank.
Note: VC: Voluntarily closed; CB: Converted to commercial bank. M&A: Merged with or acquired by other institutions.
Source: FDIC.

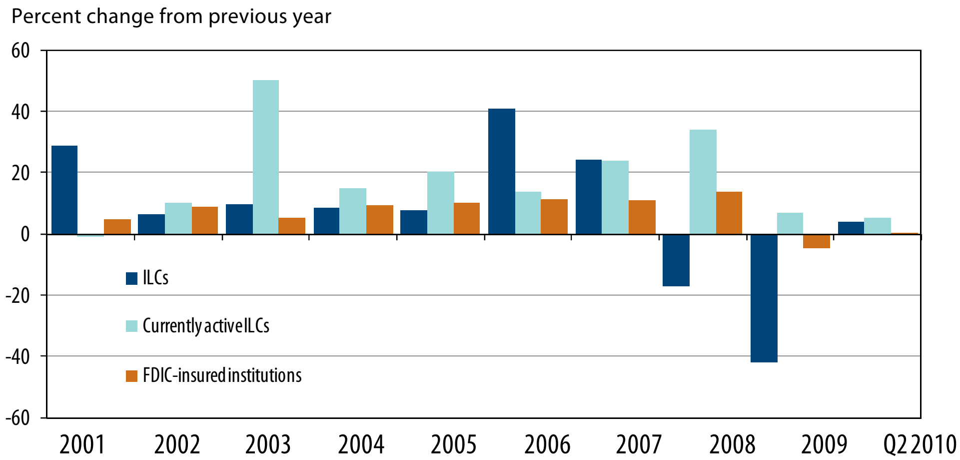
Figure 16. Advanta Bank Corp. failed on March 19, 2010



Note: On March 19, 2010, Advanta Bank Corp. was closed by the Utah Department of Financial Institutions, and the FDIC was named receiver.
Sources: FDIC, Milken Institute.

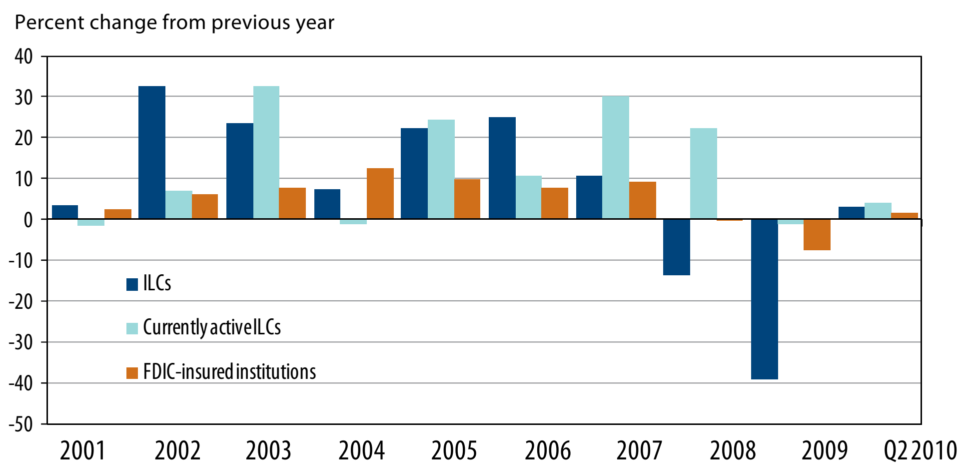
Two failures and 20 closings and conversions occurred in the ILC industry during the past decade. Despite these changes, figures 17 and 18 show that the assets and loans of ILCs grew in every year except 2008 and 2009. (For comparison, we also include the growth of assets and loans for all FDIC-insured institutions as well as for the currently active ILCs.) It therefore follows that these institutions did not contribute to the recent credit crunch, in contrast to the other FDIC-insured institutions. The lack of growth in assets and loans for all ILCs in 2008 and 2009 is almost entirely due to the conversion of a few large ILCs to commercial banks.

Figure 17. Asset growth for all and only currently active ILCs and FDIC-insured institutions, 2001 to Q2 2010



Note: Q2 2010 data represents percent change from year-end 2009.
Sources: Federal Reserve, FDIC, Milken Institute.

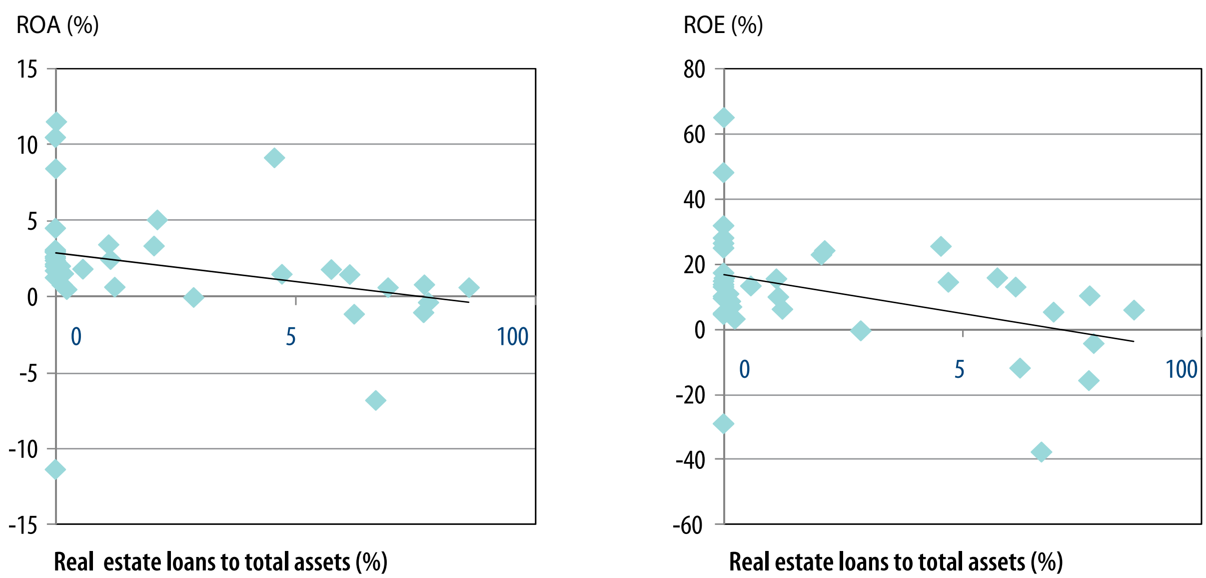
Figure 18. Loan growth for all and only currently active ILCs and FDIC-insured institutions, 2001 to Q2 2010



Note: Q2 2010 data represents percent change from year-end 2009.
Sources: Federal Reserve, FDIC, Milken Institute.

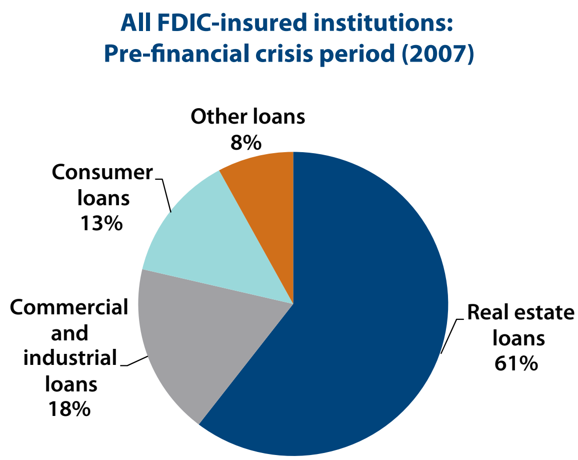
Real estate lending was a major factor in the crisis. Using a simple bivariate regression model, figure 19 shows that there is a statistically significant and negative relationship between ROA (and ROE) and the percentage of an ILC's total assets that are accounted for by real estate loans. It is therefore useful to compare the percentage of total loans that were real estate–related for all FDIC-insured institutions vs. the percentage for ILCs. Figure 20 shows that real estate loans accounted for 61 percent of total loans for FDIC-insured institutions before the crisis and declined slightly to 59 percent after the crisis. But for financially owned ILCs, real estate loans made up slightly less than one-third of total loans before the crisis, dropping to 17 percent after the crisis. This decline was mainly due to the closure or conversion of several large financially owned ILCs, as shown in figure 21. Commercially owned ILCs, however, had a very small percentage of real estate loans. Figure 22 shows that prior to the crisis, only 5 percent of total loans were real estate loans, while after the crisis, the percentage increased to 10 percent.

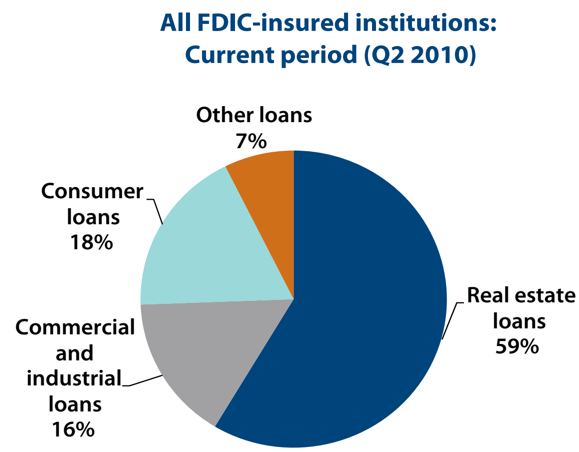
Figure 19. ILCs: Correlation between real estate loans to total assets and performance, Q2 2010



Note: The estimated beta coefficient from a bivariate regression (ROA = α + β Real estate/total assets) is statistically significant at the 5% level for the ROA regression, and at the 1% level for the ROE regression. The RHS figure does not include the data for The Pitney Bowes Bank Inc. (its ROE = 148%); excluding this bank does not affect the significance level of the estimated coefficient.
Sources: FDIC; Milken Institute.

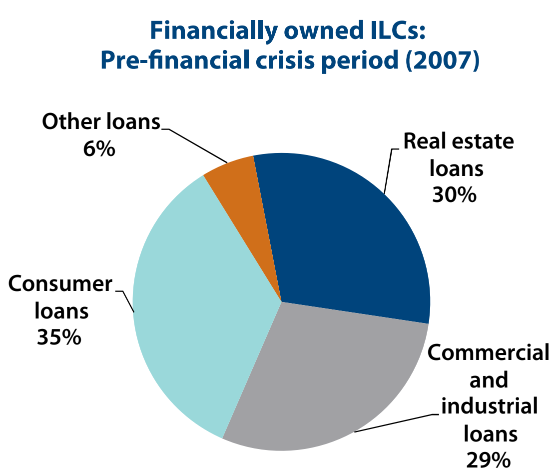
Figure 20. FDIC insured-institutions: Highly exposed to real estate both pre- and post-crisis

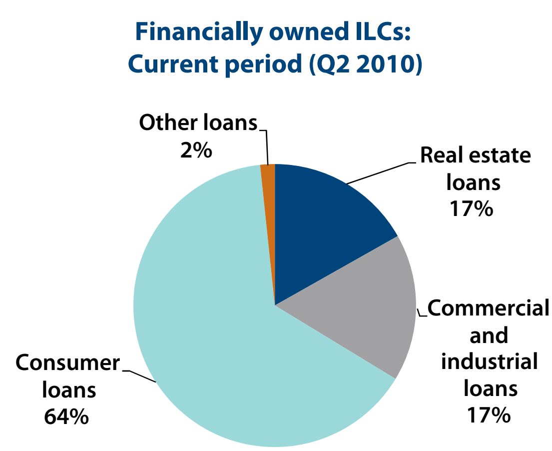




Note: The data are for the aggregate loan composition of all FDIC-insured institutions (commercial banks and saving institutions).
Sources: FDIC, Milken Institute

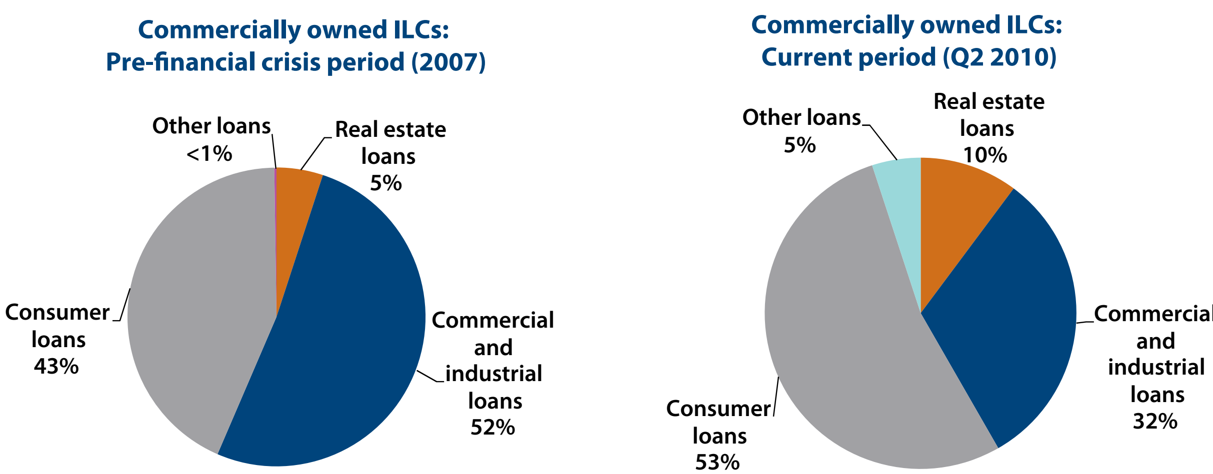
Figure 21. Financially owned ILCs focused more on consumer and commercial/industrial loans, not real estate





Notes: The data are for aggregate loan compositions of all financially owned ILCs. The pre-financial crisis period is as of the end of 2007. The data include all active ILCs in a given year; some of them were closed or became inactive before Q2 2010.
Sources: FDIC, Milken Institute.

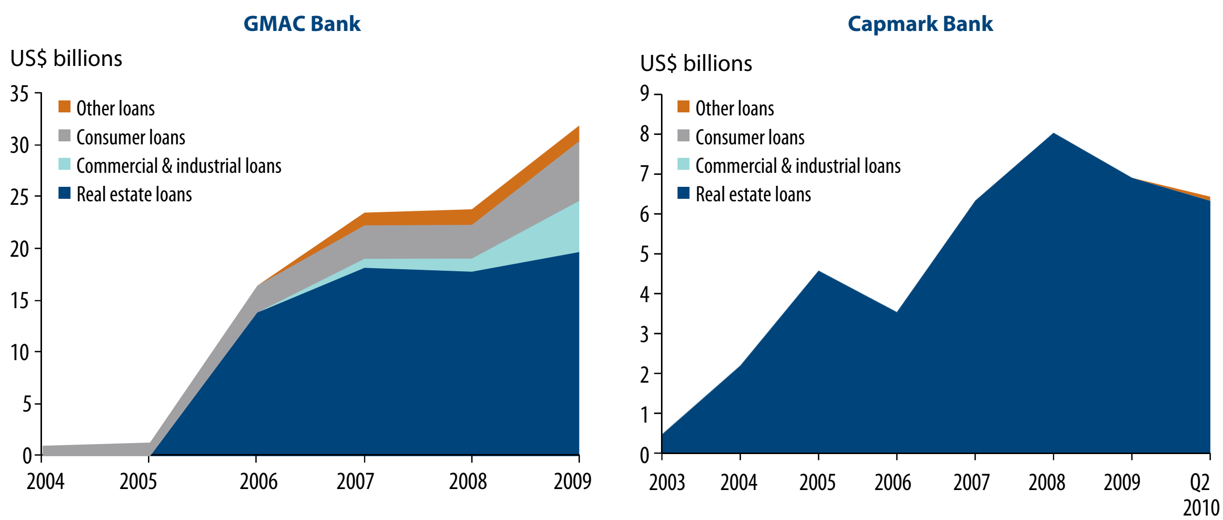
Figure 22. Commercially owned ILCs largely avoided real estate loans both pre- and post-crisis



Note: The data are for the aggregate loan composition of all ILCs. The pre-financial crisis period is as of the end of 2007. Based on nine commercially owned ILCs (BMW Bank of North America, GE Capital Financial Inc., Target Bank, Toyota Financial Savings Bank, Eaglemark Savings Bank, EnerBank USA, First Electronic Bank, The Pitney Bowes Bank Inc., and Transportation Alliance Bank Inc.)
Sources: FDIC, Milken Institute.

General Motors owned three ILCs during the past decade: GMAC Bank (now Ally Bank), Capmark Bank, and Escrow Bank. The latter was voluntarily closed in the summer of 2009. GMAC Bank converted to a commercial bank in late 2009, while Capmark was sold in 2006 and is still an active ILC. Figure 23 shows that both GMAC and Capmark Bank became and still remain heavily involved in real estate assets, especially as compared to all the other ILCs.

Figure 23. Two of GM's previous ILC subsidiaries heavily involved in real estate



Note: Ally Bank was originally established on 8/2/2004 as GMAC Automotive Bank; Capmark Bank was originally established on 4/1/2003 as GMAC Commercial Mortgage Bank.
Sources: FDIC, Milken Institute.

Of the five major investment banks that existed prior to the financial crisis, two are still active, two were acquired, and one failed. The one that failed, Lehman Brothers, owned an ILC: Woodlands Commercial Bank in Utah.[33] This ILC did not cause the failure of Lehman Brothers. Furthermore, it was reported that Lehman Brothers transferred $75 million in cash and $200 million in other noncash consideration to its ILC in December 2010, with plans to sell or liquidate this institution in 2012.[34] To this degree, it would appear that the parent of the ILC has been able to serve as a source of strength for its subsidiary, not the other way around.[35] However, Julie Boyle, CEO of the ILC, stated in a conversation for this report that such a transfer of funds would not have been necessary if not for an earlier inappropriate seizure of some of Woodlands' assets. Furthermore, she indicated that the ILC relied on mark-to-market accounting, which contributed to a significant decline in the value of the institution's assets in 2008 but has been subsequently reversed; as markets have improved, the institution is now well capitalized.

Some may argue that if Lehman Brothers, the parent of Woodlands, had been supervised by the Federal Reserve rather than the Securities and Exchange Commission (SEC), things would have turned out much better for the subsidiary ILC. However, there is no evidence that granting the Federal Reserve supervisory authority over all holding companies that owned an FDIC-insured depository institution would have averted the financial crisis or resulted in fewer bank failures. The SEC, the supervisor of investment banking firms, and the Federal Reserve alike supervised institutions that failed during the crisis.

In any event, the Dodd-Frank Act provides greater authority for the Federal Reserve to deal with systemically important financial institutions. In addition, the act requires parents of all FDIC-insured depository institutions to serve as a source of strength.

As a result of the crisis, there was a change in the composition of the list of the largest ILCs in the industry. As table 18 shows, the three largest ILCs in 2007 were all converted to commercial banks; by the second quarter of 2010, the three largest ILCs were much smaller in terms of total assets. However, the five largest institutions in 2007 accounted for 73 percent of the total assets of all ILCs, and in mid-2010, they accounted for a slightly smaller 69 percent. Although these percentages are quite close to one another, the total assets of the industry declined to $132 billion from $264 billion over this period. Lastly, the three largest institutions are all financially owned ILCs and account for 55 percent of the total assets of the industry.

33. Lehman Brothers filed for bankruptcy in December 2008.
34. Reuters, "Lehman Units' Refinancing Deals Go Through," December 3, 2010, http://www.reuters.com/article/idUSN0329600320101203
35. See appendix 12 for information on selected ILCs and their parents regarding source of strength agreements and examinations of the ILCs and their parents.

Table 18. Biggest ILCs: Pre- and post-financial crisis

2007							
		Total assets (US$B)	Total employees	All real estate loans (US$B)	Commercial and industrial loans (US$B)	Gross loans to individuals (US$B)	Total other loans (US$B)
1	Merrill Lynch Bank USA*	78.1	1,419	10.7	18.0	6.5	1.1
2	Morgan Stanley Bank*	35.1	75	1.7	10.5	0.7	3.8
3	Ally Bank *(formerly GMAC Bank)	28.4	513	18.2	0.8	3.2	1.2
4	American Express Centurion Bank	26.0	61	0	<0.1	22.2	0.8
5	UBS Bank USA	25.0	42	<0.1	5.2	5.6	0.1
Sum of the biggest five		192.7	2,110	30.6	34.5	38.3	6.9
All other ILCs		71.1	5,834	14.9	9.1	13.5	1.7
Grand total		263.8	7,944	45.5	43.6	51.9	8.6
Biggest five (% total)		**73.0**	**26.6**	**67.3**	**79.1**	**73.9**	**80.0**

Q2 2010							
		Total assets (US$B)	Total employees	All real estate loans (US$B)	Commercial and industrial loans (US$B)	Gross loans to individuals (US$B)	Total other loans (US$B)
1	American Express Centurion Bank	30.0	74	0	<0.1	13.1	<0.1
2	UBS Bank USA	29.0	52	0.4	7.5	7.9	0.4
3	USAA Savings Bank	13.8	6	0	0	13.9	0
4	Capmark Bank	9.5	137	6.3	0	0	0.1
5	BMW Bank of North America	8.2	33	0	0	6.8	0
Sum of the biggest five		90.4	302	6.8	7.5	41.7	0.5
All other ILCs		41.2	2,371	8.1	8.4	6.9	1.3
Grand total		131.7	2,673	14.8	15.8	48.6	1.8
Biggest five (% total)		**68.7**	**11.3**	**45.5**	**47.2**	**85.8**	**27.4**

Note: * These ILCs are currently inactive because they were converted to commercial banks.
Source: FDIC.

5. The ILC Business Model

"The ILC charter has proven to be a strong, responsible part of our nation's banking system. ILCs have offered innovative approaches to banking. Many have contributed significantly to community reinvestment and development."

FDIC chairman Sheila C. Bair
Testimony before the U.S. House of Representatives
April 25, 2007

"This paper reviews the major arguments that have been raised against the mixing of banking and commerce, finding most to be theoretically weak or lacking in empirical support."

Alexander Raskovich
Economist, U.S. Department of Justice, 2008

"In a number of instances, ILC entry by commercial or financial firms has even helped provide a new or a better way for reaching certain customers, thus increasing the competitive interplay in financial markets."

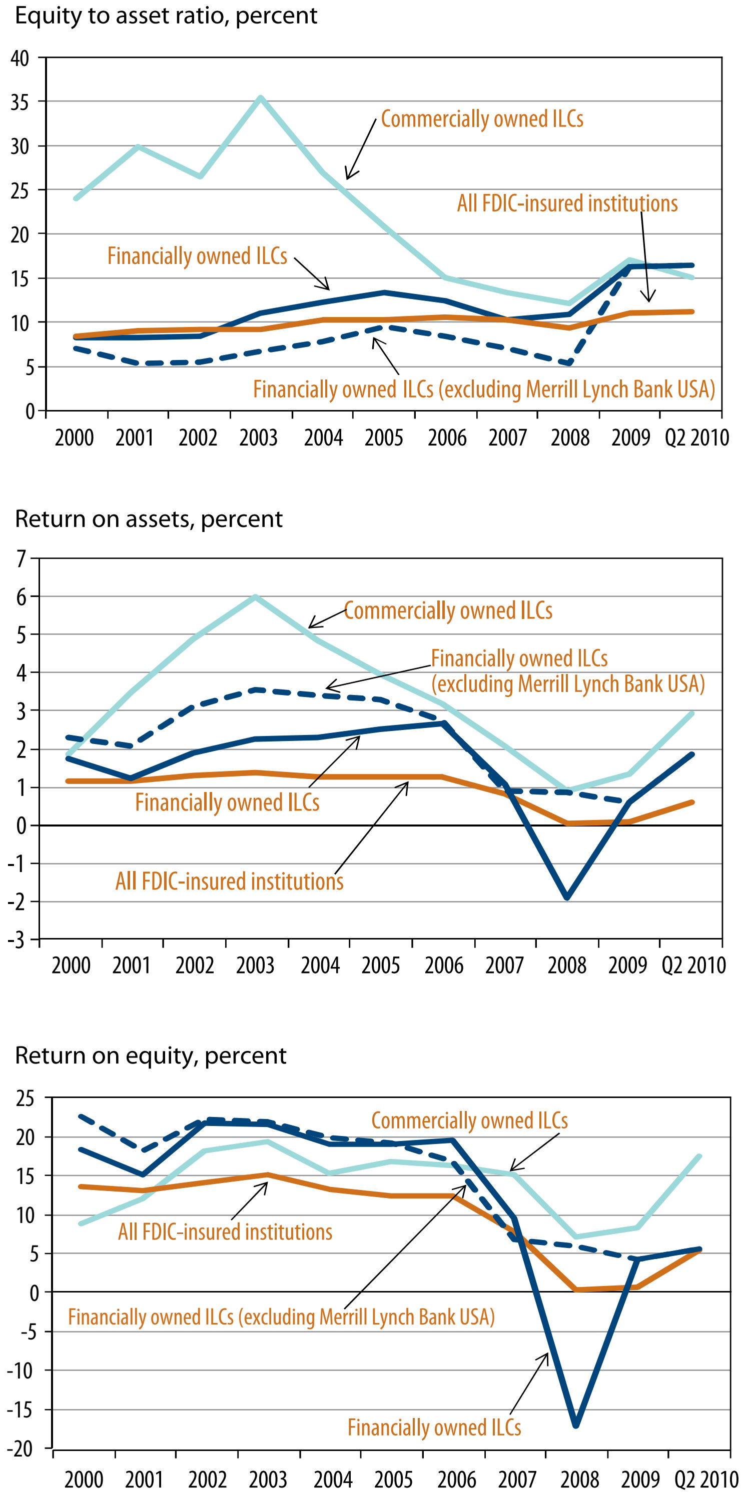
Federal Reserve Bank of Kansas City
Policy economists Ken Spong and Eric Robbins, 2007

The ILC industry has survived for more than a century, so clearly ILCs have been accepted in the financial marketplace. As discussed in previous sections, no ILCs failed during the recent crisis. Moreover, no commercially owned ILC has *ever* failed.

It is useful to measure the capitalization and performance of ILCs against all FDIC-insured institutions. Figure 24 (on the following page) shows that over the past decade, both financially and commercially owned ILCs have been better capitalized and performed better in terms of ROA and ROE as compared to all FDIC-insured institutions, with the exception of financially owned ILCs in 2008 (and that poor performance was due to a single ILC, Merrill Lynch Bank USA). The figure shows that without the inclusion of this institution, the remaining financially owned ILCs performed better than all FDIC-insured institutions in 2008.

One can also compare ILCs to FDIC-insured institutions based upon more than just ROA, ROE, and equity capital–to-asset ratios. This is done in table 19 on (page 54) and appendixes 13 to 16. The table shows that in terms of ROA, 82 percent of the ILCs performed better than the average of all FDIC-insured institutions; 85 percent outperformed the average of all state-chartered institutions. When the ILCs are compared to commercial banks within the same size categories, nearly 80 percent or more of the ILCs came out ahead of their respective FDIC-insured institution size group in terms of ROA. Based on all the other measures, more than half the ILCs performed better than all FDIC-insured institutions and state-chartered institutions. This is not always the case when ILCs are compared to commercial banks by size group. In particular, for net interest margin, noncurrent loans to loans, and charge-offs to loans, ILCs perform better than commercial banks (except for one size group with respect to net interest margin and noncurrent loans to loans, and three other size groups with respect to charge-offs to loans).

Figure 24. Equity-to-asset ratio and performance ratios of ILCs and all FDIC-insured institutions



Sources: FDIC, Milken Institute.

Table 19. Different performance measures for ILCs and FDIC-insured institutions, Q2 2010

	ROA (%)	ROE (%)	Equity capital to assets (%)	Efficiency ratio (%)	Net interest margin (%)	Noncurrent loans to loans (%)*	Loss allowance to noncurrent loans (%)*	Net charge-offs to loans (%)*	Number of ILCs in each category
Percentage of ILCs having better performance than:									
All FDIC-insured institutions	82.1	74.4	66.7	64.1	69.2	76.3	72.2	63.2	39
State-chartered institutions	84.6	84.6	66.7	69.2	74.4	69.2	66.7	56.4	39
Commercial banks									
Assets less than $100M	87.5	75.0	75.0	62.5	87.5	75.0	83.3	50.0	8
Assets $100M to $300M	87.5	87.5	50.0	75.0	62.5	71.4	85.7	28.6	8
Assets $300M to $500M	80.0	80.0	80.0	80.0	80.0	80.0	80.0	60.0	5
Assets $500M to $1B	83.3	83.3	66.7	66.7	66.7	66.7	66.7	16.7	6
Assets $1B to $10B	77.8	77.8	88.9	100.0	44.4	44.4	55.6	66.7	9
Assets greater than $10B	100.0	100.0	66.7	100.0	66.7	100.0	100.0	33.3	3

* Data for noncurrent loans to loans, loss allowance to noncurrent loans, and net charge-offs to loans are only available for 38, 36, and 38 ILCs, respectively.
Note: See appendixes 13-16 for detailed information on each currently active depository ILCs.
Sources: FDIC; Milken Institute.

Table 20 shows that as of the second quarter of 2010, both types of ILCs were better capitalized and had better profitability ratios than FDIC-insured institutions. In particular, commercially owned ILCs had an ROA that was nearly five times that of FDIC-insured institutions.

Table 20. Safety and soundness measures for ILCs and FDIC-insured institutions, Q2 2010

	Capital ratios		Profitability ratios	
	Equity capital to assets	Tier 1 risk-based capital ratio	ROA	ROE
Financially owned ILCs	16.5%	20.2%	1.9%	11.2%
Commercially owned ILCs	15.1%	14.8%	2.9%	17.6%
All FDIC-insured institutions	11.0%	12.4%	0.6%	5.5%

Sources: FDIC, Milken Institute.

In terms of individual institutions, based on data for the second quarter of 2010, more than half of all ILCs ranked in the top 10 percent of the 7,152 FDIC-insured institutions for return on assets (ROA). Among the nine commercially owned ILCs, eight ranked in the top 10 percent. The worst-performing ILC was First Electronic Bank, a small institution with $7.1 million in assets. However, it had an equity-to-asset ratio of approximately 70 percent as of mid-2010. Table 21 shows the ranking of each of the currently active ILCs based on ROA as well as the equity capital–to–total asset ratio.

Table 21. Ranking of ILCs as compared to all FDIC-insured institutions based on ROA and equity capital–to-asset ratio, Q2 1010

ROA		
Rank	**ILCs**	**Ownership type**
	Top 10%	
19	The Pitney Bowes Bank Inc.	Commercial
30	Beal Bank Nevada	Financial
31	Eaglemark Savings Bank	Commercial
35	Wright Express Financial Services Corp.	Financial
61	WebBank	Financial
68	American Express Centurion Bank	Financial
85	Woodlands Commercial Bank	Financial
89	The Morris Plan Company of Terre Haute Inc.	Financial
105	Rancho Santa Fe Thrift and Loan Association	Financial
110	Optumhealth Bank Inc.	Financial
124	BMW Bank of North America	Commercial
136	USAA Savings Bank	Financial
149	Merrick Bank Corp.	Financial
162	EnerBank USA	Commercial
169	GE Capital Financial Inc.	Commercial
346	Target Bank	Commercial
366	World Financial Capital Bank	Financial
381	Medallion Bank	Financial
416	LCA Bank Corp.	Financial
553	Toyota Financial Savings Bank	Commercial
583	ARCUS Bank	Financial
590	Transportation Alliance Bank Inc.	Commercial
593	Sallie Mae Bank	Financial
	Top 50%	
1022	Finance and Thrift Company	Financial
1094	Celtic Bank Corporation	Financial
1306	First Security Business Bank	Financial
1343	Fireside Bank	Financial
3169	Circle Bank	Financial
3186	UBS Bank USA	Financial
	Bottom 50%	
3768	Balboa Thrift and Loan Association	Financial
3827	Centennial Bank	Financial
3897	Minnesota First Credit and Savings Inc.	Financial
4387	ADB Bank	Financial
5773	CapitalSource Bank	Financial
6056	Community Commerce Bank	Financial
6465	Finance Factors Ltd.	Financial
6814	Golden Security Bank	Financial
7100	Capmark Bank	Financial
7141	First Electronic Bank	Commercial

Equity capital–to-asset ratio		
Rank	**ILCs**	**Ownership type**
	Top 10%	
44	ARCUS Bank	Financial
80	Rancho Santa Fe Thrift and Loan Association	Financial
87	First Electronic Bank	Commercial
112	Beal Bank Nevada	Financial
126	Fireside Bank	Financial
174	Webbank	Financial
189	Woodlands Commercial Bank	Financial
217	GE Capital Financial Inc.	Commercial
228	Finance and Thrift Co.	Financial
239	Merrick Bank Corp.	Financial
287	USAA Savings Bank	Financial
341	Capmark Bank	Financial
426	Sallie Mae Bank	Financial
440	Eaglemark Savings Bank	Commercial
460	Medallion Bank	Financial
475	American Express Centurion Bank	Financial
682	ADB Bank	Financial
	Top 50%	
769	CapitalSource Bank	Financial
899	The Morris Plan Company of Terre Haute Inc.	Financial
1012	World Financial Capital Bank	Financial
1020	Toyota Financial Savings Bank	Commercial
1305	Transportation Alliance Bank Inc.	Commercial
1437	Wright Express Financial Services Corp.	Financial
1941	Optumhealth Bank Inc.	Financial
1950	LCA Bank Corp.	Financial
2015	Target Bank	Commercial
2457	Celtic Bank Corp.	Financial
2513	Minnesota First Credit and Savings Inc.	Financial
3303	First Security Business Bank	Financial
3317	Centennial Bank	Financial
	Bottom 50%	
3571	Balboa Thrift and Loan Association	Financial
4000	Finance Factors Ltd.	Financial
4465	BMW Bank of North America	Commercial
4595	Community Commerce Bank	Financial
4607	UBS Bank USA	Financial
4961	EnerBank USA	Commercial
6314	The Pitney Bowes Bank Inc.	Commercial
6559	Circle Bank	Financial
6906	Golden Security Bank	Financial

Note: There are 7,152 FDIC-insured institutions.
Sources: FDIC, Milken Institute.

Different Types of Business Models

ILCs have evolved to a considerable degree since their origins in the first part of the 20th century, both in terms of ownership and scope of business. As discussed earlier, there are ILCs owned by financial firms as well as others owned by commercial firms. There are both depository and non-depository ILCs, with the depository ILCs now required to obtain deposit insurance. The only available information regarding non-depository institutions we were able to obtain is with respect to the number of institutions and in some cases their assets. Therefore, as in earlier sections, our focus here will be on depository institutions.

The four basic types of business models used by ILCs are depicted in figure 25.[36] Three business models apply to depository ILCs, of which there were 39 institutions with $132 billion in total assets as of mid-2010. Non-depository ILCs, of which there were 50, follow a fourth model.

Model 1 is employed by depository ILCs with financial parents; there are 29 ILCs with $113 billion in total assets that we identify in this group. This is the most common model for depository ILCs to adopt and also accounts for 86 percent of total assets of all depository ILCs. Model 2 is employed by depository ILCs with commercial parents; there are nine such institutions with $19 billion in assets, accounting for 14 percent of all depository-ILC assets. Model 3 is employed by ILCs without any parents (as of mid-2010, there was only one such institution, with $165 million in assets).[37]

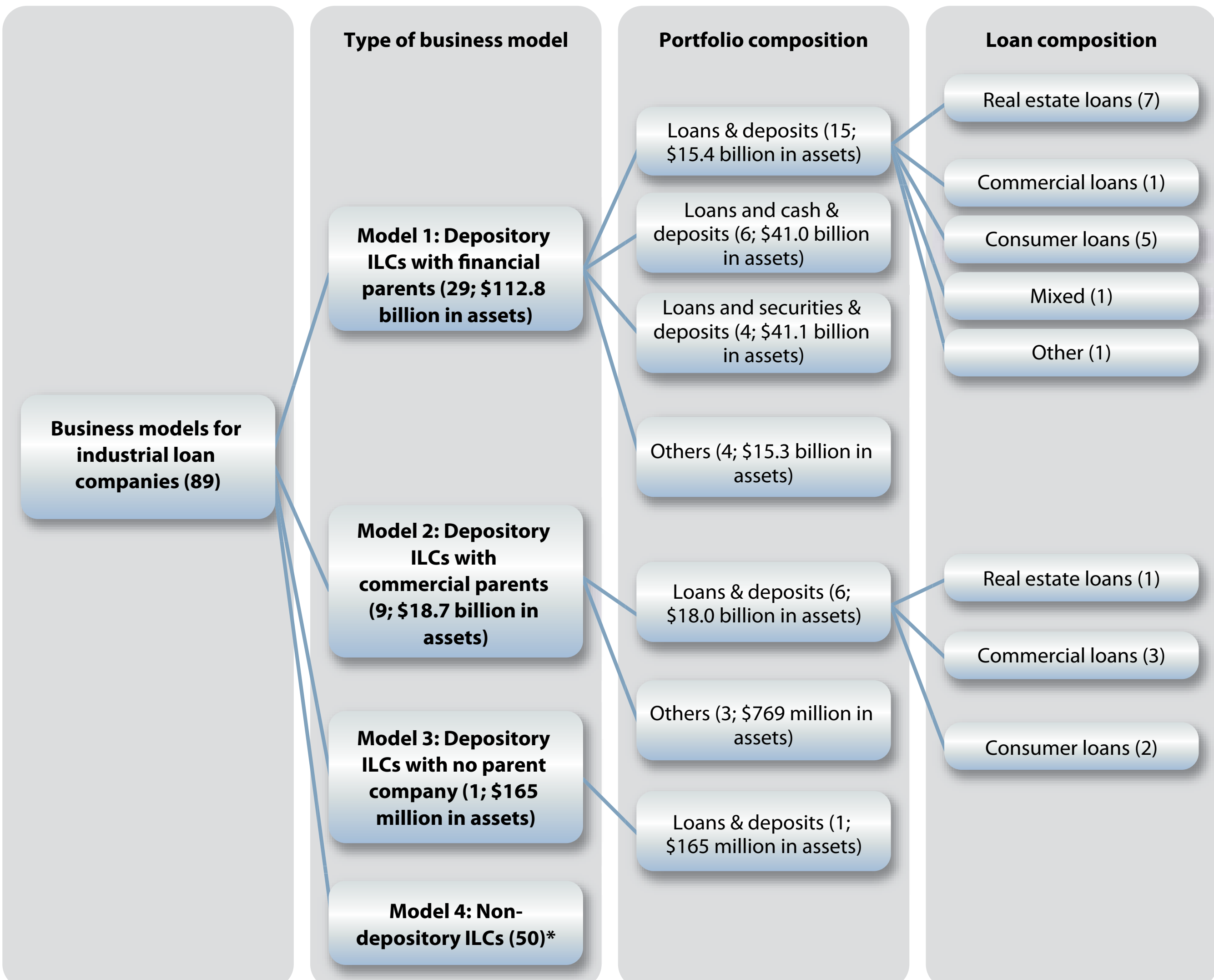
We further characterize institutions based on their portfolio composition as follows: 1) "Loans" denotes an ILC with a net loans-to–total asset ratio greater than 60 percent of total assets; 2) "Loans and cash" denotes an ILC with a net loans plus cash–to–total asset ratio greater than 80 percent but each below 60 percent of total assets; 3) "Loans and securities" denotes an ILC with a net loans plus securities-to–total asset ratio greater than 80 percent but each below 60 percent of total assets; and 4) "Deposits" denotes an ILC with a deposit-to–total asset ratio greater than 60 percent of total assets. This approach enables us to group institutions based upon the extent to which their assets and liabilities are concentrated among a few categories.

36. More generally, one might say that some ILCs are captives of their parents and assist in providing financing for customers of affiliates; others provide complementary services to the core business of the parent; and still other ILCs are stand-alone businesses that provide additional sources of income to the parent.

37. This institution is described as a financially owned ILC elsewhere in our report.

Figure 25 and table 22 show that even among the three basic models of depository ILCs, there is substantial variation in the balance sheet composition of individual institutions. Most ILC asset portfolios are comprised primarily of loans but may also include cash, securities, and other assets, quite similar to commercial banks. Most ILCs are funded with deposits (brokered and retail) but some may rely on other forms of debt for funding. The various combinations in table 22 depict the diversity among the ILCs.

Figure 25. ILC business models, Q2 2010



Note: The number in parentheses denotes the number and total assets of ILCs under each business model. See tables 17 and 18 for the list of ILCs under each category.
*We are able to identify 50 non-depository ILCs from our correspondence with state regulators.
Sources: State regulatory authorities, FDIC, Milken Institute.

Table 22. Four ILC business models: Portfolio composition and performance, Q2 2010

	Number of branches	Brokered deposits to total deposits ratio (%)	Total assets (US$ millions)	% Total assets				% Total assets				ROA (%)	ROE (%)
				Cash	Securities	Net loans & leases	Other assets	Liabilities	Deposits	Other borrowed funds	Equity capital		
Model 1: Depository/Financially owned ILCs (29)													
1.1 Loans & deposits (15)													
Balboa Thrift and Loan Association	3	2.41	198	7.4	0.0	90.3	2.3	89.9	89.6	0.0	10.1	0.6	6.1
Capmark Bank	None	99.93	9,533	16.6	13.7	65.3	4.4	81.0	69.5	10.5	19.0	-6.9	-37.6
Celtic Bank	None	88.99	228	2.2	0.1	78.1	19.6	88.8	85.7	0.0	11.2	1.4	12.9
Centennial Bank	None	13.46	812	9.4	4.2	83.4	3.0	89.7	74.9	14.3	10.3	0.6	5.9
Circle Bank	4	0.96	307	12.6	0.3	79.2	7.8	92.5	74.0	18.2	7.5	0.8	10.2
Community Commerce Bank	5	4.01	383	13.3	0.0	75.0	11.8	90.7	74.6	14.4	9.3	-0.4	-4.4
Finance & Thrift Co.	11	0	120	12.2	14.9	69.1	3.9	78.3	76.5	0.0	21.7	1.5	6.8
Finance Factors Ltd.	14	5.70	620	11.5	15.2	60.2	13.1	90.3	82.0	7.9	9.7	-1.2	-11.9
LCA Bank Corp.	None	99.13	53	0.8	0.6	89.7	9.1	88.1	83.7	1.9	11.9	2.0	15.6
Medallion Bank	None	99.98	527	0.0	4.2	89.8	5.9	82.6	79.9	0.0	17.4	2.0	10.8
Merrick Bank Corp.	None	68.75	1,038	9.6	4.5	71.9	14.0	78.6	77.4	0.0	21.4	2.6	12.9
Minnesota First Credit & Savings Inc.	3	6.12	29	1.2	0.0	92.0	6.8	88.8	77.9	10.1	11.2	0.6	5.3
The Morris Plan Company of Terre Haute Inc.	None	7.01	64	1.8	1.1	83.1	14.1	85.4	78.3	6.6	14.6	3.3	22.8
World Financial Capital Bank	None	99.51	477	5.4	1.0	79.6	14.0	85.9	67.3	16.9	14.1	2.1	14.7
Wright Express Financial Services Corp.	None	65.45	968	1.4	1.0	95.3	2.3	87.0	80.5	0.0	13.0	8.4	64.8
1.2 Loans and cash & deposits (6)													
ADB Bank	None	9.02	49	37.7	1.4	55.1	5.9	84.4	84.0	0.0	15.6	0.5	3.1
American Express Centurion Bank	2	70.03	29,992	38.1	13.5	41.0	7.4	82.8	63.8	11.2	17.2	4.5	24.8
Woodlands Commercial Bank	None	82.47	3,213	36.6	5.8	50.1	7.5	76.9	72.9	0.0	23.1	3.4	15.4
First Security Business Bank	None	0	347	30.7	19.8	46.5	3.0	89.7	80.7	8.6	10.3	1.5	14.4
Sallie Mae Bank	None	88.42	7,373	35.7	8.7	51.6	4.0	82.3	80.0	0.1	17.8	1.7	10.1
WebBank	None	83.22	68	45.2	0.0	39.7	15.1	75.8	71.2	0.0	24.2	5.0	24.1
1.3 Loans and securities & deposits (4)													
Beal Bank Nevada	None	93.03	5,544	5.5	43.4	46.5	4.6	64.8	40.0	24.2	35.3	9.1	25.4
CapitalSource Bank	23	0	5,778	4.1	31.3	58.9	5.7	84.8	79.1	4.6	15.2	-0.1	-0.5
Fireside Bank	1	61.34	787	4.3	24.5	59.9	11.3	69.5	65.2	1.8	30.5	1.2	4.5
UBS Bank USA	None	0.23	28,979	2.5	40.4	55.7	1.4	90.7	89.9	0.7	9.3	0.8	8.5
1.4 Others (4)													
1.4.1 Securities & Capital (1)													
ARCUS Bank	None	n.a.	40	29.7	68.5	0.0	1.8	9.6	5.8	0.0	90.4	2.4	9.5
1.4.2 Securities & Deposits (1)													
OptumHealth Bank Inc.	None	0	1,441	17.3	81.0	0.0	1.7	88.1	69.4	0.0	11.9	3.1	26.3

Table 22. Four ILC business models: Portfolio composition and performance, Q2 2010 *(cont.)*

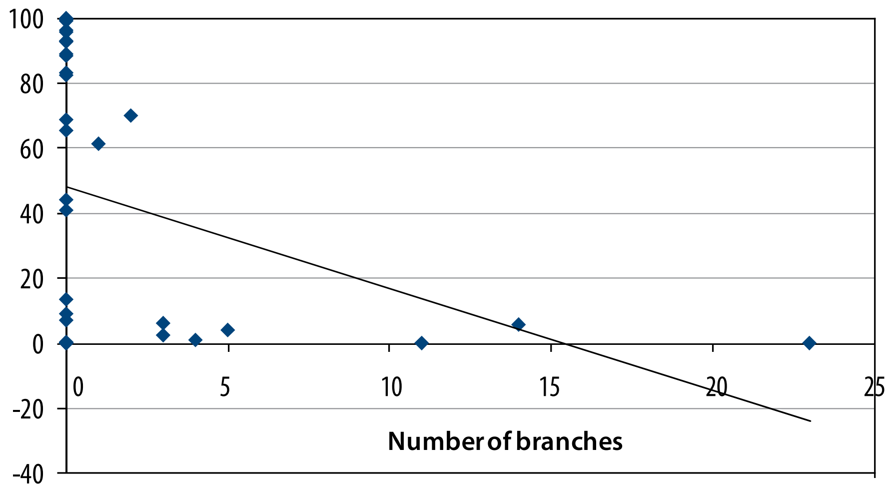
	Number of branches	Brokered deposits to total deposits ratio (%)	Total assets (US$ millions)	% Total assets				% Total assets				ROA (%)	ROE (%)
				Cash	Securities	Net loans & leases	Other assets	Liabilities	Deposits	Other borrowed funds	Equity capital		
1.4.3 Loans & Capital (1)													
Rancho Santa Fe Thrift & Loan Association	None	0	36	3.9	0.0	94.3	1.8	28.1	5.1	20.8	71.9	3.0	4.9
1.4.4 Loans & other borrowed funds (1)													
USAA Savings Bank	None	95.72	13,764	0.1	0.9	96.6	2.4	79.9	4.9	71.9	20.1	2.9	13.7
Model 2: Depository/Commercially owned ILCs (9)													
2.1 Loans & deposits (6)													
BMW Bank of North America	None	96.30	8,169	0.3	23.1	75.6	1.0	90.6	66.4	15.6	9.4	2.9	31.7
EnerBank USA	None	99.82	313	1.7	1.4	94.5	2.5	91.0	89.5	0.0	9.0	2.5	27.9
GE Capital Financial Inc.	None	92.73	8,028	9.7	13.7	63.9	12.7	78.0	73.4	0.3	22.1	2.4	9.9
Target Bank	None	0.32	112	5.7	12.0	79.5	2.9	88.2	83.8	3.8	11.8	2.0	17.2
Toyota Financial Savings Bank	None	44.13	822	6.2	2.0	88.0	3.8	85.9	73.5	11.6	14.1	1.8	15.7
Transportation Alliance Bank Inc.	None	40.89	511	7.8	0.9	66.9	24.4	86.8	79.6	0.0	13.2	1.8	13.2
2.2 Others (3)													
2.2.1 Loans and securities & deposits (1)													
The Pitney Bowes Bank Inc.	None	0	722	2.9	39.5	53.9	3.8	92.1	84.8	2.4	7.9	11.5	147.8
2.2.2 Securities & other liabilities (1)													
Eaglemark Savings Bank	None	0	40	0.2	71.6	26.2	2.1	82.4	2.9	0.0	17.6	10.5	47.9
2.2.3 Other assets & capital (1)													
First Electronic Bank	None	0	7	30.7	3.5	0.1	65.8	30.6	12.0	0.0	69.4	-11.4	-28.9
Model 3: Depository ILCs/No parent company (1)													
Golden Security Bank	None	0	165	17.3	0.0	74.1	8.7	93.3	83.1	10.0	6.7	-1.1	-15.7
Model 4: Non-depository ILCs (50)*													

*We are able to identify 50 active non-depository ILCs as of June 2010: 1 in Indiana, 23 in Iowa, 1 in Kentucky, 19 in Minnesota, 1 in Utah and 5 in Virginia.
Note: "Loans" denotes an ILC with a net loans-to-total asset ratio greater than 60% of total assets. "Deposits" denotes an ILC with a deposit-to-total asset ratio greater than 60% of total assets. "Loans and cash" denotes an ILC with a net loans plus cash-to-total asset ratio greater than 80% but each below 60% of total assets. "Loans and securities" denotes an ILC with a net loans plus securities-to-total asset ratio greater than 80% but each below 60% of total assets. Liabilities other than deposits and other borrowed funds are excluded from the table.
Sources: FDIC, state regulatory authorities, Milken Institute.

More detail about the composition of the loan portfolio for those institutions with a relatively high percentage of assets in loans is provided in table 22. Nine of the ILCs have 60 percent or more of their total loans in real estate, while the other ILCs in this table either concentrate more heavily on commercial and industrial loans or consumer loans. The information contained in tables 22 and 23 shows there is substantial diversity among ILCs. However, table 17 also shows that of the 39 depository ILCs, 30 have no branches whatsoever. Of the nine institutions with branches, CapitalSource Bank has the largest number of branches, with 23. None of the commercially owned ILCs operated with any branches as of mid-2010—so in this way, they do not directly compete with community banks.

Figure 26 shows more clearly that there is a significantly negative relationship between the percentage of total deposits accounted for by brokered deposits and the number of branches at the ILCs. Brokered deposits have become the primary funding source for institutions with few or no branches. Indeed, for some ILCs, brokered deposits are the *only* deposits on the balance sheet and, in some cases, the single most important funding source other than equity. Since ILCs with more than $100 million in assets are not permitted to offer demand deposit accounts or commercial checking accounts, brokered deposits are vital to these institutions. Furthermore, all the commercially owned ILCs conduct business on a national scale even though they have no branches. It is therefore impractical and not cost effective to raise retail deposits only in the markets in which their sole office is located. Attempts to do so would clearly put undue stress on community banks that raise retail deposits through their branch networks in these markets. [38]

Figure 26. Correlation between number of branches and brokered deposits–to–total deposits ratio (%), Q2 2010



Note: The estimated Beta coefficient from a regression (brokered deposits to total deposits ratio = $\alpha + \beta$ number of branches) is statistically significant at the 5% level. The figure does not include the data for ARCUS Bank, since we cannot access its information on the FDIC website due to expiration of its charter.
Sources: FDIC; Milken Institute.

38. It should be noted that the FDIC does charge a premium for brokered deposits and also requires a higher level of capital ("well capitalized" versus "adequately capitalized"). Also, brokered deposits are a very reliable and efficient source of funding for ILCs as brokered deposits are not subject to early redemption except in the case of death or certified mental incompetency of the depositor. Most are issued in $1,000 increments. All of the record-keeping at the depositor level is accomplished by the deposit broker.

Table 23. ILC business models: Loan composition, Q2 2010

	Gross loans and leases (US$ millions)	% Gross loans and leases			
		Real estate loans	Commercial and industrial loans	Consumer loans	Other loans and leases
Model 1: Depository/Financially owned ILCs					
1.1 Loans & deposits (15)					
1.1.1 Real estate loans (7)					
Capmark Bank	6,442.2	98.4	0.0	0.0	1.6
Celtic Bank	182.3	76.4	19.6	0.3	3.8
Centennial Bank	697.3	100.0	0.0	0.0	0.0
Circle Bank	247.0	95.3	4.6	0.1	0.0
Community Commerce Bank	296.8	100.0	0.0	0.0	0.0
Finance Factors Ltd.	385.9	99.7	0.0	0.3	0.0
Minnesota First Credit & Savings Inc.	27.2	73.9	0.5	25.6	0.0
1.1.2 Commercial and industrial loans (1)					
Wright Express Financial Services Corp.	929.6	0.1	99.9	0.0	0.0
1.1.3 Consumer loans (5)					
Balboa Thrift and Loan Association	184.5	13.3	0.7	86.1	0.0
Finance & Thrift Co.	86.9	2.3	0.0	97.7	0.0
The Morris Plan Company of Terre Haute Inc.	56.8	23.2	2.0	74.8	0.0
World Financial Capital Bank	412.4	0.0	1.9	98.1	0.0
1.1.4 Other loans (1)					
LCA Bank Corp.	49.2	0.2	0.5	0.0	99.3
1.1.5 Mixed (1)					
Medallion Bank	487.2	1.1	55.4	40.9	2.6
Model 2: Depository/Commercially owned ILCs					
2.1 Loans & deposits (6)					
2.1.1 Real estate loans (1)					
Toyota Financial Savings Bank	766.6	61.4	0.0	38.6	0.0
2.1.2 Commercial and industrial loans (3)					
GE Capital Financial Inc.	5,207.5	17.7	69.0	0.0	12.6
Target Bank	89.0	0.0	98.7	0.0	1.3
Transportation Alliance Bank Inc.	348.6	8.4	90.6	1.0	0.0
2.1.3 Consumer loans (2)					
BMW Bank of North America	6,821.7	0.0	0.0	100.0	0.0
EnerBank USA	301.4	0.0	0.0	100.0	0.0
Model 3: Depository ILCs/No parent company (1)					
3.1 Loans & deposits (1)					
3.1.1 Real estate loans (1)					
Golden Security Bank	126.4	100.0	0.0	0.0	0.0

Note: "Real estate loans," "Commercial and industrial loans," "Consumer loans," and "Other loans" denote an ILC with the ratio of loans-to-total gross loans and leases under the real estate, commercial and industrial, consumer, and other loans category, respectively, greater than 60 percent.
Sources: FDIC, Milken Institute.

Potential Benefits of ILCs

The fact that ILCs exist is per se evidence that they provide potential benefits to both their customers and owners. However, it is important to distinguish between financially owned ILCs and commercially owned ILCs. Tables 24 and 25 show the loan composition of both commercially and financially owned ILCs in a slightly different way, revealing that it is not possible to distinguish the type of ownership simply based on the composition of the loan portfolio. All one can say is that the average loan-to-asset ratios for both types of ILCs are nearly identical, and the weighted average ratios show that commercially owned ILCs have a larger share of loans than the financially owned ILCs.

Table 24. Loan portfolio of commercially owned ILCs, Q2 2010

ILC	State	Ultimate parent	Composition of loan portfolio (as % of total loans) (Q2 2010)					Loans to total assets (%)
			Commercial and industrial	Real estate	Consumer	Agricultural	Other	
Current commercially owned ILCs								
BMW Bank of North America	UT	BMW AG	0	0	100	0	0	84
Eaglemark Savings Bank	NV	Harley-Davidson	0	0	100	0	0	26
EnerBank USA	UT	CMS Energy	0	0	100	0	0	96
First Electronic Bank	UT	Fry's Electronics	100	0	0	0	0	0
GE Capital Financial Inc.	UT	GE	69	18	0	<1	13	65
The Pitney Bowes Bank Inc.	UT	Pitney Bowes	98	0	0	0	2	57
Target Bank	UT	Target Corp.	99	0	0	0	1	80
Toyota Financial Savings Bank	NV	Toyota	0	61	39	0	0	93
Transportation Alliance Bank Inc.	UT	Flying J	91	8	1	0	0	68
		Average	**51**	**10**	**38**	**0**	**2**	**63**
		Weighted average	**32**	**10**	**53**	**0**	**5**	**75**

Note: weighted average = (∑loans in each category)/∑Total loans
Sources: FDIC, Milken Institute.

Table 25. Loan portfolio of financially owned ILCs, Q2 2010

15 largest current financially owned ILCs, ranked by assets

ILC	State	Ultimate parent	Composition of loan portfolio (as % of total loans) (Q2 2010)					Loans to total assets (%)
			Commercial and industrial	Real estate	Consumer	Agricultural	Other	
American Express Centurion Bank	UT	American Express Co.	0	0	100	0	0	44
UBS Bank USA	UT	UBS AG	46	3	49	0	2	56
USAA Savings Bank	NV	USAA	0	0	100	0	0	100
Capmark Bank	UT	General Motors Co., private equity consortium	0	98	0	0	2	68
Sallie Mae Bank	UT	SLM Corp.	0	0	100	0	0	52
CapitalSource Bank	CA	CapitalSource	40	47	0	0	13	62
Beal Bank Nevada	NV	Beal Financial Corp.	4	96	0	0	0	47
Woodlands Commercial Bank	UT	Lehman Brothers Holdings	72	22	0	0	6	50
OptumHealth Bank Inc.	UT	UnitedHealth Group	25	0	0	0	75	0
Merrick Bank Corp.	UT	CardWorks LP	0	0	100	0	0	90
Wright Express Financial Services Corp.	UT	Wright Express	100	0	0	0	0	96
Centennial Bank	CA	LandAmerica Financial Group	0	100	0	0	0	86
Fireside Bank	CA	Unitrin	0	0	100	0	0	69
Finance Factors Ltd.	HI	Finance Enterprises	0	100	0	0	0	62
Medallion Bank	UT	Medallion Financial	55	1	41	0	3	93
		Average	23	31	39	0	7	65
		Weighted average	17	19	62	0	2	59

Note: Weighted average = (∑loans in each category)/∑Total loans
Sources: FDIC, Milken Institute.

Financially owned ILCs are in many respects quite similar to other banking institutions. Since their parents are financial firms, they could become financial holding companies by converting their ILCs to commercial banks. In this sense, there appears to be nothing particularly unique about financially owned ILCs as compared to commercial banks. However, both financially and commercially owned ILCs are state-chartered rather than federally chartered, which is not the case for commercial banks.

Apart from that difference, it is largely the fact that some ILCs are owned by commercial firms that is truly unique today. The *parents* of these ILCs cannot convert their ILCs to commercial banks and at the same time themselves become financial holding companies. The only way for these commercial firms to currently own a banking institution is to continue owning their ILCs.

The business model associated with commercial ILCs has multiple characteristics that contribute to their stability:

- *Marketing advantages and economies of scale.* Many ILCs serve the lowest-risk parts of a broader financial operation. The bank obtains its business with little or no marketing cost and often only makes loans selected from a broad pool of applicants. Even if the broader pool is affected in an economic downturn, it may have little impact on the loans made by the bank.

- *Geographical risk reduction.* Most ILCs serve specialized customer groups spread across the nation, which helps reduce risk through geographical diversification. Access to such a large market is extremely difficult for a bank not owned by a large diversified parent.

- *Capital.* In times of stress, a diversified parent may be in a better position to provide capital support to a bank subsidiary than a banking holding company whose assets consist almost entirely of a bank subsidiary.
- *Informational efficiencies.* An ILC parent engaged in multiple business lines may be better able to identify underserved markets and opportunities to provide banking services to customers of the parent. This information may enable the institution to make better loan decisions than traditional banks, to provide other financial services that are desired by the customers of the parent firm, and to make credit available when it is not readily available elsewhere. For example, the ILC owned by Harley-Davidson is in a much better position to assess the collateral value of a motorcycle than a typical bank. Transportation Alliance Bank, because of its affiliation with the company operating truck stops nationwide, is better positioned to serve the banking needs of long-haul truckers.
- *Governance.* The parent company of an ILC provides an additional and important source of governance. It would not want its subsidiary institution to damage its reputation, especially if the subsidiary ILC is small in relation to the parent.

To elicit more information, we sent surveys to all ILCs. We asked each of them to identify what they considered to be the advantages to the parent of such ownership. Twelve of the 39 ILCs responded to our survey; their responses are provided in table 26.

Table 26. Responses of ILC executives to our questionnaire regarding the advantages of commercial ownership of ILCs

Respondent	Advantages of commercial ownership of ILCs
BMW Bank of North America	Installment Loan Incentive programs, funding/liquidity options, complete control of loan underwriting, branding, customer service.
EnerBank USA	We do not perform or provide any services for or to the parent or any other affiliate. Our specialized financial services products (unsecured consumer installment, same-as-cash loans for home improvement purposes) are rarely available through community or commercial banks. Our home improvement loans have the following desirable features for borrowers and home improvement contractors: Borrower advantages: Loan amounts up to $55,000; loans are unsecured; payment deferral periods of up to 18 months; no interest if paid in full during payment deferral period; up to 10-year repayment terms; quick and easy loan by phone application process directly with bank; quick loan approvals – typically 10 minutes; no fees (other than late payment fees); no prepayment penalty; no default interest rate; interest rate fixed for term of loan; 100 percent financing of home improvement projects. Home improvement contractor advantages: Proven sales and marketing tool that results in more leads, higher close rates, and larger project sizes; great way to differentiate contractor from competitors; no administrative burden – customer deals directly with bank; quick loan by phone application process for customer, directly with bank – typically 10 minutes; a source of unsecured working capital for contractors – small family-owned businesses (50 percent of loan amount can be advanced to contractor up front); high application approval and customer satisfaction rates; contractor knows the customer has a way to pay.
First Electronic Bank	The private-label credit card program First Electronic Bank runs for its parent could be run by other banks. However, banks have a history of aggressively entering and then rapidly exiting, or dramatically scaling back on, certain businesses, including private-label credit cards. Unfortunately they have a habit of exiting or scaling back at the worst possible time – when credit is needed most. This is just what we have witnessed during this financial crisis. Industrial banks in general, and First Electronic Bank in particular, have historically been there to provide financing for our parents' customers when traditional banks have retrenched. We help keep the economy going by providing credit when others can't or won't. I believe that, besides being seen as a source of profit, industrial banks can be viewed as an insurance play on the part of their corporate parents – insurance that credit will be available so that their customers can purchase the parents' products even if traditional banks won't lend.
GE Capital Financial Inc.	GE Capital Financial Inc. is an alternative source of commercial lending and leasing financing to mid-market customers; primarily in franchise financing, equipment financing, and corporate lending to mid-sized businesses.
Medallion Bank	The ILC charter allows the parent flexibility in having some nonfinancial activity and still own a bank. They currently would qualify as a financially owned ILC parent but also own an advertising agency.
OptumHealth Bank Inc.	OptumHealth Bank is a wholly owned subsidiary of United Health Group that provides health savings accounts and other health-related banking services to more than 1 million individuals. The industrial bank charter allows the bank to be part of the financial services division of OptumHealth, a health and wellness company servicing more than 60 million people. In addition to helping individuals and families save for their out-of-pocket health-care expenses, we process electronic health care claim payments, issue MasterCard cards that facilitate the use of Flexible Spending and Health Reimbursement Arrangements, and provide specialized credit to the health-care community. The products and services provided by OptumHealth Bank simplify and lower the cost of health care.

Respondent	Advantages of commercial ownership of ILCs
Target Bank	By integrating with the commercial retail parent, we can offer credit to entities that can't get it elsewhere (i.e., it's not profitable for others to serve). Target Bank offers "closed loop" commercial credit, i.e., a commercial credit card usable only at Target stores. Our customer base is predominantly government aid agencies, nonprofits, and schools; as government entities and nonprofits, they're typically precluded from paying interest and late fees, so the credit extension is effectively free, save the interchange, which Target stores pay to Target Bank (right pocket, left pocket accounting for the parent company). The parent can afford to do this, because the credit extension meets a community service objective for the company, and drives retail sales. Also, operationally, many of these entities provide aid or assistance to families in need – the bank, integrated with the retailer, can honor voucher programs from these aid agencies, allowing a family to take an agency voucher into a Target Store to purchase the food and clothing they need, but preclude the purchase of beer and electronics or other agency-directed nonpermissible items, and then that purchase is billed against the agency's credit account with the bank. From a cost to serve, and operational process, the bank-retailer integration is the only means to make this possible.
The Pitney Bowes Bank Inc.	A commercial bank could provide the services, but no other charter is available to the parent.
Toyota Financial Savings Bank	There are no services an ILC can offer that cannot be offered by a commercial bank. The benefit to the parent is that they get direct control over products offered, and 100 percent of the profits from products as opposed to a sharing agreement with a commercial bank (i.e., having a subsidiary offering the products as opposed to an external partner).
Transportation Alliance Bank Inc.	Allows our parent through the ILC to offer financial products and services to its customer base.
Wright Express Financial Services Corp.	Parent company can own the bank without creating a bank holding company. Disadvantage is in inability to issue DDA accounts and limitations on expanding nonfinancial components at parent level.

Note: For more information on their responses regarding source of strength agreements and examinations, see appendix 12.
Sources: Respondents of industrial loan companies, Milken Institute.

It is useful to also examine the contribution of the revenue generated by the ILCs to the total revenue of their parent companies. Tables 27 and 28 show the share of the parents' total revenue that is accounted for by financially and commercially owned ILCs, respectively.

As seen in table 27, 16 of the parents of the financially owned ILCs are private companies (one financially owned ILC has no parent) and therefore their revenue data are not publicly available. For the 13 financially owned ILCs for which data are available, the percentage of the parent companies' revenue accounted for by the subsidiary ILCs ranges from a low of less than 0.1 percent to a high of 123 percent.

In the case of commercially owned ILCs, as shown in table 28, two of the parents of these ILCs are private companies. For the seven parent companies for which data are available, their subsidiary ILCs in every case account for less than 3 percent of the parents' total revenue. This suggests that parent firms are not dependent on their ILCs as a significant source of revenue but rather as complements to their primary business model. These data also seem to indicate that the parents would have no incentive to exploit their ILCs in an inappropriate manner, since the only result would be reputational damage in addition to adverse actions taken by the regulatory authorities.

In addition, it might be noted that financially owned ILCs had net income of $322,156 per employee and commercially owned ILCs had a net income of $404,989 per employee for 2009. In comparison, all FDIC-insured institutions had a net income of $4,723 per employee.

Table 27. Total revenues for financially owned ILCs and their parents, Q2 2010

Parent company	Total revenue (US$B)	Financially owned ILC	State	Total revenue (US$M)	% parent company
Leavitt Group	Private	ADB Bank	UT	1.6	n.a.
American Express Co.	14.7	American Express Centurion Bank	UT	2,764.2	18.8
WellPoint	29.6	ARCUS Bank	UT	1.7	<0.1
Hafif Bancorp	Private	Balboa Thrift and Loan Association	CA	10.1	n.a.
Beal Financial Corp.	Unlisted	Beal Bank Nevada	NV	328.6	n.a.
CapitalSource	0.4	CapitalSource Bank	CA	175.6	48.6
General Motors Co., private equity consortium	n.a.	Capmark Bank	UT	199.4	n.a.
Celtic Investment	Private	Celtic Bank	UT	16.1	n.a.
LandAmerica Financial Group	Delisted	Centennial Bank	CA	20.0	n.a.
Circle Bancorp	Private	Circle Bank	CA	9.1	n.a.
TELACU	Private	Community Commerce Bank	CA	11.2	n.a.
F&T Financial Services	Private	Finance & Thrift Co.	CA	9.1	n.a.
Finance Enterprises	Private	Finance Factors Ltd.	HI	12.8	n.a.
Unitrin	1.3	Fireside Bank	CA	58.2	4.4
First American Financial Corp.	2.0	First Security Business Bank	CA	7.3	0.4
No affiliation	-	Golden Security Bank	CA	5.0	n.a.
Lease Corp. of America	Private	LCA Bank Corp.	UT	3.4	n.a.
Medallion Financial	<0.1	Medallion Bank	UT	23.5	n.a.
CardWorks LP	Private	Merrick Bank Corp.	UT	132.2	n.a.
Minnesota Thrift Co.	Private	Minnesota First Credit & Savings Inc.	MN	1.2	n.a.
First Financial Corp.	0.1	The Morris Plan Company of Terre Haute Inc.	IN	4.0	5.1
UnitedHealth Group	46.5	OptumHealth Bank Inc.	UT	57.1	0.1
Semperverde Holding Co.	Private	Rancho Santa Fe Thrift & Loan Association	CA	3.0	n.a.
SLM Corp.	3.5	Sallie Mae Bank	UT	222.3	6.4
UBS AG	26.4	UBS Bank USA	UT	237.6	0.9
USAA	Private	USAA Savings Bank	NV	780.1	n.a.
Steel Partners Holdings LP	Private	WebBank	UT	4.5	n.a.
Lehman Brothers Holdings	n.a.	Woodlands Commercial Bank	UT	89.3	n.a.
Alliance Data Systems	1.3	World Financial Capital Bank	UT	48.3	3.6
Wright Express	0.2	Wright Express Financial Services Corp.	UT	148.5	84.7

Notes: Total revenue for ILCs is the sum of total interest and noninterest income.
Sources: FDIC, Bloomberg, Milken Institute.

Table 28. Commercially owned ILCs account for a small share of their parents' total revenue, Q2 2010

Parent company	Total revenue (US$B)	Commercially owned ILC	State	Total revenue (US$M)	% parent company
BMW AG	36.8	BMW Bank of North America	UT	325.5	0.89
Harley-Davidson	2.5	Eaglemark Savings Bank	NV	7.4	0.29
CMS Energy	3.3	EnerBank USA	UT	16.7	0.51
Fry's Electronics	n.a.	First Electronic Bank	UT	3.0	n.a.
GE	73.4	GE Capital Financial Inc.	UT	391.1	0.53
Pitney Bowes	2.7	The Pitney Bowes Bank Inc.	UT	74.0	2.80
Target Corp.	31.1	Target Bank	UT	3.6	0.01
Toyota	111.2	Toyota Financial Savings Bank	NV	44.7	0.04
Flying J	n.a.	Transportation Alliance Bank Inc.	UT	36.4	n.a.

Notes: Flying J Inc. is a private company (and is being restructured under Chapter 11); Fry's Electronics is a private company. Total revenue for ILCs is the sum of total interest and noninterest income.
Sources: FDIC, Bloomberg, Milken Institute.

In addition, table 29 lists some of the academic studies that have examined the issue of mixing banking and commerce, along with their findings. They present no evidence that the ownership of ILCs by commercial firms is unsound policy or that whatever risks might exist cannot be contained by appropriate regulation. In addition, according to the FDIC (1987), "the public policy implication of [this study's major] conclusion is that… the Bank Holding Company Act… should be abolished."

Table 29. Selected studies on the mixing of banking and commerce

Author	Purpose	Finding
Haubrich and Santos (2005)	The authors examine the advantages and disadvantages of mixing banking and commerce using the "liquidity" approach to financial intermediation.	The authors extend previous research on asset liquidation and argue that mixing banking and commerce increases a bank's efficiency in disposing of defaulted loans by creating an internal market.
Huertas (1988)	The author discusses whether banking and commerce should be permitted to continue to mix, and if so, how this should be done and what regulations may be required.	Affiliations between banking and commerce have been common throughout American history. The author argues that mixing banking and commerce is beneficial and fair to customers, and does not jeopardize the safety of consumer deposits or threaten the stability of the payment system. Consequently, the finding is that the mixing of banking and commerce should be permitted.
Krainer (2000)	The author discusses potential benefits and costs of banking and commerce affiliations.	The author concludes that the benefits of ILCs would be in the form of enhanced efficiency, both operational and informational. These benefits are likely to grow because of changes in technology. The author also notes that costs of banking and commercial affiliations are likely to be felt on a small scale.
Haubrich and Santos (2003)	The authors investigate the history of banking and commerce in the U.S. by considering the two-way interlocking that takes place between banks and commercial firms.	The extensive linkages between banking and commerce have changed with shifting definitions of "bank" and changing methods of "control." It is shown that regulations per se do not eliminate these linkages. Furthermore, it is pointed out that "at times political pressures have forced banking and commerce apart; at times economic pressure has pushed them together."
Blair (2004)	The author examines two dominant views on the separation of banking and commerce by presenting its potential benefits and risks from the public policy perspective.	Although the current prohibitions on corporate ownership of banks are justified on the grounds that banking and commerce have always been separate, there is no evidence of a long-term separation in U.S. banking history. Extensive links between banking and commerce have existed and continue to exist. Despite the potential risks of mixing banking and commerce, the evidence suggests that with adequate safeguards in place, the careful mixing of banking and commerce can yield benefits without excessive risk.
Raskovich (2008)	The author evaluates the major arguments against the mixing of banking and commerce by relating each of those arguments with existing theoretical and empirical research.	The author concludes that major concerns that have been raised are theoretically weak or lack empirical support.
Barth, Caprio, and Levine (2001, 2006a)	The authors examine the effect of regulation and ownership on bank performance and stability using a cross-country empirical analysis.	The authors construct a measure of mixing banking and commerce based the ability of nonfinancial firms to own and control commercial banks and vice versa for each country in the sample. The authors find no significant relationship between the measures of mixing banking and commerce and the level of banking sector development or the degree of industrial competition. They also find that countries that restrict banks from owning nonfinancial firms are more likely to experience a banking crisis. They conclude that some of the major reasons for restricting the mixing of banking and commerce–to reduce financial fragility or to promote financial development–are not supported by empirical evidence.
Bystrom (2004)	The author estimates the probability of systemic banking crises using a sample of different countries, and examines how it can be explained by various institutional factors.	Included in the list of institutional factor is an index of regulatory restriction, and banks owning nonfinancial firms are one of the variables used to construct this index. The paper's empirical findings show that the probability of bank failure is systematically higher in countries with more regulatory restrictions.
Wall, Reichert, and Liang (2008a and 2008b)	The authors assess the potential practical effects of integrating banking and commerce using economic theory, past experience with deregulation, and observed cross-industry combinations.	Economic theory suggests that joint corporate ownership of banks and commercial firms has several potential benefits, including economies of scale and scope, increased internal capital markets, and diversification. These benefits offset costs associated with some combinations of banking and commercial firms. Empirical analysis of the potential gains is conducted for the specific case of Wal-Mart acquiring a bank. The authors find that if Wal-Mart owned a bank with an earnings distribution similar to that of the average U.S. bank, it would generate a modest decline in average ROE but with a reduction in risk that would be two to three times as large. Using empirical methodologies and industry-level financial data from Internal Revenue Service corporate income tax filing to examine gains from portfolio diversification, the authors find that banks affiliating with nonbanking activities (permitted by the Gramm-Leach-Bliley Act of 1999) provides potential gain from diversification.
Angkinand (2009)	Using a cross-sectional study, the author investigates the impact of bank regulations on the severity of banking crises.	The author finds that the decline in economic activity following a banking crisis will be less severe for those countries with fewer restrictions on bank activities, including banks owning nonfinancial firms and vice versa.

6. Conclusion

ILCs survived the Great Depression and, indeed, increased their loans throughout the period—a role they reprised during the most recent financial crisis.

But today the ILC industry is being studied by the GAO, as mandated by the Dodd-Frank Act. This is certainly appropriate given the concerns surrounding ILCs. But to reiterate: No commercially owned ILC has ever failed, and ILCs have performed well over the years—better, in many respects, than most other FDIC-insured institutions.

There is simply no evidence that the U.S. financial system and economy would be on sounder footing if diversified firms were prohibited from owning ILCs, and this kind of empirical evidence should be required before acting on calls for any change in the ILC industry (especially its abolition through repeal of the current exemption for ILC owners in the BHCA).

Many of the diversified companies that would wish to enter this industry have expertise, resources, capital, and perhaps even established credit businesses to contribute to a bank, both during the start-up phase and over time. As the U.S. Treasury Department (1991) pointed out, "the development of these broadly diversified firms has often proven beneficial to the economy at large, and financial markets in particular. Most important has been the ability and willingness of such firms to strengthen the capital positions of their financial services subsidiaries. … The stability brought to the financial markets in this way is a net benefit to the economy overall."

During the most recent financial crisis, ILCs provided credit when other financial institutions were unable or unwilling to do so (due to a lack of liquidity or capital). If the ILC industry is allowed to grow, it may be able to tap into new sources of capital from companies that are otherwise prohibited from owning a bank by the BHCA. The total net worth of U.S. non-financial corporate businesses was $13 trillion as of mid-2010. If even a small percentage of this capital were invested in ILCs, it could contribute to an expansion in the availability of credit, a development that could have wider ramifications for U.S. economic growth.

Furthermore, U.S. financial institutions now compete in a global marketplace. The vast majority of countries around the world allow the mixing of banking and commerce, leaving the United States out of step with international norms. This suggests that legislators, regulators, and other officials should be careful not to put U.S. financial institutions at a competitive disadvantage.

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Appendixes

Appendix 1. A list of state regulators that responded to our survey[39]

Alabama State Banking Department

Arizona Department of Financial Institutions

Arkansas State Bank Department

California Department of Financial Institutions

California Department of Corporations

Colorado Division of Banking

Colorado Department of Regulatory Agencies

Connecticut Department of Banking

Delaware Office of the State Bank Commissioner

Florida Office of Financial Regulation

Georgia Department of Banking & Finance

Hawaii Division of Financial Institutions

Indiana Department of Financial Institutions

Iowa Division of Banking

Kentucky Department of Financial Institutions

Maine Bureau of Financial Institutions

Maryland Office of the Commissioner of Financial Regulation

Massachusetts Division of Banks

Michigan Bank and Trust Division, Office of Financial and Insurance Regulation

Minnesota Department of Commerce

Missouri Division of Finance

Montana Division of Banking and Financial Institutions

Nebraska Department of Banking and Finance

Nevada Division of Financial Institutions

New York State Banking Department

North Carolina Office of the Commissioner of Banks

Ohio Division of Financial Institutions

Oregon Division of Finance and Corporate Securities

Pennsylvania Department of Banking

Rhode Island Division of Banking, Department of Business Regulation

South Carolina Board of Financial Institutions

Tennessee Department of Financial Institutions

Texas Department of Banking

Utah Department of Financial Institutions

Virginia State Corporation Commission, Bureau of Financial Institutions

Washington State Department of Financial Institutions

West Virginia Division of Banking

Wisconsin Division of Banking and Savings Institutions, Department of Financial Institutions

District of Columbia Department of Insurance, Securities and Banking

Appendix 2. A list of ILCs that responded to our survey

Commercially owned ILCs (8/9):

EnerBank USA

Toyota Financial Savings Bank

Target Bank

First Electronic Bank

BMW Bank of North America

Transportation Alliance Bank Inc.

The Pitney Bowes Bank Inc.

GE Capital Financial Inc.

Financially owned ILCs (3/30):

Medallion Bank

Wright Express Financial Services

OptumHealth Bank

39. Not all states fully completed our survey. Some, moreover, simply indicated in response that they did not have time or resources to respond to our survey. One state, not in the list, did not respond at all.

Appendix 3. ILCs: Alternate names, year first charter issued, and current status in selected states

State	Alternate names used in the 1940s	Most recent alternate names used	First charter issued	Current status (as of June 2010)
Arizona	Industrial banking companies	Industrial banks	n.a.	Currently no active institutions
California	Industrial loan companies	Industrial banks (after 2000)	1916	There are currently 10 active depository ILCs
Colorado	Industrial banking companies	Industrial banks	1923	Currently no active institutions; last charter surrendered in 2009
Hawaii	n.a.	Chartered/licensed depository financial services loan companies	n.a.	There is currently one active depository ILC.
Indiana	Industrial banking and investment companies	Industrial loan and investment companies	1914	There are currently one active depository ILC and one active nondepository ILC.
Iowa	n.a.	Industrial loan companies	1966	There has been no active depository ILC since 2005, but there are 23 currently active nondepository ILCs.
Kentucky	n.a.	Industrial loan companies	n.a.	There is currently one active non-depository ILC.
Maine	Industrial banking companies	No longer exist	Before 1940	State law prohibited new ILC charters in the 1970s; last ILC ceased operation in 1975
Michigan	Industrial banks / industrial loan departments	Industrial banks / industrial loan departments	1917	The distinction between industrial banks and commercial banks was abolished in 1969; only one remaining industrial bank at that time, which continued in existence until 1984
Minnesota	Industrial loan and thrift companies	Industrial loan and thrift companies	1933	There are currently one active depository ILC and 19 active nondepository ILCs.
Nebraska	Industrial loan and investment companies	No longer exist	1941	State authority to issue ILC charters ended in 2003.
Nevada	n.a.	Thrift companies	1997	There are currently four active depository ILCs.
New York	Industrial banks	No longer exist	1921	State authority to issue ILC charters ended in 1972.
North Carolina	Morris Plan industrial banks/ Hood Banks	Industrial banks	n.a.	Currently no active institutions; last ILC was acquired by a bank in 1997
Ohio	Special plan banks	n.a.	Before 1940	Currently no active institutions
Utah	Industrial loan corporations	Industrial banks (after 2004)	1925	There are currently 22 active depository ILCs and one active nondepository ILC.
Virginia	Industrial loan associations	Industrial loan associations	1910	State authority to charter new ILCs ended in 1966; currently there are five active non-depository ILCs.
West Virginia	Industrial loan companies	No longer exist	1927	State authority to issue ILC charters ended in 1996
Washington, D.C.	Industrial loan companies/ industrial banks	n.a.	1911	Currently no active institutions

* Our research indicates that at one time or other there were at least 40 states in which ILCs operated. Nineteen of the 39 states that responded to our survey provided information that appears in the table.
Sources: Saulnier (1940), Milken Institute, and email responses from state regulatory authorities.

Appendix 4. Number of ILCs and total assets, 1910 to Q2 2010

Year	Information provided by state regulatory authorities*				Information obtained from FDIC		Information obtained from various studies		Information on Morris Plan banks and companies from Saulnier (1940)	
	# of ILCs	# of states included**	Total assets (US$ thousands)	# of states included**	# of insured ILCs	Total assets (US$ thousands)	# of insured ILCs	Total assets (US$ thousands)	# of ILCs	Total assets (US$ thousands)
Q2 2010	78****	7	122,011,444	2	39	131,657,656	n.a.	n.a.	n.a.	n.a.
Q1 2010	41	5	28,610,603	3	39	128,657,230	n.a.	n.a.	n.a.	n.a.
2009	65	7	162,303,402	8	40	126,757,333	n.a.	n.a.	n.a.	n.a.
2008	77	7	186,582,868	7	50	218,263,210	n.a.	n.a.	n.a.	n.a.
2007	94	7	270,316,030	7	54	263,787,000	n.a.	n.a.	n.a.	n.a.
2006	105	7	219,864,762	7	59	212,715,798	61	212,800,000	n.a.	n.a.
2005	96	7	160,879,268	8	60	151,021,625	n.a.	n.a.	n.a.	n.a.
2004	86	7	149,992,820	8	57	140,450,760	57	155,000,000	n.a.	n.a.
2003	82	7	138,436,477	8	53	131,254,919	n.a.	n.a.	n.a.	n.a.
2002	83	7	125,718,396	8	50	118,501,452	n.a.	n.a.	n.a.	n.a.
2001	85	6	118,412,970	7	49	111,544,145	n.a.	n.a.	n.a.	n.a.
2000	90	6	92,644,630	7	47	86,723,089	n.a.	n.a.	n.a.	n.a.
1999	91	6	44,539,088	7	n.a.	n.a.	n.a.	43,600,000	n.a.	n.a.
1998	91	5	28,646,447	6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1997	86	5	25,124,785	6	n.a.	n.a.	n.a.	25,100,000	n.a.	n.a.
1996	83	4	21,033,229	5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1995	55	3	12,049,757	5	n.a.	n.a.	n.a.	11,500,000	n.a.	n.a.
1994	54	3	10,326,346	5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1993	57	3	9,112,951	5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1992	57	4	7,779,143	6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1991	56	4	7,689,835	6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1990	55	3	7,781,012	5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1989	55	3	6,387,664	5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1988	63	4	5,268,099	6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1987	66	4	4,628,620	6	n.a.	n.a.	106	3,800,000	n.a.	n.a.
1986	76	4	4,340,882	6	n.a.	n.a.	108	n.a.	n.a.	n.a.
1985	95	4	4,414,559	6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1984	108	4	4,156,145	6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1983	155	4	3,776,661	6	n.a.	n.a.	152	n.a.	n.a.	n.a.
1982	102	3	2,847,254	5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1981	141	3	2,419,997	5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1980	139	3	2,143,766	5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1979	142	3	2,047,131	5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1978	134	3	1,757,988	5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1977	130	3	1,534,645	5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1976	146	3	1,376,846	5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1975	156	3	1,283,820	5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1974	158	3	1,215,382	5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Appendix 4. Number of ILCs and total assets, 1910 to Q2 2010 *(cont.)*

Year	Information provided by state regulatory authorities*				Information obtained from FDIC		Information obtained from various studies		Information on Morris Plan banks and companies from Saulnier (1940)	
	# of ILCs	# of states included**	Total assets (US$ thousands)	# of states included**	# of insured ILCs	Total assets (US$ thousands)	# of insured ILCs	Total assets (US$ thousands)	# of ILCs	Total assets (US$ thousands)
1973	158	3	1,220,532	5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1972	166	4	1,124,714	6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1971	165	4	967,741	6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1970	177	4	470,182	5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1969	175	3	444,711	4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1968	243	3	445,544	4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1967	251	3	429,781	4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1966	254	3	408,165	4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1965	243	3	369,805	4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1964	228	3	329,819	4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1963	223	3	285,576	4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1962	219	3	247,238	4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1961	206	3	215,346	4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1960	239	4	197,800	4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1959	190	3	162,373	4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1958	178	3	133,128	4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1957	158	3	118,794	4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1956	142	3	102,361	4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1955	124	3	84,040	4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1954	99	3	68,336	4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1953	48	2	62,993	4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1952	48	2	57,195	4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1951	47	2	33,767	3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1950	74	3	40,077	4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1949	21	1	9,290	2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1948	42	2	16,027	3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1947	19	1	9,593	2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1946	29	2	8,546	3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1945	13	1	5,169	1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1944	19	2	5,300	2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1943	11	1	4,541	1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1942	17	2	6,175	2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1941	8	1	4,627	1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1940	14	3	5,723	2	n.a.	n.a.	71	n.a.	94	n.a.
1939	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1938	12	1	5,632	1	n.a.	n.a.	71	169,492	142	150,746
1937	11	1	n.a.	n.a.	n.a.	n.a.	69	175,263	91	157,365
1936	3	1	514	1	n.a.	n.a.	63	146,129	93	143,716

Appendix 4. Number of ILCs and total assets, 1910 to Q2 2010 *(cont.)*

Year	Information provided by state regulatory authorities*				Information obtained from FDIC		Information obtained from various studies		Information on Morris Plan banks and companies from Saulnier (1940)	
	# of ILCs	# of states included**	Total assets (US$ thousands)	# of states included**	# of insured ILCs	Total assets (US$ thousands)	# of insured ILCs	Total assets (US$ thousands)	# of ILCs	Total assets (US$ thousands)
1935	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	62	123,342	95	122,903
1934	3	1	377	1	n.a.	n.a.	60	102,755	95	106,536
1933	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	97	99,120
1932	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	100	109,288
1931	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	105	127,616
1930	2	1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	103	143,043
1929	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	107	138,273
1928	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1927	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	106	n.a.
1926	3	1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1925	3	1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	98	88,408
1924	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1923	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1922	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1921	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	85	34,837
1920	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	87	31,148
1919	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1918	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1917	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	71	n.a.
1916	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1915	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1914	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1913	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1912	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1911	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1910	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1	n.a.

Notes: From 1934 to 1987, some data from state regulatory authorities are mid-year data.*Based on our research, Indiana, Iowa, Kentucky, Minnesota, Virginia and Utah currently have active non-depository ILCs, which are therefore not insured by the FDIC. West Virginia also had nondepository ILCs, but it discontinued the charter in 1996 and currently there are no active ILCs.
** The regulatory authorities in twelve states provided historical data on ILCs. The information in this table may be incomplete because not every state provided information and not every state that did provide information provided information for every year.
Note: Ally Bank was an ILC but became a commercial bank in October 2009. However, the State of Utah does not include Ally Bank in its data on ILCs in 2008. However, we include Ally Bank information in the FDIC columns. This explains the difference in total assets for the different columns.
***According to the Utah Department of Financial Institutions, GMAC Bank converted from an industrial bank to a commercial bank charter on December 24, 2008. Therefore, the state excluded GMAC Bank when calculating the total assets of industrial banks in Utah. However, according to the FDIC, GMAC Bank changed organization type to commercial bank on October 1, 2009.
****We identified 11 ILCs in California and Hawaii from other sources that are not included in the Q2 2010, but are included in figure 1.
Sources: FDIC, Saliner (1940), state regulators, previous studies, Milken Institute.

Appendix 5. Selected information on ILCs that became inactive between 2001 and Q2 2010

Inactive in:	Industrial banks	State	Established	Insured	Inactive date	Inactive type-CB/F/M/V	Commercially owned ILCs	Parent company
2010	Advanta Bank Corp.	UT	12/16/1991	12/16/1991	3/19/2010	F		Advanta
2009	Trust Industrial Bank	CO	1/21/2001	1/21/2001	12/1/2009	VC		FISERV
	Ally Bank (GMAC Bank)	UT	8/2/2004	8/2/2004	10/1/2009	CB	Yes	GM
	Merrill Lynch Bank USA	UT	10/31/1988	10/31/1988	7/1/2009	M&A		Merrill Lynch
	Escrow Bank USA	UT	11/3/1999	11/3/1999	6/30/2009	VC	Yes	GM
	Republic Bank Inc.	UT	11/12/1999	11/12/1999	5/28/2009	CB		No Affiliation
	5 Star Bank	CO	6/10/1980	11/5/1985	5/1/2009	CB		Armed Forces Benefit Association
	Silvergate Bank	CA	8/26/1988	8/26/1988	2/28/2009	CB		Silvergate Capital
	Security Savings Bank	NV	4/3/2000	4/3/2000	2/27/2009	M&A		Srampede Capital LLC
	Marlin Business Bank	UT	3/12/2008	3/12/2008	1/31/2009	CB		Marlin Business Services
	Tamalpais Bank	CA	8/29/1991	8/29/1991	1/31/2009	CB		Tamalpais Bancorp
2008	CIT Bank	UT	10/20/2000	10/20/2000	12/22/2008	CB		CIT Group
	Goldman Sachs Bank USA	UT	7/6/2004	7/6/2004	9/26/2008	CB		Goldman Sachs
	Morgan Stanley Bank	UT	5/25/1990	5/25/1990	9/23/2008	CB		Morgan Stanley
	Fremont Investment & Loan	CA	3/1/1937	9/24/1984	7/25/2008	VC		Fremont General Corp.
	Home Bank of California	CA	10/31/1981	6/3/1985	7/11/2008	CB		La Jolla Savers and Mortgage Fund
	Home Loan Industrial Bank	CO	12/16/1960	9/28/1987	6/1/2008	CB		Home Loan Investment Co.
2007	Volkswagen Bank USA	UT	1/10/2002	1/10/2002	10/26/2007	VC	Yes	Volkswagen AG
	First Financial Bank	CO	6/24/1957	7/21/1987	9/19/2007	VC		First Data Corp.
	Tustin Community Bank	CA	4/23/1981	2/16/1990	7/26/2007	CB		No Affiliation
	MagnetBank	UT	9/29/2005	9/29/2005	7/26/2007	CB		No Affiliation
	Volvo Commercial Credit Corp. of Utah	UT	5/1/2000	5/1/2000	1/16/2007	CB	Yes	Volvo
2006	Independence Bank	CA	9/22/2004	9/22/2004	10/20/2006	CB		Independence Financial Services
	Universal Financial Corp.	UT	3/1/1978	9/12/1985	10/1/2006	M&A		Citigroup
2005	Associates Capital Bank Inc.	UT	4/21/1993	n.a.	9/16/2005	M&A		Citigroup
2004	American Investment Financial	UT	9/21/1981	8/20/1986	4/1/2004	M&A		Leucadia National Corp.
2003	Providian Bank	UT	4/30/1996	4/30/1996	12/31/2003	M&A		Providian Corp.
	Mill Creek Bank	UT	11/17/1997	11/17/1997	6/26/2003	VC		Conseco
	Southern Pacific Bank	CA	3/1/1982	11/5/1987	2//7/2003	M&A		Imperial Credit Industries
	CitiFinancial Services Inc.*	UT	4/13/1976	–	8/29/2003	–		Citigroup Inc.
2002	YourBank.com	UT	1/1/2001	n.a.	3/24/2002	VC	Yes	Gateway
2001	First USA Financial Services	UT	9/15/1995	n.a.	7/10/2001	VC		Banc One Corp.
	eCharge bank	UT	7/1/1988	n.a.	1/26/2001	VC		eCharge Corp.

Notes: VC: Voluntarily closed; CB: Converted to commercial bank; F: Fail; M&A: Merger & Acquisition; n.a. = not available; * non-deposit taking ILC.
Sources: FDIC; Milken Institute.

Appendix 6. Number of ILCs and total assets, by state, 1910 to Q2 2010

State		Q2 2010	Q1 2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Utah	# of ILCs	23	n.a.	24	28	30	33	33	30	28	26	25
	Total assets	101,841,795	n.a.	100,296,658	161,661,051	241,825,446	186,208,843	123,465,845	115,045,154	110,426,334	103,390,752	98,352,853
California	# of ILCs	n.a.	10	10	12	13	14	15	15	16	19	21
	Total assets	n.a.	8,936,500	8,963,403	10,974,092	12,152,135	17,332,450	17,263,515	14,701,013	13,446,171	12,606,944	11,529,240
Nevada	# of ILCs	4	4	4	4	4	4	4	4	2	2	2
	Total assets	20,169,649	19,524,071	16,681,753	10,648,580	8,537,667	7,941,942	9,587,875	10,097,230	5,719,441	3,932,639	3,473,460
Colorado	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Hawaii	# of ILCs	n.a.	n.a.	1	1	1	1	1	1	2	2	3
	Total assets	n.a.	n.a.	654,263	690,233	707,431	672,927	652,708	595,548	474,200	494,000	488,200
Indiana	# of ILCs	2	2	1	1	2	2	2	2	2	2	n.a.
	Total assets	n.a.	150,000	132,000	122,000	120,000	97,000	90,000	72,000	66,000	58,000	n.a.
Minnesota	# of ILCs	20	20	20	26	39	45	35	28	25	25	27
	Total assets	n.a.	n.a.	2,257,469	2,475,876	6,953,155	7,588,285	9,758,901	9,437,596	8,214,893	5,127,001	4,449,596
Iowa	# of ILCs	23	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Kentucky	# of ILCs	1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	5,588	11,036	20,196	23,315	22,309	7,727	7,107	16,862	12,013
Maine	# of ILCs	-	-	-	-	-	-	-	-	-	-	-
	Total assets	-	-	-	-	-	-	-	-	-	-	-
Nebraska	# of ILCs	-	-	-	-	-	-	-	-	Discontinued charter	n.a.	n.a.
	Total assets	-	-	-	-	-	-	-	-	Discontinued charter	n.a.	n.a.
Oregon	# of ILCs	-	-	-	-	-	-	-	-	-	-	-
	Total assets	-	-	-	-	-	-	-	-	-	-	-
Virginia	# of ILCs	5	5	5	5	5	6	6	6	7	7	7
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	38,115	36,552	82,331	92,198	107,608	85,500
West Virginia	# of ILCs	-	-	-	-	-	-	-	-	-	-	-
	Total assets	-	-	-	-	-	-	-	-	-	-	-
Aggregate of states	# of ILCs	78	41	65	77	94	105	96	86	82	83	85
	Total assets	122,011,444	28,610,603	162,303,402	186,582,868	270,316,030	219,864,762	160,879,268	149,992,820	138,436,477	125,718,396	118,412,970

Notes: Total assets are given in US$ thousands. A dash indicates no active institutions; n.a. indicates data not available.
Source: State regulatory authorities.

Appendix 6. Number of ILCs and total assets, by state, 1910 to Q2 2010 *(cont.)*

State		2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
Utah	# of ILCs	25	22	20	18	15	15	14	15	17	17
	Total assets	74,618,708	29,719,046	17,800,037	15,420,730	13,498,532	3,006,240	1,857,665	1,208,234	1,012,617	1,382,561
California	# of ILCs	22	23	27	26	30	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	10,934,108	9,933,880	7,342,193	6,967,867	6,307,611	7,824,539	7,215,549	6,681,365	5,585,231	5,105,502
Nevada	# of ILCs	1	1	1	1*	-	-	-	-	-	-
	Total assets	3,093,310	2,514,976	1,653,192	934,130*	-	-	-	-	-	-
Colorado	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Hawaii	# of ILCs	3	4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	464,500	520,900	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Indiana	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Minnesota	# of ILCs	31	33	35	33	30	26	27	26	24	21
	Total assets	3,435,804	1,723,839	1,779,028	1,650,128	1,119,338	875,419	939,270	921,610	809,152	822,782
Iowa	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Kentucky	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	12,700	3,184	8,855	13,346	13,842	13,559	17,162	36,242	70,626	93,265
Maine	# of ILCs	-	-	-	-	-	-	-	-	-	-
	Total assets	-	-	-	-	-	-	-	-	-	-
Nebraska	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1	2
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	54,117	48,125
Oregon	# of ILCs	-	-	-	-	-	-	-	-	-	-
	Total assets	-	-	-	-	-	-	-	-	-	-
Virginia	# of ILCs	8	8	8	8	8	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	85,500	123,263	63,142	138,584	93,906	n.a.	n.a.	n.a.	n.a.	n.a.
West Virginia	# of ILCs	-	-	-	-	Discontinued charter	14	13	16	15	16
	Total assets	-	-	-	-	Discontinued charter	330,000	296,700	265,500	247,400	237,600
Aggregate of states	# of ILCs	90	91	91	86	83	55	54	57	57	56
	Total assets	92,644,630	44,539,088	28,646,447	25,124,785	21,033,229	12,049,757	10,326,346	9,112,951	7,779,143	7,689,835

* In 1997, Nevada issued its first charter for an ILC.
Notes: Total assets are given in US$ thousands. A dash indicates no active institutions; n.a. indicates data not available.
Source: State regulatory authorities.

Appendix 6. Number of ILCs and total assets, by state, 1910 to Q2 2010 *(cont.)*

State		1990	1989	1988	1987	1986	1985	1984	1983	1982	1981
Utah	# of ILCs	17	17	15	13	20	32	37	53	56	57
	Total assets	1,573,210	858,017	548,076	456,173	474,067	771,516	793,141	670,179	605,140	522,363
California	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	5,162,959	4,436,825	3,624,578	2,997,975	2,677,784	2,508,680	2,325,240	2,035,330	1,630,687	1,262,858
Nevada	# of ILCs	-	-	-	-	-	-	-	-	-	-
	Total assets	-	-	-	-	-	-	-	-	-	-
Colorado	# of ILCs	n.a.	n.a.	75	89	108	n.a.	n.a.	152	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	1,000,000	n.a.	n.a.	n.a.	n.a.	n.a.
Hawaii	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Indiana	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Minnesota	# of ILCs	19	22	24	24	25	29	28	27	28	31
	Total assets	751,927	811,237	746,710	772,260	765,834	711,407	566,825	412,723	317,985	280,923
Iowa	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Kentucky	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	60,216	66,185	33,707	19,931	47,119	61,357	45,052	69,059	165,942	255,953
Maine	# of ILCs	-	-	-	-	-	-	-	-	-	-
	Total assets	-	-	-	-	-	-	-	-	-	-
Nebraska	# of ILCs	n.a.	n.a.	4	10	12	14	23	35	n.a.	n.a.
	Total assets	n.a.	n.a.	110,628	173,781	185,478	189,099	236,687	427,370	n.a.	n.a.
Oregon	# of ILCs	-	-	-	-	-	-	-	-	-	-
	Total assets	-	-	-	-	-	-	-	-	-	-
Virginia	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
West Virginia	# of ILCs	19	16	20	19	19	20	20	20	18	53
	Total assets	232,700	215,400	204,400	208,500	190,600	172,500	189,200	162,000	127,500	97,900
Aggregate of states	# of ILCs	55	55	63	66	76	95	108	135	102	141
	Total assets	7,781,012	6,387,664	5,268,099	4,628,620	4,340,882	4,414,559	4,156,145	3,776,661	2,847,254	2,419,997

Notes: Total assets are given in US$ thousands. A dash indicates no active institutions; n.a. indicates data not available.
Source: State regulatory authorities.

Appendix 6. Number of ILCs and total assets, by state, 1910 to Q2 2010 *(cont.)*

State		1980	1979	1978	1977	1976	1975	1974	1973	1972	1971
Utah	# of ILCs	56	51	48	47	48	57	54	56	56	57
	Total assets	392,495	318,082	230,413	177,765	147,831	117,768	98,845	113,945	96,018	75,525
California	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	1,120,406	1,007,766	875,928	772,406	687,399	613,119	560,343	542,939	523,969	456,632
Nevada	# of ILCs	-	-	-	-	-	-	-	-	-	-
	Total assets	-	-	-	-	-	-	-	-	-	-
Colorado	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Hawaii	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Indiana	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Minnesota	# of ILCs	39	41	41	41	50	54	58	57	55	56
	Total assets	296,207	330,806	312,463	281,615	252,070	274,260	265,931	267,674	253,427	216,715
Iowa	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Kentucky	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	254,058	268,877	238,484	224,959	208,046	203,573	212,063	182,174	144,585	130,667
Maine	# of ILCs	-	-	-	-	-	Discontinued charter	n.a.	n.a.	10	8
	Total assets	-	-	-	-	-	Discontinued charter	n.a.	n.a.	13,815	13,902
Nebraska	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Oregon	# of ILCs	-	-	-	-	-	-	-	Discontinued charter	n.a.	n.a.
	Total assets	-	-	-	-	-	-	-	Discontinued charter	n.a.	n.a.
Virginia	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
West Virginia	# of ILCs	44	50	45	42	48	45	46	45	45	44
	Total assets	80,600	121,600	100,700	77,900	81,500	75,100	78,200	113,800	92,900	74,300
Aggregate of states	# of ILCs	139	142	134	130	146	156	158	158	166	165
	Total assets	2,143,766	2,047,131	1,757,988	1,534,645	1,376,846	1,283,820	1,215,382	1,220,532	1,124,714	967,741

Notes: Total assets are given in US$ thousands. A dash indicates no active institutions; n.a. indicates data not available.
Source: State regulatory authorities.

Appendix 6. Number of ILCs and total assets, by state, 1910 to Q2 2010 *(cont.)*

State		1970	1969	1968	1967	1966	1965	1964	1963	1962	1961
Utah	# of ILCs	62	69	130	132	136	133	129	126	122	119
	Total assets	63,088	72,671	103,034	97,728	98,003	97,728	97,819	89,757	81,900	74,891
California	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Nevada	# of ILCs	-	-	-	-	-	-	-	-	-	-
	Total assets	-	-	-	-	-	-	-	-	-	-
Colorado	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Hawaii	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Indiana	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Minnesota	# of ILCs	61	62	71	74	71	63	53	52	53	50
	Total assets	198,293	190,333	180,330	165,699	148,193	127,233	106,102	89,693	74,651	64,522
Iowa	# of ILCs	n.a.	n.a.	n.a.	n.a.	First charter	-	-	-	-	-
	Total assets	n.a.	n.a.	n.a.	n.a.	First charter	-	-	-	-	-
Kentucky	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	128,304	118,607	106,980	92,254	83,269	74,444	62,498	47,926	38,987	29,533
Maine	# of ILCs	8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	13,197	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Nebraska	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Oregon	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Virginia	# of ILCs	n.a.	n.a.	n.a.	n.a.	Discontinued charter for deposit taking ILC	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	Discontinued charter for deposit taking ILC	n.a.	n.a.	n.a.	n.a.	n.a.
West Virginia	# of ILCs	46	44	42	45	47	47	46	45	44	37
	Total assets	67,300	63,100	55,200	74,100	78,700	70,400	63,400	58,200	51,700	46,400
Aggregate of states	# of ILCs	177	175	243	251	254	243	228	223	219	206
	Total assets	470,182	444,711	445,544	429,781	408,165	369,805	329,819	285,576	247,238	215,346

Notes: Total assets are given in US$ thousands. A dash indicates no active institutions; n.a. indicates data not available.
Source: State regulatory authorities.

Appendix 6. Number of ILCs and total assets, by state, 1910 to Q2 2010 *(cont.)*

State		1960	1959	1958	1957	1956	1955	1954	1953	1952	1951
Utah	# of ILCs	114	109	99	86	76	66	51	n.a.	n.a.	n.a.
	Total assets	69,255	61,052	50,571	44,727	40,577	33,939	27,469	24,728	22,315	n.a.
California	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Nevada	# of ILCs	-	-	-	-	-	-	-	-	-	-
	Total assets	-	-	-	-	-	-	-	-	-	-
Colorado	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Hawaii	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Indiana	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Minnesota	# of ILCs	51	50	48	39	35	29	24	22	22	21
	Total assets	63,028	55,693	45,233	39,693	35,433	28,364	21,122	19,568	18,119	14,365
Iowa	# of ILCs	-	-	-	-	-	-	-	-	-	-
	Total assets	-	-	-	-	-	-	-	-	-	-
Kentucky	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	25,017	12,028	7,624	6,674	3,351	1,337	1,145	1,197	1,261	1,002
Maine	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Nebraska	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Oregon	# of ILCs	40	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Virginia	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
West Virginia	# of ILCs	34	31	31	33	31	29	24	26	26	26
	Total assets	40,500	33,600	29,700	27,700	23,000	20,400	18,600	17,500	15,500	18,400
Aggregate of states	# of ILCs	239	190	178	158	142	124	99	48	48	47
	Total assets	197,800	162,373	133,128	118,794	102,361	84,040	68,336	62,993	57,195	33,767

Notes: Total assets are given in US$ thousands. A dash indicates no active institutions; n.a. indicates data not available.
Source: State regulatory authorities.

Appendix 6. Number of ILCs and total assets, by state, 1910 to Q2 2010 *(cont.)*

State		1950	1949	1948	1947	1946	1945	1944	1943	1942	1941
Utah	# of ILCs	29	n.a.	23	n.a.	12	n.a.	7	n.a.	7	n.a.
	Total assets	9,960	n.a.	5,820	n.a.	2,447	n.a.	1,299	n.a.	1,625	n.a.
California	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Nevada	# of ILCs	-	-	-	-	-	-	-	-	-	-
	Total assets	-	-	-	-	-	-	-	-	-	-
Colorado	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Hawaii	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Indiana	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Minnesota	# of ILCs	19	21	19	19	17	13	12	11	10	8
	Total assets	10,891	8,291	9,000	8,749	5,666	5,169	4,001	4,541	4,550	4,627
Iowa	# of ILCs	-	-	-	-	-	-	-	-	-	-
	Total assets	-	-	-	-	-	-	-	-	-	-
Kentucky	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	726	999	1,207	844	433	n.a.	n.a.	n.a.	n.a.	n.a.
Maine	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Nebraska	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	First charter
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	First charter
Oregon	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Virginia	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
West Virginia	# of ILCs	26	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	18,500	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aggregate of states	# of ILCs	74	21	42	19	29	13	19	11	17	8
	Total assets	40,077	9,290	16,027	9,593	8,546	5,169	5,300	4,541	6,175	4,627

Notes: Total assets are given in US$ thousands. A dash indicates no active institutions; n.a. indicates data not available.
Source: State regulatory authorities.

Appendix 6. Number of ILCs and total assets, by state, 1910 to Q2 2010 *(cont.)*

State		1940	1939	1938	1937	1936	1935	1934	1933	1932	1931
Utah	# of ILCs	5	n.a.	4	n.a.	3	n.a.	3	n.a.	n.a.	n.a.
	Total assets	1,239	n.a.	599	n.a.	514	n.a.	377	n.a.	n.a.	n.a.
California	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Nevada	# of ILCs	-	-	-	-	-	-	-	-	-	-
	Total assets	-	-	-	-	-	-	-	-	-	-
Colorado	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Hawaii	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Indiana	# of ILCs	n.a.	n.a.	n.a.	11	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Minnesota	# of ILCs	8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	First charter	-	-
	Total assets	4,484	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	First charter	-	-
Iowa	# of ILCs	-	-	-	-	-	-	-	-	-	-
	Total assets	-	-	-	-	-	-	-	-	-	-
Kentucky	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Maine	# of ILCs	First charter*	-	-	-	-	-	-	-	-	-
	Total assets	First charter*	-	-	-	-	-	-	-	-	-
Nebraska	# of ILCs	-	-	-	-	-	-	-	-	-	-
	Total assets	-	-	-	-	-	-	-	-	-	-
Oregon	# of ILCs	1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Virginia	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
West Virginia	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Aggregate of states	# of ILCs	14	n.a.	4	11	3	n.a.	3	n.a.	n.a.	n.a.
	Total assets	5,723	n.a.	599	n.a.	514	n.a.	377	n.a.	n.a.	n.a.

*The first charter of an ILC in the state of Maine was before 1940, according to the state.
Notes: Total assets are given in US$ thousands. A dash indicates no active institutions; n.a. indicates data not available.
Source: State regulatory authorities.

Appendix 6. Number of ILCs and total assets, by state, 1910 to Q2 2010 *(cont.)*

State		1930	1929	1928	1927	1926	1925	1924	1923	1922	1921
Utah	# of ILCs	n.a.	n.a.	n.a.	n.a.	3	First charter	-	-	-	-
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	First charter	-	-	-	-
California	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Nevada	# of ILCs	-	-	-	-	-	-	-	-	-	-
	Total assets	-	-	-	-	-	-	-	-	-	-
Colorado	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	First charter	-	-
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	First charter	-	-
Hawaii	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Indiana	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Minnesota	# of ILCs	-	-	-	-	-	-	-	-	-	-
	Total assets	-	-	-	-	-	-	-	-	-	-
Iowa	# of ILCs	-	-	-	-	-	-	-	-	-	-
	Total assets	-	-	-	-	-	-	-	-	-	-
Kentucky	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Maine	# of ILCs	-	-	-	-	-	-	-	-	-	-
	Total assets	-	-	-	-	-	-	-	-	-	-
Nebraska	# of ILCs	-	-	-	-	-	-	-	-	-	-
	Total assets	-	-	-	-	-	-	-	-	-	-
Oregon	# of ILCs	2	n.a.	n.a.	n.a.	n.a.	3	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Virginia	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
West Virginia	# of ILCs	n.a.	n.a.	n.a.	First charter	-	-	-	-	-	-
	Total assets	n.a.	n.a.	n.a.	First charter	-	-	-	-	-	-
Aggregate of states	# of ILCs	2	n.a.	n.a.	n.a.	3	3	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Notes: Total assets are given in US$ thousands. A dash indicates no active institutions; n.a. indicates data not available.
Source: State regulatory authorities.

Appendix 6. Number of ILCs and total assets, by state, 1910 to Q2 2010 *(cont.)*

State		1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910
Utah	# of ILCs	-	-	-	-	-	-	-	-	-	-	-
	Total assets	-	-	-	-	-	-	-	-	-	-	-
California	# of ILCs	n.a.	n.a.	n.a.	n.a.	First charter	-	-	-	-	-	-
	Total assets	n.a.	n.a.	n.a.	n.a.	First charter	-	-	-	-	-	-
Nevada	# of ILCs	-	-	-	-	-	-	-	-	-	-	-
	Total assets	-	-	-	-	-	-	-	-	-	-	-
Colorado	# of ILCs	-	-	-	-	-	-	-	-	-	-	-
	Total assets	-	-	-	-	-	-	-	-	-	-	-
Hawaii	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Indiana	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	First charter	-	-	-	-
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	First charter	-	-	-	-
Minnesota	# of ILCs	-	-	-	-	-	-	-	-	-	-	-
	Total assets	-	-	-	-	-	-	-	-	-	-	-
Iowa	# of ILCs	-	-	-	-	-	-	-	-	-	-	-
	Total assets	-	-	-	-	-	-	-	-	-	-	-
Kentucky	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Maine	# of ILCs	-	-	-	-	-	-	-	-	-	-	-
	Total assets	-	-	-	-	-	-	-	-	-	-	-
Nebraska	# of ILCs	-	-	-	-	-	-	-	-	-	-	-
	Total assets	-	-	-	-	-	-	-	-	-	-	-
Oregon	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Virginia	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	First charter
West Virginia	# of ILCs	-	-	-	-	-	-	-	-	-	-	-
	Total assets	-	-	-	-	-	-	-	-	-	-	-
Aggregate of states	# of ILCs	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1
	Total assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Notes: Total assets are given in US$ thousands. A dash indicates no active institutions; n.a. indicates data not available.
Source: State regulatory authorities.

Appendix 7. Distribution of ILC numbers and assets by state, 2000 to Q2 2010

Number

	% of total number of ILCs							Total number
	Utah	California	Nevada	Colorado	Hawaii	Indiana	Minnesota	
2000	48.9	31.1	6.7	6.7	2.2	2.2	2.2	45
2001	48.9	29.8	6.4	8.5	2.1	2.1	2.1	47
2002	50.0	29.2	6.3	8.3	2.1	2.1	2.1	48
2003	53.9	26.9	5.8	7.7	1.9	1.9	1.9	52
2004	51.8	26.8	8.9	7.1	1.8	1.8	1.8	56
2005	54.2	25.4	8.5	6.8	1.7	1.7	1.7	59
2006	55.2	24.1	8.6	6.9	1.7	1.7	1.7	58
2007	54.7	24.5	9.4	5.7	1.9	1.9	1.9	53
2008	56.0	24.0	10.0	4.0	2.0	2.0	2.0	50
2009	57.5	25.0	10.0	0	2.5	2.5	2.5	40
Q2 2010	56.4	25.6	10.3	0	2.6	2.6	2.6	39

Assets

	% of total assets							Total assets (US$ billions)
	Utah	Nevada	California	Hawaii	Indiana	Minnesota	Colorado	
2000	86.0	3.6	9.4	0.5	0.05	0.02	0.3	86
2001	88.3	3.2	7.8	0.4	0.04	0.02	0.2	111
2002	87.4	3.4	8.6	0.4	0.04	0.02	0.2	118
2003	85.2	4.4	9.6	0.4	0.04	0.02	0.4	131
2004	82.2	7.3	9.8	0.4	0.04	0.02	0.3	140
2005	82.3	6.5	10.4	0.4	0.04	0.02	0.3	151
2006	87.5	3.9	8.1	0.3	0.03	0.01	0.2	213
2007	91.7	3.3	4.6	0.3	0.02	0.01	0.1	264
2008	89.1	5.0	5.0	0.3	0.03	0.01	0.5	218
2009	79.2	13.2	7.1	0.5	0.05	0.02	0	127
Q2 2010	77.4	15.3	6.8	0.5	0.05	0.02	0	132

Note: This excludes ILCs that do not take deposits. Appendix 5 provides information on ILCs that became inactive between 2001 and March 2010.
Sources: FDIC; Milken Institute.

Appendix 8. Distribution of ILC assets and numbers by parent type, 2000 to Q2 2010

	Total assets (US$ billions)	% of total		Total number	% of total	
		Financially owned ILCs	Commercially owned ILCs		Financially owned ILCs	Commercially owned ILCs
2000	87	95.5	4.5	47	83.0	17.0
2001	112	96.9	3.1	49	79.6	20.4
2002	119	96.1	3.9	50	78.0	22.0
2003	131	96.3	3.7	53	77.4	22.6
2004	140	93.9	6.1	57	75.4	24.6
2005	151	91.7	8.3	60	76.7	23.3
2006	213	87.6	12.4	59	78.0	22.0
2007	264	86.7	13.3	54	79.6	20.4
2008	218	75.8	24.2	50	78.0	22.0
2009	127	84.9	15.1	40	77.5	22.5
Q2 2010	132	85.8	14.2	39	76.9	23.1

Note: This excludes ILCs that do not take deposits. If an ILC has no parent, it is classified as a financial ILC.
Source: FDIC.

Appendix 9. Distribution of financially owned ILC assets and numbers by state, 2000 to Q2 2010

Year	Total assets (US$ billions)	% of total						
		Utah	Nevada	California	Hawaii	Indiana	Minnesota	Colorado
2000	83	85.3	3.8	10.0	0.5	0.05	0.05	0.3
2001	108	87.7	3.2	8.2	0.4	0.04	0.05	0.2
2002	114	86.7	3.5	9.0	0.4	0.04	0.05	0.2
2003	126	84.6	4.5	10.0	0.4	0.04	0.05	0.4
2004	132	81.0	7.7	10.4	0.5	0.04	0.04	0.4
2005	138	80.8	7.0	11.3	0.5	0.05	0.03	0.3
2006	186	85.9	4.3	9.2	0.4	0.03	0.02	0.2
2007	229	90.6	3.7	5.3	0.3	0.02	0.01	0.1
2008	165	86.0	6.2	6.6	0.4	0.03	0.02	0.7
2009	108	76.3	14.7	8.3	0.6	0.06	0.03	0
Q2 2010	113	74.4	17.1	7.9	0.5	0.06	0.03	0

Year	Total number	% of total						
		Utah	California	Nevada	Hawaii	Indiana	Minnesota	Colorado
2000	39	38	38	5	3	3	5	10
2001	39	36	38	5	3	3	5	10
2002	39	36	38	5	3	3	5	10
2003	41	41	34	5	2	2	5	10
2004	43	40	35	7	2	2	5	9
2005	46	43	33	7	2	2	4	9
2006	46	46	30	7	2	2	4	9
2007	43	47	30	7	2	2	5	7
2008	39	49	31	8	3	3	3	5
2009	31	52	32	6	3	3	3	0
Q2 2010	30*	50	33*	7	3	3	3	0

* There was one ILC in California that has no parent, but that was classified as a financially owned ILC.
Source: FDIC.

Appendix 10. Distribution of commercially owned ILC assets and numbers, by state, 2000 to Q2 2010

Year	Total assets (US$ billions)	% of total		Total number	% of total	
		Utah	Nevada		Utah	Nevada
2000	4	100.0	0.0	8	100.0	0.0
2001	3	99.9	0.1	10	90.0	10.0
2002	5	99.7	0.3	11	90.9	9.1
2003	5	99.6	0.4	12	91.7	8.3
2004	9	99.7	0.3	14	85.7	14.3
2005	13	99.5	0.5	14	85.7	14.3
2006	26	99.2	0.8	13	84.6	15.4
2007	35	98.8	1.2	11	81.8	18.2
2008	53	98.8	1.2	11	81.8	18.2
2009	19	95.4	4.6	9	77.8	22.2
Q2 2010	19	95.4	4.6	9	77.8	22.2

Note: This excludes ILCs that do not take deposits. Ally Bank is classified as a commercially owned ILC before its conversion to commercial bank.
Source: FDIC.

Appendix 11. Selected information on currently active ILCs

ADB Bank

Date of establishment – 8/1/2005			Date of insurance – 8/1/2005			
State – Utah			Type – Financially owned			
Parent company – Leavitt Group Enterprises Inc.			Location – Utah			
	2010Q2	2009	2008	2007	2006	2005
Total employees	15	17	19	16	15	11
Total assets (US$ thousands)	48,542	54,092	48,142	44,541	38,171	18,722
Balance sheet (% of total assets)						
Cash and due from depository institutions	37.69	37.65	29.40	19.12	10.72	0.37
Securities	1.35	1.15	1.40	0.45	0	3.19
Net loans & leases	55.06	52.38	65.45	62.25	73.12	79.51
Total other assets	5.90	8.82	3.76	18.19	16.17	16.93
Total liabilities	84.38	86.24	82.68	82.35	81.22	74.97
Total deposits	83.96	85.63	82.04	80.84	80.09	73.63
% insured	92.85	91.83	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	0	0	0	0	0	0
Total bank equity capital	15.62	13.76	17.32	17.65	18.78	25.03
Loan composition (% of total assets)						
Loans and leases, gross	56.60	53.80	67.36	64.45	75.95	82.80
All real estate loans	2.36	1.76	1.42	0	0	0
Commercial and industrial loans	54.24	52.04	65.94	64.45	75.95	82.80
Loans to individuals	0	0	0	0	0	0
Total other loans and leases	0	0	0	0	0	0
Performance measures (%)						
ROA	0.45	0.53	0.14	1.62	1.59	0.4
ROE	3.12	3.69	0.9	9.2	8.47	1.39
Net interest margin	5.00	5.70	6.05	7.91	9.07	3.13
Efficiency ratio	85.33	83.23	94.99	67.72	69.83	79.64
Loss allowance to loans	0.19	0.21	0.21	0.12	0.28	0.30
Loss allowance to noncurrent loans	83.33	21.43	19.35	42.67	n.a.	n.a.
Tier 1 risk-based capital ratio	25.49	21.04	22.76	25.53	23.95	29.34
Total risk-based capital ratio	25.66	21.21	22.94	25.63	24.21	29.62

American Express Centurion Bank

Date of establishment – 3/20/1989					Date of insurance – 3/20/1989						
State – Utah					Type – Financially owned						
Parent company – American Express Co.					Location – New York						
	2010Q2	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Total employees	74	69	60	61	71	57	46	1,315	1,267	1,335	1,371
Total assets (US$ thousands)	29,992,347	24,167,298	24,574,054	26,023,542	21,096,810	16,812,760	13,178,995	20,412,722	18,758,816	17,668,668	18,037,112
Balance sheet (% of total assets)											
Cash and due from depository institutions	38.09	15.78	16.18	0.63	0.74	0.70	0.90	0.24	0.21	0.29	0.33
Securities	13.54	24.00	4.37	4.16	4.94	6.08	7.61	0.26	0.28	0.23	0.27
Net loans & leases	40.97	50.19	72.29	85.75	83.40	80.70	78.96	89.88	85.63	91.29	92.62
Total other assets	7.41	10.04	7.16	9.46	10.92	12.52	12.53	9.62	13.88	8.19	6.78
Total liabilities	82.78	81.11	87.64	89.57	89.04	89.74	89.38	89.81	90	89.13	90.78
Total deposits	63.78	56.85	29.92	26.96	21.08	33.23	25.16	43.40	39.92	27.19	25.84
% insured	69.97	93.41	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	11.17	18.95	48.95	53.27	54.68	43.11	53.48	34.92	35.75	51.78	48.15
Total bank equity capital	17.22	18.89	12.36	10.43	10.96	10.26	10.62	10.19	10	10.87	9.22
Loan composition (% of total assets)											
Loans and leases, gross	43.85	54.00	76.57	88.34	85.31	82.82	81.34	93.37	89.53	94.49	95.11
All real estate loans	0	0	0	0	0	0	0	2.07	1.84	0.33	0.07
Commercial and industrial loans	0	0	0	0	0.01	0.01	0.01	26.92	24.84	25.41	22.13
Loans to individuals	43.81	53.96	76.53	85.42	84.32	81.57	79.56	62.63	62.10	68.58	72.09
Total other loans and leases	0.04	0.04	0.04	2.91	0.99	1.24	1.77	1.75	0.75	0.17	0.82
Performance measures (%)											
ROA	4.49	3.80	3.91	5.60	8.05	7.24	6.66	5.91	4.64	3.50	3.55
ROE	24.84	24.49	33.45	50.08	65.07	62.52	60.17	52.03	37.5	32.83	34.72
Net interest margin	7.42	9.48	11.19	6.73	7.79	6.43	6.97	12.43	13.16	11.12	7.39
Efficiency ratio	51.45	48.39	50.79	48.11	42.95	46.79	44.57	46.23	45.21	46.34	48.54
Loss allowance to loans	6.57	7.06	5.59	2.93	2.24	2.55	2.93	3.73	4.36	3.39	2.62
Loss allowance to noncurrent loans	192.77	358.57	224.98	211.51	156.19	218.57	260.19	274.83	293.74	199.74	189.31
Tier 1 risk-based capital ratio	16.89	13.69	12.27	9.17	9.62	8.48	9.17	9.00	9.42	10.97	8.91
Total risk-based capital ratio	18.16	14.96	13.71	10.52	10.95	9.80	10.53	10.33	10.76	12.26	10.17

American Express Centurion Bank *(cont.)*

Date of establishment – 3/20/1989				Date of insurance – 3/20/1989				
State – Utah				Type – Financially owned				
Parent company – American Express Co.				Location – New York				
	1999	1998	1997	1996	1995	1994	1993	1992
Total employees	1,317	696	858	1,038	101	94	6	7
Total assets ($thousands)	15,578,545	12,789,098	11,886,981	10,597,870	218,625	230,036	8,545	9,231
Balance sheet (% of total assets)								
Cash and due from depository institutions	0.52	1.45	0.30	0.40	5.02	7.51	4.25	80.33
Securities	0.22	0.23	0.18	0.07	0.48	0.32	5.09	4.87
Net loans & leases	91.97	94.34	92.45	95.31	88.12	87.52	43.67	13.84
Total other assets	7.29	3.98	7.08	4.21	6.38	4.65	46.99	0.95
Total liabilities	91.02	89.25	88.73	90.02	85.78	88.22	15.68	22.42
Total deposits	25.94	24.30	15.88	16.61	30.79	28.14	13.73	14.30
% insured	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	54.33	58.10	66.23	66.13	53.06	57.82	0	0
Total bank equity capital	8.98	10.75	11.27	9.98	14.22	11.78	84.32	77.58
Loan composition (% of total assets)								
Loans and leases, gross	94.82	97.96	96.41	99.20	91.26	90.54	44.00	14.12
All real estate loans	0	0	0.01	0.01	0.57	0.60	0	0
Commercial and industrial loans	16.78	10.29	7.14	2.07	1.35	0.66	6.33	1.18
Loans to individuals	77.23	86.82	89.16	95.97	88.53	85.23	1.74	0.19
Total other loans and leases	0.82	0.84	0.11	1.15	0.82	4.05	35.93	12.74
Performance measures (%)								
ROA	3.82	3.71	2.42	1.22	1.81	2.07	0.5	2
ROE	32.22	31.19	22.47	12	13.66	17.44	0.61	5.57
Net interest margin	10.35	11.19	10.39	7.85	7.89	8.7	3.58	2.02
Efficiency ratio	43.79	33.37	36.72	45.19	51.64	49.33	88.25	73.65
Loss allowance to loans	3.01	3.7	4.12	3.92	3.45	3.33	0.74	1.92
Loss allowance to noncurrent loans	213.12	215.19	228.76	268.8	750.87	760.31	n.a.	625
Tier 1 risk-based capital ratio	9.15	10.87	11.38	10.08	15.03	13.18	270.35	322.71
Total risk-based capital ratio	10.42	12.15	12.67	11.36	16.3	14.46	271.4	323.84

ARCUS Bank

Date of establishment – 9/9/2008		Date of insurance – 9/9/2008	
State – Utah		Type – Financially owned	
Parent company – WellPoint Inc.		Location – Indiana	
	2010Q2	2009	2008
Total employees	4	7	7
Total assets (US$ thousands)	39,956	188,966	165,496
Balance sheet (% of total assets)			
Cash and due from depository institutions	29.74	0.20	0
Securities	68.47	98.45	99.21
Net loans & leases	0	0	0
Total other assets	1.80	1.35	0.79
Total liabilities	9.63	81.47	79.00
Total deposits	5.78	80.74	60.44
% insured	100	2.34	n.a.
Other borrowed funds	0	0	16.85
Total bank equity capital	90.37	18.53	21.00
Loan composition (% of total assets)			
Loans and leases, gross	0	0	0
All real estate loans	0	0	0
Commercial and industrial loans	0	0	0
Loans to individuals	0	0	0
Total other loans and leases	0	0	0
Performance measures (%)			
ROA	2.37	-0.20	-1.19
ROE	9.46	-1.05	-3.41
Net interest margin	2.06	1.53	0.48
Efficiency ratio	80.37	124.67	509.24
Loss allowance to loans	n.a.	n.a.	n.a.
Loss allowance to noncurrent loans	n.a.	n.a.	n.a.
Tier 1 risk-based capital ratio	583.34	50.06	106.20
Total risk-based capital ratio	583.34	50.06	106.20

Balboa Thrift and Loan Association

Date of establishment – 12/11/1980						Date of insurance – 7/3/1986					
State – California						Type – Financially owned					
Parent company – Hafif Bancorp Inc.						Location – California					
	2010Q2	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Total employees	76	80	85	79	82	75	67	56	54	45	43
Total assets (US$ thousands)	198,365	198,903	205,263	195,126	173,397	148,024	129,588	116,972	104,093	82,032	77,079
Balance sheet (% of total assets)											
Cash and due from depository institutions	7.42	9.62	5.24	7.20	1.61	2.74	3.64	3.98	5.91	3.60	6.64
Securities	0	0	0	0	0.05	0.12	0.36	0.47	0.60	1.22	2.77
Net loans & leases	90.31	87.25	91.97	90.08	93.24	92.42	92.89	90.75	91.09	91.15	88.11
Total other assets	2.27	3.14	2.78	2.72	5.10	4.72	3.12	4.80	2.40	4.03	2.47
Total liabilities	89.92	90.25	91.21	89.95	90.39	89.94	89.88	90.46	91.17	90.83	91.57
Total deposits	89.61	90.06	90.95	89.80	89.66	89.41	89.33	90.04	90.65	90.55	91.14
% insured	94.79	95.20	n.a.	95.26	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	0	0	0	0	0.08	0	0	0	0	0	0
Total bank equity capital	10.08	9.75	8.79	10.05	9.61	10.06	10.12	9.54	8.83	9.17	8.43
Loan composition (% of total assets)											
Loans and leases, gross	93.02	89.97	94.37	92.81	95.14	94.37	94.86	92.71	92.76	92.78	89.80
All real estate loans	12.33	11.79	8.74	12.07	8.09	9.05	8.70	8.95	12.25	16.60	20.97
Commercial and industrial loans	0.61	0.41	0.40	0.74	0.55	0.51	0.81	0.65	0.61	0.68	0.61
Loans to individuals	80.09	77.78	85.23	80.01	86.49	84.81	85.35	83.11	79.90	75.50	68.22
Total other loans and leases	0	0	0	0	0	0	0	0	0	0	0
Performance measures (%)											
ROA	0.61	0.18	0.09	0.44	1.10	1.26	1.57	1.77	1.68	1.22	1.73
ROE	6.11	1.91	1.01	4.43	11.26	12.66	16.08	19.29	18.95	13.9	20.73
Net interest margin	8.56	8.16	7.64	8.38	8.04	8.39	9.51	10.52	9.74	8.54	9.38
Efficiency ratio	52.05	54.09	53.98	50.83	52.66	53.12	47.95	41.96	44.90	52.60	47.89
Loss allowance to loans	2.92	3.03	2.53	2.94	1.99	2.06	2.08	2.11	1.77	1.75	1.86
Loss allowance to noncurrent loans	415.35	289.34	198.62	496.55	236.50	382.74	486.67	428.89	218.69	197.92	159.65
Tier 1 risk-based capital ratio	10.86	10.77	9.19	10.80	9.92	10.44	10.43	9.99	9.31	9.56	9.12
Total risk-based capital ratio	12.13	12.04	10.45	12.07	11.17	11.7	11.7	11.25	10.56	10.81	10.38

Balboa Thrift and Loan Association *(cont.)*

Date of establishment – 12/11/1980				Date of insurance – 7/3/1986				
State – California				Type – Financially owned				
Parent company – Hafif Bancorp Inc.				Location – California				
	1999	1998	1997	1996	1995	1994	1993	1992
Total employees	35	29	27	25	19	15	18	19
Total assets (US$ thousands)	60,698	47,632	37,043	33,396	30,234	22,942	19,641	18,462
Balance sheet (% of total assets)								
Cash and due from depository institutions	2.03	3.53	1.65	1.34	0.53	0.34	3.58	2.73
Securities	2.43	3.39	5.29	0	0	0	0	0
Net loans & leases	87.78	87.05	86.95	85.53	84.76	89.75	90.38	90.78
Total other assets	7.77	6.04	6.11	13.13	14.71	9.90	6.03	6.49
Total liabilities	91.74	91.45	90.98	91.17	91.85	90.91	91.12	90.43
Total deposits	90.33	90.91	90.76	91.00	90.92	90.41	89.56	89.05
% insured	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	0	0	0	0	0	0	0	0
Total bank equity capital	8.26	8.55	9.02	8.83	8.15	9.09	8.88	9.57
Loan composition (% of total assets)								
Loans and leases, gross	89.78	89.01	89.39	87.92	87.36	92.81	92.04	92.74
All real estate loans	27.47	31.19	45.57	52.66	55.79	67.31	69.90	81.16
Commercial and industrial loans	0.43	0.10	0.13	0	0	0	0	0
Loans to individuals	61.88	57.71	43.68	35.39	31.57	25.50	22.39	12.63
Total other loans and leases	0	0	0	0	0	0	0	0
Performance measures(%)								
ROA	1.72	0.68	1.11	1.5	1.42	1.58	1.44	1.83
ROE	20.49	7.94	12.51	17.97	16.64	17.97	15.13	21.01
Net interest margin	9.98	8.9	9.03	9.05	7.83	9.29	10	9.97
Efficiency ratio	47.12	57.85	58.49	55.34	58.64	52.11	56.2	66.67
Loss allowance to loans	2.2	2.14	2.63	2.71	2.98	3.29	1.8	2.11
Loss allowance to noncurrent loans	155.44	82.89	71.57	68.59	85.53	111.62	42.28	71.97
Tier 1 risk-based capital ratio	8.88	9.17	9.43	9.72	8.93	9.74	9.57	10.41
Total risk-based capital ratio	10.14	10.43	10.7	10.98	10.2	11.01	10.82	11.67

Beal Bank Nevada

Date of establishment – 8/2/2004				Date of insurance – 8/2/2004			
State – Nevada				Type – Financially owned			
Parent company – Beal Financial Corp.				Location – Texas			
	2010Q2	2009	2008	2007	2006	2005	2004
Total employees	78	94	59	25	38	5	2
Total assets (US$ thousands)	5,544,008	5,288,158	3,105,584	1,639,122	1,916,150	2,420,240	2,777,304
Balance sheet (% of total assets)							
Cash and due from depository institutions	5.45	1.15	0.19	1.51	0.94	0.50	0.89
Securities	43.42	46.62	42.85	64.17	67.74	70.59	61.24
Net loans & leases	46.50	48.51	53.13	32.64	29.03	26.18	35.31
Total other assets	4.63	3.73	3.83	1.68	2.29	2.72	2.56
Total liabilities	64.75	64.76	47.05	8.30	21.64	38.91	53.17
Total deposits	40.02	36.62	22.90	4.30	4.26	10.92	3.05
% insured	86.08	86.26	0	0	0	0	0
Other borrowed funds	24.15	27.77	23.29	3.66	16.83	27.59	49.47
Total bank equity capital	35.25	35.24	52.95	91.70	78.36	61.09	46.83
Loan composition (% of total assets)							
Loans and leases, gross	47.36	49.39	53.77	32.84	29.30	26.45	35.67
All real estate loans	45.49	46.98	51.50	28.42	26.22	23.69	35.35
Commercial and industrial loans	1.73	2.39	2.23	4.35	3.03	2.73	0.20
Loans to individuals	0.14	0.02	0.03	0	0	0	0
Total other loans and leases	0	0	0	0.06	0.05	0.04	0.12
Performance measures (%)							
ROA	9.13	7.04	6.32	8.70	8.05	6.42	2.1
ROE	25.37	18.74	9.00	9.76	11.38	12.84	4.89
Net interest margin	12.33	10.38	7.77	7.61	8.31	7.08	2.75
Efficiency ratio	11.55	13.34	6.65	5.56	6.43	8.64	9.22
Loss allowance to loans	1.82	1.79	1.19	0.59	0.91	1.02	1.01
Loss allowance to noncurrent loans	6.88	6.86	5.22	38.18	30.57	54.49	133.76
Tier 1 risk-based capital ratio	40.1	38.5	58.00	93.27	78.91	61.61	47.36
Total risk-based capital ratio	41.08	39.47	58.70	93.46	79.18	61.88	47.72

BMW Bank of North America

Date of establishment – 11/12/1999					Date of insurance – 11/12/1999						
State – Utah					Type – Commercially owned						
Parent company – BMW AG					Location – Germany						
	2010Q2	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Total employees	33	33	40	43	39	33	32	32	36	27	25
Total assets (US$ thousands)	8,169,465	7,210,025	5,527,787	2,484,082	2,219,777	1,770,399	1,536,819	1,111,423	1,094,686	856,184	549,705
Balance sheet (% of total assets)											
Cash and due from depository institutions	0.26	0.25	18.24	0.72	0.77	0.67	0.64	0.63	0.87	1.07	0.11
Securities	23.12	11.06	9.70	17.21	8.46	1.85	1.33	1.10	1.29	1.60	2.99
Net loans & leases	75.61	86.42	70.31	80.96	89.55	96.58	96.85	97.38	95.59	95.16	95.50
Total other assets	1.01	2.26	1.74	1.11	1.21	0.90	1.18	0.89	2.25	2.17	1.41
Total liabilities	90.61	90.95	92.15	91.47	91.60	90.66	90.94	89.52	90.96	89.96	84.34
Total deposits	66.39	70.90	67.63	72.31	71.67	78.31	37.45	10.92	15.21	15.09	27.28
% insured	96.41	98.56	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	15.61	10.75	8.14	0	0	0.04	37.84	61.62	65.01	64.11	49.82
Total bank equity capital	9.39	9.05	7.85	8.53	8.40	9.34	9.06	10.48	9.04	10.04	15.66
Loan composition (% of total assets)											
Loans and leases, gross	83.50	96.35	77.19	85.69	94.54	101.87	100.82	101.17	100.52	99.23	99.63
All real estate loans	0	0	0	0	0	0	0	0	0	0	0
Commercial and industrial loans	0	0	0	0	0	0	0	0	0	0	0
Loans to individuals	83.50	96.35	77.19	85.69	94.54	101.87	100.82	101.17	100.52	99.23	99.63
Total other loans and leases	0	0	0	0	0	0	0	0	0	0	0
Performance measures (%)											
ROA	2.91	1.75	1.07	0.99	1.06	1.90	2.30	4.37	4.57	4.16	1.20
ROE	31.67	19.48	12.42	11.89	11.88	19.28	23.69	46.39	50.43	37.85	9.14
Net interest margin	5.21	4.61	3.41	3.11	3.32	3.6	3.45	4.03	4.66	4.68	3.88
Efficiency ratio	17.40	21.37	32.10	42.83	48.40	44.39	41.40	24.85	20.39	21.34	29.33
Loss allowance to loans	0.99	1.32	1.34	1.41	1.12	0.92	1.03	1.65	2.92	2.73	2.58
Loss allowance to noncurrent loans	404.15	415.70	344.60	330.37	420.95	528.25	697.43	775.34	1,565.09	1,666.57	1,487.38
Tier 1 risk-based capital ratio	9.52	9.22	10.30	9.77	9.01	9.48	9.10	10.50	9.08	10.16	15.93
Total risk-based capital ratio	10.3	10.43	11.55	11.03	10.10	10.38	10.12	11.76	10.35	11.43	17.20

BMW Bank of North America *(cont.)*

Date of establishment – 11/12/1999	Date of insurance – 11/12/1999
State – Utah	Type – Commercially owned
Parent company – BMW AG	Location – Germany
	1999
Total employees	16
Total assets ($thousands)	178,772
Balance sheet (% of total assets)	
Cash and due from depository institutions	0
Securities	5.54
Net loans & leases	89.80
Total other assets	4.66
Total liabilities	56.00
Total deposits	0.01
% insured	n.a.
Other borrowed funds	33.56
Total bank equity capital	44.00
Loan composition (% of total assets)	
Loans and leases, gross	93.88
All real estate loans	0
Commercial and industrial loans	0
Loans to individuals	93.88
Total other loans and leases	0
Performance measures (%)	
ROA	-1.27
ROE	-2.89
Net interest margin	1.3
Efficiency ratio	100.5
Loss allowance to loans	2.1
Loss allowance to noncurrent loans	n.a.
Tier 1 risk-based capital ratio	45.5
Total risk-based capital ratio	46.75

CapitalSource Bank

Date of establishment – 7/25/2008		Date of insurance – 7/25/2008	
State – California		Type – Financially owned	
Parent company – CapitalSource Inc.		Location – Maryland	
	2010Q2	2009	2008
Total employees	340	351	343
Total assets (US$ thousands)	5,778,378	5,677,354	6,134,338
Balance sheet (% of total assets)			
Cash and due from depository institutions	4.08	4.16	2.16
Securities	31.28	30.47	28.74
Net loans & leases	58.92	59.16	64.89
Total other assets	5.72	6.21	4.21
Total liabilities	84.84	84.71	85.07
Total deposits	79.10	78.98	82.22
% insured	92.54	93.75	n.a.
Other borrowed funds	4.59	3.52	0
Total bank equity capital	15.16	15.29	14.93
Loan composition (% of total assets)			
Loans and leases, gross	61.77	61.85	67.46
All real estate loans	28.72	25.41	20.34
Commercial and industrial loans	24.78	21.35	18.78
Loans to individuals	0	0	0
Total other loans and leases	8.27	15.09	28.34
Performance measures (%)			
ROA	-0.07	-1.22	-0.14
ROE	-0.46	-8.00	-0.92
Net interest margin	4.87	3.74	1.25
Efficiency ratio	37.63	42.21	51.30
Loss allowance to loans	4.61	4.34	1.38
Loss allowance to noncurrent loans	42.63	82.28	137.61
Tier 1 risk-based capital ratio	16.41	16.19	16.30
Total risk-based capital ratio	17.69	17.47	17.44

Capmark Bank

Date of establishment – 4/1/2003				Date of insurance – 4/1/2003				
State – Utah				Type – Financially owned				
Parent company – General Motors Co., Private equity consortium*				Location – Michigan				
	2010Q2	2009	2008	2007	2006	2005	2004	2003
Total employees	137	31	35	29	21	22	21	10
Total assets (US$ thousands)	9,533,221	10,584,824	8,469,619	7,341,108	3,773,123	4,872,497	2,367,779	662,539
Balance sheet (% of total assets)								
Cash and due from depository institutions	16.62	32.63	3.43	11.73	5.10	4.72	6.04	19.76
Securities	13.73	0.06	0.01	0.01	0.03	0.03	0.07	5.03
Net loans & leases	65.25	63.54	94.51	86.25	94.03	94.13	93.15	72.87
Total other assets	4.39	3.77	2.05	2.01	0.84	1.12	0.74	2.34
Total liabilities	81.03	82.05	86.95	87.29	85.78	86.92	77.36	50.73
Total deposits	69.54	70.26	67.25	75.63	76.42	82.78	68.49	46.94
% insured	99.98	99.98	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	10.45	10.94	16.10	7.49	0.02	2.07	4.05	0
Total bank equity capital	18.97	17.95	13.05	12.71	14.22	13.08	22.64	49.27
Loan composition (% of total assets)								
Loans and leases, gross	67.58	65.37	94.98	86.41	94.05	94.16	93.16	72.87
All real estate loans	66.53	65.37	94.98	86.41	94.05	94.16	93.16	72.87
Commercial and industrial loans	0	0	0	0	0	0	0	0
Loans to individuals	0	0	0	0	0	0	0	0
Total other loans and leases	1.05	0	0	0	0	0	0	0
Performance measures (%)								
ROA	-6.85	-6.65	-0.28	0.32	1.75	2.88	4.09	4.31
ROE	-37.56	-46.83	-2.38	2.93	13.12	17.34	12.75	8.53
Net interest margin	0.90	1.07	1.77	2.32	1.95	3.14	3.81	2.39
Efficiency ratio	58.95	-74.76	68.66	17.03	3.55	4.77	4.60	4.89
Loss allowance to loans	3.44	2.81	0.50	0.19	0.03	0.03	0.01	0
Loss allowance to noncurrent loans	16.90	35.44	41.98	n.a.	n.a.	n.a.	n.a.	n.a.
Tier 1 risk-based capital ratio	24.87	24.91	13.32	12.22	12.81	12.15	23.79	62.39
Total risk-based capital ratio	26.14	26.18	15.85	14.60	16.89	12.18	23.79	62.39

*Note: Capmark Bank's immediate owner, Capmark Financial Group Inc., filed for bankruptcy protection in 2009.

Celtic Bank

Date of establishment – 3/1/2001					Date of insurance – 3/1/2001					
State – Utah					Type – Financially owned					
Parent company – Celtic Investment Inc.					Location – Utah					
	2010Q2	2009	2008	2007	2006	2005	2004	2003	2002	2001
Total employees	47	47	42	38	30	26	25	22	18	18
Total assets (US$ thousands)	227,683	209,468	156,634	138,652	95,490	68,932	70,164	61,142	36,887	14,885
Balance sheet (% of total assets)										
Cash and due from depository institutions	2.21	0.97	0.32	0.04	0.06	7.30	15.30	11.97	8.24	16.01
Securities	0.05	0.03	2.58	0.03	0.05	0.07	4.29	0.10	0.11	0
Net loans & leases	78.13	81.60	90.42	88.80	93.55	88.52	75.59	82.86	86.05	72.32
Total other assets	19.62	17.41	6.68	11.13	6.34	4.11	4.82	5.06	5.60	11.67
Total liabilities	88.80	88.59	90.81	90.27	89.56	88.10	89.37	89.57	89.68	78.17
Total deposits	85.73	85.41	81.41	88.81	81.23	84.98	88.48	88.71	88.60	77.00
% insured	99.6	99.56	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	0	0	0	0	0	0	0	0	0	0
Total bank equity capital	11.20	11.41	9.19	9.73	10.44	11.90	10.63	10.43	10.32	21.83
Loan composition (% of total assets)										
Loans and leases, gross	80.06	84.36	91.56	89.96	94.72	89.80	79.69	83.89	86.99	73.25
All real estate loans	61.13	69.22	73.80	74.86	73.31	41.69	36.55	49.48	59.13	34.71
Commercial and industrial loans	15.69	12.89	12.86	10.10	15.80	41.97	33.32	31.11	25.53	35.29
Loans to individuals	0.21	0.36	1.23	1.58	1.57	1.44	0.68	0.66	1.05	2.08
Total other loans and leases	3.02	1.89	3.66	3.42	4.03	4.71	9.14	2.64	1.29	1.18
Performance measures (%)										
ROA	1.44	4.72	0.84	2.21	2.39	1.09	0.80	1.94	1.52	-3.80
ROE	12.92	45.3	8.83	21.85	21.46	9.63	7.83	18.16	11.9	-10.24
Net interest margin	9.28	6.32	5.1	7.46	7.72	6.57	5.96	6.72	6.74	5.86
Efficiency ratio	46.07	29.24	62.86	54.52	56.10	66.60	60.46	60.04	76.37	116.61
Loss allowance to loans	2.41	3.28	1.25	1.28	1.23	1.43	3.42	1.22	1.08	1.02
Loss allowance to noncurrent loans	56.74	60.50	77.51	274.57	74.18	128.45	82.51	36.80	87.22	n.a.
Tier 1 risk-based capital ratio	13.39	13.31	11.22	10.49	10.67	13.08	12.99	11.94	10.99	24.83
Total risk-based capital ratio	14.66	14.58	12.47	11.73	11.86	14.33	14.26	13.11	11.99	25.68

Centennial Bank

Date of establishment – 10/25/1979						Date of insurance – 11/3/1989					
State – California						Type – Financially owned					
Parent company – LandAmerica Financial Group Inc.						Location – Virginia					
	2010Q2	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Total employees	21	20	23	22	21	18	16	15	16	17	17
Total assets (US$ thousands)	811,693	848,350	904,759	738,457	761,838	685,335	482,146	290,753	238,599	182,822	141,771
Balance sheet (% of total assets)											
Cash and due from depository institutions	9.42	0.19	0.12	0.06	0.07	0.50	0.65	1.16	1.22	2.74	3.22
Securities	4.19	3.30	4.01	3.19	21.30	33.60	25.11	5.79	6.23	4.17	3.56
Net loans & leases	83.42	81.85	79.53	86.43	69.65	63.01	70.70	88.78	90.01	88.47	89.09
Total other assets	2.97	14.66	16.34	10.32	8.98	2.89	3.54	4.26	2.53	4.62	4.13
Total liabilities	89.69	90.43	90.20	88.86	90.65	91.07	89.88	86.56	91.40	91.56	91.98
Total deposits	74.94	75.93	76.10	76.52	81.57	79.99	77.82	70.54	81.29	81.98	82.70
% insured	84.7	84.37	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	14.25	14.22	13.88	11.78	8.54	10.35	10.59	15.01	9.87	9.33	8.82
Total bank equity capital	10.31	9.57	9.80	11.14	9.35	8.93	10.12	13.44	8.60	8.44	8.02
Loan composition (% of total assets)											
Loans and leases, gross	85.90	84.20	80.16	87.09	70.30	63.63	71.42	89.68	91.23	91.28	93.48
All real estate loans	85.90	84.20	80.15	87.09	70.28	63.58	71.11	88.11	85.18	77.67	72.05
Commercial and industrial loans	0	0	0	0	0	0	0.01	0.02	0.02	0.19	0.04
Loans to individuals	0	0	0	0	0	0.04	0.28	1.55	5.90	13.25	21.16
Total other loans and leases	0	0	0	0	0.01	0.02	0.02	0	0.12	0.17	0.23
Performance measures (%)											
ROA	0.58	-0.86	1.37	1.45	1.37	1.45	1.42	0.23	1.91	1.53	1.45
ROE	5.88	-8.53	13.05	14.19	16.33	15.11	12.37	2.36	22.06	17.82	17.28
Net interest margin	3.16	2.65	2.90	3.14	2.98	3.31	3.9	0.43	5.10	4.70	4.86
Efficiency ratio	33.47	23.94	20.70	19.76	16.65	19.84	21.21	23.93	26.01	32.30	37.27
Loss allowance to loans	2.89	2.79	0.78	0.76	0.92	0.97	1.01	1.00	0.97	0.95	0.99
Loss allowance to noncurrent loans	42.20	44.68	316.88	n.a.	n.a.	n.a.	86,650	6,195.24	1,454.48	816.32	368.51
Tier 1 risk-based capital ratio	11.80	10.84	10.54	11.13	10.85	10.94	10.81	11.75	9.33	9.29	9.02
Total risk-based capital ratio	13.07	12.11	11.27	11.86	11.68	11.81	11.73	12.73	10.3	10.22	10.02

Centennial Bank *(cont.)*

Date of establishment – 10/25/1979				Date of insurance – 11/3/1989				
State – California				Type – Financially owned				
Parent company – LandAmerica Financial Group Inc.				Location – Virginia				
	1999	1998	1997	1996	1995	1994	1993	1992
Total employees	14	15	14	10	8	8	11	14
Total assets (US$ thousands)	110,346	64,296	48,570	26,968	15,583	12,893	16,279	16,169
Balance sheet (% of total assets)								
Cash and due from depository institutions	4.88	3.26	5.22	5.99	12.42	13.17	17.39	15.61
Securities	2.45	3.82	2.12	2.27	3.89	0	0	3.70
Net loans & leases	88.66	89.10	90.93	88.09	79.55	83.77	76.84	72.43
Total other assets	4.01	3.82	1.73	3.65	4.14	3.06	5.77	8.25
Total liabilities	91.29	91.44	94.01	91.22	90.35	93.52	97.87	94.14
Total deposits	85.34	90.86	93.30	90.78	89.92	93.27	97.48	91.62
% insured	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	5.44	0	0.01	0	0	0	0	2.15
Total bank equity capital	8.71	8.56	5.99	8.78	9.65	6.48	2.13	5.86
Loan composition (% of total assets)								
Loans and leases, gross	93.53	97.34	101.79	90.31	82.44	89.04	84.10	76.89
All real estate loans	68.43	56.43	48.21	19.19	14.56	20.83	30.93	25.80
Commercial and industrial loans	0.25	0.38	0.99	24.42	30.80	43.61	40.43	7.26
Loans to individuals	24.49	39.64	46.94	62.45	51.83	39.77	25.65	19.83
Total other loans and leases	0.36	0.88	5.65	0	0.64	0	0	28.28
Performance measures (%)								
ROA	1.71	1.93	1.34	4.28	3.29	1.47	-4.95	-6.47
ROE	19.16	28.6	19.23	46.19	41.86	35.14	-87.85	-66.92
Net interest margin	5.73	6.81	7.84	10.18	10.26	9.99	10.94	8.31
Efficiency ratio	40.09	43.56	46.84	50.27	66.08	78.53	102.87	156.35
Loss allowance to loans	0.97	1.55	1.87	2.46	3.51	5.91	8.63	5.79
Loss allowance to noncurrent loans	354.07	231.03	672.8	251.05	490.22	93.27	134.93	91.14
Tier 1 risk-based capital ratio	9.7	9.4	6.63	9.48	11.37	7.23	2.51	7.1
Total risk-based capital ratio	10.66	10.65	7.89	10.74	12.65	8.54	3.85	8.4

Circle Bank

Date of establishment – 1/22/1990						Date of insurance – 1/22/1990					
State – California						Type – Financially owned					
Parent company – Circle Bancorp						Location – California					
	2010Q2	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Total employees	55	50	47	40	40	33	27	17	15	10	9
Total assets (US$ thousands)	307,105	261,896	252,681	227,229	204,272	157,404	151,393	115,465	74,568	60,800	53,379
Balance sheet (% of total assets)											
Cash and due from depository institutions	12.64	2.35	6.06	2.17	2.84	3.67	2.67	3.73	3.56	8.01	3.19
Securities	0.34	0.47	0.58	0.99	2.04	4.23	9.13	20.27	7.19	0	0
Net loans & leases	79.23	87.79	89.31	93.56	90.19	87.88	74.48	71.02	84.67	83.61	88.19
Total other assets	7.79	9.39	4.04	3.27	4.94	4.22	13.72	4.98	4.58	8.38	8.62
Total liabilities	92.54	92.40	92.47	92.38	92.14	91.20	91.17	89.07	91.93	91.61	92.17
Total deposits	74.01	77.75	69.64	67.61	64.13	82.14	69.31	65.17	84.30	91.35	91.78
% insured	81.8	83.37	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	18.23	14.32	22.56	24.47	27.66	8.89	21.53	23.40	7.38	0	0
Total bank equity capital	7.46	7.60	7.53	7.62	7.86	8.80	8.83	10.93	8.07	8.39	7.83
Loan composition (% of total assets)											
Loans and leases, gross	80.44	88.95	90.26	94.50	91.10	88.76	75.23	71.74	85.53	84.48	89.08
All real estate loans	76.62	84.98	86.07	90.81	86.56	86.51	73.65	69.83	83.68	83.50	87.69
Commercial and industrial loans	3.69	3.80	4.03	3.54	4.28	1.93	1.33	1.58	1.47	0.78	1.23
Loans to individuals	0.11	0.14	0.14	0.12	0.26	0.28	0.24	0.33	0.38	0.20	0.17
Total other loans and leases	0.02	0.02	0.02	0.04	0	0.03	0.01	0	0	0	0
Performance measures (%)											
ROA	0.77	0.80	0.90	0.71	0.72	0.69	0.74	0.88	0.76	0.73	0.63
ROE	10.24	10.69	12.11	9.01	8.73	7.63	7.76	10	9.10	9.52	7.91
Net interest margin	4.98	4.85	4.34	4.18	4.49	4.61	4.02	4.57	4.74	3.90	3.81
Efficiency ratio	63.81	66.18	62.97	69.32	66.89	73.16	63.96	67.49	62.87	70.99	68.81
Loss allowance to loans	1.50	1.30	1.05	1.00	1.00	1.00	1.00	1.00	1.01	1.04	1.00
Loss allowance to noncurrent loans	100.68	61.22	258.92	4,111.54	152.66	n.a.	n.a.	128.46	n.a.	n.a.	n.a.
Tier 1 risk-based capital ratio	11.29	10.80	10.62	8.98	9.51	10.13	11.62	15.51	10.06	10.73	9.55
Total risk-based capital ratio	12.55	12.06	11.87	10.10	10.62	11.15	12.61	16.53	11.13	11.85	10.63

Circle Bank *(cont.)*

Date of establishment – 1/22/1990				Date of insurance – 1/22/1990				
State – California				Type – Financially owned				
Parent company – Circle Bancorp				Location – California				
	1999	1998	1997	1996	1995	1994	1993	1992
Total employees	9	5	6	8	6	7	7	10
Total assets (US$ thousands)	49,617	42,941	29,183	17,682	11,464	13,726	18,189	20,308
Balance sheet (% of total assets)								
Cash and due from depository institutions	0.60	1.31	2.08	1.26	3.43	5.39	1.84	7.39
Securities	0	0	0	0	0	0	0	0
Net loans & leases	84.30	77.05	88.69	82.51	69.12	90	80.19	85.64
Total other assets	15.09	21.64	9.22	16.23	27.45	4.60	17.97	6.98
Total liabilities	92.26	92.97	92.94	92.75	96.05	90.11	90.20	90.06
Total deposits	91.86	92.72	92.54	91.05	93.48	88.25	88.58	88.46
% insured	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	0	0	0	0	0	0	0	0.46
Total bank equity capital	7.74	7.03	7.06	7.25	3.95	9.89	9.80	9.94
Loan composition (% of total assets)								
Loans and leases, gross	85.22	77.79	89.69	84.44	72.01	93.30	82.76	88.35
All real estate loans	82.57	74.25	86.26	73.91	43.34	59.95	50.44	52.66
Commercial and industrial loans	2.39	3.04	2.79	7.69	20.18	21.61	23.18	23.87
Loans to individuals	0.22	0.38	0.23	1.92	6.43	8.74	8.64	11.09
Total other loans and leases	0.04	0.11	0.42	1.03	2.26	3.00	0.51	0.72
Performance measures (%)								
ROA	0.67	0.36	1.56	-4.53	-6.84	-2.7	-1.21	-3.86
ROE	8.95	4.92	21.36	-65.19	-81.54	-26.48	-12.03	-31.69
Net interest margin	3.79	1.94	3.68	3.97	5.86	7.26	6	5.11
Efficiency ratio	62.13	78.2	78.93	172.47	141.97	109.77	95.71	114.9
Loss allowance to loans	1.08	0.95	1.04	2.28	4.01	3.53	3.11	3.07
Loss allowance to noncurrent loans	228	6380	9100	91.64	87.34	67.77	53.61	33.21
Tier 1 risk-based capital ratio	9.44	9.23	8.54	8.57	5.23	10.68	11.49	11.07
Total risk-based capital ratio	10.56	10.21	9.67	10.1	7.44	12.9	13.79	13.44

Community Commerce Bank

Date of establishment – 10/1/1976						Date of insurance – 9/10/1985					
State – California						Type – Financially owned					
Parent company – TELACU						Location – California					
	2010Q2	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Total employees	51	56	76	93	94	97	104	122	136	145	164
Total assets (US$ thousands)	383,127	406,516	393,077	333,127	343,309	305,249	268,673	237,701	225,157	214,605	235,546
Balance sheet (% of total assets)											
Cash and due from depository institutions	13.25	11.99	6.75	6.23	6.18	6.82	6.46	8.86	9.85	8.69	7.74
Securities	0	0	0	0	0	0	0	0	0	0	0.31
Net loans & leases	74.96	74.00	81.71	84.67	83.34	83.94	84.60	81.98	79.44	82.51	81.08
Total other assets	11.79	14.02	11.54	9.10	10.48	9.25	8.94	9.16	10.71	8.81	10.87
Total liabilities	90.71	91.05	91.92	90.46	90.90	90.07	89.11	88.34	88.31	88.55	90.06
Total deposits	74.61	73.64	67.54	60.31	66.12	68.98	66.99	68.01	73.75	82.63	86.99
% insured	96.42	92.65	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	14.36	15.99	22.90	28.52	23.30	19.66	20.47	18.93	13.32	4.66	2.12
Total bank equity capital	9.29	8.95	8.08	9.54	9.10	9.93	10.89	11.66	11.69	11.45	9.94
Loan composition (% of total assets)											
Loans and leases, gross	77.46	75.69	82.90	85.93	84.61	85.21	86.05	83.76	81.16	84.33	82.74
All real estate loans	77.46	75.69	82.86	85.93	84.57	85.17	85.98	83.62	80.24	81.12	76.31
Commercial and industrial loans	0	0	0	0	0	0	0	0	0.03	0.08	0.07
Loans to individuals	0	0	0	0	0	0	0.01	0.14	0.85	3.13	6.28
Total other loans and leases	0	0	0.04	0	0.04	0.04	0.05	0	0.04	0	0.08
Performance measures (%)											
ROA	-0.40	0	0.67	0.98	1.22	1.55	1.8	1.88	2.14	1.82	1.78
ROE	-4.36	-0.01	7.55	10.58	12.72	14.95	16.07	16.24	18.58	17.45	17.6
Net interest margin	4.46	3.83	3.94	4.64	5.54	6.25	7.03	7.62	8.22	7.49	7.72
Efficiency ratio	69.19	61.22	67.22	66.38	61.09	59.46	58.23	60.28	56.64	57.98	61.38
Loss allowance to loans	3.23	2.24	1.43	1.47	1.51	1.50	1.68	1.96	2.13	2.16	2.01
Loss allowance to noncurrent loans	68.84	62.71	37.32	111.08	537.99	1,005.15	1,102.84	348.44	796.31	207.98	317.69
Tier 1 risk-based capital ratio	10.10	10.05	9.11	10.35	9.99	10.98	12.00	13.43	14.39	13.92	12.34
Total risk-based capital ratio	11.35	11.30	10.37	11.60	11.24	12.23	13.25	14.69	15.65	15.18	13.60

Community Commerce Bank *(cont.)*

Date of establishment – 10/1/1976				Date of insurance – 9/10/1985				
State – California				Type – Financially owned				
Parent company – TELACU				Location – California				
	1999	1998	1997	1996	1995	1994	1993	1992
Total employees	179	167	152	145	154	145	137	148
Total assets (US$ thousands)	216,496	200,228	176,359	157,666	140,498	143,311	141,972	136,899
Balance sheet (% of total assets)								
Cash and due from depository institutions	5.87	6.36	6.73	9.12	6.73	6.93	5.00	4.66
Securities	0.32	0.28	0.27	0	0	0	0	0
Net loans & leases	81.99	84.42	83.97	83.37	83.70	81.98	82.14	86.31
Total other assets	11.82	8.94	9.03	7.51	9.57	11.09	12.85	9.03
Total liabilities	89.68	89.42	88.53	87.27	84.38	84.79	85.47	85.65
Total deposits	86.48	86.09	87.83	86.54	83.74	83.88	84.27	84.35
% insured	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	2.31	2.50	0	0	0	0.01	0.05	0.06
Total bank equity capital	10.32	10.58	11.47	12.73	15.62	15.21	14.53	14.35
Loan composition (% of total assets)								
Loans and leases, gross	83.67	86.14	85.91	85.54	86.15	84.46	84.72	88.91
All real estate loans	73.65	73.67	74.14	73.11	69.92	65.38	65.06	63.35
Commercial and industrial loans	0.05	0.09	0.04	0.05	0.07	0.11	0.13	0.11
Loans to individuals	9.97	12.39	11.72	12.37	16.12	18.98	19.53	25.46
Total other loans and leases	0	0	0.02	0	0.04	0	0	0
Performance measures (%)								
ROA	1.99	1.93	1.84	1.66	1.35	2.04	1.85	2.28
ROE	19.17	17.67	14.82	11.38	8.77	13.51	13	18.42
Net interest margin	8.28	8.01	8.42	9.52	9.79	10.52	11.05	11.28
Efficiency ratio	60.16	59.37	61.08	66.08	73.44	66.08	68.06	55.58
Loss allowance to loans	2	2	2.26	2.54	2.84	2.94	3.04	2.93
Loss allowance to noncurrent loans	151.74	78.71	72.86	77.81	59.13	82.42	82.04	42.4
Tier 1 risk-based capital ratio	12.28	12.27	13.28	14.64	17.81	17.64	16.81	15.94
Total risk-based capital ratio	13.54	13.53	14.55	15.91	19.08	18.91	18.08	17.21

Eaglemark Savings Bank

Date of establishment – 9/27/2001*					Date of insurance – 8/25/1997					
State – Nevada					Type – Commercially owned					
Parent company – Harley-Davidson Motor Co.					Location – Wisconsin					
	2010Q2	2009	2008	2007	2006	2005	2004	2003	2002	2001
Total employees	91	90	111	111	112	107	120	99	107	4
Total assets (US$ thousands)	39,778	21,445	23,055	21,829	24,526	22,087	12,481	17,685	14,735	3,103
Balance sheet (% of total assets)										
Cash and due from depository institutions	0.15	0.56	0.43	0.36	3.16	8.16	0.41	0	0	0
Securities	71.57	78.90	64.48	69.63	65.60	52.81	81.28	33.81	39.56	93.59
Net loans & leases	26.22	18.19	32.00	26.05	27.26	35.17	13.45	0	0	0
Total other assets	2.06	2.35	3.09	3.95	3.98	3.85	4.86	66.19	60.44	6.41
Total liabilities	82.41	57.33	74.04	71.26	78.65	78.99	69.66	81.33	80.85	18.53
Total deposits	2.89	3.90	3.37	6.10	6.27	10.16	59.79	75.25	75.27	16.11
% insured	100	100	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	0	0	0	0	0	0	0	0	0	1.39
Total bank equity capital	17.59	42.67	25.96	28.74	21.35	21.01	30.34	18.67	19.15	81.47
Loan composition (% of total assets)										
Loans and leases, gross	26.22	18.19	32.00	26.05	27.26	35.17	13.45	0	0	0
All real estate loans	0	0	0	0	0	0	0	0	0	0
Commercial and industrial loans	0	0	0	0	0	0	0	0	0	0
Loans to individuals	26.22	18.19	32.00	26.05	27.26	35.17	13.45	0	0	0
Total other loans and leases	0	0	0	0	0	0	0	0	0	0
Performance measures (%)										
ROA	10.47	13.09	21.1	18.41	19.32	16.98	11.33	3.28	3.63	7.00
ROE	47.94	52.28	83.48	86.70	92.04	89.91	69.73	22.14	11.21	7.45
Net interest margin	14.63	17.73	28.3	24.31	27.41	24.70	19.00	0.89	1.23	3.67
Efficiency ratio	62.80	60.56	55.18	47.25	48.53	52.29	65.38	86.86	87.79	3.34
Loss allowance to loans	0	0	0	0	0	0	0	n.a.	n.a.	n.a.
Loss allowance to noncurrent loans	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Tier 1 risk-based capital ratio	17.63	42.94	26.63	29.5	21.9	22.48	30.44	25.59	28.02	324.1
Total risk-based capital ratio	17.63	42.94	26.63	29.5	21.9	22.48	30.44	25.59	28.02	324.1

*Note: Eaglemark Bank was established in 1997 but changed its organization type to become an industrial loan company in 2001.

EnerBank USA

Date of establishment – 6/3/2002					Date of insurance – 6/3/2002				
State – Utah					Type – Commercially owned				
Parent company – CMS Energy Corp.					Location – Michigan				
	2010Q2	2009	2008	2007	2006	2005	2004	2003	2002
Total employees	78	68	58	49	38	35	35	31	26
Total assets (US$ thousands)	313,321	283,734	198,424	174,616	147,265	86,381	65,735	30,639	20,975
Balance sheet (% of total assets)									
Cash and due from depository institutions	1.66	4.64	4.57	0.01	0.01	0.32	0.04	0	0.01
Securities	1.43	1.42	1.66	1.49	1.24	0.67	0	0	0
Net loans & leases	94.45	90.95	90.88	93.46	92.89	88.79	83.19	80.52	62.86
Total other assets	2.46	2.99	2.90	5.03	5.86	10.23	16.77	19.48	37.13
Total liabilities	90.97	91.34	90.24	89.82	89.25	87.32	83.71	62.14	38.60
Total deposits	89.54	75.78	88.87	88.22	85.72	84.69	81.95	59.14	35.36
% insured	99.82	99.88	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	0	14.10	0	0	0	0	0	0	0
Total bank equity capital	9.03	8.66	9.76	10.18	10.75	12.68	16.29	37.86	61.40
Loan composition (% of total assets)									
Loans and leases, gross	96.19	92.93	92.64	94.50	93.42	89.68	84.48	81.92	64.14
All real estate loans	0	0	0	0	0	0	0	0	0
Commercial and industrial loans	0	0	0	0	0	0	0	0	0
Loans to individuals	96.19	92.93	92.64	94.50	93.42	89.68	84.48	81.92	64.14
Total other loans and leases	0	0	0	0	0	0	0	0	0
Performance measures (%)									
ROA	2.52	0.99	0.49	0.60	0.77	0.33	-1.84	-5.14	-4.94
ROE	27.92	10.42	4.81	5.65	6.75	2.27	-8.00	-10.70	-6.26
Net interest margin	9.84	8.90	7.15	6.40	7.31	8.41	9.44	10.51	5.51
Efficiency ratio	39.79	45.69	56.60	60.53	74.14	83.29	112.73	173.29	251.18
Loss allowance to loans	1.81	2.13	1.90	1.09	0.57	1.00	1.53	1.71	2.00
Loss allowance to noncurrent loans	979.71	863.69	827.19	811.71	553.15	513.91	667.72	1,075.00	433.87
Tier 1 risk-based capital ratio	9.14	9.06	9.27	9.69	10.87	12.82	13.82	32.65	62.53
Total risk-based capital ratio	10.40	10.32	10.53	10.74	11.43	13.76	15.01	33.90	63.78

Finance & Thrift Co.

Date of establishment – 7/9/1925						Date of insurance – 12/17/1984					
State – California						Type – Financially owned					
Parent company – F&T Financial Services Inc.						Location – California					
	2010Q2	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Total employees	105	114	124	106	135	120	125	120	116	111	102
Total assets (US$ thousands)	120,050	114,193	113,065	118,511	119,028	114,573	115,508	109,358	107,532	101,369	83,084
Balance sheet (% of total assets)											
Cash and due from depository institutions	12.17	7.23	22.66	14.85	7.27	14.62	19.40	16.87	16.14	21.42	9.52
Securities	14.85	18.77	0.96	2.03	2.08	2.21	1.56	1.13	3.24	0.43	3.29
Net loans & leases	69.08	70.23	72.59	79.60	87.45	80.32	76.05	78.88	77.26	75.49	82.57
Total other assets	3.90	3.77	3.79	3.52	3.21	2.85	2.98	3.13	3.36	2.66	4.62
Total liabilities	78.31	78.07	78.25	80.59	81.93	82.34	84.04	84.98	87.18	83.11	81.06
Total deposits	76.47	76.97	77.68	79.44	80.33	80.12	82.26	83.23	85.34	81.44	79.24
% insured	95.48	96.66	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	0	0	0	0	0	0	0	0	0	0	0
Total bank equity capital	21.69	21.93	21.75	19.41	18.07	17.66	15.96	15.02	12.82	16.89	18.94
Loan composition (% of total assets)											
Loans and leases, gross	72.42	73.28	76.19	84.64	93.46	86.58	83.52	80.66	78.64	76.91	84.35
All real estate loans	1.67	1.93	2.50	3.00	4.49	6.71	7.02	9.50	10.46	10.79	12.73
Commercial and industrial loans	0	0	0	0	0.01	0	0	0	0	0	0
Loans to individuals	70.76	71.35	73.69	81.64	88.95	79.88	76.50	71.16	68.18	66.12	71.62
Total other loans and leases	0	0	0	0	0	0	0	0	0	0	0
Performance measures (%)											
ROA	1.49	0.56	0.39	1.50	1.67	2.58	2.79	3.07	2.89	2.74	2.45
ROE	6.83	2.58	1.90	7.96	9.34	15.23	18.02	21.82	18.9	15.48	12.41
Net interest margin	13.68	12.37	14.25	14.65	13.87	14.19	16.06	16.02	15.17	14.32	14.22
Efficiency ratio	60.96	68.89	55.93	59.24	63.59	62.53	58.33	55.74	58.23	59.86	59.64
Loss allowance to loans	4.56	4.04	4.53	3.47	1.92	1.61	2.32	2.21	1.76	1.83	2.11
Loss allowance to noncurrent loans	171.68	112.53	119.91	130.74	217.04	529.47	215.57	210.61	203.00	166.09	233.18
Tier 1 risk-based capital ratio	28.14	28.08	26.76	22.86	19.76	20.84	19.80	18.2	15.86	21.74	21.88
Total risk-based capital ratio	29.43	29.37	28.04	24.13	21.01	22.09	21.06	19.46	17.12	23.00	23.14

Finance & Thrift Co. *(cont.)*

Date of establishment – 7/9/1925				Date of insurance – 12/17/1984				
State – California				Type – Financially owned				
Parent company – F&T Financial Services Inc.				Location – California				
	1999	1998	1997	1996	1995	1994	1993	1992
Total employees	94	86	90	88	85	81	80	82
Total assets (US$ thousands)	70,861	63,884	60,810	59,684	56,286	53,313	52,605	51,033
Balance sheet (% of total assets)								
Cash and due from depository institutions	10.90	14.61	21.47	14.68	11.43	13.18	11.57	16.44
Securities	2.85	0	0	0	0.03	0.26	0.25	0.42
Net loans & leases	84.30	83.15	75.71	82.69	85.98	83.69	84.96	80.20
Total other assets	1.95	2.24	2.82	2.62	2.56	2.88	3.23	2.94
Total liabilities	79.35	78.91	79.51	80.31	80.95	82.06	84.00	85.57
Total deposits	77.48	77.03	77.47	77.70	78.82	79.31	81.40	83.03
% insured	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	0	0	0	0	0	0	0	0
Total bank equity capital	20.65	21.09	20.49	19.69	19.05	17.94	16.00	14.43
Loan composition (% of total assets)								
Loans and leases, gross	85.59	84.25	77.27	84.34	87.24	84.77	86.12	81.22
All real estate loans	14.09	17.42	17.54	23.81	22.11	24.11	27.06	26.88
Commercial and industrial loans	0	0	0	0	0	0	0	0
Loans to individuals	71.50	66.83	59.72	60.53	65.13	60.66	59.06	54.34
Total other loans and leases	0	0	0	0	0	0	0	0
Performance measures (%)								
ROA	2.59	2.52	2.01	2.64	3.02	3.01	2.92	2.8
ROE	12.28	11.93	9.98	13.56	16.2	17.96	18.87	20.12
Net interest margin	14.58	13.81	14.25	14.82	14.49	14.9	14.83	13.96
Efficiency ratio	60.98	63.68	59.86	57.64	56.77	60.66	59.92	60.9
Loss allowance to loans	1.51	1.3	2.02	1.95	1.44	1.28	1.35	1.25
Loss allowance to noncurrent loans	150.25	97.36	110.72	148.49	95.66	77.3	92.71	85.36
Tier 1 risk-based capital ratio	24.27	25.39	26.38	24.54	22.6	21.86	19.33	18.25
Total risk-based capital ratio	25.53	26.64	27.64	25.8	23.86	23.11	20.58	19.5

Finance Factors Ltd.

Date of establishment – 5/14/1952						Date of insurance – 6/4/1984					
State – Hawaii						Type – Financially owned					
Parent company – Finance Enterprises Ltd.						Location – Hawaii					
	2010Q2	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Total employees	129	133	141	146	145	144	150	160	160	152	153
Total assets (US$ thousands)	620,253	653,095	690,233	707,431	672,927	652,708	595,548	466,152	484,610	477,746	451,935
Balance sheet (% of total assets)											
Cash and due from depository institutions	11.46	3.21	1.47	0.82	1.15	1.05	0.73	1.26	1.82	0.69	1.48
Securities	15.17	20.87	15.89	18.91	33.24	34.84	46.17	30.72	31.80	31.06	26.73
Net loans & leases	60.24	63.51	73.50	71.68	56.66	59.70	48.85	63.39	59.91	61.02	67.41
Total other assets	13.13	12.40	9.14	8.59	8.94	4.41	4.25	4.63	6.46	7.24	4.38
Total liabilities	90.28	90.17	90.67	90.46	90.85	91.91	91.02	89.69	89.02	89.61	89.50
Total deposits	81.95	76.90	71.67	73.04	72.43	74.20	72.08	82.65	84.21	84.92	86.14
% insured	95.8	95.95	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	7.90	12.80	18.49	16.73	17.75	17.06	16.56	6.35	3.74	4.10	2.54
Total bank equity capital	9.72	9.83	9.33	9.54	9.15	8.09	8.98	10.31	10.98	10.39	10.50
Loan composition (% of total assets)											
Loans and leases, gross	62.21	65.29	74.84	72.86	57.85	60.80	50.19	65.31	62.03	63.43	69.90
All real estate loans	62.05	65.16	74.74	72.76	57.71	60.67	50.04	65.12	61.73	62.98	69.19
Commercial and industrial loans	0	0	0	0	0	0	0	0	0	0.01	0.01
Loans to individuals	0.16	0.13	0.10	0.10	0.14	0.14	0.16	0.20	0.30	0.44	0.71
Total other loans and leases	0	0	0	0	0	0	0	0	0	0	0
Performance measures (%)											
ROA	-1.17	-0.74	0.29	0.61	0.70	0.75	1.26	0.9	0.76	0.60	0.40
ROE	-11.89	-7.86	3.00	6.47	8.10	8.71	13.12	9.11	7.30	5.92	3.88
Net interest margin	3.13	3.06	3.28	3.11	3.19	3.38	4.24	4.44	4.30	3.82	3.92
Efficiency ratio	108.57	80.57	68.86	72.80	70.13	75.13	75.69	75.29	78.44	85.55	81.46
Loss allowance to loans	2.93	2.48	1.52	1.26	1.54	1.51	1.92	2.10	2.55	2.95	2.83
Loss allowance to noncurrent loans	22.27	27.49	72.24	2,204.76	n.a.	4,625.58	1,276.01	223.52	54.94	61.48	48.03
Tier 1 risk-based capital ratio	13.02	12.30	10.86	11.75	13.47	12.47	14.64	13.89	16.31	14.89	12.99
Total risk-based capital ratio	14.28	13.56	12.11	12.89	14.72	13.72	15.99	15.28	17.58	16.16	14.25

Finance Factors Ltd. *(cont.)*

Date of establishment – 5/14/1952				Date of insurance – 6/4/1984				
State – Hawaii				Type – Financially owned				
Parent company – Finance Enterprises Ltd.				Location – Hawaii				
	1999	1998	1997	1996	1995	1994	1993	1992
Total employees	159	139	161	162	165	162	229	199
Total assets (US$ thousands)	488,971	482,769	491,138	498,945	493,488	452,423	470,512	422,226
Balance sheet (% of total assets)								
Cash and due from depository institutions	1.98	1.63	0.96	1.80	2.05	6.28	4.87	4.20
Securities	29.06	26.61	22.85	17.57	18.54	17.30	18.37	14.31
Net loans & leases	66.16	67.99	72.42	78.02	76.05	73.91	74.66	78.87
Total other assets	2.80	3.77	3.77	2.61	3.36	2.51	2.10	2.62
Total liabilities	90.55	90.03	89.21	90.12	90.95	91.08	91.04	90.69
Total deposits	85.77	87.11	83.99	86.32	82.98	81.59	85.11	86.60
% insured	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	4.19	2.08	3.88	2.14	6.16	8.32	4.25	2.84
Total bank equity capital	9.45	9.97	10.79	9.88	9.05	8.92	8.96	9.31
Loan composition (% of total assets)								
Loans and leases, gross	68.77	70.83	74.60	79.35	77.39	75.40	76.23	80.24
All real estate loans	67.79	69.48	72.84	78.21	75.23	73.93	74.54	76.92
Commercial and industrial loans	0.01	0	0	0	0.33	0	0	0
Loans to individuals	0.97	1.34	1.70	2.08	1.86	1.62	1.72	2.33
Total other loans and leases	0	0	0.07	0	0.74	0.83	1.03	2.10
Performance measures (%)								
ROA	0.33	-0.55	0.69	1.47	1.53	1.39	1.83	1.67
ROE	3.54	-5.11	6.82	15.78	16.49	14.81	19.26	17.89
Net interest margin	4.34	4.41	4.27	4.68	5.6	6.09	6.43	6.19
Efficiency ratio	74.63	87.54	82.9	74.5	68.76	63.91	55.47	57.48
Loss allowance to loans	2.93	2.95	1.87	1.69	1.73	1.98	2.05	1.71
Loss allowance to noncurrent loans	44.94	37.01	24.03	20.05	63.18	48.32	71.79	63.74
Tier 1 risk-based capital ratio	11.44	11.61	12.64	12.29	11.5	12.72	12.18	13.3
Total risk-based capital ratio	12.72	13.15	13.9	13.54	12.75	13.98	13.77	14.94

Fireside Bank

Date of establishment – 12/31/1950						Date of insurance – 10/5/1984					
State – California						Type – Financially owned					
Parent company – Unitrin Inc.						Location – Illinois					
	2010Q2	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Total employees	400	455	733	879	938	880	835	778	691	656	623
Total assets (US$ thousands)	786,700	938,513	1,374,565	1,493,082	1,382,431	1,284,620	1,120,303	1,095,427	1,026,891	900,758	834,000
Balance sheet (% of total assets)											
Cash and due from depository institutions	4.26	3.48	0.12	0.10	0.06	0.11	0.05	0.07	0.08	0.17	0.02
Securities	24.54	17.63	13.28	9.14	6.47	7.51	8.79	12.06	14.87	15.18	14.00
Net loans & leases	59.86	70.39	77.80	81.23	88.71	86.30	86.64	82.45	80.53	79.11	79.25
Total other assets	11.33	8.49	8.80	9.52	4.76	6.07	4.51	5.42	4.52	5.54	6.74
Total liabilities	69.52	75.13	82.95	87.23	86.33	86.23	85.29	85.90	86.09	85.58	86.86
Total deposits	65.17	72.71	80.81	85.35	84.11	83.63	82.34	83.55	83.50	82.97	84.33
% insured	98.33	97.94	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	1.78	0.20	0.15	0.11	0.59	0.92	1.15	0.83	1.09	0.93	0.49
Total bank equity capital	30.48	24.87	17.05	12.77	13.67	13.77	14.71	14.10	13.91	14.42	13.14
Loan composition (% of total assets)											
Loans and leases, gross	69.37	79.27	87.18	91.17	93.68	91.18	91.70	87.18	84.91	82.95	83.45
All real estate loans	0	0	0	0	0	0	0	0	0	0	0
Commercial and industrial loans	0	0	0	0	0	0	0	0	0	0	0
Loans to individuals	69.37	79.27	87.18	91.17	93.68	91.18	91.70	87.18	84.91	82.95	83.45
Total other loans and leases	0	0	0	0	0	0	0	0	0	0	0
Performance measures (%)											
ROA	1.24	-0.04	-1.28	-2.68	1.94	2.52	2.46	2.18	2.42	2.15	2.22
ROE	4.53	-0.19	-9.04	-20.64	14.16	17.87	17.19	15.75	16.84	15.91	17.19
Net interest margin	10.54	12.4	13.82	14.35	14.87	15.2	15.45	14.95	14.19	12.85	12.91
Efficiency ratio	71.58	55.47	49.87	51.18	46.14	45.47	45.36	40.84	42.81	47.87	49.18
Loss allowance to loans	13.71	11.20	10.77	10.90	5.31	5.35	5.51	5.43	5.15	4.62	5.03
Loss allowance to noncurrent loans	3,857.92	2,048.51	1,075.51	984.57	408.86	433.47	544.52	589.63	848.36	763.13	1,070.13
Tier 1 risk-based capital ratio	40.97	28.49	17.78	13.03	14.35	14.85	15.81	15.71	15.65	16.54	15.17
Total risk-based capital ratio	42.39	29.87	19.15	14.39	15.64	16.15	17.11	17.01	16.95	17.83	16.47

Fireside Bank *(cont.)*

Date of establishment – 12/31/1950				Date of insurance – 10/5/1984				
State – California				Type – Financially owned				
Parent company – Unitrin Inc.				Location – Illinois				
	1999	1998	1997	1996	1995	1994	1993	1992
Total employees	587	586	610	623	524	435	407	390
Total assets (US$ thousands)	718,146	645,412	659,927	679,940	602,768	511,529	450,214	419,255
Balance sheet (% of total assets)								
Cash and due from depository institutions	0.01	0.01	0.02	0.06	0.01	0.01	0.01	0.26
Securities	11.72	13.20	13.63	7.85	6.38	5.74	8.42	9.14
Net loans & leases	82.64	82.22	82.13	88.29	89.90	89.84	86.87	87.05
Total other assets	5.64	4.57	4.22	3.79	3.71	4.41	4.70	3.55
Total liabilities	87.23	86.55	87.47	88.42	88.01	87.92	89.16	91.31
Total deposits	84.77	84.37	85.83	86.76	86.10	85.55	87.08	89.20
% insured	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	0.84	0.80	0.03	0	0.32	0.61	0.08	0.01
Total bank equity capital	12.77	13.45	12.53	11.58	11.99	12.08	10.84	8.69
Loan composition (% of total assets)								
Loans and leases, gross	84.58	84.87	86.16	92.24	93.94	94.21	91.83	91.22
All real estate loans	0	0	0	0.42	0.71	1.31	2.48	4.26
Commercial and industrial loans	0	0	0	0	0	0	0	0
Loans to individuals	84.58	84.87	86.16	91.82	93.23	92.88	89.31	86.85
Total other loans and leases	0	0	0	0	0	0.01	0.03	0.11
Performance measures (%)								
ROA	2.04	1.83	1.13	2.28	2.55	3.64	3.44	2.5
ROE	15.7	13.62	9.93	19.46	21.25	31.81	35.37	31.81
Net interest margin	13.19	12.55	13.19	13.98	14.1	15.33	14.89	13.23
Efficiency ratio	51.08	52.15	48.99	43.68	42.03	38.61	40.67	46.64
Loss allowance to loans	2.3	3.11	4.67	4.28	4.3	4.64	5.4	4.57
Loss allowance to noncurrent loans	162.2	158.4	445.29	284.54	398.25	390.6	172.61	233.86
Tier 1 risk-based capital ratio	14.42	15.06	14.23	12.39	12.61	12.79	11.59	9.49
Total risk-based capital ratio	15.69	16.34	15.52	13.68	13.9	14.08	12.89	10.78

First Electronic Bank

Date of establishment – 10/5/2000						Date of insurance – 10/5/2000					
State – Utah						Type – Commercially owned					
Parent company – Fry's Electronics Inc.						Location – California					
	2010Q2	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Total employees	43	42	49	43	34	27	25	17	12	12	6
Total assets (US$ thousands)	7,143	16,204	16,491	16,355	14,179	11,402	8,555	4,494	5,285	3,448	4,945
Balance sheet (% of total assets)											
Cash and due from depository institutions	30.67	14.19	1.86	1.36	2.99	0.24	0.32	36.89	91.50	91.62	93.61
Securities	3.50	2.47	2.20	2.84	1.34	1.32	1.17	0.33	3.90	4.55	3.22
Net loans & leases	0.07	0.04	0.04	0.07	0.06	0.08	0.22	0.56	0	0	0
Total other assets	65.76	83.31	95.89	95.74	95.61	98.37	98.29	62.22	4.60	3.83	3.17
Total liabilities	30.60	64.61	65.03	67.24	70.82	73.47	67.87	60.90	17.73	26.60	11.20
Total deposits	12.04	59.43	58.15	58.12	58.09	61.89	55.37	52.49	9.46	14.50	10.11
% insured	68.95	6.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	0	0	0	0	0	0	0	0	0	0	0
Total bank equity capital	69.40	35.39	34.97	32.76	29.18	26.53	32.13	39.10	82.27	73.40	88.80
Loan composition (% of total assets)											
Loans and leases, gross	0.07	0.04	0.04	0.07	0.06	0.08	0.22	0.56	0	0	0
All real estate loans	0	0	0	0	0	0	0	0	0	0	0
Commercial and industrial loans	0.07	0.04	0.04	0.04	0.06	0.08	0.22	0.56	0	0	0
Loans to individuals	0	0	0	0.02	0	0	0	0	0	0	0
Total other loans and leases	0	0	0	0	0	0	0	0	0	0	0
Performance measures (%)											
ROA	-11.4	-0.51	2.85	8.14	8.50	-12.75	-43.31	-53.94	-47.34	-43.69	-32.54
ROE	-28.89	-1.46	8.46	26.32	30.43	-44.67	-114.54	-82.47	-63.04	-52.65	-36.64
Net interest margin	0.21	0.30	1.78	4.30	4.09	2.32	0.97	0.83	6.93	3.62	2.09
Efficiency ratio	125.69	100.86	93.62	82.60	83.03	138.69	448.19	1,197.88	748.62	1,348.32	1,709.00
Loss allowance to loans	0	0	0	0	0	0	0	0	n.a.	n.a.	n.a.
Loss allowance to noncurrent loans	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Tier 1 risk-based capital ratio	203.41	124.84	135.47	108.00	95.68	90.24	122.18	155.62	347.56	318.36	393.95
Total risk-based capital ratio	203.41	124.84	135.47	108.00	95.68	90.24	122.18	155.62	347.56	318.36	393.95

First Security Business Bank

Date of establishment – 3/31/1988					Date of insurance – 6/28/1989						
State – California					Type – Financially owned						
Parent company – First American Financial Corp.					Location – California						
	2010Q2	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Total employees	14	14	16	14	13	15	14	14	14	13	13
Total assets (US$ thousands)	347,031	322,882	315,740	154,988	140,657	167,331	150,989	168,833	170,449	167,262	135,972
Balance sheet (% of total assets)											
Cash and due from depository institutions	30.71	21.99	46.59	18.46	1.38	1.86	1.69	1.04	1.01	1.17	2.18
Securities	19.80	24.44	3.48	0.64	9.17	12.45	13.85	14.78	13.45	14.89	16.11
Net loans & leases	46.49	50.14	48.04	75.33	72.26	56.66	67.12	62.33	63.46	62.34	69.46
Total other assets	3.00	3.43	1.88	5.57	17.19	29.03	17.35	21.85	22.08	21.60	12.25
Total liabilities	89.67	89.97	91.08	81.74	78.10	83.02	82.84	85.98	87.53	88.81	86.44
Total deposits	80.74	80.72	80.35	59.36	56.02	69.30	69.63	78.32	82.25	87.43	86.00
% insured	48.56	77.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	8.64	8.98	10.45	21.94	21.33	13.15	12.58	7.11	4.69	0.90	0
Total bank equity capital	10.33	10.03	8.92	18.26	21.90	16.98	17.16	14.02	12.47	11.19	13.56
Loan composition (% of total assets)											
Loans and leases, gross	47.26	50.78	48.55	76.30	73.31	57.61	68.18	63.23	64.25	63.07	70.38
All real estate loans	47.04	50.54	48.53	76.27	73.27	57.60	68.18	63.23	64.25	63.06	70.36
Commercial and industrial loans	0	0	0	0	0	0	0	0	0.01	0.01	0.02
Loans to individuals	0	0	0.01	0	0	0	0	0	0	0	0
Total other loans and leases	0.22	0.24	0.01	0.03	0.04	0.01	0	0	0	0	0
Performance measures (%)											
ROA	1.46	1.4	1.15	1.66	1.66	1.54	1.39	1.43	1.52	1.82	2.09
ROE	14.4	15.22	7.94	8.6	8.04	9.24	9.02	10.8	12.7	15.36	16.59
Net interest margin	3.35	3.29	3.1	4.12	4.32	3.98	3.68	3.79	3.9	4.42	4.85
Efficiency ratio	26.49	28.76	32.88	27.99	30.85	29.70	32.46	32.57	30.72	25.88	24.84
Loss allowance to loans	1.63	1.26	1.04	1.26	1.40	1.47	1.31	1.21	1.07	1	1.07
Loss allowance to noncurrent loans	123.71	342.88	n.a.	n.a.	n.a.	n.a.	n.a.	2,388.89	1671.43	1153.85	1040.82
Tier 1 risk-based capital ratio	17.5	16.69	14.72	23.03	28.86	26.98	24.34	20.92	18.44	16.95	18.99
Total risk-based capital ratio	18.78	17.75	15.55	24.25	30.11	28.23	25.59	22.06	19.46	17.9	20.04

First Security Business Bank *(cont.)*

Date of establishment – 3/31/1988				Date of insurance – 6/28/1989				
State – California				Type – Financially owned				
Parent company – First American Financial Corp.				Location – California				
	1999	1998	1997	1996	1995	1994	1993	1992
Total employees	13	12	9	12	12	13	13	12
Total assets (US$ thousands)	145,551	116,288	98,969	86,875	73,181	71,636	76,530	61,836
Balance sheet (% of total assets)								
Cash and due from depository institutions	1.64	1.80	2.24	0.82	1.39	1.05	1.19	1.52
Securities	20.42	28.09	22.98	26.75	16.26	20.67	39.99	31.94
Net loans & leases	60.01	61.95	64.04	62.45	63.04	56.60	43.54	49.84
Total other assets	17.94	8.17	10.73	9.97	19.32	21.68	15.29	16.70
Total liabilities	89.24	88.78	89.08	88.72	88.09	89.56	90.28	90.27
Total deposits	88.86	88.25	88.52	87.92	86.68	88.97	89.80	87.95
% insured	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	0	0	0	0	0	0	0	0.10
Total bank equity capital	10.76	11.22	10.92	11.28	11.91	10.44	9.72	9.73
Loan composition (% of total assets)								
Loans and leases, gross	60.82	63.13	65.59	63.66	64.88	57.92	44.43	50.65
All real estate loans	60.78	63.08	65.53	63.96	65.41	58.40	44.45	49.42
Commercial and industrial loans	0.04	0.03	0	0.04	0.03	0.03	0.16	0.11
Loans to individuals	0	0	0.05	0.15	0.12	0.24	0.25	0.55
Total other loans and leases	0	0.02	0.01	0	0.06	0.11	0.27	1.36
Performance measures (%)								
ROA	2.06	2.09	1.83	1.75	1.63	1.47	2.14	1.53
ROE	18.68	18.62	16.82	15.38	13.68	13.97	21.27	16.93
Net interest margin	4.66	5.12	5.29	5.71	5.87	5.39	5.17	5.83
Efficiency ratio	24.25	25.58	38.77	38.07	37.61	41.6	46.68	52.11
Loss allowance to loans	1.03	1.57	1.84	1.9	2.83	2.29	2	1.6
Loss allowance to noncurrent loans	128.01	128.06	412.89	632.53	68.78	61.85	38.56	61.65
Tier 1 risk-based capital ratio	17.04	17.94	16.02	17	17.13	16.63	20.25	17.61
Total risk-based capital ratio	18.02	19.2	17.28	18.26	18.4	17.89	21.5	18.86

GE Capital Financial Inc.

Date of establishment – 2/12/1993					Date of insurance – 2/12/1993						
State – Utah					Type – Commercially owned						
Parent company – The General Electric Co.					Location- Connecticut						
	2010Q2	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Total employees	100	92	192	192	180	145	368	1,747	2,731	2,684	2,431
Total assets (US$ thousands)	8,027,804	9,514,110	12,180,244	2,244,871	1,991,805	1,624,712	1,814,486	1,720,986	2,327,566	1,930,706	2,980,455
Balance sheet (% of total assets)											
Cash and due from depository institutions	9.66	6.93	0.75	2.48	4.77	3.83	6.09	1.20	1.81	2.95	2.32
Securities	13.72	18.87	0.83	0.45	0.57	0.28	0.26	0.15	0.18	0.07	5.07
Net loans & leases	63.88	61.01	78.80	94.21	93.16	93.00	89.39	95.06	94.54	90.18	89.86
Total other assets	12.74	13.19	19.62	2.85	1.50	2.88	4.26	3.60	3.47	6.80	2.74
Total liabilities	77.95	74.82	83.52	58.46	34.97	26.37	40.08	38.93	60.88	57.21	73.83
Total deposits	73.38	69.45	80.34	5.19	10.96	16.41	31.64	32.76	2.24	2.44	9.45
% insured	95.67	96.17	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	0.29	0.61	0	48.60	19.47	4.40	5.44	2.64	55.86	52.80	63.23
Total bank equity capital	22.05	25.18	16.48	41.54	65.03	73.63	59.92	61.07	39.12	42.79	26.17
Loan composition (% of total assets)											
Loans and leases, gross	64.87	61.85	80.05	96.34	95.24	95.90	93.13	100.78	99.13	95.20	93.24
All real estate loans	11.46	9.69	7.41	0.09	0.10	0.12	0.13	0.13	0.10	0.07	0.04
Commercial and industrial loans	44.77	38.97	51.19	95.03	92.88	91.03	67.84	45.55	65.82	70.74	36.95
Loans to individuals	0	0	0.12	1.13	2.14	4.69	25.09	55.04	33.17	24.35	56.25
Total other loans and leases	8.63	13.19	21.32	0.09	0.12	0.07	0.07	0.05	0.04	0.03	0.01
Performance measures (%)											
ROA	2.43	0.58	4.55	3.78	5.27	6.29	7.51	6.41	3.93	2.19	2.07
ROE	9.86	2.73	21.37	7.32	7.95	9.56	12.25	14.49	9.73	5.79	9.13
Net interest margin	3.34	3.02	4.88	8.21	6.63	12.69	12.43	13.14	13.54	14.2	11.1
Efficiency ratio	40.52	59.45	38.33	39.44	41.94	35.80	36.01	41.92	48.42	47.44	41.31
Loss allowance to loans	1.52	1.36	1.56	2.21	2.19	2.97	4.02	5.68	4.63	5.27	3.63
Loss allowance to noncurrent loans	286.25	444.06	191.48	137.61	130.44	204.17	131.78	355.98	237.76	213.38	261.90
Tier 1 risk-based capital ratio	20.87	23.60	16.24	30.37	57.96	64.23	53.63	46.50	36.75	40.07	25.01
Total risk-based capital ratio	22.03	24.53	17.49	31.62	59.22	65.49	54.91	47.78	38.04	41.37	26.28

GE Capital Financial Inc. *(cont.)*

Date of establishment – 2/12/1993				Date of insurance – 2/12/1993			
State – Utah				Type – Commercially owned			
Parent company – The General Electric Co.				Location – Connecticut			
	1999	1998	1997	1996	1995	1994	1993
Total employees	1,250	880	556	304	276	106	76
Total assets (US$ thousands)	3,010,407	619,759	192,646	84,399	85,279	71,176	54,521
Balance sheet (% of total assets)							
Cash and due from depository institutions	0.90	3.83	28.62	0.01	0.01	3.20	0.57
Securities	5.48	2.41	7.27	11.32	22.67	16.28	55.25
Net loans & leases	91.24	91.41	58.04	81.85	64.79	74.26	39.00
Total other assets	2.38	2.36	6.07	6.82	12.53	6.26	5.18
Total liabilities	80.67	28.40	19.43	18.13	27.00	19.69	1.25
Total deposits	10.03	15.74	2.30	3.92	17.57	2.59	0.18
% insured	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	69.97	9.60	0	3.96	3.16	11.24	0
Total bank equity capital	19.33	71.60	80.57	81.87	73.00	80.31	98.75
Loan composition (% of total assets)							
Loans and leases, gross	93.67	92.61	58.93	82.74	65.45	74.71	39.19
All real estate loans	0.02	0.17	0.70	61.93	58.18	73.98	39.14
Commercial and industrial loans	24.57	89.57	58.05	20.28	6.60	0	0
Loans to individuals	69.07	2.82	0	0	0	0	0
Total other loans and leases	0.01	0.05	0.19	0.52	0.67	0.73	0.05
Performance measures (%)							
ROA	3.52	12.5	15.01	8.08	6.63	5.06	0.37
ROE	10.88	17.1	17.89	10.51	8.51	5.99	0.37
Net interest margin	13.48	20.09	11.65	8.33	7.75	5.43	3.54
Efficiency ratio	33.27	51.55	52.61	66.82	63.74	56.21	88.22
Loss allowance to loans	2.6	1.3	1.5	1.08	1.02	0.6	0.48
Loss allowance to noncurrent loans	383.32	67.06	74.16	71.8	79.86	778.05	n.a.
Tier 1 risk-based capital ratio	16.06	38.43	23.18	79.55	99.21	100.83	225.89
Total risk-based capital ratio	17.32	39.07	23.43	80.41	100.12	101.39	226.32

Golden Security Bank

Date of establishment – 12/9/1982					Date of insurance – 2/25/1986						
State – California					Type – Financially owned						
Parent company – No affiliation					Location						
	2010Q2	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Total employees	20	22	26	27	26	25	22	23	22	21	16
Total assets (US$ thousands)	165,233	164,617	177,521	150,674	134,041	131,511	133,137	117,834	110,112	105,887	95,640
Balance sheet (% of total assets)											
Cash and due from depository institutions	17.28	12.76	6.21	5.69	2.98	3.35	2.61	3.69	4.50	4.12	4.63
Securities	0	0	2.25	2.65	4.48	4.56	4.51	5.09	7.27	5.67	4.52
Net loans & leases	74.05	78.80	85.62	83.92	82.92	81.25	84.92	83.02	80.98	84.43	86.54
Total other assets	8.67	8.45	5.92	7.74	9.63	10.83	7.96	8.20	7.26	5.78	4.32
Total liabilities	93.31	92.81	92.60	90.55	90.56	90.53	91.62	91.53	91.20	91.07	91.91
Total deposits	83.09	78.09	81.30	78.09	81.46	83.15	87.77	91.31	90.76	90.76	91.39
% insured	99.81	99.31	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	9.99	14.58	11.27	12.21	8.95	7.22	3.76	0	0	0	0
Total bank equity capital	6.69	7.19	7.40	9.45	9.44	9.47	8.38	8.47	8.80	8.93	8.09
Loan composition (% of total assets)											
Loans and leases, gross	76.47	81.43	87.21	84.76	83.77	82.11	85.69	83.79	81.81	85.29	87.48
All real estate loans	76.46	81.42	87.20	84.74	83.49	81.78	85.46	83.78	81.74	84.46	86.01
Commercial and industrial loans	0	0	0	0.02	0.28	0.33	0.23	0	0	0.72	1.26
Loans to individuals	0.01	0.01	0.01	0	0	0.01	0.01	0.01	0.07	0.11	0.21
Total other loans and leases	0	0	0	0	0	0	0	0	0	0	0
Performance measures (%)											
ROA	-1.07	-1.64	0.34	2.99	1.7	02.31	2.90	3.02	3.81	2.71	3.00
ROE	-15.7	-21.66	3.94	31.35	17.11	25.47	36.04	33.55	41.45	30.8	38.43
Net interest margin	3.56	3.23	3.75	4.08	4.54	5.02	5.21	5.47	5.59	4.65	5.21
Efficiency ratio	121.35	88.64	60.21	41.09	59.40	50.44	39.96	41.34	33.60	40.43	41.53
Loss allowance to loans	3.16	3.23	1.82	0.99	1.02	1.05	0.90	0.93	1.02	1.00	1.08
Loss allowance to noncurrent loans	52.67	41.67	35.80	134.11	222.85	441.80	187.91	200.66	489.30	170.75	501.67
Tier 1 risk-based capital ratio	8.66	8.84	8.60	11.45	12.01	12.65	10.26	10.82	10.98	10.85	8.99
Total risk-based capital ratio	9.94	10.12	9.86	12.48	13.09	13.79	11.20	11.81	12.02	11.89	10.04

Golden Security Bank *(cont.)*

Date of establishment – 12/9/1982				Date of insurance – 2/25/1986				
State – California				Type – Financially owned				
Parent company – No affiliation				Location				
	1999	1998	1997	1996	1995	1994	1993	1992
Total employees	15	16	16	15	15	12	13	15
Total assets ($thousands)	90,306	74,829	59,066	50,442	43,514	41,928	40,427	39,313
Balance sheet (% of total assets)								
Cash and due from depository institutions	5.08	4.35	4.66	5.72	5.31	5.66	7.17	9.04
Securities	4.78	2.67	2.54	1.98	2.30	3.58	0.98	1.41
Net loans & leases	81.18	81.54	81.10	78.81	79.20	80.09	76.74	80.76
Total other assets	8.96	11.44	11.71	13.49	13.19	10.68	15.11	8.79
Total liabilities	92.81	92.40	90.49	90.22	89.97	90.81	91.22	91.25
Total deposits	92.23	90.77	89.15	88.88	87.89	89.02	88.68	87.58
% insured	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	0	0	0	0.47	0.66	0.44	1.95	2.38
Total bank equity capital	7.19	7.60	9.51	9.78	10.03	9.19	8.78	8.75
Loan composition (% of total assets)								
Loans and leases, gross	82.26	82.91	83.23	80.98	81.78	83.25	79.62	82.72
All real estate loans	80.53	81.54	82.02	80.08	80.74	81.68	77.34	80
Commercial and industrial loans	1.37	0.80	0.26	0.34	0.13	0	0	0.01
Loans to individuals	0.36	0.57	0.95	1.47	2.18	3.15	4.04	4.88
Total other loans and leases	0	0	0	0	0.09	0	0	0.05
Performance measures (%)								
ROA	2.9	2.77	1.24	1.22	1.18	0.75	0.26	1.09
ROE	39.56	31.64	13.02	12.31	12.53	8.34	3.06	12.43
Net interest margin	5.06	5.34	5.5	5.49	5.69	6.97	7.25	7.79
Efficiency ratio	43.45	48.79	55.1	55.56	55.17	56.87	53.99	58.94
Loss allowance to loans	1.3	1.61	1.96	2.68	3.14	3.8	3.62	2.37
Loss allowance to noncurrent loans	83.38	308.95	285.12	118.38	92.1	131.75	46.08	46.09
Tier 1 risk-based capital ratio	8.36	8.77	10.99	11.48	11.85	10.75	10.33	10.2
Total risk-based capital ratio	9.61	10.03	12.24	12.74	13.12	12.03	11.6	11.47

LCA Bank Corp.

Date of establishment – 1/26/2006			Date of insurance – 1/26/2006		
State – Utah			Type – Financially owned		
Parent company –Lease Corp. of America			Location – Michigan		
	2010Q2	2009	2008	2007	2006
Total employees	7	7	6	3	3
Total assets (US$ thousands)	53,009	41,981	36,057	29,733	18,483
Balance sheet (% of total assets)					
Cash and due from depository institutions	0.75	0.74	0.83	0.65	0.99
Securities	0.55	0.71	0.85	0	0
Net loans & leases	89.66	92.36	80.23	80.83	68.32
Total other assets	9.05	6.18	18.09	18.52	30.69
Total liabilities	88.08	85.86	83.62	82.18	74.05
Total deposits	83.66	82.35	80.42	74.82	70.85
% insured	100	100	n.a.	n.a.	n.a.
Other borrowed funds	1.91	1.27	0.50	3.12	0.62
Total bank equity capital	11.92	14.14	16.38	17.82	25.95
Loan composition (% of total assets)					
Loans and leases, gross	92.81	95.63	83.23	82.73	69.92
All real estate loans	0.16	0.15	0.13	0.07	0
Commercial and industrial loans	0.51	0	0	0	0
Loans to individuals	0	0	0	0	0
Total other loans and leases	92.15	95.47	83.10	82.66	69.92
Performance measures (%)					
ROA	2.01	1.15	1.85	2.01	-1.93
ROE	15.64	7.4	10.8	9.94	-4.2
Net interest margin	11.81	11.1	9.68	9.32	7.71
Efficiency ratio	51.98	48.91	41.66	50.59	101.14
Loss allowance to loans	3.39	3.42	3.60	2.29	2.30
Loss allowance to noncurrent loans	1,105.30	753.30	539.50	8,057.14	n.a.
Tier 1 risk-based capital ratio	12.66	14.65	18.89	20.53	33.96
Total risk-based capital ratio	13.94	15.93	20.17	21.79	35.22

Medallion Bank

Date of establishment – 12/22/2003				Date of insurance – 9/22/1997				
State – Utah				Type – Financially owned				
Parent company – Medallion Financial Corp.				Location – New York				
	2010Q2	2009	2008	2007	2006	2005	2004	2003
Total employees	29	29	31	26	22	22	12	4
Total assets (US$ thousands)	526,504	465,200	435,675	362,444	309,489	259,014	221,227	22,213
Balance sheet (% of total assets)								
Cash and due from depository institutions	0.03	0.04	0	0	0	0.01	0.05	0.04
Securities	4.24	4.53	4.61	6.03	7.01	6.99	6.60	0
Net loans & leases	89.83	90.04	90.92	86.94	86.54	83.67	83.48	0
Total other assets	5.90	5.39	4.47	7.03	6.45	9.34	9.87	99.96
Total liabilities	82.64	80.90	85.36	84.85	84.86	84.89	84.88	5.13
Total deposits	79.89	79.93	84.12	82.52	83.45	83.79	83.72	0
% insured	100	100	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	0	0	0	0	0	0	0	0
Total bank equity capital	17.36	19.10	14.64	15.15	15.14	15.11	15.12	94.87
Loan composition (% of total assets)								
Loans and leases, gross	92.53	92.96	93.43	88.96	88.50	85.61	85.34	0
All real estate loans	1.04	1.01	1.79	4.10	1.09	0.63	0	0
Commercial and industrial loans	51.24	49.23	46.64	44.73	49.12	49.26	51.87	0
Loans to individuals	37.82	42.72	45.00	40.13	38.29	35.72	33.46	0
Total other loans and leases	2.43	0	0	0	0	0	0	0
Performance measures (%)								
ROA	1.99	1.45	1.07	2.05	2.21	2.29	2.20	-4.17
ROE	10.82	8.37	7.16	13.49	14.42	15.07	11.74	-4.4
Net interest margin	8.10	7.83	6.99	7.20	7.12	6.87	7.69	0.04
Efficiency ratio	25.81	28.41	31.91	31.06	31.40	34.14	35.02	10,400
Loss allowance to loans	2.92	3.15	2.69	2.27	2.21	2.27	2.17	n.a.
Loss allowance to noncurrent loans	442.77	286.35	214.35	527.49	647.81	729.32	742.50	n.a.
Tier 1 risk-based capital ratio	18.25	20.02	15.26	16.33	16.55	17.08	17.09	457.51
Total risk-based capital ratio	19.52	21.29	16.53	17.59	17.81	18.34	18.36	457.51

Merrick Bank

Date of establishment – 9/22/1997					Date of insurance – 9/22/1997						
State – Utah					Type – Financially owned						
Parent company – CardWorks LP					Location – New York						
	2010Q2	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Total employees	132	134	131	141	135	125	102	85	85	63	49
Total assets (US$ thousands)	1,038,082	1,118,516	1,171,041	1,215,496	1,032,405	754,722	555,232	416,040	380,958	297,512	287,143
Balance sheet (% of total assets)											
Cash and due from depository institutions	9.61	3.86	3.03	3.24	3.25	4.32	1.65	1.44	1.07	1.00	1.26
Securities	4.47	4.37	2.43	0.68	0.62	0.82	0.84	0.55	1.47	1.62	1.05
Net loans & leases	71.94	77.88	80.16	77.93	77.55	81.49	87.36	90.26	87.52	82.43	75.82
Total other assets	13.99	13.90	14.38	18.14	18.57	13.37	10.15	7.75	9.94	14.96	21.86
Total liabilities	78.63	81.41	82.76	82.26	82.28	81.37	80.96	79.65	83.37	80.61	83.24
Total deposits	77.36	79.73	80.77	79.75	78.78	77.57	76.39	73.81	79.60	74.45	77.29
% insured	94.27	95.83	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	0	0	0	0	0.48	0	0	0.84	0	0	0
Total bank equity capital	21.37	18.59	17.24	17.74	17.72	18.63	19.04	20.35	16.63	19.39	16.76
Loan composition (% of total assets)											
Loans and leases, gross	90.19	98.22	99.96	94.80	91.84	95.55	106.47	114.66	120.44	106.18	102.57
All real estate loans	0	0	0	0	0	0	0	0	0	0	0
Commercial and industrial loans	0	0	0.02	0	0	0	0	0	0	0	0
Loans to individuals	90.19	98.22	99.94	94.80	91.84	95.55	106.47	114.66	120.44	106.18	102.57
Total other loans and leases	0	0	0	0	0	0	0	0	0	0	0
Performance measures (%)											
ROA	2.62	0.54	-0.32	3.04	5.00	5.32	4.48	4.30	1.58	3.17	2.39
ROE	12.94	3.02	-1.80	16.70	26.04	27.54	22.28	20.74	9.15	17.29	14.80
Net interest margin	22.13	26.14	21.98	23.97	25.34	24.47	24.84	28.43	30.26	25.17	29.59
Efficiency ratio	30.68	26.42	31.80	31.41	36.12	45.93	40.56	40.17	39.08	40.69	30.91
Loss allowance to loans	20.24	20.71	19.81	17.79	15.55	14.71	17.94	21.29	27.34	22.37	26.08
Loss allowance to noncurrent loans	356.95	294.21	303.53	307.50	333.85	340.57	361.33	355.69	276.17	256.68	283.51
Tier 1 risk-based capital ratio	22.31	20.13	18.25	19.46	18.12	19.79	20.11	21.75	18.40	22.72	19.90
Total risk-based capital ratio	23.81	21.64	19.74	20.93	19.53	21.21	21.59	23.30	20.07	24.29	21.52

Merrick Bank *(cont.)*

Date of establishment – 9/22/1997		Date of insurance – 9/22/1997	
State – Utah		Type – Financially owned	
Parent company – CardWorks LP		Location – New York	
	1999	1998	1997
Total employees	32	15	6
Total assets (US$ thousands)	279,493	71,042	15,266
Balance sheet (% of total assets)			
Cash and due from depository institutions	0.45	1.01	1.89
Securities	4.25	0.11	0.33
Net loans & leases	75.77	28.64	0
Total other assets	19.53	70.24	97.78
Total liabilities	90.54	72.07	4.12
Total deposits	82.31	67.39	2.57
% insured	n.a.	n.a.	n.a.
Other borrowed funds	0	0	0
Total bank equity capital	9.46	27.93	95.88
Loan composition (% of total assets)			
Loans and leases, gross	95.42	31.33	0
All real estate loans	0	0	0
Commercial and industrial loans	0	0	0
Loans to individuals	95.42	31.33	0
Total other loans and leases	0	0	0
Performance measures (%)			
ROA	-3.69	0.6	-2.41
ROE	-26.13	1.27	-2.46
Net interest margin	24.38	9.36	1.62
Efficiency ratio	29.97	60.22	217.14
Loss allowance to loans	20.59	8.56	n.a.
Loss allowance to noncurrent loans	368.67	648.3	n.a.
Tier 1 risk-based capital ratio	11.31	59.76	415.65
Total risk-based capital ratio	12.82	61.07	415.65

Minnesota First Credit & Savings Inc.

Date of establishment – 1/1/1956						Date of insurance – 8/7/1986					
State – Minnesota						Type – Financially owned					
Parent company – Minnesota Thrift Co.						Location – Minnesota					
	2010Q2	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Total employees	14	14	14	13	14	15	16	15	17	13	11
Total assets (US$ thousands)	29,065	29,213	27,058	26,245	25,638	24,414	25,197	24,795	23,013	20,228	18,514
Balance sheet (% of total assets)											
Cash and due from depository institutions	1.21	0.82	0.37	0.19	0.43	0.72	0.19	0.71	0.21	0.50	0.60
Securities	0	0	0	0	0	0	0	0	0	0	0.80
Net loans & leases	92.03	91.24	93.85	95.99	95.95	95.82	95.55	94.71	95.95	95.90	94.65
Total other assets	6.76	7.94	5.78	3.81	3.62	3.46	4.26	4.58	3.83	3.59	3.95
Total liabilities	88.84	89.19	88.90	89.11	89.62	89.62	90.51	90.87	90.77	90.05	89.67
Total deposits	77.87	77.82	73.92	73.44	73.13	72.65	75.23	75.52	74.39	72.17	70.71
% insured	100	100	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	10.12	10.75	14.07	14.70	15.47	15.82	14.59	14.49	15.22	17.08	15.51
Total bank equity capital	11.16	10.81	11.10	10.89	10.38	10.38	9.49	9.13	9.23	9.95	10.33
Loan composition (% of total assets)											
Loans and leases, gross	93.42	92.59	95.42	97.58	97.66	97.71	97.35	96.61	97.91	98.09	97.39
All real estate loans	69.08	70.68	78.13	81.60	80.71	81.83	81.60	82.75	84.21	83.71	81.12
Commercial and industrial loans	0.44	0.34	0.22	0.46	1.35	0.87	1.04	1.12	0.89	0.71	0
Loans to individuals	23.89	21.57	17.07	15.52	15.60	15.01	14.71	12.74	12.81	13.67	16.26
Total other loans and leases	0	0	0	0	0	0	0	0	0	0	0
Performance measures (%)											
ROA	0.58	0.56	0.55	0.76	0.84	0.93	0.91	1.00	1.00	1.08	1.28
ROE	5.25	5.02	4.95	7.09	8.04	9.44	9.72	11.08	10.6	10.89	12.13
Net interest margin	6.26	6.00	5.88	5.53	5.98	6.72	6.52	6.72	6.69	6.39	6.84
Efficiency ratio	79.20	79.67	78.33	75.97	76.42	74.86	74.85	70.54	69.20	69.19	66.67
Loss allowance to loans	1.25	1.22	1.29	1.28	1.30	1.37	1.32	1.38	1.24	1.27	1.37
Loss allowance to noncurrent loans	211.88	195.83	92.98	178.69	504.69	2,160	93.59	2,342.86	1,385.00	541.30	1,012.50
Tier 1 risk-based capital ratio	15.87	15.61	16.39	16.33	15.63	16.12	14.71	14.46	14.22	14.49	14.26
Total risk-based capital ratio	17.12	16.86	17.64	17.59	16.88	17.38	15.97	15.72	15.48	15.75	15.52

Minnesota First Credit & Savings Inc. *(cont.)*

Date of establishment – 1/1/1956				Date of insurance – 8/7/1986				
State – Minnesota				Type – Financially owned				
Parent company – Minnesota Thrift Co.				Location – Minnesota				
	1999	1998	1997	1996	1995	1994	1993	1992
Total employees	15	16	17	14	18	15	15	15
Total assets (US$ thousands)	16,209	14,869	13,458	12,686	12,418	10,492	10,315	9,141
Balance sheet (% of total assets)								
Cash and due from depository institutions	0.46	0.81	1.18	3.70	1.65	2.98	6.09	7.60
Securities	0.72	0.71	0.69	0.61	0	0	0	0
Net loans & leases	93.62	92.25	93.45	92.78	86.95	91.45	87.40	86.65
Total other assets	5.19	6.23	4.68	2.91	11.40	5.57	6.51	5.74
Total liabilities	88.99	88.92	88.61	87.84	88.29	86.12	86.07	86.37
Total deposits	71.17	79.62	79.74	80.35	82.41	80.11	81.89	81.62
% insured	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	13.41	4.71	2.97	3.15	0	0.46	0	0
Total bank equity capital	11.01	11.08	11.39	12.16	11.71	13.88	13.93	13.63
Loan composition (% of total assets)								
Loans and leases, gross	96.69	95.80	97.06	94.28	88.56	93.27	89.03	88.22
All real estate loans	79.14	78.32	78.52	73.55	62.68	61.19	56.31	52.80
Commercial and industrial loans	0	0	0	0	0	0	0	0
Loans to individuals	17.56	17.47	18.54	23.00	28.67	36.83	38.09	40.98
Total other loans and leases	0	0	0	0	0	0	0	0
Performance measures (%)								
ROA	1.21	1.46	1.39	1.53	1.81	2.02	1.96	1.75
ROE	11.03	13.1	12.04	13.14	14.91	15.13	14.27	12.05
Net interest margin	7.8	8	8.43	8.57	9.4	10.44	10.65	10.44
Efficiency ratio	69.35	70.46	71.09	69.22	66.75	65.54	67.43	68.04
Loss allowance to loans	1.47	1.54	1.61	1.59	1.83	1.95	1.83	1.77
Loss allowance to noncurrent loans	143.95	411.54	710.34	111.11	346.55	269.01	373.33	433.33
Tier 1 risk-based capital ratio	15.25	15.3	15.38	15.6	14.19	16.47	16.78	16.53
Total risk-based capital ratio	16.51	16.56	16.64	16.85	15.45	17.73	18.04	17.79

The Morris Plan Company of Terre Haute Inc.

Date of establishment – 7/27/1962					Date of insurance – 3/23/1990						
State – Indiana					Type – Financially owned						
Parent company – First Financial Corp.					Location – Indiana						
	2010Q2	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Total employees	21	21	22	20	21	20	20	20	20	18	17
Total assets (US$ thousands)	64,226	59,828	55,301	52,230	55,369	64,857	51,313	46,969	43,062	43,560	43,688
Balance sheet (% of total assets)											
Cash and due from depository institutions	1.75	1.52	0.93	0.97	1.31	0.79	0.78	1.27	1.00	1.02	0.91
Securities	1.05	1.34	1.92	0.45	0.56	0.65	2.25	3.91	1.62	2.71	6.24
Net loans & leases	83.07	81.51	86.22	87.08	87.64	90.65	86.03	86.04	86.66	88.41	87.13
Total other assets	14.13	15.64	10.93	11.50	10.50	7.91	10.94	8.78	10.72	7.86	5.73
Total liabilities	85.44	85.87	86.21	86.60	88.33	90.04	89.80	89.83	89.47	89.63	90.31
Total deposits	78.25	76.57	72.56	72.33	75.02	76.61	72.44	65.92	64.15	58.21	58.78
% insured	93.75	96.67	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	6.62	8.78	13.11	13.88	12.87	13.30	16.82	15.19	24.70	26.72	27.79
Total bank equity capital	14.56	14.13	13.79	13.40	11.67	9.96	10.20	10.17	10.53	10.37	9.69
Loan composition (% of total assets)											
Loans and leases, gross	88.38	86.80	91.96	92.83	93.41	94.56	89.87	89.82	89.95	90.98	89.60
All real estate loans	20.49	23.20	27.93	32.48	35.49	37.75	38.73	40.70	49.20	55.69	59.17
Commercial and industrial loans	1.80	2.29	2.93	3.70	4.26	0.80	1.73	1.54	1.88	1.81	1.40
Loans to individuals	66.09	61.29	61.08	56.64	53.65	56.01	49.40	47.58	38.88	33.47	28.99
Total other loans and leases	0.01	0.02	0.01	0.01	0	0	0	0	0	0.02	0.05
Performance measures (%)											
ROA	3.32	1.44	1.12	0.54	-1.40	0.45	1.6	1.05	0.44	1.14	1.16
ROE	22.76	10.25	8.41	4.2	-13.2	4.51	15.31	10.42	4.07	11.24	11.6
Net interest margin	11.66	10.28	9.18	7.98	7.57	8.71	8.75	8.23	6.78	5.49	5.27
Efficiency ratio	27.87	37.03	38.03	45.78	45.91	33.24	31.51	32.13	40.30	42.11	42.90
Loss allowance to loans	5.94	6.03	6.16	6.08	6.09	4.06	4.17	4.12	3.46	2.64	2.57
Loss allowance to noncurrent loans	548.86	465.48	263.25	252.05	185.66	139.88	248.13	287.73	179.84	88.87	174.43
Tier 1 risk-based capital ratio	16.39	15.23	13.86	13.47	11.08	11.95	12.84	13.00	13.89	13.86	13.30
Total risk-based capital ratio	17.7	16.54	15.18	14.79	12.40	13.24	14.13	14.31	15.17	15.13	14.57

The Morris Plan Company of Terre Haute Inc. *(cont.)*

Date of establishment – 7/27/1962				Date of insurance – 3/23/1990				
State – Indiana				Type – Financially owned				
Parent company – First Financial Corp.				Location – Indiana				
	1999	1998	1997	1996	1995	1994	1993	1992
Total employees	19	20	22	21	20	20	19	20
Total assets (US$ thousands)	38,151	36,836	37,242	37,020	35,503	34,839	33,629	27,067
Balance sheet (% of total assets)								
Cash and due from depository institutions	1.56	1.23	1.18	2.36	3.25	1.12	0.62	2.54
Securities	8.29	9.61	15.52	20.36	14.90	13.73	15.44	14.92
Net loans & leases	87.71	86.75	79.87	73.91	77.94	78.80	80.43	79.13
Total other assets	2.44	2.41	3.42	3.37	3.91	6.35	3.51	3.41
Total liabilities	89.72	89.76	87.87	88.31	88.15	89.66	90.34	89.99
Total deposits	62.68	76.31	86.75	87.41	87.54	87.34	88.90	88.35
% insured	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	22.66	9.90	0.40	0	0	1.44	0	0
Total bank equity capital	10.28	10.24	12.13	11.69	11.85	10.34	9.66	10.01
Loan composition (% of total assets)								
Loans and leases, gross	90.42	89.59	82.73	76.01	79.64	80.65	82.07	80.33
All real estate loans	61.25	61.38	55.19	48.93	55.08	48.65	55.32	56.29
Commercial and industrial loans	2.07	3.53	3.82	3.41	6.31	9.23	3.24	0.69
Loans to individuals	27.05	24.60	23.70	24.12	18.88	23.63	25.08	24.89
Total other loans and leases	0.07	0.08	0.02	0.02	0	0	0	0.14
Performance measures (%)								
ROA	1.13	0.96	0.46	0.45	1.32	1.3	1.77	1.9
ROE	10.89	8.14	3.9	3.79	11.92	13.14	18.1	17.17
Net interest margin	5.64	5.44	5.58	6	6.62	7.29	7.55	7.72
Efficiency ratio	49.04	52.52	62.73	57.58	55.36	54.02	48.7	51.35
Loss allowance to loans	2.75	2.88	3.16	2.77	2.13	2.3	1.99	1.49
Loss allowance to noncurrent loans	170.02	123.76	120.05	272.38	276.15	226.32	153.2	184.66
Tier 1 risk-based capital ratio	14.67	14.48	16.78	16.36	17.93	15.36	12.67	13.4
Total risk-based capital ratio	15.94	15.76	18.06	17.63	19.2	16.63	13.93	14.66

OptumHealth Bank Inc.

Date of establishment – 7/21/2003				Date of insurance – 7/21/2003				
State – Utah				Type – Financially owned				
Parent company – UnitedHealth Group Inc.				Location – Minnesota				
	2010Q2	2009	2008	2007	2006	2005	2004	2003
Total employees	88	88	81	86	107	49	26	12
Total assets (US$ thousands)	1,441,321	1,194,606	940,677	611,700	391,308	87,895	14,834	14,249
Balance sheet (% of total assets)								
Cash and due from depository institutions	17.30	0.31	0.40	0.87	6.12	0.08	0.01	0.80
Securities	80.99	97.35	84.44	82.29	86.30	63.23	84.29	91.83
Net loans & leases	0	0	0	0	0.01	0.01	0	0
Total other assets	1.71	2.34	15.16	16.83	7.56	36.68	15.70	7.37
Total liabilities	88.07	88.34	93.00	89.70	90.67	84.60	12.94	5.59
Total deposits	69.38	71.57	70.91	74.41	75.57	53.34	5.43	1.32
% insured	99.48	97.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	0	0	0	0	0	0	0	0
Total bank equity capital	11.93	11.66	7.00	10.30	9.33	15.40	87.06	94.41
Loan composition (% of total assets)								
Loans and leases, gross	0.01	0.01	0.01	0.01	0.02	0.02	0	0
All real estate loans	0	0	0	0	0	0	0	0
Commercial and industrial loans	0	0	0	0	0	0	0	0
Loans to individuals	0	0	0	0	0	0	0	0
Total other loans and leases	0.01	0.01	0.01	0.01	0.02	0.02	0	0
Performance measures (%)								
ROA	3.06	3.04	2.51	3.01	4.25	1.39	-3.52	-3.75
ROE	26.27	31.82	29.86	33.12	36.54	5.40	-3.82	-4.05
Net interest margin	2.89	3.19	3.13	3.43	3.74	2.97	2.3	0.52
Efficiency ratio	38.97	46.29	52.08	58.77	70.12	96.06	103.71	132.33
Loss allowance to loans	74.83	100	100	100	37.31	57.14	n.a.	n.a.
Loss allowance to noncurrent loans	100	100	100	100	37.31	57.14	n.a.	n.a.
Tier 1 risk-based capital ratio	17.35	14.06	14.11	16.30	13.85	29.85	150.19	95.01
Total risk-based capital ratio	17.36	14.07	14.13	16.31	13.86	29.86	150.19	95.01

The Pitney Bowes Bank Inc.

Date of establishment – 1/16/1998						Date of insurance – 1/16/1998					
State – Utah						Type – Commercially owned					
Parent company – Pitney Bowes Inc.						Location – Connecticut					
	2010Q2	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Total employees	15	15	16	16	13	15	16	14	11	17	14
Total assets (US$ thousands)	722,374	700,910	714,423	696,902	644,038	596,622	563,818	521,846	483,235	403,261	168,850
Balance sheet (% of total assets)											
Cash and due from depository institutions	2.87	4.09	4.32	8.53	7.85	5.19	6.58	4.48	3.46	8.65	5.53
Securities	39.45	32.50	28.00	24.04	21.46	30.31	25.83	24.72	22.37	10.90	11.66
Net loans & leases	53.93	59.37	64.15	64.23	67.75	60.79	63.33	65.39	71.11	76.90	78.58
Total other assets	3.75	4.05	3.52	3.19	2.93	3.71	4.25	5.42	3.05	3.55	4.23
Total liabilities	92.13	92.21	91.42	91.76	92.23	92.65	92.20	91.52	88.27	82.54	86.33
Total deposits	84.81	86.61	87.38	84.98	80.22	81.48	83.10	83.75	80.03	79.06	83.69
% insured	80.33	78.85	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	2.37	0.63	0.84	1.23	2.14	6.90	5.47	5.61	5.24	0	0.63
Total bank equity capital	7.87	7.79	8.58	8.24	7.77	7.35	7.80	8.48	11.73	17.46	13.67
Loan composition (% of total assets)											
Loans and leases, gross	56.60	62.51	67.37	67.59	70.95	64.15	66.64	68.39	73.93	79.98	81.97
All real estate loans	0.22	0.14	0.15	0.12	0.13	0.12	0.10	0.09	0.08	0.02	0.03
Commercial and industrial loans	55.24	61.17	65.96	66.27	69.46	62.78	65.11	67.71	73.31	73.08	80.40
Loans to individuals	0	0	0	0	0	0	0	0	0	0	0
Total other loans and leases	1.14	1.20	1.26	1.20	1.36	1.25	1.42	0.59	0.55	6.87	1.55
Performance measures (%)											
ROA	11.5	12.33	14.28	15.64	15.81	13.86	14.12	15.35	14.59	12.69	1.33
ROE	147.75	150.05	171.04	199.74	204.91	186.93	183.98	149.43	113.02	79.75	11.10
Net interest margin	15.63	18.72	21.97	23.55	23.83	22.71	25.40	27.22	28.61	28.85	6.40
Efficiency ratio	1.78	1.61	1.17	1.05	1.31	1.19	1.28	1.02	1.33	1.99	11.88
Loss allowance to loans	4.72	5.03	4.77	4.97	4.50	5.23	4.96	4.39	3.81	3.85	4.14
Loss allowance to noncurrent loans	144.02	139.28	125.60	154.61	289.23	320.23	234.40	392.50	376.31	327.88	109.57
Tier 1 risk-based capital ratio	11.93	10.20	10.65	10.90	9.99	10.30	10.54	9.88	12.03	18.94	15.73
Total risk-based capital ratio	13.22	11.48	11.93	12.19	11.27	11.59	11.83	11.16	13.30	20.21	17.01

The Pitney Bowes Bank Inc. *(cont.)*

Date of establishment – 1/16/1998		Date of insurance – 1/16/1998
State – Utah		Type – Commercially owned
Parent company – Pitney Bowes Inc.		Location – Connecticut
	1999	1998
Total employees	19	15
Total assets (US$ thousands)	76,355	9,249
Balance sheet (% of total assets)		
Cash and due from depository institutions	4.10	0
Securities	94.97	1.08
Net loans & leases	0.06	92.09
Total other assets	0.87	6.83
Total liabilities	87.32	45.24
Total deposits	81.68	1.06
% insured	n.a.	n.a.
Other borrowed funds	3.08	38.67
Total bank equity capital	12.68	54.76
Loan composition (% of total assets)		
Loans and leases, gross	0.06	96.16
All real estate loans	0	0
Commercial and industrial loans	0	96.16
Loans to individuals	0	0
Total other loans and leases	0.06	0
Performance measures (%)		
ROA	7.59	0
ROE	49.57	0
Net interest margin	9.21	8.36
Efficiency ratio	24.49	36.59
Loss allowance to loans	0	4.24
Loss allowance to noncurrent loans	n.a.	1396.3
Tier 1 risk-based capital ratio	19.84	56.24
Total risk-based capital ratio	19.84	57.53

Rancho Santa Fe Thrift & Loan Association

Date of establishment – 1/2/1982					Date of insurance – 12/17/1984						
State – California					Type – Financially owned						
Parent company – Semperverde Holding Co. Inc.					Location – Pennsylvania						
	2010Q2	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Total employees	15	17	21	50	54	54	59	64	57	52	52
Total assets (US$ thousands)	35,655	46,911	78,422	98,475	99,137	97,784	98,082	119,373	130,042	107,215	93,691
Balance sheet (% of total assets)											
Cash and due from depository institutions	3.92	1.98	4.00	2.77	3.02	3.66	3.58	3.91	2.50	3.71	0.90
Securities	0	0	0	0	0	0	0	0	0	9.09	0
Net loans & leases	94.32	95.64	93.74	93.93	94.38	94.91	94.62	94.61	95.81	84.88	95.14
Total other assets	1.76	2.37	2.26	3.30	2.60	1.42	1.80	1.48	1.69	2.32	3.96
Total liabilities	28.12	46.68	68.27	68.02	70.67	71.92	74.24	81.28	83.04	80.76	82.08
Total deposits	5.06	4.11	49.82	67.12	69.66	70.19	72.23	61.52	45.44	66.75	67.31
% insured	100	100	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	20.75	40.50	9.56	0	0	0	0	18.85	37.12	12.92	13.93
Total bank equity capital	71.88	53.32	31.73	31.98	29.33	28.08	25.76	18.72	16.96	19.24	17.92
Loan composition (% of total assets)											
Loans and leases, gross	105.69	104.33	99.00	98.15	98.56	99.09	98.81	98.99	100.54	87.26	97.90
All real estate loans	0	0	0	0	0	0	0	0	0	0	0
Commercial and industrial loans	0	0	0	0	0	0	0	0	0	0	0
Loans to individuals	105.69	104.33	99.00	98.15	98.56	99.09	98.81	98.99	100.54	87.26	97.90
Total other loans and leases	0	0	0	0	0	0	0	0	0	0	0
Performance measures (%)											
ROA	2.99	0.21	-1.23	2.43	1.64	2.23	2.16	4.22	1.42	3.60	3.80
ROE	4.86	0.53	-3.69	7.98	5.63	8.11	8.96	22.51	6.84	20.1	21.83
Net interest margin	14.27	12.58	11.22	11.15	11.62	12.47	13.14	11.37	10.75	10.42	10.93
Efficiency ratio	50.56	43.80	64.35	54.05	67.10	64.00	58.77	41.17	39.23	38.45	40.62
Loss allowance to loans	10.63	8.19	5.16	4.15	4.10	4.13	4.13	3.76	3.60	2.68	2.73
Loss allowance to noncurrent loans	2,000	1,179.94	739.37	375.94	657.89	418.85	490.80	341.34	374.70	147.03	346.81
Tier 1 risk-based capital ratio	73.2	53.46	32.35	32.63	29.87	28.60	26.23	19.09	17.09	21.15	18.20
Total risk-based capital ratio	13.22	11.48	11.93	12.19	11.27	11.59	11.83	11.16	13.3	20.21	17.01

Rancho Santa Fe Thrift & Loan Association *(cont.)*

Date of establishment – 1/2/1982				Date of insurance – 12/17/1984				
State – California				Type – Financially owned				
Parent company – Semperverde Holding Co. Inc.				Location – Pennsylvania				
	1999	1998	1997	1996	1995	1994	1993	1992
Total employees	46	46	33	30	26	22	21	20
Total assets (US$ thousands)	77,110	60,839	46,939	37,884	31,315	28,720	25,768	25,509
Balance sheet (% of total assets)								
Cash and due from depository institutions	0.67	1.15	2.46	2.14	0.93	2.08	3.55	4.01
Securities	0	0	0	0	0	0	0	0
Net loans & leases	94.88	96.39	95.20	95.35	96.25	94.79	93.02	93.32
Total other assets	4.45	2.46	2.35	2.51	2.82	3.14	3.43	2.67
Total liabilities	82.49	81.96	80.51	80.18	79.96	81.36	83.01	86.11
Total deposits	51.43	41.40	39.42	40.18	34.42	34.46	46.85	52.55
% insured	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	29.31	39.43	39.84	37.48	42.62	43.87	32.99	31.36
Total bank equity capital	17.51	18.04	19.49	19.82	20.04	18.64	16.99	13.89
Loan composition (% of total assets)								
Loans and leases, gross	97.56	98.97	97.05	97.22	98.50	97.23	95.72	95.91
All real estate loans	0	0	0	0	0	0	0.05	1.89
Commercial and industrial loans	0	0	0	0	0	0	0	0
Loans to individuals	97.56	98.97	97.05	98.34	99.63	98.25	96.39	94.67
Total other loans and leases	0	0	0	0	0	0.01	0.04	0.14
Performance measures (%)								
ROA	3.64	3.43	3.94	3.52	3.08	3.63	3.26	2.77
ROE	20.59	18.27	19.88	17.97	15.89	20.08	21.13	22.38
Net interest margin	11.05	11.87	11.79	12.39	12.1	12.76	12.52	12.06
Efficiency ratio	42.34	44	44.55	43.13	48.12	45.88	48.34	48.49
Loss allowance to loans	2.61	2.42	1.69	1.93	2.29	2.51	2.82	2.69
Loss allowance to noncurrent loans	381.36	216.17	157.79	101.14	212.35	287.3	240.83	183.06
Tier 1 risk-based capital ratio	17.61	18.16	19.8	20.04	20.14	18.92	17.49	14.42
Total risk-based capital ratio	18.87	19.43	21.06	21.3	21.4	20.19	18.75	15.69

Sallie Mae Bank

Date of establishment – 11/28/2005			Date of insurance – 11/28/2005			
State – Utah			Type – Financially owned			
Parent company – SLM Corp.			Location – Delaware			
	2010Q2	2009	2008	2007	2006	2005
Total employees	31	29	18	15	14	8
Total assets (US$ thousands)	7,372,581	7,617,784	3,797,233	942,538	438,860	101,507
Balance sheet (% of total assets)						
Cash and due from depository institutions	35.69	30.37	20.36	0	0.03	24.88
Securities	8.72	8.07	14.77	10.25	0	1.03
Net loans & leases	51.61	57.74	58.99	85.76	90.51	73.89
Total other assets	3.98	3.83	5.88	3.99	9.45	0.20
Total liabilities	82.25	84.32	72.99	78.96	70.87	1.26
Total deposits	79.98	83.11	71.48	72.71	66.82	0.99
% insured	93.39	94.15	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	0.05	0.05	0	0	0	0
Total bank equity capital	17.75	15.68	27.01	21.04	29.13	98.74
Loan composition (% of total assets)						
Loans and leases, gross	52.20	58.25	59.24	85.77	90.52	73.89
All real estate loans	0	0	0	0	0	0
Commercial and industrial loans	0	0	0	0	0	0
Loans to individuals	52.20	58.25	59.24	85.77	90.52	0
Total other loans and leases	0	0	0	0	0	73.89
Performance measures (%)						
ROA	1.69	1.1	3.84	9.38	12.21	0.22
ROE	10.08	6.41	18.00	43.55	25.23	0.23
Net interest margin	3.30	2.77	4.22	6.46	6.57	0.50
Efficiency ratio	11.03	16.00	7.44	6.68	6.63	30.83
Loss allowance to loans	1.13	0.87	0.41	0.02	0.01	0
Loss allowance to noncurrent loans	716.21	595.17	185.61	4.80	n.a.	n.a.
Tier 1 risk-based capital ratio	30.38	24.61	45.88	24.41	38.74	472.74
Total risk-based capital ratio	31.43	25.43	46.28	24.43	38.74	472.74

Target Bank

Date of establishment – 9/27/2004			Date of insurance – 9/27/2004				
State – Utah			Type – Commercially owned				
Parent company – Target Corp.			Location – Minnesota				
	2010Q2	2009	2008	2007	2006	2005	2004
Total employees	18	17	17	19	25	23	16
Total assets (US$ thousands)	111,744	110,883	104,443	16,832	14,213	14,925	10,073
Balance sheet (% of total assets)							
Cash and due from depository institutions	5.67	4.47	1.07	8.36	12.16	9.28	13.11
Securities	11.98	11.99	11.13	52.36	40.20	46.56	78.77
Net loans & leases	79.49	81.61	86.83	35.71	42.66	38.20	1.01
Total other assets	2.85	1.92	0.97	3.57	4.99	5.96	7.10
Total liabilities	88.19	89.08	89.63	58.04	71.29	63.89	28.75
Total deposits	83.82	85.06	88.73	48.30	58.77	51.94	9.95
% insured	4.46	2.94	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	3.77	2.42	0.49	8.65	11.45	9.98	15.41
Total bank equity capital	11.81	10.92	10.37	41.96	28.71	36.11	71.25
Loan composition (% of total assets)							
Loans and leases, gross	79.65	81.85	87.13	37.18	45.36	41.23	1.15
All real estate loans	0	0	0	0	0	0	0
Commercial and industrial loans	78.61	80.22	85.62	27.17	30.16	21.85	1.06
Loans to individuals	0	0	0	0	0	0	0
Total other loans and leases	1.04	1.63	1.51	10	15.20	19.38	0.09
Performance measures (%)							
ROA	1.99	1.22	-0.45	-6.94	-9.71	-13.01	-2.78
ROE	17.23	11.25	-2.73	-16.99	-27.62	-28.46	-3.35
Net interest margin	3.84	3.58	2.71	0.99	0.20	0.72	0.43
Efficiency ratio	46.13	52.90	102.75	211.57	251.59	307.97	291.04
Loss allowance to loans	0.20	0.29	0.34	3.95	5.96	7.33	12.07
Loss allowance to noncurrent loans	293.33	287.91	236.43	180.29	98.97	204.07	700
Tier 1 risk-based capital ratio	45.45	39.22	37.34	80.56	48.77	66.65	296.82
Total risk-based capital ratio	46.05	40.07	38.39	81.83	50.06	67.94	297.39

Toyota Financial Savings Bank

Date of establishment – 8/16/2004				Date of insurance – 8/16/2004			
State – Nevada				Type – Commercially owned			
Parent company – Toyota Motor Corp.				Location – Japan			
	2010Q2	2009	2008	2007	2006	2005	2004
Total employees	37	40	41	31	24	17	8
Total assets (US$ thousands)	822,118	855,790	607,509	406,475	175,640	45,978	10,289
Balance sheet (% of total assets)							
Cash and due from depository institutions	6.24	5.46	4.02	18.14	13.90	19.55	48.52
Securities	1.97	1.96	2.56	0	0	0	0
Net loans & leases	88.02	88.40	89.19	80.64	77.44	56.70	0
Total other assets	3.77	4.18	4.22	1.23	8.66	23.75	51.48
Total liabilities	85.90	93.20	89.21	88.82	74.91	18.08	5.97
Total deposits	73.53	81.69	76.11	35.28	15.71	15.58	4.14
% insured	57.23	57.63	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	11.56	10.28	12.35	51.66	56.93	0	0
Total bank equity capital	14.10	6.80	10.79	11.18	25.09	81.92	94.03
Loan composition (% of total assets)							
Loans and leases, gross	93.25	92.95	91.00	81.54	78.35	57.73	0
All real estate loans	57.30	54.46	67.12	62.90	56.81	26.84	0
Commercial and industrial loans	0	0	0	0.14	0.68	0	0
Loans to individuals	35.95	38.49	23.88	18.51	20.86	30.89	0
Total other loans and leases	0	0	0	0	0	0	0
Performance measures (%)							
ROA	1.77	-0.98	0.03	0.47	-4.03	-5.5	-3.11
ROE	15.74	-12.29	0.26	3.03	-9.51	-6.14	-3.31
Net interest margin	4.21	3.03	2.13	2.33	3.33	3.44	0.67
Efficiency ratio	19.02	31.85	52.37	64.91	173.89	232.35	870.59
Loss allowance to loans	5.61	4.90	1.98	1.11	1.16	1.79	n.a.
Loss allowance to noncurrent loans	277.02	142.96	548.10	549.18	1,080.41	2,975.00	n.a.
Tier 1 risk-based capital ratio	18.91	8.44	14.14	16.05	35.29	217.68	421.57
Total risk-based capital ratio	20.24	9.75	15.41	17.30	36.55	219	421.57

Transportation Alliance Bank Inc.

Date of establishment – 10/1/1998						Date of insurance – 10/1/1998					
State – Utah						Type – Commercially owned					
Parent company – Flying J Inc.						Location – Utah					
	2010Q2	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Total employees	210	187	145	141	144	110	121	129	137	108	76
Total assets (US$ thousands)	511,462	478,358	580,165	530,928	483,150	341,456	202,704	142,478	110,806	72,073	48,278
Balance sheet (% of total assets)											
Cash and due from depository institutions	7.82	7.96	24.06	4.77	5.49	6.15	8.93	12.16	11.64	18.84	21.23
Securities	0.85	1.22	0.73	0.65	0.72	0	0	0	0	0.69	1.04
Net loans & leases	66.94	61.25	43.83	51.50	44.60	43.70	65.13	82.46	79.95	71.22	70.08
Total other assets	24.38	29.57	31.39	43.07	49.18	50.15	25.94	5.37	8.41	9.25	7.66
Total liabilities	86.80	86.57	89.03	89.36	89.93	90.30	89.97	89.89	89.87	87.13	90.99
Total deposits	79.63	79.72	83.82	83.36	84.20	82.31	84.55	88.82	87.24	84.91	87.92
% insured	94.93	92.92	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	0.02	0	0.14	0.03	0.18	0.38	0	0	0.02	0	0
Total bank equity capital	13.20	13.43	10.97	10.64	10.07	9.70	10.03	10.11	10.13	12.87	9.01
Loan composition (% of total assets)											
Loans and leases, gross	68.16	62.47	44.00	52.28	45.33	44.79	67.44	85.17	82.02	73.56	72.08
All real estate loans	5.71	6.28	4.25	3.88	5.44	4.39	3.04	8.48	6.15	0.45	0.20
Commercial and industrial loans	61.77	55.41	39.23	47.72	39.18	39.62	63.11	74.74	73.20	68.05	65.85
Loans to individuals	0.65	0.76	0.48	0.47	0.60	0.67	1.00	1.55	2.36	3.96	4.74
Total other loans and leases	0.03	0.02	0.04	0.21	0.10	0.12	0.29	0.41	0.31	1.10	1.29
Performance measures (%)											
ROA	1.8	-0.23	0.45	1.54	1.65	2.43	2.62	2.54	2.22	1.59	0.84
ROE	13.24	-1.84	4.36	14.86	16.63	24.07	25.40	25.00	19.24	14.58	7.01
Net interest margin	6.12	4.06	2.40	3.74	5.11	8.38	9.85	10.53	10.81	10.64	9.90
Efficiency ratio	74.98	84.97	91.72	81.21	77.52	68.28	63.19	61.68	69.44	74.80	78.40
Loss allowance to loans	1.78	1.95	0.39	1.48	1.60	2.43	3.42	3.18	2.52	3.18	2.78
Loss allowance to noncurrent loans	51.41	106.41	33.27	175.41	135.10	126.37	274.81	210.37	330.59	69.27	167.13
Tier 1 risk-based capital ratio	14.25	14.37	14.00	11.07	11.21	11.24	10.81	11.37	11.68	15.98	11.15
Total risk-based capital ratio	15.51	15.62	14.21	11.88	12.02	12.49	12.08	12.64	12.94	17.25	12.41

Transportation Alliance Bank Inc. *(cont.)*

Date of establishment – 10/1/1998	Date of insurance – 10/1/1998	
State – Utah	Type – Commercially owned	
Parent company – Flying J Inc.	Location – Utah	
	1999	1998
Total employees	42	16
Total assets (US$ thousands)	16,404	5,212
Balance sheet (% of total assets)		
Cash and due from depository institutions	37.67	84.92
Securities	0	0
Net loans & leases	31.58	0
Total other assets	30.75	15.08
Total liabilities	75.20	42.44
Total deposits	71.90	16.65
% insured	n.a.	n.a.
Other borrowed funds	0	22.06
Total bank equity capital	24.80	57.56
Loan composition (% of total assets)		
Loans and leases, gross	32.16	0
All real estate loans	0	0
Commercial and industrial loans	31.02	0
Loans to individuals	1.15	0
Total other loans and leases	0	0
Performance measures (%)		
ROA	-8.81	0
ROE	-30.92	0
Net interest margin	0.98	-136.36
Efficiency ratio	199.27	256.57
Loss allowance to loans	1.8	n.a.
Loss allowance to noncurrent loans	n.a.	n.a.
Tier 1 risk-based capital ratio	43.64	417.15
Total risk-based capital ratio	44.76	417.15

UBS Bank USA

Date of establishment – 9/15/2003				Date of insurance – 9/15/2003				
State – Utah				Type – Financially owned				
Parent company – UBS AG				Location – Switzerland				
	2010Q2	2009	2008	2007	2006	2005	2004	2003
Total employees	52	46	42	42	38	35	32	18
Total assets (US$ thousands)	28,978,507	30,049,614	30,494,977	25,044,261	22,009,139	18,585,794	17,561,547	11,216,113
Balance sheet (% of total assets)								
Cash and due from depository institutions	2.47	0.04	1.09	0.23	0.25	0.25	0.25	0.12
Securities	40.43	48.65	0.86	0.87	0.60	0.58	0.35	0
Net loans & leases	55.68	50.44	42.42	43.30	41.44	44.29	40.99	40.54
Total other assets	1.42	0.87	55.63	55.59	57.72	54.88	58.41	59.34
Total liabilities	90.72	91.68	93.00	91.29	89.46	89.11	89.64	84.72
Total deposits	89.85	90.59	90.94	87.64	87.55	86.87	84.91	72.97
% insured	80.35	81.27	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	0.66	0.86	0.65	2.75	1.43	2.04	4.58	11.39
Total bank equity capital	9.28	8.32	7.00	8.71	10.54	10.89	10.36	15.28
Loan composition (% of total assets)								
Loans and leases, gross	55.73	50.48	42.46	43.33	41.46	44.31	41.05	40.60
All real estate loans	1.43	0.27	0.02	0.02	0.03	0.05	0.02	0
Commercial and industrial loans	25.78	25.64	21.62	20.58	18.70	19.44	18.75	19.78
Loans to individuals	27.19	24.06	20.32	22.52	22.22	24.45	22.28	20.83
Total other loans and leases	1.33	0.52	0.50	0.22	0.51	0.38	0	0
Performance measures (%)								
ROA	0.75	0.63	0.92	1.11	1.49	1.14	0.69	0.18
ROE	8.52	8.69	12.40	12.14	13.65	10.75	5.96	0.84
Net interest margin	1.55	1.09	2.01	2.54	2.65	2.09	1.43	0.37
Efficiency ratio	20.21	25.96	14.84	12.42	8.77	10.21	14.79	19.21
Loss allowance to loans	0.08	0.08	0.09	0.06	0.06	0.06	0.15	0.15
Loss allowance to noncurrent loans	395.64	361.38	4,507.72	n.a.	n.a.	n.a.	n.a.	n.a.
Tier 1 risk-based capital ratio	15.91	15.78	14.94	15.82	19.48	23.69	24.47	35.26
Total risk-based capital ratio	15.99	15.86	15.02	15.87	19.52	23.75	24.61	35.4

USAA Savings Bank

Date of establishment – 10/1/1997*						Date of insurance – 9/27/1996					
State – Nevada						Type – Financially owned					
Parent company – United Services Automobile Association						Location – Texas					
	2010Q2	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Total employees	6	6	6	6	5	6	5	6	6	6	5
Total assets (US$ thousands)	13,763,745	10,516,360	6,912,432	6,470,241	5,825,626	7,099,570	7,297,156	5,701,756	3,917,904	3,470,357	3,093,310
Balance sheet (% of total assets)											
Cash and due from depository institutions	0.11	1.79	0.26	5.10	5.49	2.86	0.82	0.87	1.94	1.88	2.81
Securities	0.88	0.24	0.34	0.31	0.29	0.19	0.19	0.30	0.69	0.61	0.67
Net loans & leases	96.58	89.71	93.18	91.23	92.66	95.53	95.94	97.20	95.06	95.06	94.07
Total other assets	2.43	8.26	6.22	3.36	1.56	1.41	3.05	1.63	2.31	2.45	2.45
Total liabilities	79.93	74.54	63.25	61.53	59.04	68.45	71.92	67.61	88.76	90.23	90.69
Total deposits	4.85	5.64	7.62	5.35	5.39	3.72	2.43	1.95	2.07	1.29	0.30
% insured	91.96	91.99	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	71.86	64.52	51.36	51.95	47.61	61.57	67.44	63.56	84.38	87.15	87.75
Total bank equity capital	20.07	25.46	36.75	38.47	40.96	31.55	28.08	32.39	11.24	9.77	9.31
Loan composition (% of total assets)											
Loans and leases, gross	100.94	93.80	96.65	94.52	94.22	96.87	97.52	99.13	97.04	96.97	95.68
All real estate loans	0	0	0	0	0	0	0	0	0	0	0
Commercial and industrial loans	0	0	0	0	0	0	0	0	0	0	0
Loans to individuals	100.94	93.80	96.65	94.52	94.22	96.87	97.52	99.13	97.04	96.97	95.68
Total other loans and leases	0	0	0	0	0	0	0	0	0	0	0
Performance measures (%)											
ROA	2.94	1.69	0.80	1.71	2.22	2.72	3.20	3.23	2.82	1.59	1.45
ROE	13.66	5.25	2.01	4.2	6.31	8.89	10.42	18.01	26.1	16.26	14.5
Net interest margin	8.35	7.33	5.51	5.56	4.54	4.95	5.92	6.81	6.44	5.11	4.02
Efficiency ratio	31.02	41.48	68.51	55.07	54.14	43.70	37.25	35.95	37.29	34.90	38.90
Loss allowance to loans	4.32	4.37	3.59	3.48	1.66	1.38	1.62	1.95	2.04	1.97	1.69
Loss allowance to noncurrent loans	463.23	336.64	272.60	189.72	152.13	285.84	383.22	352.82	311.77	340.84	328.49
Tier 1 risk-based capital ratio	19.87	23.32	30.16	39.70	39.08	31.06	27.95	32.28	11.33	9.84	9.46
Total risk-based capital ratio	21.15	24.60	31.43	40.97	40.33	32.31	29.21	33.54	12.59	11.10	10.72

*USAA Savings Bank was established as a credit card bank and licensed as industrial loan company in 1997, according to the state.

USAA Savings Bank *(cont.)*

Date of establishment – 10/1/1997*		Date of insurance – 9/27/1996	
State – Nevada		Type – Financially owned	
Parent company – USAA		Location - Texas	
	1999	1998	1997
Total employees	6	6	6
Total assets (US$ thousands)	2,514,976	1,653,192	934,130
Balance sheet (% of total assets)			
Cash and due from depository institutions	2.42	3.05	5.01
Securities	0.70	0.62	1.73
Net loans & leases	94.89	91.74	91.07
Total other assets	2.00	4.60	2.18
Total liabilities	90.10	91.49	89.60
Total deposits	0.19	0.23	0.13
% insured	n.a.	n.a.	n.a.
Other borrowed funds	87.96	89.54	86.16
Total bank equity capital	9.90	8.51	10.40
Loan composition (% of total assets)			
Loans and leases, gross	96.49	94.59	95.25
All real estate loans	0	0	0
Commercial and industrial loans	0	0	0
Loans to individuals	96.49	94.59	95.25
Total other loans and leases	0	0	0
Performance measures (%)			
ROA	2.22	0.3	1.36
ROE	22.98	3.31	8.85
Net interest margin	4.33	5.33	6.36
Efficiency ratio	34.55	45.77	54.32
Loss allowance to loans	1.66	3.01	4.39
Loss allowance to noncurrent loans	384.9	564.58	611.64
Tier 1 risk-based capital ratio	10.05	8.67	10.89
Total risk-based capital ratio	11.3	9.94	12.18

*USAA Savings Bank was established as a credit card bank and licensed as industrial loan company in 1997, according to the state.

WebBank

Date of establishment – 5/15/1997						Date of insurance – 5/15/1997					
State – Utah						Type – Financially owned					
Parent company – Steel Partners Holdings LP						Location – New York					
	2010Q2	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Total employees	20	25	23	14	11	8	3	6	5	7	9
Total assets (US$ thousands)	68,301	65,340	43,717	23,276	15,942	6,783	15,150	19,154	19,231	12,450	18,058
Balance sheet (% of total assets)											
Cash and due from depository institutions	45.18	41.76	1.19	1.40	3.73	22.42	65.68	8.37	3.49	1.12	4.52
Securities	0	0	0	0.01	0.02	1.24	0.59	0.60	0.62	2.28	6.40
Net loans & leases	39.70	50.85	82.11	83.26	82.70	65.77	27.35	69.07	64.60	71.16	51.32
Total other assets	15.12	7.39	16.70	15.32	13.56	10.57	6.37	21.96	31.28	25.44	37.76
Total liabilities	75.77	81.81	75.39	63.62	53.54	29.16	60.22	63.91	71.79	59.83	61.92
Total deposits	71.20	76.85	71.90	60.04	47.92	14.73	57.57	62.22	70.82	58.75	56.11
% insured	90.41	90.64	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	0	0	0	0	0	0	0	0	0	0	0
Total bank equity capital	24.23	18.19	24.61	36.38	46.46	70.84	39.78	36.09	28.21	40.17	38.08
Loan composition (% of total assets)											
Loans and leases, gross	42.73	54.49	87.97	85.07	84.29	68.02	29.41	75.71	72.72	88.31	58.58
All real estate loans	21.17	25.01	45.31	58.59	44.98	48.72	28.00	34.75	44.23	72.49	47.55
Commercial and industrial loans	17.81	14.29	41.37	26.49	8.08	19.30	1.12	39.10	25.13	7.84	5.79
Loans to individuals	3.75	15.18	1.30	0	0	0	0.29	0.46	0.87	2.74	5.24
Total other loans and leases	0	0	0	0	31.23	0	0	1.40	2.49	5.24	0
Performance measures (%)											
ROA	5.04	-17.4	-4.46	4.99	-4.56	-12.99	-5.06	7.61	2.41	-13.27	0.13
ROE	24.07	-66.48	-19.03	13.42	-7.66	-22.25	-12.98	24.76	8.25	-30.92	0.42
Net interest margin	8.89	6.51	6.58	7.26	7.01	4.06	19.64	20.34	13.85	8.01	5.94
Efficiency ratio	73.25	135.04	90.73	64.67	122.69	184.95	73.01	66.63	88.87	131.47	66.15
Loss allowance to loans	6.61	6.19	6.03	1.37	1.88	3.32	6.88	8.37	10.14	17.45	9.54
Loss allowance to noncurrent loans	46.15	43.34	73.06	336.25	2,300	104.08	52.85	90.28	119.32	91.81	996.94
Tier 1 risk-based capital ratio	59.04	34.26	28.99	54.85	51.44	98.79	83.43	29.61	28.74	35.00	34.90
Total risk-based capital ratio	60.43	35.62	30.3	56.11	52.69	100.06	84.72	30.93	30.10	36.46	36.21

WebBank *(cont.)*

Date of establishment – 5/15/1997		Date of insurance – 5/15/1997	
State – Utah		Type – Financially owned	
Parent company – Steel Partners Holdings LP		Location – New York	
	1999	1998	1997
Total employees	7	5	5
Total assets (US$ thousands)	12,111	6,318	15,659
Balance sheet (% of total assets)			
Cash and due from depository institutions	6.77	0.38	0.16
Securities	19.26	51.84	10.31
Net loans & leases	54.95	17.11	87.89
Total other assets	19.02	30.67	1.64
Total liabilities	58.62	17.89	9.14
Total deposits	45.56	9.62	6.39
% insured	n.a.	n.a.	n.a.
Other borrowed funds	9.08	0	0
Total bank equity capital	41.38	82.11	90.86
Loan composition (% of total assets)			
Loans and leases, gross	58.97	17.11	95.79
All real estate loans	29.25	17.11	0
Commercial and industrial loans	21.61	0	0
Loans to individuals	8.11	0	95.79
Total other loans and leases	0	0	0
Performance measures (%)			
ROA	-1.86	-3.76	-4.96
ROE	-3.57	-4.21	-5.4
Net interest margin	4.81	0.8	8.85
Efficiency ratio	86.08	565.52	44.32
Loss allowance to loans	3.98	0	8.25
Loss allowance to noncurrent loans	n.a.	n.a.	487.4
Tier 1 risk-based capital ratio	35.36	98.01	89.77
Total risk-based capital ratio	36.63	98.01	91.1

Woodlands Commercial Bank

Date of establishment – 8/24/2005			Date of insurance – 8/24/2005			
State – Utah			Type – Financially owned			
Parent company – Lehman Brothers Holdings Inc.*			Location – New York			
	2010Q2	2009	2008	2007	2006	2005
Total employees	27	19	17	19	14	15
Total assets (US$ thousands)	3,212,688	3,502,180	5,325,990	5,833,898	3,224,704	2,136,175
Balance sheet (% of total assets)						
Cash and due from depository institutions	36.56	0.65	2.83	1.45	21.72	0.13
Securities	5.83	36.15	41.93	7.79	0.34	0.26
Net loans & leases	50.12	54.65	45.57	77.95	52.34	69.80
Total other assets	7.49	8.55	9.67	12.80	25.59	29.82
Total liabilities	76.92	78.41	92.55	84.07	86.24	83.55
Total deposits	72.86	73.87	89.47	79.79	81.67	74.63
% insured	99.8	99.82	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	0	0	0	1.52	0.77	6.68
Total bank equity capital	23.08	21.59	7.45	15.93	13.76	16.45
Loan composition (% of total assets)						
Loans and leases, gross	50.20	54.69	45.58	77.95	52.34	69.80
All real estate loans	11.07	10.86	6.59	16.70	20.36	35.02
Commercial and industrial loans	35.88	39.86	37.02	58.90	19.85	27.55
Loans to individuals	0	0	0	0	0	0
Total other loans and leases	3.25	3.97	1.97	2.36	12.14	7.23
Performance measures (%)						
ROA	3.41	3.64	-12.02	1.49	0.91	0.46
ROE	15.44	26.55	-85.67	10.45	7.25	2.31
Net interest margin	0.68	0.52	2.41	2.54	1.95	1.15
Efficiency ratio	13.64	49.55	-102.53	5.11	33.72	12.10
Loss allowance to loans	0.16	0.08	0.02	0	0	0
Loss allowance to noncurrent loans	10.39	2.13	0.74	n.a.	n.a.	n.a.
Tier 1 risk-based capital ratio	32.63	21.98	5.10	13.33	10.37	10.89
Total risk-based capital ratio	32.75	22.02	5.11	13.33	10.37	10.89

*Lehman Brothers Holdings filed for bankruptcy protection in December 2008.

World Financial Capital Bank

Date of establishment – 12/1/2003				Date of insurance – 12/1/2003				
State – Utah				Type – Financially owned				
Parent company – Alliance Data Systems Corp.				Location – Texas				
	2010Q2	2009	2008	2007	2006	2005	2004	2003
Total employees	8	6	7	6	5	5	3	3
Total assets (US$ thousands)	476,792	419,222	295,356	187,187	193,427	226,065	9,982	10,521
Balance sheet (% of total assets)								
Cash and due from depository institutions	5.38	5.54	1.61	1.36	1.13	0.33	1.41	4.77
Securities	0.99	7.58	15.86	3.86	5.61	15.93	97.05	57.03
Net loans & leases	79.63	57.77	61.72	79.40	74.05	71.61	1.02	0
Total other assets	14.00	29.11	20.81	15.39	19.21	12.14	0.51	38.20
Total liabilities	85.86	83.17	76.13	62.97	69.07	75.97	5.63	5.35
Total deposits	67.25	81.37	71.72	60.52	64.08	73.96	5.01	4.75
% insured	100	100	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	16.88	0	0	0	0	0	0	0
Total bank equity capital	14.14	16.83	23.87	37.03	30.93	24.03	94.37	94.65
Loan composition (% of total assets)								
Loans and leases, gross	86.49	61.87	66.34	86.85	85.48	81.90	1.06	0
All real estate loans	0	0	0	0	0	0	0	0
Commercial and industrial loans	1.66	1.95	3.44	6.20	3.79	3.29	1.06	0
Loans to individuals	84.83	59.92	62.91	80.65	81.69	78.61	0	0
Total other loans and leases	0	0	0	0	0	0	0	0
Performance measures (%)								
ROA	2.12	0.58	5.78	5.11	2.70	2.02	-5.24	-0.40
ROE	14.72	2.80	17.06	14.50	9.27	7.69	-5.56	-0.42
Net interest margin	23.60	13.91	17.96	29.49	27.38	12.18	1.28	0.06
Efficiency ratio	35.31	10.89	31.84	36.24	39.43	58.66	513.95	800
Loss allowance to loans	7.93	6.63	6.96	8.58	13.37	12.57	3.77	n.a.
Loss allowance to noncurrent loans	327.66	337.39	387.89	340.26	333.70	481.98	n.a.	n.a.
Tier 1 risk-based capital ratio	12.09	9.94	16.01	34.82	25.81	20.07	95.41	98.41
Total risk-based capital ratio	13.41	11.21	17.29	36.16	27.19	21.44	95.45	98.41

Wright Express Financial Services

Date of establishment – 6/1/1998						Date of insurance – 6/1/1998					
State – Utah						Type – Financially owned					
Parent company – Wright Express Corp.						Location – Maine					
	2010Q2	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Total employees	32	32	28	27	24	32	35	34	28	30	27
Total assets (US$ thousands)	968,279	834,063	860,001	1,076,892	815,617	680,697	474,199	325,193	253,533	195,231	248,999
Balance sheet (% of total assets)											
Cash and due from depository institutions	1.37	1.90	12.84	4.09	3.66	6.91	6.13	5.99	7.96	5.01	6.10
Securities	1.00	3.69	7.29	0.88	0.98	3.07	3.75	5.41	0	0	0
Net loans & leases	95.29	91.74	75.28	93.42	93.10	89.23	88.64	86.40	90.78	92.44	92.29
Total other assets	2.34	2.67	4.59	1.60	2.25	0.79	1.48	2.20	1.26	2.55	1.61
Total liabilities	87.04	87.21	87.81	86.67	88.16	87.12	86.60	79.39	79.10	79.40	89.01
Total bank equity capital	12.96	12.79	12.19	13.33	11.84	12.88	13.40	20.61	20.90	20.60	10.99
Total deposits	80.53	74.39	84.07	81.86	76.26	77.89	72.33	57.05	55.92	73.20	82.14
% insured	76.12	80.28	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other borrowed funds	0	0	0	0	0	0	0	6.15	0	0	0
Loan composition (% of total assets)											
Loans and leases, gross	96.01	92.94	77.36	94.27	94.36	89.87	89.39	87.80	91.78	93.97	93.72
All real estate loans	0.08	0.09	0.07	0.05	0.06	0.07	0.10	0.09	0.11	0.11	0
Commercial and industrial loans	95.93	92.85	77.29	94.22	94.30	89.80	89.29	87.71	91.68	93.86	93.72
Loans to individuals	0	0	0	0	0	0	0	0	0	0	0
Total other loans and leases	0	0	0	0	0	0	0	0	0	0	0
Performance measures (%)											
ROA	8.41	6.72	6.84	7.40	8.79	8.73	7.95	5.68	5.35	4.87	4.32
ROE	64.77	53.72	55.88	61.78	68.42	70.25	47.5	30.26	27.84	35.32	41.63
Net interest margin	25.10	24.3	22.26	22.18	24.28	25.28	26.34	27.70	28.75	24.97	26.86
Efficiency ratio	53.82	60.82	44.94	49.13	45.61	49.51	57.57	65.40	71.66	70.40	69.86
Loss allowance to loans	0.75	1.29	2.68	0.90	1.34	0.71	0.84	1.59	1.09	1.62	1.52
Loss allowance to noncurrent loans	84.46	129.72	171.61	150.98	172.82	200.14	179.57	257.56	215.10	178.12	146.58
Tier 1 risk-based capital ratio	13.16	13.33	15.05	13.80	12.18	13.69	14.14	21.69	22.12	21.42	11.40
Total risk-based capital ratio	13.89	14.58	16.31	14.67	13.43	14.37	14.93	22.94	23.18	22.67	12.65

Wright Express Financial Services *(cont.)*

Date of establishment – 6/1/1998		Date of insurance – 6/1/1998
State – Utah		Type – Financially owned
Parent company – Wright Express Corp.		Location – Maine
	1999	1998
Total employees	19	14
Total assets (US$ thousands)	158,551	97,003
Balance sheet (% of total assets)		
Cash and due from depository institutions	4.82	4.73
Securities	0	0
Net loans & leases	93.20	93.57
Total other assets	1.99	1.70
Total liabilities	88.55	86.12
Total bank equity capital	83.67	33.57
Total deposits	n.a.	n.a.
% insured	0	9.08
Other borrowed funds	11.45	13.88
Loan composition (% of total assets)		
Loans and leases, gross	94.01	94.96
All real estate loans	0	0
Commercial and industrial loans	94.01	94.96
Loans to individuals	0	0
Total other loans and leases	0	0
Performance measures (%)		
ROA	3.57	3.27
ROE	30.02	24.32
Net interest margin	27.41	16.53
Efficiency ratio	78.62	73.68
Loss allowance to loans	0.86	1.46
Loss allowance to noncurrent loans	37.61	186.67
Tier 1 risk-based capital ratio	11.77	14.25
Total risk-based capital ratio	12.6	15.5

Appendix 12. ILC responses to our survey

Name	Number of branches	Subsidiary of any federally or state-chartered depository institution	Source of strength agreement	Examinations of ILC and the parent
EnerBank USA	None	No	Technically no, but in theory yes. The FDIC requires that the parent maintain a capital adequacy and liquidity agreement with the bank. The agreement requires the parent to assure that the bank is well capitalized and has access to sufficient liquidity at all times.	The state examines both the bank and the parent on a regular basis. The FDIC examines the bank on a regular basis.
Toyota Financial Savings Bank	None	No	My understanding is all parents of ILCs committed to be a source of strength when the ILC charter was approved.	All ILCs in Utah and Nevada receive joint exams by the FDIC and state examiners. Under the exams, the regulators have a right to ask the parent any questions and request any data as it relates to the ILC.
First Electronic Bank	None	No	Not formally but I believe this is the regulators' expectation of all ILC parents.	Both the state and FDIC examine First Electronic Bank and my parent company, and these examinations are done on a regular basis.
Target Bank	None	No	Yes – an extremely large capital and liquidity agreement is in place (dollar amount exceeds the bank's total assets).	Under the bank-centric examination model, both the Utah DFI and FDIC have access to any aspect of the parent that touches the bank, or may in some fashion pose a risk to the bank, effectively granting them access to anything and everything they'd wish to review. In addition, Utah DFI conducts holding company exams, to which the FDIC is invited. These exams are conducted on 3 year cycles, or as needed. Also, the Utah DFI and FDIC participate in a joint agency examination of Target's IT and data security systems. This is exam is led by the OCC, which supervises our sister bank, Target National Bank, and CEBA bank charted in Sioux Falls (no bank holding company or other structure is in place).
BMW Bank of North America	None	No	No agreement between the parent company and the FDIC.	State and FDIC examine bank annually, state examines ILC parent every three years.
Transportation Alliance Bank	None	No	Not a formal one.	Yes, both parent and ILC
The Pitney Bowes Bank Inc.	None	No	No agreement between the parent company and the FDIC.	State and FDIC examine bank annually, state examines ILC parent every three years.
GE Capital Financial Inc.	None	No		Parent an S&L holding company, examined and supervised by the OTS; ILC examined by FDIC in coordination with Utah.
Medallion Bank	None	No	Yes. A capital maintenance agreement was required for the initial approval of FDIC insurance.	The state examines the parent every three years.
Wright Express Financial Services	None	No	No agreement between the parent company and the FDIC.	Both examine the ILC on a regular yearly basis. Components of parent are examined during this review. Parent was reviewed in 2009 for the first time by state DFI with FDIC assistance
OptumHealth Bank	None	No	Yes. It requires the parent to inject money into the bank when the capital ratio is below a certain threshold.	We are examined annually by the State of Utah and FDIC.

Source: Respondents of industrial loan companies, Milken Institute

Appendix 13. ILC performance compared with all FDIC-insured institutions, Q2 2010

ILCs	Ownership type	Assets (US$M)	Net interest margin (%)	ROA (%)	ROE (%)	Net charge-offs to loans (%)	Efficiency ratio (%)	Loss allowance to noncurrent loans (%)	Noncurrent loans to loans (%)	Equity capital to assets (%)
First Electronic Bank	Commercial	14				√		n.a.	√	√
Minnesota First Credit & Savings Inc.	Financial	29	√	√		√		√	√	
Eaglemark Savings Bank	Commercial	34	√	√	√	√		n.a.	√	√
Rancho Santa Fe Thrift & Loan Association	Financial	41	√	√			√	√	√	√
LCA Bank Corp.	Financial	48	√	√	√	√	√	√	√	√
ADB Bank	Financial	52	√			√		√	√	√
The Morris Plan Company of Terre Haute	Financial	61	√	√	√	√	√	√	√	√
WebBank	Financial	66	√	√	√	√				√
Target Bank	Commercial	109	√	√	√	√	√	√	√	√
Finance & Thrift Co.	Financial	117	√	√	√	√		√	√	√
ARCUS Bank	Financial	142		√	√	n.a.		n.a.	n.a.	√
Golden Security Bank	No parent	167				√				
Balboa Thrift and Loan Association	Financial	197	√	√	√		√	√	√	
Celtic Bank	Financial	221	√	√	√		√		√	
Circle Bank	Financial	283	√	√	√	√		√	√	
EnerBank USA	Commercial	294	√	√	√	√	√	√	√	
First Security Business Bank	Financial	336		√	√	√	√	√	√	
Community Commerce Bank	Financial	394	√			√		√	√	
World Financial Capital Bank	Financial	470	√	√	√		√	√	√	√
Transportation Alliance Bank Inc.	Commercial	484	√	√	√	√			√	√
Medallion Bank	Financial	489	√	√	√		√	√	√	√
Finance Factors Ltd.	Financial	636								
The Pitney Bowes Bank Inc.	Commercial	706	√	√	√		√	√	√	
Centennial Bank	Financial	833		√	√	√	√			
Toyota Financial Savings Bank	Commercial	852	√	√	√		√	√	√	√
Fireside Bank	Financial	861	√	√				√	√	√
Wright Express Financial Services	Financial	897	√	√	√	√	√	√	√	√
Merrick Bank	Financial	1,058	√	√	√		√	√		√
OptumHealth Bank Inc.	Financial	1,335		√	√	√	√	√		√
Woodlands Commercial Bank	Financial	3,219		√	√	√	√		√	√
Beal Bank Nevada	Financial	5,357	√	√	√	√	√			√
CapitalSource Bank	Financial	5,720	√				√			√
Sallie Mae Bank	Financial	7,507		√	√	√	√	√	√	√
BMW Bank of North America	Commercial	7,714	√	√	√	√	√	√	√	
GE Capital Financial Inc.	Commercial	8,909		√	√	√	√	√	√	√
Capmark Bank	Financial	9,990								√
USAA Savings Bank	Financial	12,550	√	√	√		√	√	√	√
American Express Centurion Bank	Financial	26,843	√	√	√		√	√	√	√
UBS Bank USA	Financial	29,457		√	√	√	√	√	√	
All FDIC-insured institutions			3.8	0.6	5.5	2.7	55.4	65.0	5.2	11.3

Notes: "√"means performance of ILC is better than or equal to that of all FDIC-insured institutions.
Sources: FDIC; Milken Institute.

Appendix 14. ILC performance compared with state-chartered institutions, Q2 2010

ILCs	Ownership type	Assets (US$M)	Net interest margin (%)	ROA (%)	ROE (%)	Net charge-offs to loans (%)	Efficiency ratio (%)	Loss allowance to noncurrent loans (%)	Noncurrent loans to loans (%)	Equity capital to assets (%)
First Electronic Bank	Commercial	14				√		n.a.	√	√
Minnesota First Credit & Savings Inc.	Financial	29	√	√	√	√		√	√	
Eaglemark Savings Bank	Commercial	34	√	√	√	√		n.a.	√	√
Rancho Santa Fe Thrift & Loan Association	Financial	41	√	√	√		√	√	√	√
LCA Bank Corp.	Financial	48	√	√	√	√	√	√	√	√
ADB Bank	Financial	52	√	√	√	√		√	√	√
The Morris Plan Company of Terre Haute	Financial	61	√	√	√	√	√	√	√	√
WebBank	Financial	66	√	√	√	√				√
Target Bank	Commercial	109	√	√	√	√	√	√	√	√
Finance & Thrift Co.	Financial	117	√	√	√		√	√	√	√
ARCUS Bank	Financial	142		√	√	n.a.		n.a.	n.a.	√
Golden Security Bank	No parent	167	√			√				
Balboa Thrift and Loan Association	Financial	197	√	√	√		√	√	√	
Celtic Bank	Financial	221	√	√	√		√			
Circle Bank	Financial	283	√	√	√	√		√	√	
EnerBank USA	Commercial	294	√	√	√	√	√	√	√	
First Security Business Bank	Financial	336		√	√	√	√	√	√	
Community Commerce Bank	Financial	394	√			√		√		
World Financial Capital Bank	Financial	470	√	√	√		√	√	√	√
Transportation Alliance Bank Inc.	Commercial	484	√	√	√	√			√	√
Medallion Bank	Financial	489	√	√	√		√	√	√	√
Finance Factors Ltd.	Financial	636								
The Pitney Bowes Bank Inc.	Commercial	706	√	√	√		√	√	√	
Centennial Bank	Financial	833		√	√	√	√			
Toyota Financial Savings Bank	Commercial	852	√	√	√		√	√	√	√
Fireside Bank	Financial	861	√	√	√			√	√	√
Wright Express Financial Services	Financial	897	√	√	√		√	√	√	√
Merrick Bank	Financial	1,058	√	√	√		√	√		√
OptumHealth Bank Inc.	Financial	1,335		√	√	√	√	√		√
Woodlands Commercial Bank	Financial	3,219		√	√	√	√		√	√
Beal Bank Nevada	Financial	5,357	√	√	√	√	√			√
CapitalSource Bank	Financial	5,720	√				√			√
Sallie Mae Bank	Financial	7,507		√	√	√	√	√	√	√
BMW Bank of North America	Commercial	7,714	√	√	√	√	√	√	√	
GE Capital Financial Inc.	Commercial	8,909		√	√	√	√	√	√	√
Capmark Bank	Financial	9,990					√			√
USAA Savings Bank	Financial	12,550	√	√	√		√	√	√	√
American Express Centurion Bank	Financial	26,843	√	√	√		√	√	√	√
UBS Bank USA	Financial	29,457	√	√	√	√	√	√	√	
State-chartered institutions			3.5	0.4	3.1	1.8	62.1	60.7	4.2	11.5

Notes: "√"means performance of ILC is better than or equal to that of state chartered institutions.
Sources: FDIC; Milken Institute.

Appendix 15. ILC performance compared with commercial banks based on asset size categories, Q2 2010

ILCs	Ownership type	Assets (US$M)	Net interest margin (%)	ROA (%)	ROE (%)	Net charge-offs to loans (%)	Efficiency ratio (%)	Loss allowance to noncurrent loans (%)	Noncurrent loans to loans (%)	Equity capital to assets (%)
Assets less than $100M										
First Electronic Bank	Commercial	14				√		n.a.	√	√
Minnesota First Credit & Savings Inc.	Financial	29	√	√	√	√		√	√	
Eaglemark Savings Bank	Commercial	34	√	√	√	√	√	n.a.	√	√
Rancho Santa Fe Thrift & Loan Association	Financial	41	√	√	√		√	√	√	√
LCA Bank Corp.	Financial	48	√	√	√		√	√	√	√
ADB Bank	Financial	52	√	√		√		√	√	√
The Morris Plan Company of Terre Haute	Financial	61	√	√	√		√	√	√	√
WebBank	Financial	66	√	√	√	√	√			√
Commercial banks (assets< $100M)			**4.0**	**0.5**	**4.1**	**0.7**	**77.3**	**65.1**	**2.7**	**11.9**
Assets $100M to $300M										
Target Bank	Commercial	109		√	√	√	√	√	√	√
Finance & Thrift Co.	Financial	117	√	√	√		√	√	√	√
ARCUS Bank	Financial	142		√	√	n.a.		n.a.	n.a.	√
Golden Security Bank	No parent	167								
Balboa Thrift and Loan Association	Financial	197	√	√	√		√	√	√	
Celtic Bank	Financial	221	√	√	√		√	√		√
Circle Bank	Financial	283	√	√	√	√	√	√	√	
EnerBank USA	Commercial	294	√	√	√		√	√	√	
Commercial banks ($100M<assets<$300M)			**3.9**	**0.4**	**3.4**	**0.9**	**73.7**	**55.9**	**3.3**	**10.4**
Assets $300M to $500M										
First Security Business Bank	Financial	336		√	√	√	√	√	√	√
Community Commerce Bank	Financial	394	√			√	√	√		
World Financial Capital Bank	Financial	470	√	√	√		√	√	√	√
Transportation Alliance Bank Inc.	Commercial	484	√	√	√	√			√	√
Medallion Bank	Financial	489	√	√	√		√	√	√	√
Commercial banks ($300M<assets<$500M)			**3.8**	**0.3**	**3.4**	**1.1**	**69.6**	**52.4**	**3.9**	**9.8**
Assets $500M to $1B										
Finance Factors Ltd.	Financial	636								
The Pitney Bowes Bank Inc.	Commercial	706	√	√	√		√	√	√	
Centennial Bank	Financial	833		√	√	√	√			√
Toyota Financial Savings Bank	Commercial	852	√	√	√		√	√	√	√
Fireside Bank	Financial	861	√	√	√			√	√	√
Wright Express Financial Services	Financial	897	√	√	√		√	√	√	√
Commercial banks ($500M<assets<$1B)			**3.9**	**0.4**	**4.2**	**1.2**	**68.4**	**52.1**	**3.9**	**10.0**
Assets $1B to $10B										
Merrick Bank	Financial	1,058	√	√	√		√	√		√
OptumHealth Bank Inc.	Financial	1,335		√	√	√	√	√		√
Woodlands Commercial Bank	Financial	3,219		√	√	√	√		√	√
Beal Bank Nevada	Financial	5,357	√	√	√	√	√			√
CapitalSource Bank	Financial	5,720	√				√			√
Sallie Mae Bank	Financial	7,507		√	√	√	√	√	√	√
BMW Bank of North America	Commercial	7,714	√	√	√	√	√	√	√	
GE Capital Financial Inc.	Commercial	8,909		√	√	√	√	√	√	√
Capmark Bank	Financial	9,990					√			√
Commercial banks ($1B<assets<$10B)			**3.8**	**0.2**	**1.4**	**2.0**	**61.5**	**53.2**	**4.8**	**11.1**
Assets more than $10B										
USAA Savings Bank	Financial	12,550	√	√	√		√	√	√	√
American Express Centurion Bank	Financial	26,843	√	√	√		√	√	√	√
UBS Bank USA	Financial	29,457		√	√	√	√	√	√	
Commercial banks (assets>$10B)			**3.9**	**0.7**	**6.0**	**3.3**	**52.9**	**70.0**	**5.7**	**11.4**

Notes: "√"means performance of ILC is better than or equal to that of commercial banks with similar assets size.
Sources: FDIC; Milken Institute.

Appendix 16. Selected ratios of currently active ILCs compared with peer groups, Q2 2010

ILCs	Ownership type	Assets (US$M)	Net interest margin (%)	ROA (%)	ROE (%)	Net charge-offs to loans (%)	Efficiency ratio (%)	Loss allowance to noncurrent loans (%)	Noncurrent loans to loans (%)	Equity capital to assets (%)
Assets less than $100M										
First Electronic Bank	Commercial	14	0.2	-11.4	-28.9	0.0	125.7	n.a.	0.0	69.4
Minnesota First Credit & Savings Inc.	Financial	29	6.3	0.6	5.3	0.3	79.2	211.9	0.6	11.2
Eaglemark Savings Bank	Commercial	34	14.6	10.5	47.9	0.0	62.8	n.a.	0.0	17.6
Rancho Santa Fe Thrift & Loan Association	Financial	41	14.3	3.0	4.9	3.7	50.6	2000.0	0.5	71.9
LCA Bank Corp.	Financial	48	11.8	2.0	15.6	1.2	52.0	1105.3	0.3	11.9
ADB Bank	Financial	52	5.0	0.5	3.1	0.1	85.3	83.3	0.2	15.6
The Morris Plan Company of Terre Haute	Financial	61	11.7	3.3	22.8	1.8	27.9	548.9	1.1	14.6
WebBank	Financial	66	8.9	5.0	24.1	-2.2	73.3	46.2	14.3	24.2
All FDIC-insured institutions			3.8	0.6	5.5	2.7	55.4	65.0	5.2	11.3
State-chartered institutions			3.5	0.4	3.1	1.8	62.1	60.7	4.2	11.5
Commercial banks (assets< $100M)			**4.0**	**0.5**	**4.1**	**0.7**	**77.3**	**65.1**	**2.7**	**11.9**
Assets $100M to $300M										
Target Bank	Commercial	109	3.8	2.0	17.2	0.3	46.1	293.3	0.1	11.8
Finance & Thrift Co.	Financial	117	13.7	1.5	6.8	2.7	61.0	171.7	2.7	21.7
ARCUS Bank	Financial	142	2.1	2.4	9.5	n.a.	80.4	n.a.	n.a.	90.4
Golden Security Bank	No parent	167	3.6	-1.1	-15.7	1.0	121.4	52.7	6.0	6.7
Balboa Thrift and Loan Association	Financial	197	8.6	0.6	6.1	3.3	52.1	415.4	0.7	10.1
Celtic Bank	Financial	221	9.3	1.4	12.9	6.6	46.1	56.7	4.3	11.2
Circle Bank	Financial	283	5.0	0.8	10.2	0.1	63.8	100.7	1.5	7.5
EnerBank USA	Commercial	294	9.8	2.5	27.9	1.8	39.8	979.7	0.2	9.0
All FDIC-insured institutions			3.8	0.6	5.5	2.7	55.4	65.0	5.2	11.3
State-chartered institutions			3.5	0.4	3.1	1.8	62.1	60.7	4.2	11.5
Commercial banks ($100M<assets<$300M)			**3.9**	**0.4**	**3.4**	**0.9**	**73.7**	**55.9**	**3.3**	**10.4**
Assets $300M to $500M										
First Security Business Bank	Financial	336	3.4	1.5	14.4	0.0	26.5	123.7	1.3	10.3
Community Commerce Bank	Financial	394	4.5	-0.4	-4.4	0.6	69.2	68.8	4.7	9.3
World Financial Capital Bank	Financial	470	23.6	2.1	14.7	9.4	35.3	327.7	2.4	14.1
Transportation Alliance Bank Inc.	Commercial	484	6.1	1.8	13.2	0.1	75.0	51.4	3.5	13.2
Medallion Bank	Financial	489	8.1	2.0	10.8	2.8	25.8	442.8	0.7	17.4
All FDIC-insured institutions			3.8	0.6	5.5	2.7	55.4	65.0	5.2	11.3
State chartered institutions			3.5	0.4	3.1	1.8	62.1	60.7	4.2	11.5
Commercial banks ($300M<assets<$500M)			**3.8**	**0.3**	**3.4**	**1.1**	**69.6**	**52.4**	**3.9**	**9.8**
Assets $500M to $1B										
Finance Factors Ltd.	Financial	636	3.1	-1.2	-11.9	3.7	108.6	22.3	13.2	9.7
The Pitney Bowes Bank Inc.	Commercial	706	15.6	11.5	147.8	4.9	1.8	144.0	3.3	7.9
Centennial Bank	Financial	833	3.2	0.6	5.9	0.7	33.5	42.2	6.9	10.3
Toyota Financial Savings Bank	Commercial	852	4.2	1.8	15.7	3.5	19.0	277.0	2.0	14.1
Fireside Bank	Financial	861	10.5	1.2	4.5	3.6	71.6	3857.9	0.4	30.5
Wright Express Financial Services	Financial	897	25.1	8.4	64.8	2.5	53.8	84.5	0.9	13.0
All FDIC-insured institutions			3.8	0.6	5.5	2.7	55.4	65.0	5.2	11.3
State-chartered institutions			3.5	0.4	3.1	1.8	62.1	60.7	4.2	11.5
Commercial banks ($500M<assets<$1B)			**3.9**	**0.4**	**4.2**	**1.2**	**68.4**	**52.1**	**3.9**	**10.0**

Appendix 16. Selected ratios of currently active ILCs compared with peer groups, Q2 2010 *(cont.)*

Assets $1B to $10B										
Merrick Bank	Financial	1,058	22.1	2.6	12.9	20.2	30.7	357.0	5.7	21.4
OptumHealth Bank Inc.	Financial	1,335	2.9	3.1	26.3	0	39.0	100.0	74.8	11.9
Woodlands Commercial Bank	Financial	3,219	0.7	3.4	15.4	0	13.6	10.4	1.6	23.1
Beal Bank Nevada	Financial	5,357	12.3	9.1	25.4	1.2	11.6	6.9	26.5	35.3
CapitalSource Bank	Financial	5,720	4.9	-0.1	-0.5	4.6	37.6	42.6	10.8	15.2
Sallie Mae Bank	Financial	7,507	3.3	1.7	10.1	0	11.0	716.2	0.2	17.8
BMW Bank of North America	Commercial	7,714	5.2	2.9	31.7	0.8	17.4	404.2	0.2	9.4
GE Capital Financial Inc.	Commercial	8,909	3.3	2.4	9.9	0.0	40.5	286.3	0.5	22.1
Capmark Bank	Financial	9,990	0.9	-6.9	-37.6	10.6	59.0	16.9	20.4	19.0
All FDIC-insured institutions			3.8	0.6	5.5	2.7	55.4	65.0	5.2	11.3
State-chartered institutions			3.5	0.4	3.1	1.8	62.1	60.7	4.2	11.5
Commercial banks ($1B<assets<$10B)			**3.8**	**0.2**	**1.4**	**2.0**	**61.5**	**53.2**	**4.8**	**11.1**

Assets more than $10B										
USAA Savings Bank	Financial	12,550	8.4	2.9	13.7	3.9	31.0	463.2	0.9	20.1
American Express Centurion Bank	Financial	26,843	7.4	4.5	24.8	5.8	51.5	192.8	3.4	17.2
UBS Bank USA	Financial	29,457	1.6	0.8	8.5	0.0	20.2	395.6	0.0	9.3
All FDIC-insured institutions			3.8	0.6	5.5	2.7	55.4	65.0	5.2	11.3
State-chartered institutions			3.5	0.4	3.1	1.8	62.1	60.7	4.2	11.5
Commercial banks (assets>$10B)			**3.9**	**0.7**	**6.0**	**3.3**	**52.9**	**70.0**	**5.7**	**11.4**

Sources: FDIC; Milken Institute.

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