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OTS 97-61 - Nation's Thrift Industry Earns \$1.7 Billion in Second Quarter

Office of Thrift Supervision

NEWS

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NATION'S THRIFT INDUSTRY EARNS \$1.7 BILLION IN SECOND QUARTER

WASHINGTON, D.C., Sept. 3, 1997 -- The nation's thrift industry continued its strong performance in the second quarter of 1997, earning \$1.69 billion while achieving a record capital position, Director Nicolas Retsinas of the Office of Thrift Supervision reported today.

Retsinas termed the industry's continued strong earnings performance "fundamentally sound and widespread," noting that the percent of profitable thrifts rose from 94.9 percent in the first quarter to 95.5 percent in the second quarter. That level was the highest in any quarter since OTS began collecting quarterly data in 1984.

Second quarter earnings were down slightly from the \$1.73 billion earned in the first quarter 1997 and the record \$1.9 billion for the second quarter 1996. The lower profits resulted from the industry paying higher taxes, which rose to \$931 million in the second quarter from \$643 million one year ago. The industry paid lower-than-normal taxes in the second quarter of 1996 when several large thrifts used net operating loss carryforwards that reduced their tax liability.

For the first six months of 1997, the industry earned \$3.4 billion, with aggregate return on average assets (ROA) of 90 basis points.

The second quarter ROA of 89 basis points was slightly below the 91 basis points in the first quarter and 101 basis points one year ago, reflecting the higher tax bill.

"If you factor out the tax difference, the industry's second quarter earnings were comparable to those a year ago," said Retsinas. "Looking back, earnings have been steady for the past six quarters, except for one-time restructuring charges and the special premium assessment in the third quarter of 1996 to recapitalize the thrift insurance fund," he added.

Equity capital increased to a record 8.11 percent of assets in the second quarter from 7.94 percent the prior quarter. The previous record equity capital level of 8.08 percent was in the first quarter of 1996. In the second quarter, 99.8 percent of all thrifts met or exceeded regulatory capital standards, and a record 98 percent were in the "well capitalized" category, the highest regulatory capital standard.

Net interest margin was 287 basis points in the second quarter, down from 293 basis points the first quarter. Fee income, as a percent of assets was 54 basis points in the second quarter, unchanged from the last quarter but up 15 percent from the 48 basis points one year ago. Mortgage loan servicing fees from providing financial services to customers -- such as mutual fund and annuity sales -- are major components of thrifts' fee income.

On June 30, 1,272 thrift institutions were supervised by OTS, down from 1,301 at the end of the first quarter. During the first six months of 1997, 73 thrifts left OTS jurisdiction through mergers, acquisitions, or charter conversions, while 10 institutions began operating under OTS supervision for the first time. An additional 22 applications for start-up thrifts or institutions converting to an OTS thrift charter are currently pending.

Even though the net number of OTS-regulated thrifts declined by 29 in the second quarter, assets of OTS-regulated thrifts increased \$4.4 billion over the first quarter to \$769.0 billion reflecting strong asset growth for those thrifts remaining under OTS regulation.

Problem thrifts -- those with CAMELS examination ratings of 4 or 5 -- decreased from 30 in the first quarter to 25 in the second quarter, a new low since the thrift crisis of the 1980s.

Troubled assets declined 8 percent in the second quarter to \$8.1 billion or 1.06 percent of total assets, from \$8.8 billion (1.15 percent) in the first quarter. Delinquent loan rates declined during the second quarter in most loan categories. While the rates of noncurrent loans -- those 90 days or more past due -- were down for consumer, single-family and nonresidential mortgage loans, the commercial loan delinquency rate increased slightly.

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The Office of Thrift Supervision (OTS), a bureau of the U.S. Treasury, regulates and supervises the nation's thrift industry. OTS' mission is to ensure the safety and soundness of thrift institutions and to support their role as home mortgage lenders and providers of other community credit and financial services.