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Statement by Martin J. Gruenberg, Chairman, Federal Deposit Insurance Corporation Final Rule on Application for Federal Deposit Insurance and Interagency Bank Merger Application

June 21, 2024

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The FDIC Board of Directors is considering an application for deposit insurance, and a companion merger application, for Thrivent Bank (Thrivent Bank or the Bank), which would be a newly chartered Utah industrial bank headquartered in the Salt Lake City, Utah area, wholly owned by Thrivent Financial Holdings, Inc. (Thrivent Holdings).

While Thrivent Holding's activities are mainly financial in nature, it is not seeking to qualify for status as a bank holding company. The Bank Holding Company Act provides an exception for owning an industrial bank without becoming a bank holding company.¹

Under Section 5(a) of the Federal Deposit Insurance Act, the FDIC Board of Directors is authorized to approve or deny applications for Federal deposit insurance.² Further, no insured depository shall merge with an uninsured institution without the approval of the FDIC.³ Pursuant to a resolution adopted in September 2007, the FDIC Board has reserved the authority to act on applications for Federal deposit insurance or mergers from proposed industrial banks and industrial loan companies,⁴ leading to the Board's consideration of these applications at this meeting.

For the reasons outlined below, these applications meet the requirement that the parent serve as a source of financial strength and satisfy the statutory factors governing approval of deposit insurance and the merger transaction. Therefore, I will vote in favor of Thrivent's applications.

Overview of Thrivent

TFL, is a Fortune 500, member-owned fraternal benefit society that operates as a not-for-profit financial services company under Section 501(c)(8) of the Internal Revenue Code. TFL's "common bond," for purposes of its tax exemption, is based on religious affiliation. Thrivent Holdings (together with TFL, the Parent Companies), which would be the Bank's immediate parent, holds all of TFL's taxable subsidiaries, so the Bank will not be limited to serving customers with a "common bond." TFL and its subsidiaries offer nationwide financial and investment advice, trust services, and investment and insurance products.⁵

TFL proposes to establish Thrivent Bank as a Utah industrial bank and merge Thrivent Federal Credit Union, of Appleton, Wisconsin into the Bank. The credit union is a federally chartered credit union with \$832 million in assets. TFL sponsored the credit union's establishment in 2012.

TFL proposes to establish the Bank primarily to broaden its reach within the general population and attract new clients beyond the existing credit union's restricted field of membership. The Bank will be able to attract customers nationwide without regard to customers' religious affiliations.

The Parent Companies propose a business plan that leverages the existing products, customers, infrastructure, and personnel of the existing credit union following its merger into the new Bank. On its own, the credit union does not have the financial or capital support of a parent company to foster growth. The business plan proposes a diversified loan portfolio centered in retail loans, funded primarily by retail deposits. The proposed bank thus follows a traditional bank business model. The Bank's products and services would be delivered exclusively online, with no branches or retail banking presence at its Salt Lake City location. In addition to the strength of the credit union, the Bank would also leverage certain resources available through TFL's existing infrastructure.

Source of Financial Strength

Section 38A of the Federal Deposit Insurance Act includes the following requirement:

"If an insured depository institution is not the subsidiary of a bank holding company..., the appropriate Federal banking agency for the insured depository institution shall require any company that directly or indirectly controls the insured depository institution to serve as a source of financial strength for such institution."⁶

The law also states:

"...the term 'source of financial strength' means the ability of a company that directly or indirectly owns or controls an insured depository institution to provide financial assistance to such insured depository institution in the event of the financial distress of the insured depository institution."⁷

TFL's audited December 31, 2023 financial statements reported consolidated total assets of \$113.5 billion and net income of \$513 million. Over the past 20 years, TFL's net income averaged \$650 million per year, while capital surplus grew at an eight percent compounded annual rate (nine percent over the past five years). In 2023, TFL received an AA+ (Very Strong) rating from S&P Global Ratings and an Aa2 (Excellent) rating from Moody's Investor's Services.

TFL's significant history of performance and profitability support its ability to serve as a source of financial strength for the proposed Bank.

Statutory Factors and FDIC Conditions

In addition to the "source of financial strength" requirement, Section 6 of the Federal Deposit Insurance Act⁸ requires the FDIC to consider seven factors when reviewing an application for deposit insurance:

- (1) the financial history and condition of the depository institution;
- (2) the adequacy of the depository institution's capital structure;
- (3) the future earnings prospects of the depository institution;

- (4) the general character and fitness of its management;
- (5) the risk presented by such depository institution to the Deposit Insurance Fund;
- (6) the convenience and needs of the community to be served by the depository institution; and
- (7) whether the depository institution's corporate powers are consistent with the purposes of the FDI Act.

Capital and future earnings prospects are satisfactory, management has the relevant background and experience, and the applications do not present undue risk to the DIF. The depository institution has plans to serve the convenience and needs of its community and no inconsistencies were identified with respect to its corporate powers.

The FDIC must consider the statutory factors of Section 18(c) of the FDI Act² when evaluating a merger application. These factors include:

- (1) the financial and managerial resources and future prospects of the existing and proposed institutions;
- (2) the convenience and needs of the community to be served;
- (3) the risk to the stability of the United States banking or financial system; and
- (4) the effectiveness of the insured depository institutions in combatting money laundering activities.

The FDIC is prohibited from approving a merger application that would adversely affect competition or create a monopoly.

The FDIC's review of the applicable merger statutory factors was favorable. Financial and managerial resources, future prospects, and commitment to serving the convenience and needs of the community were satisfactory. The proposed transaction would not materially increase the risk to the stability of the United States banking or financial system, and the Bank is positioned to effectively combat money laundering activities. Furthermore, the proposed transaction will not adversely affect competition or create a monopoly.

Part 354 of the FDIC's Rules and Regulations requires industrial banks and their parent companies to comply with certain conditions and commitments for a deposit insurance application or merger approval that would result in an insured industrial bank becoming a subsidiary of a company that is not subject to consolidated supervision by the Federal Reserve Board (referred to as a Covered Company). Part 354 also requires that before any industrial bank may become a subsidiary of a Covered Company, such company and the industrial bank must enter into one or more written agreements with the FDIC to ensure the safe and sound operation of the industrial bank.

Because TFL and Thrivent Holdings are not subject to consolidated Federal bank supervision, both would be required, pursuant to part 354, to execute written agreements that incorporate certain prudential conditions. The Parent Companies have agreed to enter into a Capital and Liquidity Maintenance Agreement to serve as a source of financial strength for the Bank, as well as a Parent Company Agreement pursuant to which the Parent Companies would consent to certain examination, reporting, recordkeeping, and other safeguards as provided in part 354. These agreements would obligate both the Parent Companies to contribute additional resources to the Bank, if necessary, to maintain minimum levels of capital and liquidity, providing further backstops to protect the DIF from loss. These agreements would also require the Bank to develop a comprehensive resolution plan in the event of financial stress or failure.

Conclusion

In conclusion, Thrivent's deposit insurance and merger applications, subject to appropriate conditions, appear to demonstrate that the Parent Companies can meet the source of financial strength requirement for the parent of the proposed Bank and satisfy the statutory factors the FDIC is required to consider for deposit insurance applications and merger applications.

For these reasons, I will vote to approve these applications.

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- [1](#) 12 U.S.C. 1841(c)(2)(H).
 - [2](#) 12 U.S.C. 1815(a).
 - [3](#) 12 U.S.C. § 1828(c)(1).
 - [4](#) FDIC Board Resolution bearing Seal Number 075095 (Sept. 11, 2007).
 - [5](#) TFL also has a subsidiary, Thrivent Trust Company, a limited purpose federal savings association that qualifies as a “trust-only” company pursuant to 2(c)(2)(D) of the Bank Holding Company Act. It provides only trust services to its customers.
 - [6](#) 12 U.S.C. 1831o-1(b).
 - [7](#) 12 U.S.C. 1831o-1(e).
 - [8](#) 12 U.S.C. 1816.
 - [9](#) 12 U.S.C. § 1828(c).

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