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## **THE OTS-REGULATED THRIFT INDUSTRY SECOND QUARTER 1998 HIGHLIGHTS**

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*Office of Thrift Supervision / September 2, 1998*

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The thrift industry's strong financial performance continued in the second quarter of 1998. Second quarter earnings set a new record but were boosted by one thrift's large tax benefit. Even without the one-time event, earnings were very strong. In addition, the industry maintained solid equity capital and troubled assets remain very low. Thrifts' second quarter mortgage loan originations (single-family, multi-family, and non-residential mortgages) were the highest since quarterly data have been collected.<sup>1</sup> Mortgage sales were also very strong in the second quarter. This surge in thrift mortgage market activity, especially the expansion in thrift "mortgage-banking" activities, contributed to the strong second quarter financial performance. In addition, the strong mortgage banking activity slightly altered the composition of thrifts' earnings and assets.

### **Thrift Earnings Continued Strong in the Second Quarter**

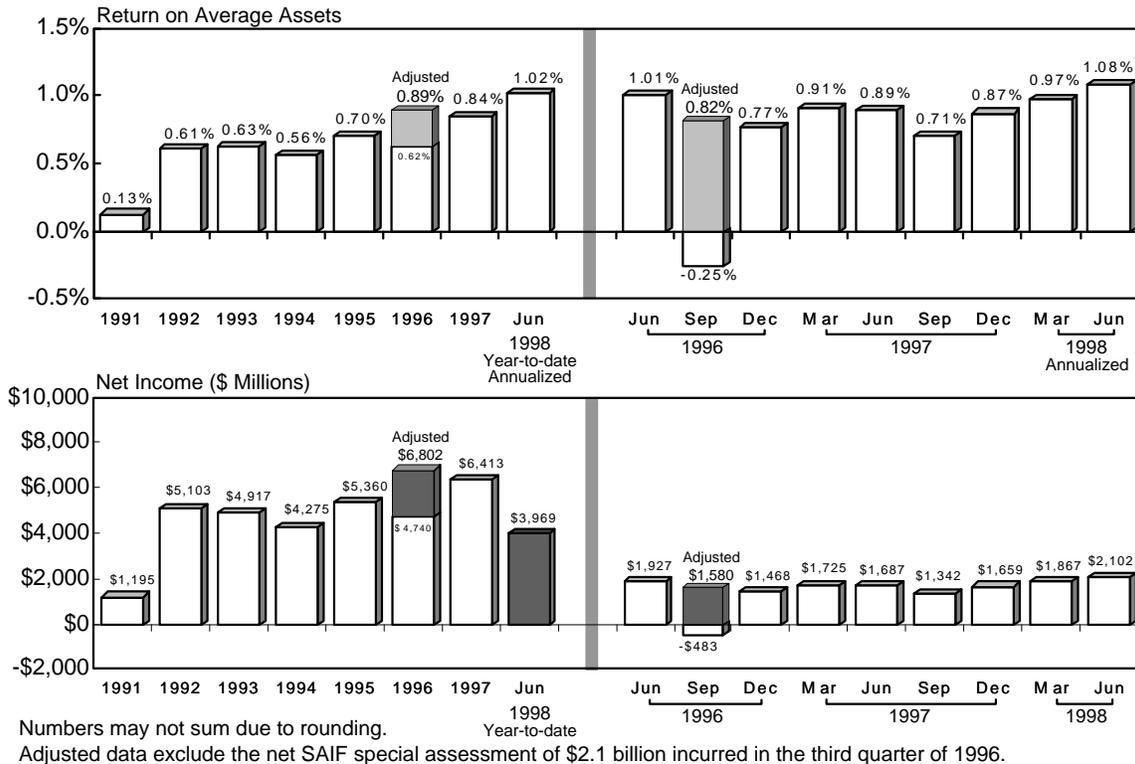
The OTS-regulated thrift industry posted record quarterly earnings of \$2.10 billion in the second quarter of 1998, eclipsing the prior record of \$1.93 billion set in the second quarter of 1996. Earnings in both these quarters were significantly influenced by one-time events. Second quarter 1998 earnings were bolstered by one large thrift's recognition of deferred tax benefits of \$250 million. Similarly, second quarter 1996 earnings were boosted by one-time events totaling approximately \$400 million. In that quarter, 4 thrifts recognized large tax benefits and one thrift had a large gain from the sale of branches.

Excluding the tax benefit, second quarter 1998 net income was approximately equal to the strong first quarter earnings of \$1.87 billion. Net income was \$1.69 billion one year ago. The recent trends in thrift earnings and return on average assets ("ROA") are presented in the chart on the top of page 2.

As shown in the chart, ROA in the second quarter was 108 basis points -- also a quarterly record surpassing the previous record of 101 basis points in the second quarter of 1996. ROA was 97 basis points in the first quarter of 1998 and 89 basis points one year ago. Absent the \$250 million tax benefit, second quarter 1998 ROA was approximately 96 basis points continuing a string of solid ROAs posted by thrifts for the past six years.

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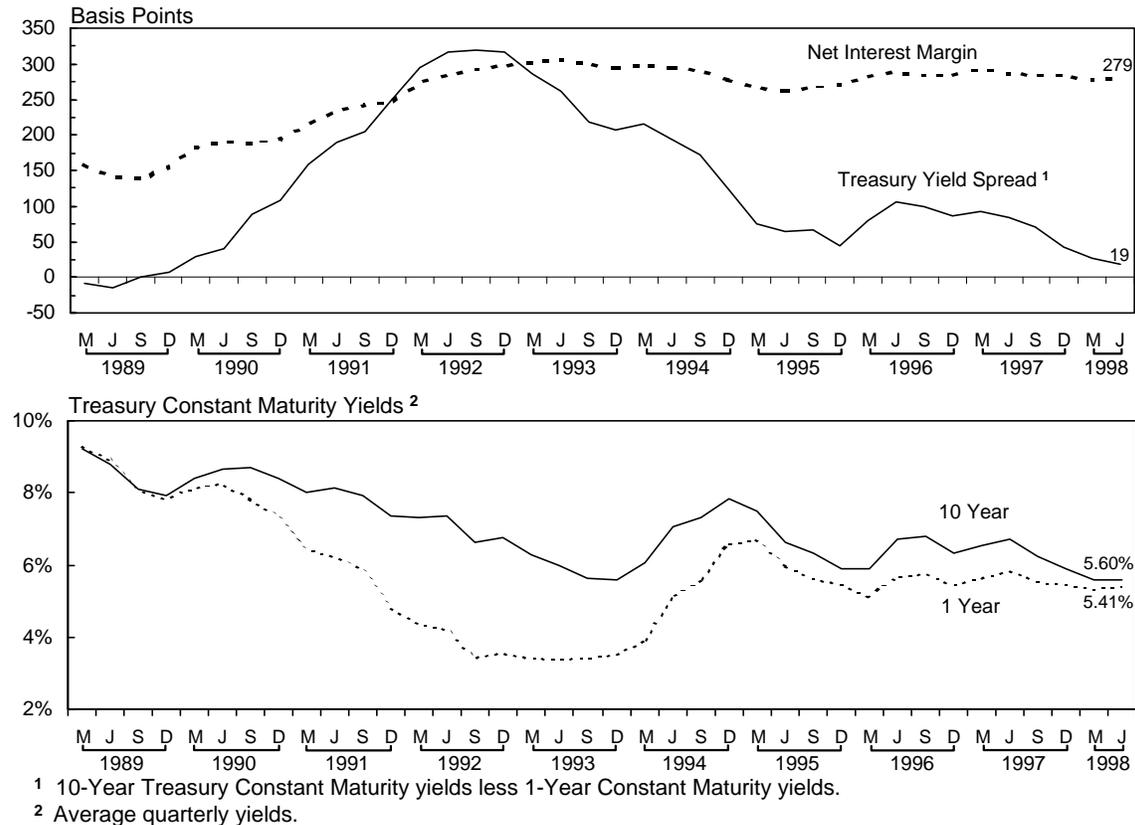
<sup>1</sup> Thrift financial data have been collected on a quarterly basis since 1984. Prior to 1984, semi-annual and monthly data were collected.



Earnings for the first six months of 1998 were \$4.0 billion, a record pace for first-half earnings. ROA for the first six months of 1998 was 102 basis points, up from 90 basis points for the first half of 1997.

### Stable Net Interest Margin Anchored Thrift Profitability

Despite narrow yield spreads, thrifts' ratio of net interest income to average assets, or net interest margin ("NIM"), has remained relatively stable. As shown in the chart on the next page, the average Treasury yield spread has narrowed considerably since the early 1990s. For the period March 1991 through December 1994, the average quarterly Treasury yield spread was 233 basis points. This spread narrowed 70 percent to an average of 69 basis points for the 14 quarters March 1995 through June 1998. By June 1998, the spread had narrowed to 19 basis points. Despite the tightened Treasury yield spread, thrifts' average NIM remained level. During the 1991-1994 time period, thrifts' NIM averaged 278 basis points compared to an average of 279 basis points for the period March 1995 through June 1998. The relative stability of NIM is primarily due to increases in the proportion of interest-earning assets to interest-bearing liabilities, movement from securities investments to higher yielding direct lending, and increases in lower interest costing transaction accounts.



NIM for the second quarter was 279 basis points, up slightly from 277 basis points in the prior quarter and just 3 percent lower than the 287 basis points one year ago. In contrast, the spread between the average yields of 10- and one-year Treasury securities fell 78 percent to 19 basis points for the second quarter from 85 basis points one year ago. The slight decline in NIM from the second quarter 1997 to the second quarter 1998 was attributable to the higher levels of mortgage banking and refinancing activity in the first half of 1998. During such periods, cash flows from refinancing and sales may be temporarily invested in lower-yielding investment securities, depressing interest income.

### Higher Non-Interest Income and Improved Asset Quality Bolstered Earnings

While a stable NIM has anchored net income, improvement in recent thrift earnings was largely driven by lower provisions for losses and higher non-interest income. Provisions for losses as a percent of average assets were 21 basis points in the second quarter an increase from 18 basis points in the first quarter. The slight rise in second quarter provisions for losses from the prior quarter is partially attributable to an increase in delinquent commercial loans. (Asset quality trends are reviewed beginning on page 9 of this report.)

Despite the slight increase in second quarter provisions for losses from the first quarter, second quarter provisions were 19 percent lower than one year ago. Moreover, provisions for the first six months of 1998 were 19 basis points – 27 percent lower than for the same period one year ago (26 basis points). Improvements in asset quality accounted for the lower provisions for losses.

“Other” non-interest income increased slightly to 56 basis points in the second quarter from 53 basis points in the prior quarter and from 35 basis points one year ago. Higher gains from the sale of assets held for sale, reflecting strong mortgage banking activity, accounted for most of the rise in other non-interest income from one year ago. Such gains measured 29 basis points in the second quarter and first quarter, more than double the 13 basis points one year ago.

The industry’s non-servicing fee income has generally increased over the past four years. Non-servicing fee income as a percent of average assets was 53 basis points in the second quarter, up from 47 basis points last quarter, and 43 basis points one year ago. (Two years ago such fee income was 36 basis points.) An increase in fee-generating activities and products, such as mutual fund and annuity sales, trust activities, and demand deposits, helped generate higher fee income.

Reflecting the strong mortgage banking activity and purchases of servicing, loans serviced for others increased \$19.7 billion to \$517.0 billion at the end of the second quarter from \$497.3 billion in the prior quarter. One year ago, the portfolio of loans serviced for others was \$407.1 billion. Despite the substantial rise in thrifts’ portfolio of mortgage loans serviced, servicing fee income has remained level. Servicing fee income as a percent of average assets measured 10 basis points for both the first and second quarters of 1998 compared to 11 basis points for the second quarter of 1997. The flatness of servicing income in the face of a rising servicing portfolio is primarily attributable to the prepayment of mortgages. Servicing fee income is reduced by the acceleration of unamortized loan origination costs and valuation adjustment write-downs for loans that prepay. Once the refinancing activity slows, servicing fee income should rise reflecting the increased servicing portfolio.

General and administrative, or overhead, expense for the industry has, as a percent of average assets, remained relatively stable at approximately 2.1 percent over the past four years despite internal growth, expansion of products, and expenses related to merger and acquisition activity. For the second quarter, the industry’s overhead expense-to-average assets ratio rose to 2.20 percent from 2.11 percent in the prior quarter and from 2.02 percent one year ago. The rise in overhead expense was attributable to the strong mortgage banking activity and one-time merger related expenses incurred by several large thrifts.

## **Refinancing Activity Boosted Mortgage Origination Volume**

Relatively low mortgage interest rates, combined with a healthy economy and low unemployment, helped the thrift industry achieve record levels of mortgage originations in the second quarter of 1998. Second quarter single-family mortgage originations increased 15 percent to \$67.7 billion from a very strong first quarter volume of \$58.9 billion. Second quarter origination volume was the highest since quarterly thrift financial data have been collected.<sup>2</sup> Second quarter single-family mortgage originations were up 78 percent from one year ago (\$38.1 billion). The chart on page 6 presents thrifts' single-family mortgage originations and sales from 1990 through 1997 and the first two quarters of 1998 in dollars (top panel) and as a percent of average assets (bottom panel). The highest quarterly origination volume is also presented as a bar in each panel.

Total mortgage originations, including multi-family and non-residential mortgages, were \$78.6 billion in the second quarter, a record for the thrift industry eclipsing the prior record of \$69.1 billion in the fourth quarter of 1993.<sup>3</sup> Total mortgage originations were \$67.5 billion in the prior quarter and \$47.5 billion one year ago.

Total mortgage originations include refinanced mortgages. Continued low long-term mortgage rates spurred high levels of refinancings. The thrift industry fully participated in this increased activity. Refinancings remained a significant portion of total 1998 mortgage originations measuring 15.1 percent in the second quarter and 16.5 percent in the first quarter using reported thrift financial data.<sup>4</sup> In contrast, refinancings represented 9.4 percent of total mortgage originations in the first half of 1997.

Long-term interest rates reached record lows in the first quarter and remained low through the second quarter. Reflecting low long-term interest rates, borrower preference leaned heavily to long-term, fixed-rate mortgages. Adjustable rate mortgages ("ARMs") comprised just 13 percent of all mortgages originated during the first and second quarters of 1998.<sup>5</sup> This was the lowest percentage of ARMs originated in any quarterly period between the first quarter of 1985 and the

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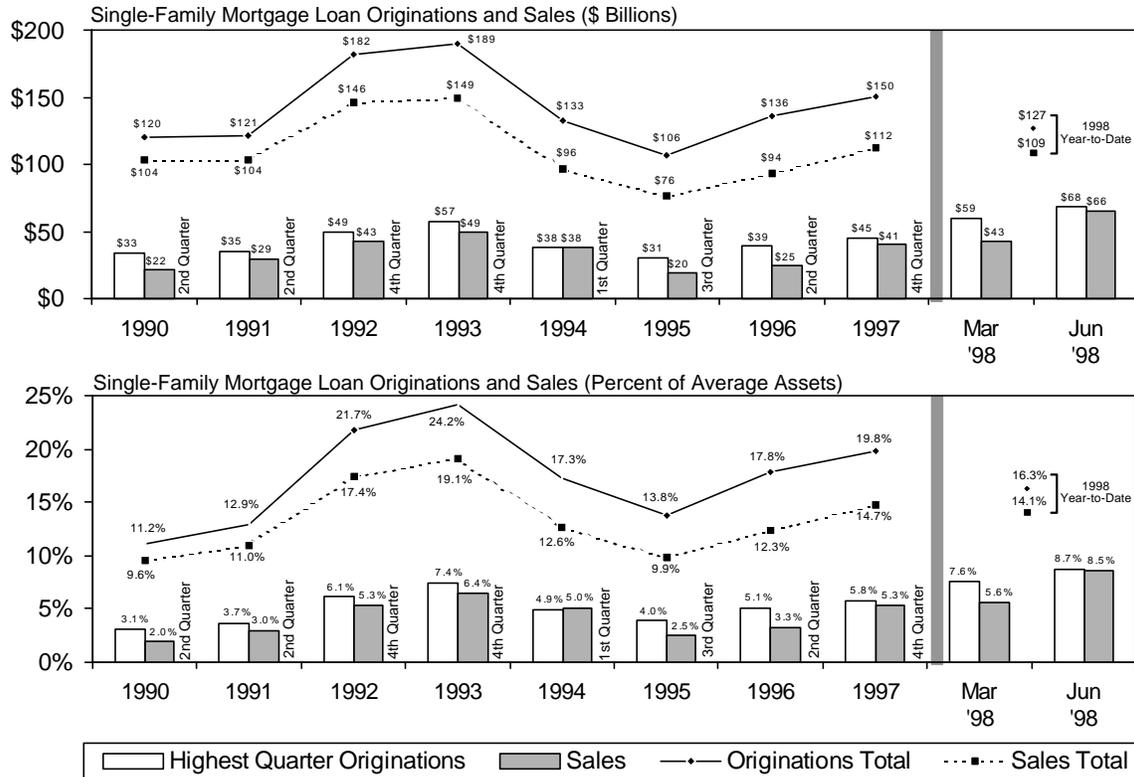
<sup>2</sup> Prior to June 1996, detailed single-family mortgage origination data were on an unconsolidated (thrift only) basis.

<sup>3</sup> Total mortgage origination data are on a consolidated basis.

<sup>4</sup> Reported thrift refinancing data are for loans refinanced by the original loan holder. The Mortgage Bankers Association of America ("MBAA") estimates refinancings from all sources. Under the MBAA definition, the refinancing share of total single-family mortgage originations was 44 percent in the second quarter, down from 53 percent in the previous quarter, but up from 24 percent for the second quarter of 1997. (Refinancings represented 31 percent of total originations for the year 1997.)

<sup>5</sup> Data from the Federal Housing Finance Board's Mortgage Interest Rate Survey.

second quarter of 1998. The last period ARMs were this low was in the first quarter of 1996 (16 percent). (The peak ARM share of originations was 64 percent in the fourth quarter of 1987.) The average percentage of ARM share of mortgage originations from 1985-1997 was 33 percent.



Beginning in June 1996, data are consolidated.  
 Year-to-date 1998 data are not annualized.

Thrifts' sales of single-family mortgages were also strong in the first half of 1998. Sales of single-family mortgages as a percent of average assets increased to 8.5 percent in the second quarter from 5.6 percent in the prior quarter and 3.3 percent one year ago.

Assets-held-for-sale remained high in the second quarter measuring \$26.6 billion (3.4 percent of assets) down slightly from \$26.9 billion (3.5 percent) in the first quarter. One year ago assets-held-for-sale were \$12.8 billion (1.7 percent) and the average for 1997 was \$14.7 billion (1.9 percent). The sharp rise in 1998 assets-held-for-sale reflects the strong origination volume and the build-up of closed loans prior to their eventual sale in the secondary market.

### **Long-Term Fixed-Rate Mortgages Held in Portfolio Increased Reflecting Recent Trend in Originations**

Borrower preference for long-term fixed-rate mortgages during the first half of 1998 has altered the composition of thrift mortgage portfolios. The percentage of assets held in 30-year single-family fixed-rate mortgages and securities increased slightly in the second quarter to 12.6 percent from 12.2 percent in the prior quarter and from 11.1 percent at the end of 1997.<sup>6</sup> Some portion of this shift may be temporary however, since many of the new fixed-rate originations in the first quarter are being held for sale. Other types of fixed-rate mortgages held by thrifts were unchanged in the second from the first quarter -- 15-year mortgages were 7.7 percent of assets; balloon mortgages were 3.2 percent.

ARMs remained, by far, the most significant mortgage product held by thrifts, but declined slightly in the first half of 1998 due to the popularity of fixed-rate mortgages in this interest rate environment. As a percent of assets, ARMs declined to 36.1 percent in the second quarter from 38.3 percent in the prior quarter. At the end of 1997, ARMs represented 39.8 percent of assets. ARMs that adjust with "current market indexes" ("CMI ARMs") declined at a faster rate than ARMs adjusting with "lagging market indexes" ("LMI ARMs"). From December 1997 to June 1998, CMI ARMs fell 11.4 percent from 17.5 percent of assets to 15.5 percent, respectively. The drop in LMI ARMs was 8.2 percent from 19.5 percent at the end of 1997 to 17.9 percent in the second quarter 1998.

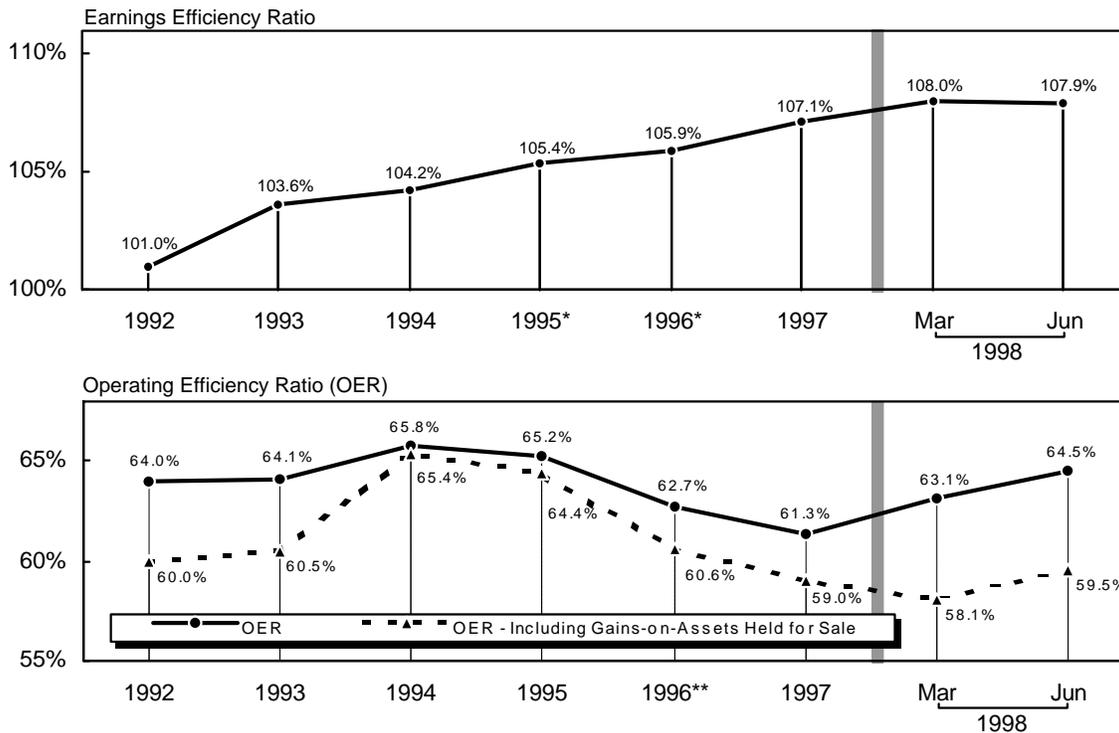
### **Efficiency Measures Impacted by Strong Origination Volume**

The chart on the top on the following page presents thrifts' earnings efficiency ratio and operating efficiency ratio in the top and bottom panels, respectively. Earnings efficiency is the ratio of interest-earning assets to interest-bearing liabilities. Higher earnings efficiency ratios tend to improve and stabilize net interest income. The operating efficiency ratio measures the amount of core income consumed by overhead expense and is defined as general and administrative expense divided by net interest income plus fee income. Lower operating efficiency ratios indicate more efficient operations.

The earnings efficiency ratio declined slightly in the second quarter to 107.9 percent from 108.0 percent in the prior quarter. The decline was primarily attributable to a rise of \$900 million in mortgage loan servicing assets in the second quarter to \$4.8 billion (0.61 percent of assets) from \$3.9 billion (0.51 percent) in the prior quarter. The increase in mortgage loan servicing assets reflects the strong mortgage banking activity during the second quarter and the concomitant rise in the portfolio of loans serviced for others.

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<sup>6</sup> Data are for thrifts filing Schedule CMR.



\* Revised from 105.5% and 105.8% for 1995 and 1996, respectively. \*\* OER revised from 62.8%.

Earnings Efficiency Ratio = Interest Earning Assets / Interest Bearing Liabilities.

Operating Efficiency Ratio = General and Administrative Expense / Net Interest Income plus Fee Income.

1996 General and Administrative Expense excludes net SAIF special assessment.

Although down from the first quarter, the second quarter earnings efficiency ratio remains above levels experienced in prior periods. At the end of 1997, the earnings efficiency ratio was 107.1 percent; one year ago the ratio was 106.9 percent.

As shown in the chart, the operating ratio weakened slightly in the second quarter to 64.5 percent from 63.1 percent in the first quarter. The slight deterioration was primarily attributable to the rise in overhead expense and compressed servicing fee income associated with the increased thrift mortgage banking activity as previously discussed.

The apparent weakening in the operating efficiency from prior years was due to the changed composition in first and second quarter 1998 earnings. Our definition of the operating efficiency ratio does not include gains on assets held for sale. This income item can be high in periods of significant mortgage banking activity, such as in 1998. The operating efficiency ratio improved from prior years when gains on assets held for sale were included in the calculation.

### **Capital Levels Climbed Again to New Record Levels**

Equity capital for the industry (capital calculated using Generally Accepted Accounting Principles) increased slightly to 8.56 percent of assets in the second quarter, a new record high, from the previous record (8.40 percent) in the first quarter.

The industry's tier 1 leverage capital ratio also increased in the second quarter to 7.72 percent of adjusted tangible assets from 7.61 percent in the first quarter. The risk-based capital ratio rose slightly to 14.65 percent from 14.57 percent in the prior quarter. The industry's risk-based capital ratio remains considerably higher than the 10 percent level needed for "well-capitalized" status.

The percentage of thrifts that met or exceeded well-capitalized standards in the second quarter remained at 98 percent, the same as in the first quarter. At the end of the second quarter, two thrifts were undercapitalized, an increase from one in the prior quarter.

### **The Number and Assets of Problem Thrifts Increased in the Second Quarter but Remain at Low Levels**

Problem thrifts, those with CAMELS ratings of "4" or "5" on their most recent safety and soundness examination, increased to 18 (1.5 percent of all thrifts) from the post-FIRREA low of 14 (1.2 percent) for the first quarter. One year ago there were 25 (2.0 percent) problem thrifts.

The four new problem thrifts were small – none had assets greater than \$180 million – and had combined assets of \$500 million. The new problem thrifts were downgraded due to poor internal controls, earnings problems, and potential impairments to capital.

Aggregate assets of problem thrifts rose slightly to \$2.9 billion, or 0.4 percent of industry assets, from \$2.2 billion, (0.3 percent) last quarter. One year ago problem thrifts' combined assets were \$2.6 billion (0.3 percent of industry assets).

### **Troubled Assets Declined Slightly in the Second Quarter**

Troubled assets <sup>7</sup> fell in the second quarter to \$6.8 billion or 0.87 percent of total assets, from \$7.3 billion (0.94 percent) in the prior quarter. Troubled assets in the second quarter reached the lowest level since 1990 when this measure of asset quality was first used in the thrift industry. The prior troubled asset low was

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<sup>7</sup> Troubled assets include noncurrent loans and repossessed assets.

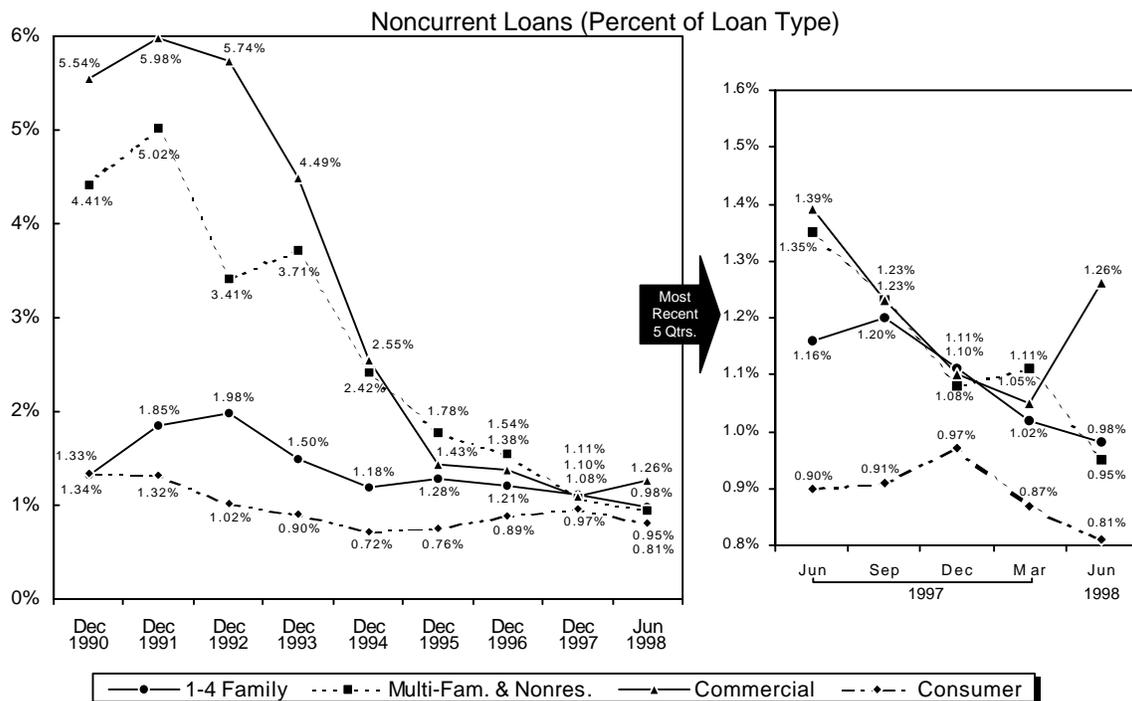
reached in the first quarter. One year ago the industry's troubled assets measured \$8.1 billion or 1.06 percent of total assets.

The decrease in second quarter troubled assets was due to declines in both noncurrent loans and repossessed assets. As a percent of total assets, second quarter noncurrent loans and repossessed assets fell almost equally from the first quarter -- 4 and 3 basis points respectively. Noncurrent loans fell to \$5.3 billion (0.67 percent of total assets) from \$5.6 billion (0.71 percent) in the prior quarter. The industry's second quarter ratio of noncurrent loans-to-total assets has fallen 17 percent from one year ago (0.81 percent).

Thrifts' repossessed assets, net of specific valuation allowances, fell in the second quarter to \$1.6 billion, (0.20 percent of total assets), from \$1.8 billion (0.23 percent) last quarter. The second quarter ratio of repossessed assets-to-total assets declined 20 percent from one year ago (0.25 percent).

### Delinquencies Declined for Most Loan Types

The chart below presents thrifts' noncurrent loan rates from December 1990 through June 1998 for four major industry loan types: single-family mortgages, consumer loans, commercial loans, and multi-family and non-residential mortgage loans.



Data after 1995 are net of specific valuation allowances.

As shown in the chart, most noncurrent loan rates declined slightly during the second quarter. Noncurrent loan rates for consumer loans, single-family mortgages, and multi-family and non-residential mortgage loans all declined during the second quarter from the prior quarter. The exception was noncurrent commercial loans which increased to 1.26 percent of all commercial loans from 1.05 percent last quarter. Approximately half of the increase was attributable to one \$15 million loan from a company that declared bankruptcy in the second quarter. One \$3 million loan that went into delinquent status was to a company negatively impacted by the General Motors strike. Other adverse events in the second quarter such as fires in Florida, droughts in the Southwest, and impacts of Asian economic downturns, were not cited as direct causes of the increase in thrifts' noncurrent commercial loans.

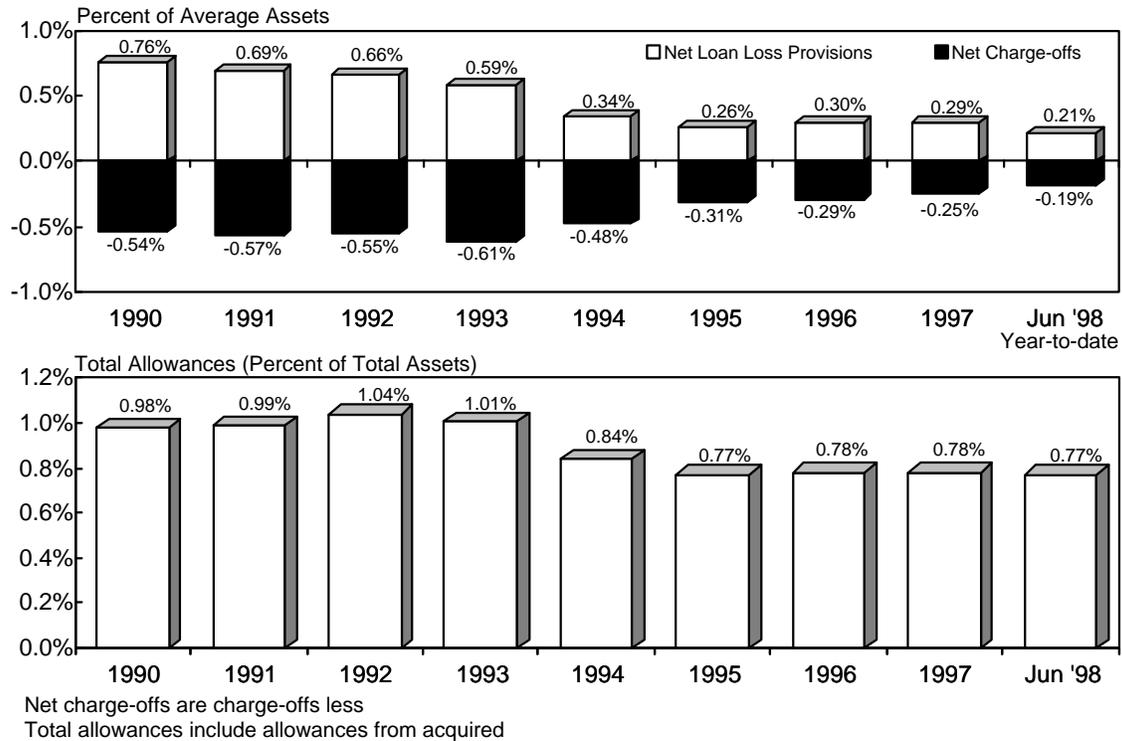
The noncurrent consumer loan ratio declined to 81 basis points in the second quarter from 87 basis points in the first quarter. One year ago, the noncurrent consumer loan rate was 90 basis points. This is the second consecutive quarterly decline in the noncurrent consumer loan rate. The decline is a change from the slow but fairly steady increase in this ratio since 1994. Although encouraging, the drop in the noncurrent consumer loan ratio may reflect sales of credit card portfolios, rollover of consumer debt into refinanced single-family mortgages, and increases in new, "un-aged" consumer loans that have not experienced delinquency problems.

### **Reduced Charge-offs Reflect Improved Asset Quality; Allowances Remain Level**

The top panel of the chart on page 12 presents thrifts' net loan loss provisions and net charge-offs (charge-offs less recoveries) as a percent of average assets from 1990-1997 and the first half of 1998. Total allowances as a percent of total assets for the same time period are presented in the bottom panel.

As shown in the top panel, net charge-offs steadily declined from 0.61 percent in 1993 to 0.25 percent in 1997. Charge-offs further descended to 0.19 percent in the first half of 1998. The fall in net charge-offs was attributable to lower levels of delinquent loans and troubled assets.

Provisions for losses generally offset net charge-offs and stabilized valuation allowances at approximately 0.77 percent since 1995. Appropriate levels of allowances must be determined on a case-by-case basis and will vary with types of loans held, underwriting standards, and expectations of changes in economic conditions. In general, thrifts' valuation allowance levels are lower than banks. This is largely due to the stability of the collateral for thrifts primary asset -- single-family mortgages. Moreover, certain single-family mortgages carry private mortgage insurance. Hence, single-family mortgages typically have lower levels of charge-offs and warrant lower allowances than other loan types.



## Survey of OTS Examiners Indicates Few Thrifts Engage in “High Risk” Lending

OTS has instituted a quarterly “Lending Standards Survey” of examiners to help monitor trends in loan underwriting standards. The results of the survey were prepared by examiners upon completion of on-site safety and soundness examinations. The survey includes results from 596 examinations completed during the nine month period between July 1, 1997 and March 31, 1998. These thrifts had combined assets of approximately \$335 billion.

In general, the results of the survey indicate there is no widespread movement by thrifts towards higher risk lending activities, relaxed underwriting standards, or expansion into nontraditional lending. The survey found that the majority of thrifts (401 or 67 percent) are almost entirely “low risk” lenders, i.e. focus on single-family mortgage lending and very small amounts of consumer lending.

The remaining 195 thrifts (33 percent) included in the survey made more than minimal amounts of non-traditional, i.e. non-single-family mortgage loans. Some

of these thrifts were involved in higher-risk lending activities as follows:

- 32 (5.4 percent of thrifts in the survey) engaged in subprime real estate lending;
- 21 (3.5 percent) were involved in high loan-to-value home equity lending;
- 10 (1.7 percent ) made subprime dealer loans;
- 3 (0.5 percent) were involved in subprime credit card lending.

The vast majority (182 or 93 percent) of the 195 thrifts engaged in more than minimal amounts of non-traditional lending are adequately managing the higher credit risks from such lending.

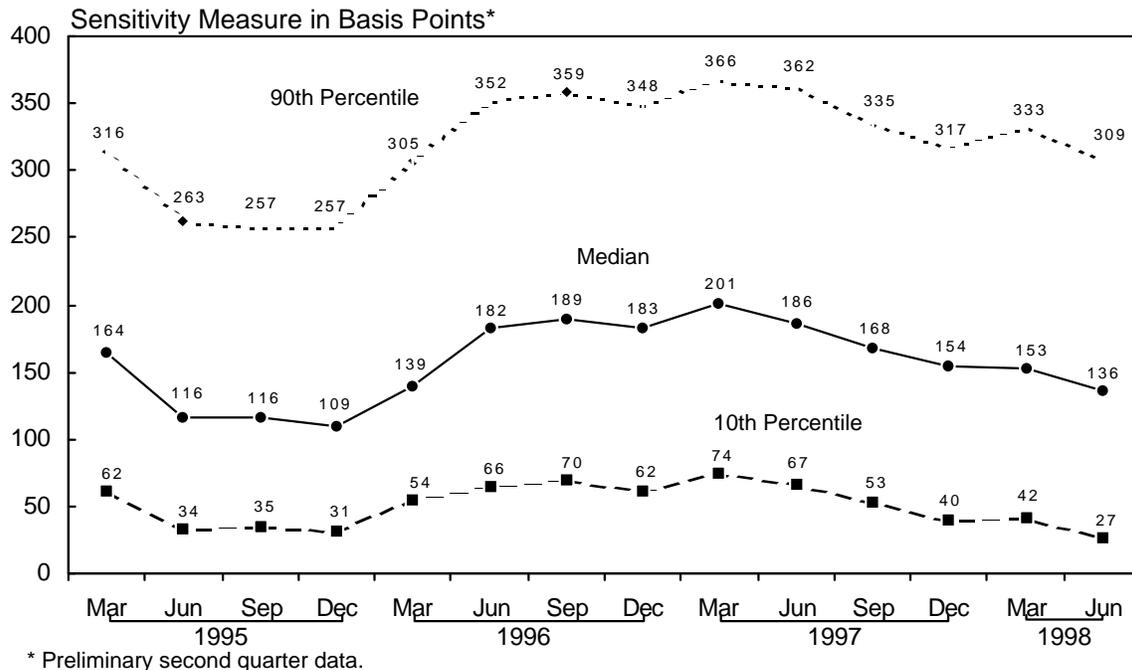
The 13 thrifts inadequately managing the higher credit risks associated with non-traditional lending are receiving particular supervisory attention. Any thrift involved in, or contemplating, higher-risk lending must have adequate managerial expertise, loan monitoring, underwriting procedures, charge-off policies, and reserve and capital levels. In addition, planning for potential downturns in the economy is a very important activity for thrift managers and is especially crucial for higher-risk loan analyses. The economic environment for the past five years has been very favorable. Hence, higher-risk loans have not been stressed by an economic downturn.

### **Thrifts' Sensitivity to Interest Rate Risk Declined in Second Quarter – Post-Shock NPV Weakened Slightly**

The chart on the following page presents the industry's sensitivity measures from March 1995 to June 1998. The OTS uses its Interest Rate Risk Model ("IRR Model") to monitor thrifts' interest rate risk. The model measures the change in a thrift's economic value (the net present value ("NPV") of its current net worth) due to changes in interest rates. The decline in a thrift's NPV due to a 200 basis point movement in interest rates is used by OTS to reflect the sensitivity of the thrift to interest rate changes. The resulting change in NPV – the "post-shock NPV" – reflects the ability of the thrift to absorb or withstand future interest rate changes.

Based on preliminary data, the industry's median second quarter sensitivity to interest rate risk declined to 136 basis points from 153 basis points in the first quarter. This decline is somewhat unexpected given the increase in 30-year fixed rate mortgages held by thrifts. Declines in interest rates, increased prepayment speeds, lengthening of fixed-maturity borrowings, and other portfolio shifts to shorter-term assets, e.g. consumer and commercial loans, may help

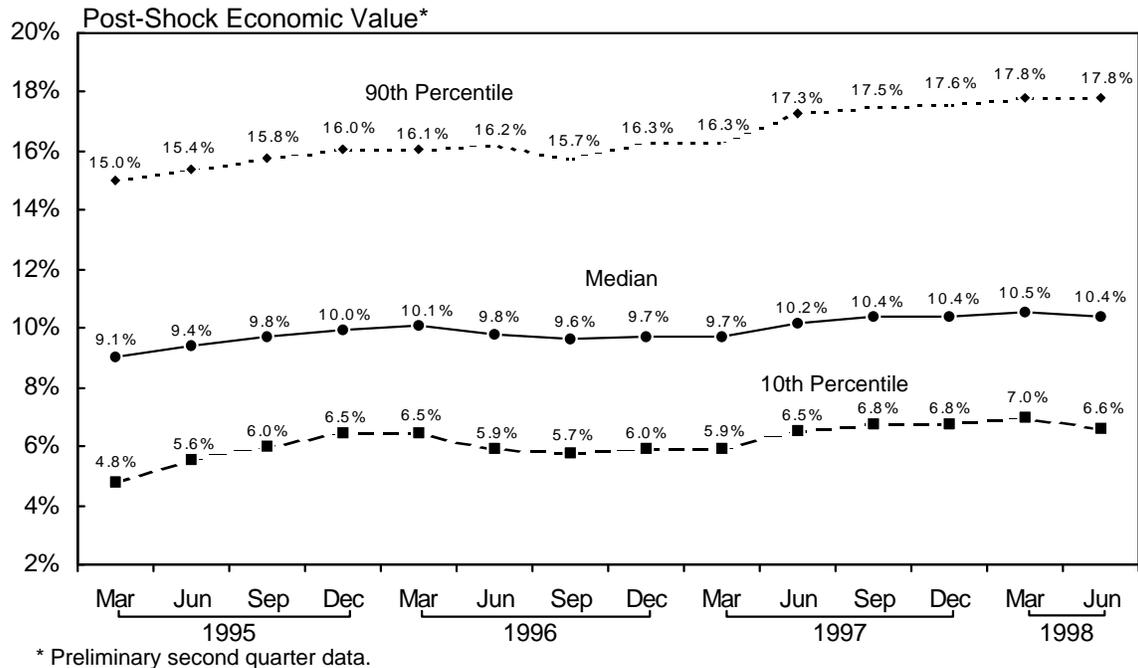
explain this decline. The next "Quarterly Review of Interest Rate Risk" will explore this in greater detail.



The improvement in second quarter sensitivity extended to thrifts most sensitive to interest rate risk (those in the 90<sup>th</sup> percentile) and thrifts with the least sensitivity (those in the 10<sup>th</sup> percentile). The second quarter sensitivity measure for thrifts in the 90<sup>th</sup> percentile was 309 basis points, a decline from 333 basis points in the prior quarter. The decline in the second quarter sensitivity measured was more pronounced for thrifts in the 10<sup>th</sup> percentile. The sensitivity measured dropped 32 percent to 27 basis points for thrifts in this group from 42 basis points in the first quarter.

Increases in thrift capital levels has allowed the industry to better absorb any greater sensitivity to interest rate risk. The median second quarter for the industry remained strong although it fell slightly from the prior quarter. The industry's median post-shock economic value dropped slightly to 10.4 percent in the second quarter from 10.5 percent in the prior quarter as shown in the chart on the next page. Post-shock economic value was unchanged at 17.8 percent in the first two quarters of 1998 for those thrifts with the highest values (the 90<sup>th</sup> percentile). The second quarter post-shock economic value declined to 6.6 percent from 7.0 percent in the prior quarter for thrifts with the lowest (the 10<sup>th</sup> percentile) values. Although second quarter post-shock economic values fell slightly or were flat from the prior quarter, they were continued to be above levels

one year ago. Increased prepayment speeds may be contributing to the second quarter decline in post-shock economic value.



### Consolidation Continued to Reduce the Number of Thrifts

The number of thrift institutions regulated by OTS declined by a net 14 to 1,181 at the end of the second quarter from 1,195 last quarter. A total of 25 thrifts exited the OTS-regulated thrift industry while 11 new thrifts were chartered. For the first six months of 1998, 51 thrifts have exited the OTS-regulated thrift industry. Continuing a four year trend, the majority (39 or 76 percent) of year-to-date thrift exits were due to acquisitions by, or mergers with, another thrift or bank.

Aggregate assets of OTS-regulated thrifts increased to \$786 billion in the second quarter from \$780 billion the first quarter. Asset growth in the face of continued shrinkage in the numbers of thrifts is attributable to: 1) a large portion (37 percent) of the exits due to thrift-to-thrift mergers among OTS-regulated thrifts; 2) de novo activity resulting in 11 new federal thrift charters in the second quarter of 1998; and 3) strong asset growth in thrifts remaining under OTS regulation.

## Asset Growth Was Strong for Remaining Thrifts, But Some Portion May be Temporary

Asset growth of remaining thrifts largely offset the asset losses from exiting thrifts. A portion of the second quarter growth in assets reflects assets added to portfolio with the ultimate intent of selling the assets. Assets-held-for-sale were high in the second quarter (\$26.6 billion or 3.4 percent of assets) and in the prior quarter (\$26.9 billion or 3.5 percent) reflecting high levels of mortgage banking activity. In contrast, assets-held-for-sale averaged \$14.7 billion or 1.9 percent in 1997. Hence, some of the second quarter asset growth may be temporary in nature if assets-held-for-sale are not replaced after their eventual sale.

## Holdings of Single-Family Mortgages Declined Slightly – Shrinkage in Deposits Continued Unabated

The industry's holdings of direct single-family mortgage loans declined to 49.8 percent of total assets at the end of the second quarter from 50.6 percent in the prior quarter and 50.1 percent one year ago. As previously discussed, the decline in mortgage loans was concentrated in ARMs. Direct single-family mortgages were last below 50 percent of total assets at the end of 1996. Despite the decline, direct single-family mortgages remain by far the most significant asset held by thrifts. The chart below presents the second quarter changes in thrifts' primary assets from the prior quarter and from December 1993.

	December 1993	March 1998	June 1998	Long Term Change Dec '93 Jun '98	Short Term Change Mar '98 Jun '98	Average Annualized Growth Rates	
						Dec '93 Jun '98	Mar '98 Jun '98
<b>Total Assets</b>	<b>\$774.8</b>	<b>\$780.2</b>	<b>\$786.3</b>	<b>\$11.5</b>	<b>\$6.1</b>	<b>0.3%</b>	<b>3.1%</b>
<b>Total Loans</b>	503.7	543.0	542.0	38.3	-1.0	1.6%	-0.7%
<b>1-4 Family Mortgage Loans</b>	<b>354.8</b>	<b>394.7</b>	<b>391.8</b>	<b>37.0</b>	<b>-2.9</b>	<b>2.2%</b>	<b>-2.9%</b>
Construction Loans	12.7	11.7	12.1	-0.5	0.4	-1.1%	13.7%
Other Mortgages	95.7	79.5	79.3	-16.4	-0.2	-4.1%	-1.0%
<b>Sm. Business / Commercial Loans</b>	<b>5.2</b>	<b>12.5</b>	<b>12.9</b>	<b>7.7</b>	<b>0.4</b>	<b>22.2%</b>	<b>12.8%</b>
<b>Consumer Loans</b>	<b>35.4</b>	<b>44.7</b>	<b>45.9</b>	<b>10.5</b>	<b>1.2</b>	<b>5.9%</b>	<b>10.7%</b>
Mortgage Pool Securities	119.5	101.2	96.9	-22.6	-4.3	-4.6%	-17.0%
Investment Securities	108.6	87.4	95.8	-12.8	8.4	-2.8%	38.4%
<b>Mortgage Derivatives</b>	<b>43.8</b>	<b>38.1</b>	<b>47.5</b>	<b>3.7</b>	<b>9.4</b>	<b>1.8%</b>	<b>98.7%</b>

Beginning in 1997, detailed asset categories are reported net of specific valuation allowances, loans-in-process, and unamortized yield adjustments. This reporting change significantly reduced the construction loan balance. Dollars in billions.

Mortgage pool securities ("MPS") were thrifts' second most significant asset representing 12.3 percent of assets at June 1998. MPS have generally declined as a share of assets over the past four years as thrifts have increased direct lending. MPS measured 13.0 percent of assets in the first quarter and 14.2 percent one year ago.

An increase in mortgage derivative securities offset the declines in single-family mortgages and MPS during the second quarter. Mortgage derivative securities rose 22 percent to 6.0 percent of total assets in the second quarter from 4.9 percent in the prior quarter and one year ago. The rise in mortgage derivatives was primarily concentrated in three large thrifts. However, even without these three thrifts, the ratio of mortgage derivatives to assets increased slightly to 5.4 percent in the second quarter from 5.2 percent in the prior quarter.

Construction loans were the fastest growing thrift loan type in the second quarter increasing at an annualized rate of 13.7 percent. The growth was attributable to the strong housing markets. Although the growth rate was high, construction loans were still a relatively small percentage of thrift assets measuring 1.5 percent in both the first and second quarters of 1998.

Commercial business loans and consumer loans have generally increased as a percent of assets since 1993. Consumer loans increased to 5.8 percent of assets in the second quarter from 5.7 percent in the first quarter and from 5.2 percent one year ago. Periodic fluctuations occur in thrifts' consumer loan portfolio due to loans sales and paydowns. However, the general trend has been upward for these loans.

Commercial loans rose slightly in the second quarter to 1.64 percent of assets from 1.60 percent in the prior quarter and from 1.30 percent one year ago. Although still a small percentage of thrift assets, commercial loans have been the fastest growing thrift loan type since December 1993. (The average annualized growth in commercial loans measured 32.9 percent from December 1993 to June 1998.)

The rise in commercial loans reflects thrifts' use of the increased flexibility granted by Congress in the Economic Growth and Regulatory Paperwork Reduction Act of 1996 to meet the small business credit needs in the communities they serve. Each June, thrifts file a "Small Business" supplement to their quarterly financial data. The data from this report for June 1998 indicate thrifts hold \$6.1 billion in commercial loans to small businesses, up from \$5.1 billion one year ago, and \$4.0 billion in June 1996. In addition, the number of thrifts "concentrating" in small business lending (having 8 percent or more of their assets in small business and commercial loans) increased to 62 (5.3 percent of all thrifts) as of June 1998, from 44 (3.1 percent) two years ago.

Deposits continued to decline as a funding source in the second quarter. The second quarter deposits-to-assets ratio fell to 64.1 percent from 64.8 percent in the prior quarter and 66.7 percent one year ago. The decline in deposits has been concentrated in deposits under \$100,000. Such deposits have fallen to 53.1 percent of assets from 54.0 percent in the previous quarter and 57.0 percent one year ago. Deposits over \$100,000 have increased slightly to 11.0 percent from 10.8 percent in the first quarter and 9.7 percent one year ago. The continued decline in deposits was attributable to higher rates of return available to consumers on alternative investments.

Despite the overall decline in deposits, demand deposits (non-interest and interest paying) held by the industry have steadily increased as a percent of assets. Thrifts' non-interest demand deposits increased to 7.3 percent in the second quarter from 6.8 percent the prior quarter and 6.7 percent one year ago. Increases in these low cost funds also contributed to the decline in the industry's interest expense.

Borrowings have generally replaced deposits as a funding source for assets. Borrowings as a percent of assets rose to 24.4 percent in the second quarter from 23.8 percent in the prior quarter and 22.9 percent one year ago. Reflecting the flat yield curve and low long-term rates of interest, long-term fixed-rate borrowings (maturities over 3 years) increased as a funding source for thrifts while short-term fixed-rate borrowings (maturities less than 3 months) declined. Long-term borrowings as a percentage of assets rose to 3.3 percent at June 1998 from 1.5 percent one year ago. Short-term borrowings fell to 7.8 percent from 8.9 percent during the same time period. Medium-term borrowings (maturities between 4 and 36 months) rose slightly to 7.1 percent in the second quarter from 6.5 percent one year ago. The rise in longer-term borrowings extended the weighted average remaining maturity of total borrowings to 20.2 months in the second quarter from 11.9 months one year ago.

Despite extending maturities, the overall weighted average cost of thrifts' borrowings fell to 5.75 percent at the end of the second quarter from 5.79 percent in the prior quarter and 5.89 percent one year ago. This decline reflects the low long-term rates of interest during the second quarter.

THE OTS-REGULATED THRIFT INDUSTRY  
SELECTED INDICATORS  
(Dollars in Billions)

		1994	1995	1996	ADJ. 1996 (1)	1997	6-MONTHS ENDED		3-MONTHS ENDED	
							JUNE 1997	JUNE 1998	MAR. 1998	JUNE 1998
SUMMARY DATA:										
Number of Thrifts	(#)	1,543	1,437	1,334		1,215	1,272	1,181	1,195	1,181
Total Assets	(\$)	774.07	770.98	769.37		776.58	768.99	786.30	780.15	786.30
Net Income	(\$)	4.28	5.36	4.74	6.80	6.41	3.41	3.97	1.87	2.10
Profits	(\$)	5.96	6.04	5.91		6.99	3.54	4.15	1.93	2.22
Losses	(\$)	-1.68	-0.68	-1.18		-0.57	-0.12	-0.18	-0.07	-0.12
PROFITABILITY MEASURES:										
Return on Average Assets	(%)	0.56	0.70	0.62	0.89	0.84	0.90	1.02	0.97	1.08
Median Ratio	(%)	0.82	0.72	0.44	0.75	0.80	0.87	0.84	0.87	0.83
Return on Average Equity	(%)	7.36	9.00	7.77	11.15	10.44	11.28	12.16	11.58	12.72
Median Ratio	(%)	9.06	7.53	4.33	7.56	8.02	8.69	7.93	8.18	8.04
Net Interest Income	(\$)	22.21	20.53	21.79		21.82	10.99	10.78	5.34	5.44
% of Average Assets	(%)	2.90	2.66	2.85		2.87	2.90	2.78	2.77	2.79
Total Fee Income	(\$)	2.68	2.87	3.65		4.38	2.06	2.32	1.10	1.22
% of Average Assets	(%)	0.36	0.39	0.51		0.62	0.55	0.63	0.57	0.63
G&A Expense	(\$)	16.37	15.26	19.14	15.97	16.06	7.72	8.36	4.07	4.29
% of Average Assets	(%)	2.14	1.98	2.50	2.09	2.11	2.03	2.15	2.11	2.20
CAPITAL MEASURES:										
Equity Capital Ratio	(%)	7.48	8.01	7.92		8.32	8.11	8.56	8.40	8.56
Tier 1 Leverage Ratio	(%)	7.12	7.47	7.38		7.58	7.45	7.72	7.61	7.72
Risk-based Capital Ratio	(%)	14.79	15.15	14.53		14.50	14.54	14.65	14.57	14.65
Thrifts by FDICIA Capital Categories:										
Well-Capitalized	(#)	1,439	1,392	1,290		1,183	1,247	1,153	1,166	1,153
Adequately Capitalized	(#)	95	38	43		31	22	26	28	26
Undercapitalized	(#)	5	4	0		1	1	2	1	2
Significantly Undercapitalized	(#)	3	1	1		0	1	0	0	0
Critically Undercapitalized	(#)	1	0	0		0	1	0	0	0
FAILED/PROBLEM THRIFTS:										
Failed Thrifts	(#)	2	2	1		0	0	0	0	0
Problem Thrifts	(#)	53	41	29		18	25	18	14	18
Problem Thrift Assets	(\$)	30.32	10.76	5.43		1.58	2.64	2.87	2.22	2.87
Problem Thrift Assets as a % of Total Assets	(%)	3.92	1.40	0.71		0.20	0.34	0.37	0.28	0.37
ASSET QUALITY MEASURES:										
Troubled Assets (2)	(\$)	10.86	9.54	8.71		7.72	8.15	6.84	7.32	6.84
% of Total Assets	(%)	1.40	1.24	1.13		0.99	1.06	0.87	0.94	0.87
Noncurrent Loans	(\$)	7.05	6.76	6.57		5.92	6.20	5.27	5.55	5.27
% of Total Assets	(%)	0.91	0.88	0.85		0.76	0.81	0.67	0.71	0.67
Noncurrent Loans as a % of Loan Type:										
1-4 Family Mortgages	(%)	1.18	1.28	1.21		1.11	1.16	0.98	1.02	0.98
Multifamily Loans	(%)	2.17	1.62	1.45		0.74	1.15	0.63	0.77	0.63
Commercial Loans	(%)	2.55	1.43	1.38		1.10	1.39	1.26	1.05	1.26
Consumer Loans	(%)	0.72	0.76	0.89		0.97	0.90	0.81	0.87	0.81
1-4 FAMILY MORTGAGE LOAN ACTIVITY:										
Originations	(\$)	132.63	106.32	136.08		150.16	66.11	126.50	58.85	67.65
Purchases	(\$)	45.02	40.51	57.37		62.43	26.10	45.33	18.88	26.46
Sales	(\$)	96.31	76.40	93.76		111.83	44.57	109.29	43.02	66.27
Loans Outstanding (3)	(\$)	364.02	365.29	383.86		390.77	385.27	391.75	394.66	391.75
Loans Outstanding / Total Assets	(%)	47.03	47.38	49.89		50.32	50.10	49.82	50.59	49.82

(1) Excludes the SAIF special assessment.

(2) Data after 1995 are net of specific valuation allowances.

(3) Does not include Mortgage Backed Securities.

Numbers may not sum due to rounding. With the exception of regulatory capital measures, all data prior to June 1996 are unconsolidated.

Office of Thrift Supervision / August 1998

THE OTS-REGULATED THRIFT INDUSTRY  
AGGREGATE FINANCIAL CONDITION AND INCOME DATA  
(Dollars in Billions)

	JUNE 1997		MARCH 1998		JUNE 1998	
	(\$)	% OF TOTAL ASSETS	(\$)	% OF TOTAL ASSETS	(\$)	% OF TOTAL ASSETS
TOTAL ASSETS	768.99	100.00	780.15	100.00	786.30	100.00
1-4 Family Mortgages	385.27	50.10	394.66	50.59	391.75	49.82
Mortgage Pool Securities	108.98	14.17	101.18	12.97	96.86	12.32
Multifamily Mortgages	47.50	6.18	46.88	6.01	46.48	5.91
Nonresidential Mortgages	31.39	4.08	29.03	3.72	29.25	3.72
Construction Loans	11.25	1.46	11.65	1.49	12.13	1.54
Land Loans	3.41	0.44	3.59	0.46	3.57	0.45
Commercial Loans	9.98	1.30	12.47	1.60	12.87	1.64
Consumer Loans	40.29	5.24	44.67	5.73	45.92	5.84
Cash and Noninterest-Earning Deposits	9.55	1.24	10.54	1.35	10.83	1.38
Investment Securities	86.24	11.21	87.37	11.20	95.77	12.18
Mortgage Derivatives	37.50	4.88	38.12	4.89	47.51	6.04
Reposessed Assets, Net	1.94	0.25	1.76	0.23	1.57	0.20
Real Estate Held for Investment	0.46	0.06	0.52	0.07	0.50	0.06
Office Premises & Equipment	7.93	1.03	7.78	1.00	7.97	1.01
Other Assets	29.90	3.89	33.39	4.28	36.22	4.61
Less: Contra Assets & Valuation Allowances	5.10	0.66	5.34	0.68	5.39	0.69
TOTAL LIABILITIES AND CAPITAL	768.99	100.00	780.15	100.00	786.30	100.00
Total Deposits	512.76	66.68	505.16	64.75	503.97	64.09
Deposits < or = to \$100,000	438.48	57.02	421.07	53.97	417.20	53.06
Deposits > \$100,000	74.28	9.66	84.09	10.78	86.77	11.04
Escrows	8.02	1.04	11.20	1.44	10.47	1.33
Total Borrowings	176.02	22.89	185.39	23.76	192.09	24.43
Advances from FHLB	105.35	13.70	116.58	14.94	118.44	15.06
Reverse Repurchase Agreements	40.44	5.26	42.24	5.41	43.71	5.56
Other Borrowings	30.23	3.93	26.57	3.41	29.95	3.81
Other Liabilities	9.78	1.27	12.88	1.65	12.49	1.59
EQUITY CAPITAL	62.40	8.11	65.52	8.40	67.28	8.56

	JUNE 1997		MARCH 1998		JUNE 1998	
	(\$)	% OF AVERAGE ASSETS(*)	(\$)	% OF AVERAGE ASSETS(*)	(\$)	% OF AVERAGE ASSETS(*)
INCOME AND EXPENSE DATA						
Interest Income	13.73	7.24	13.69	7.10	13.87	7.11
Interest Expense	8.30	4.38	8.35	4.33	8.42	4.32
Net Interest Income	5.43	2.87	5.34	2.77	5.44	2.79
Loss Provisions-Interest Bearing Assets	0.49	0.26	0.35	0.18	0.40	0.21
Noninterest Income	1.70	0.90	2.12	1.10	2.31	1.19
Mortgage Loan Servicing Fees	0.22	0.11	0.19	0.10	0.19	0.10
Other Fees and Charges	0.82	0.43	0.91	0.47	1.03	0.53
Other Noninterest Income	0.67	0.35	1.02	0.53	1.09	0.56
Noninterest Expense	4.02	2.12	4.24	2.20	4.47	2.29
G&A Expense	3.83	2.02	4.07	2.11	4.29	2.20
Goodwill Expense	0.13	0.07	0.14	0.07	0.14	0.07
Loss Provis.-Nonint. Bearing Assets	0.06	0.03	0.03	0.02	0.03	0.02
Income Before Taxes & Extraord. Items	2.62	1.38	2.87	1.49	2.88	1.48
Income Taxes	0.93	0.49	1.00	0.52	0.78	0.40
Extraordinary Items	0.00	0.00	-0.01	0.00	0.00	0.00
Net Income	1.69	0.89	1.87	0.97	2.10	1.08

\* Annualized.

Beginning in 1997, detailed asset categories are reported net of specific valuation allowances, loans in process, and unamortized yield adjustments. Numbers may not sum due to rounding.

With the exception of regulatory capital measures, all data prior to June 1996 are unconsolidated.

Office of Thrift Supervision / August 1998

THE OTS-REGULATED THRIFT INDUSTRY  
SELECTED INDICATORS  
(Dollars in Billions)

NORTHEAST REGION

		1994	1995	1996	ADJ. 1996 (1)	1997	6-MONTHS ENDED		3-MONTHS ENDED	
							JUNE 1997	JUNE 1998	MAR. 1998	JUNE 1998
SUMMARY DATA:										
Number of Thrifts	(#)	293	283	269		257	262	252	254	252
Total Assets	(\$)	126.19	140.09	139.82		153.60	140.18	153.66	151.40	153.66
Net Income	(\$)	0.99	1.00	0.95	1.25	1.28	0.59	0.66	0.32	0.34
Profits	(\$)	1.12	1.04	1.05		1.32	0.61	0.69	0.34	0.35
Losses	(\$)	-0.13	-0.04	-0.10		-0.04	-0.02	-0.03	-0.02	-0.02
PROFITABILITY MEASURES:										
Return on Average Assets	(%)	0.79	0.77	0.68	0.89	0.91	0.87	0.88	0.87	0.89
Median Ratio	(%)	0.86	0.70	0.44	0.75	0.76	0.81	0.76	0.76	0.78
Return on Average Equity	(%)	10.50	9.59	8.30	10.87	10.87	10.53	10.05	9.98	10.11
Median Ratio	(%)	9.61	7.47	4.47	7.83	7.97	8.48	7.29	7.67	7.24
Net Interest Income	(\$)	3.92	3.83	4.18		4.33	2.08	2.17	1.08	1.09
% of Average Assets	(%)	3.10	2.96	2.99		3.07	3.07	2.89	2.89	2.88
Total Fee Income	(\$)	0.29	0.32	0.41		0.62	0.23	0.39	0.19	0.21
% of Average Assets	(%)	0.24	0.26	0.33		0.63	0.35	0.55	0.50	0.55
G&A Expense	(\$)	2.61	2.58	3.17	2.71	2.91	1.36	1.70	0.83	0.87
% of Average Assets	(%)	2.07	2.00	2.27	1.94	2.06	2.00	2.26	2.22	2.30
CAPITAL MEASURES:										
Equity Capital Ratio	(%)	7.74	8.41	8.24		8.74	8.29	8.88	8.65	8.88
Tier 1 Leverage Ratio	(%)	7.49	7.89	7.60		7.90	7.67	8.04	7.82	8.04
Risk-based Capital Ratio	(%)	16.72	17.35	16.35		16.37	16.43	16.43	16.20	16.43
Thrifts by FDICIA Capital Categories:										
Well-Capitalized	(#)	278	278	264		257	261	250	250	250
Adequately Capitalized	(#)	13	3	5		0	1	1	3	1
Undercapitalized	(#)	2	1	0		0	0	1	1	1
Significantly Undercapitalized	(#)	0	0	0		0	0	0	0	0
Critically Undercapitalized	(#)	0	0	0		0	0	0	0	0
FAILED/PROBLEM THRIFTS:										
Failed Thrifts	(#)	0	1	0		0	0	0	0	0
Problem Thrifts	(#)	6	2	0		1	0	1	0	1
Problem Thrift Assets	(\$)	0.77	0.31	0.00		0.22	0.00	0.11	0.00	0.11
% of Total Assets	(%)	0.61	0.22	0.00		0.15	0.00	0.07	0.00	0.07
ASSET QUALITY MEASURES:										
Troubled Assets (2)	(\$)	2.22	1.76	2.02		2.17	2.07	1.78	1.86	1.78
% of Total Assets	(%)	1.76	1.26	1.44		1.41	1.47	1.16	1.23	1.16
Noncurrent Loans	(\$)	1.54	1.27	1.64		1.83	1.75	1.46	1.51	1.46
% of Total Assets	(%)	1.22	0.91	1.17		1.19	1.25	0.95	1.00	0.95
Noncurrent Loans as a % of Loan Type:										
1-4 Family Mortgages	(%)	1.60	1.43	1.69		1.92	1.93	1.60	1.55	1.60
Multifamily Loans	(%)	5.90	1.92	3.69		2.52	3.81	1.36	2.27	1.36
Commercial Loans	(%)	5.12	2.52	2.66		1.86	2.17	1.54	1.70	1.54
Consumer Loans	(%)	1.20	1.19	1.11		0.86	0.92	0.73	0.89	0.73
1-4 FAMILY MORTGAGE LOAN ACTIVITY:										
Originations	(\$)	12.96	12.38	18.76		21.77	8.22	23.75	10.81	12.94
Purchases	(\$)	3.95	8.38	12.38		6.47	2.61	3.57	1.57	1.99
Sales	(\$)	7.14	5.64	8.64		11.75	3.59	16.58	6.39	10.19
Loans Outstanding (3)	(\$)	50.03	59.58	63.39		68.50	61.63	67.77	67.37	67.77
Loans Outstanding / Total Assets	(%)	39.64	42.53	45.33		44.60	43.96	44.10	44.50	44.10

(1) Excludes the SAIF special assessment.

(2) Data after 1995 are net of specific valuation allowances.

(3) Does not include Mortgage Backed Securities.

Numbers may not sum due to rounding. With the exception of regulatory capital measures, all data prior to June 1996 are unconsolidated.

Office of Thrift Supervision / August 1998

THE OTS-REGULATED THRIFT INDUSTRY  
AGGREGATE FINANCIAL CONDITION AND INCOME DATA  
(Dollars in Billions)

NORTHEAST REGION

	JUNE 1997		MARCH 1998		JUNE 1998	
	(\$)	% OF TOTAL ASSETS	(\$)	% OF TOTAL ASSETS	(\$)	% OF TOTAL ASSETS
TOTAL ASSETS	140.18	100.00	151.40	100.00	153.66	100.00
1-4 Family Mortgages	61.63	43.96	67.37	44.50	67.77	44.10
Mortgage Pool Securities	24.29	17.33	22.61	14.94	20.65	13.44
Multifamily Mortgages	5.84	4.16	5.90	3.90	6.23	4.06
Nonresidential Mortgages	6.72	4.79	6.58	4.35	6.84	4.45
Construction Loans	1.09	0.78	1.29	0.85	1.39	0.90
Land Loans	0.28	0.20	0.28	0.19	0.31	0.20
Commercial Loans	2.05	1.46	2.69	1.78	2.95	1.92
Consumer Loans	6.07	4.33	8.39	5.55	8.35	5.44
Cash and Noninterest-Earning Deposits	1.70	1.21	1.88	1.24	2.26	1.47
Investment Securities	24.99	17.83	26.91	17.77	28.88	18.79
Mortgage Derivatives	12.98	9.26	13.35	8.81	14.93	9.72
Reposessed Assets, Net	0.32	0.23	0.35	0.23	0.32	0.21
Real Estate Held for Investment	0.07	0.05	0.10	0.06	0.10	0.06
Office Premises & Equipment	1.36	0.97	1.46	0.96	1.51	0.98
Other Assets	4.56	3.25	6.47	4.27	6.99	4.55
Less: Contra Assets & Valuation Allowances	0.78	0.56	0.90	0.59	0.88	0.57
TOTAL LIABILITIES AND CAPITAL	140.18	100.00	151.40	100.00	153.66	100.00
Total Deposits	97.02	69.21	99.22	65.54	100.66	65.51
Deposits < or = to \$100,000	86.89	61.98	85.91	56.75	87.00	56.62
Deposits > \$100,000	10.13	7.23	13.31	8.79	13.66	8.89
Escrows	1.22	0.87	2.26	1.49	2.12	1.38
Total Borrowings	29.06	20.73	34.28	22.64	35.18	22.90
Advances from FHLB	17.64	12.59	21.62	14.28	21.68	14.11
Reverse Repurchase Agreements	9.10	6.49	9.83	6.49	10.01	6.51
Other Borrowings	2.31	1.65	2.82	1.87	3.50	2.28
Other Liabilities	1.27	0.90	2.55	1.69	2.05	1.34
EQUITY CAPITAL	11.62	8.29	13.09	8.65	13.64	8.88

	JUNE 1997		MARCH 1998		JUNE 1998	
	(\$)	% OF AVERAGE ASSETS(*)	(\$)	% OF AVERAGE ASSETS(*)	(\$)	% OF AVERAGE ASSETS(*)
INCOME AND EXPENSE DATA						
Interest Income	2.48	7.22	2.60	6.99	2.65	6.96
Interest Expense	1.43	4.16	1.52	4.09	1.55	4.09
Net Interest Income	1.05	3.06	1.08	2.89	1.09	2.88
Loss Provisions-Interest Bearing Assets	0.08	0.25	0.06	0.16	0.06	0.15
Noninterest Income	0.22	0.64	0.36	0.97	0.38	1.01
Mortgage Loan Servicing Fees	0.03	0.10	0.03	0.09	0.03	0.08
Other Fees and Charges	0.09	0.26	0.15	0.41	0.18	0.47
Other Noninterest Income	0.10	0.29	0.18	0.47	0.18	0.46
Noninterest Expense	0.71	2.06	0.86	2.30	0.90	2.38
G&A Expense	0.68	1.98	0.83	2.22	0.87	2.30
Goodwill Expense	0.02	0.06	0.02	0.07	0.02	0.07
Loss Provis.-Nonint. Bearing Assets	0.01	0.02	0.01	0.02	0.00	0.01
Income Before Taxes & Extraord. Items	0.48	1.40	0.52	1.41	0.51	1.35
Income Taxes	0.18	0.52	0.20	0.54	0.18	0.47
Extraordinary Items	0.00	0.00	0.00	0.00	0.00	0.00
Net Income	0.30	0.88	0.32	0.87	0.34	0.89

\* Annualized.

Beginning in 1997, detailed asset categories are reported net of specific valuation allowances, loans in process, and unamortized yield adjustments. Numbers may not sum due to rounding.

With the exception of regulatory capital measures, all data prior to June 1996 are unconsolidated.

Office of Thrift Supervision / August 1998

THE OTS-REGULATED THRIFT INDUSTRY  
SELECTED INDICATORS  
(Dollars in Billions)

SOUTHEAST REGION

		1994	1995	1996	ADJ. 1996 (1)	1997	6-MONTHS ENDED		3-MONTHS ENDED	
							JUNE 1997	JUNE 1998	MAR. 1998	JUNE 1998
SUMMARY DATA:										
Number of Thrifts	(#)	319	291	264		237	254	227	235	227
Total Assets	(\$)	82.29	73.01	61.71		62.78	63.94	63.93	64.72	63.93
Net Income	(\$)	0.67	0.58	0.34	0.53	0.52	0.28	0.26	0.14	0.12
Profits	(\$)	0.74	0.64	0.46		0.59	0.29	0.29	0.15	0.15
Losses	(\$)	-0.07	-0.06	-0.12		-0.08	-0.02	-0.03	-0.01	-0.02
PROFITABILITY MEASURES:										
Return on Average Assets	(%)	0.78	0.74	0.53	0.83	0.83	0.88	0.83	0.87	0.78
Median Ratio	(%)	0.79	0.74	0.44	0.76	0.75	0.85	0.90	0.91	0.89
Return on Average Equity	(%)	9.73	8.76	5.82	9.04	8.86	9.59	8.50	8.90	8.10
Median Ratio	(%)	9.19	8.03	4.30	7.41	7.75	8.99	8.24	8.44	8.38
Net Interest Income	(\$)	2.73	2.32	2.11		2.04	1.07	0.98	0.50	0.48
% of Average Assets	(%)	3.19	2.99	3.28		3.28	3.41	3.11	3.17	3.04
Total Fee Income	(\$)	0.42	0.51	0.66		0.72	0.32	0.32	0.16	0.16
% of Average Assets	(%)	0.55	0.73	1.12		1.21	1.04	1.00	1.04	1.00
G&A Expense	(\$)	2.13	1.97	2.16	1.86	1.95	0.95	0.98	0.49	0.49
% of Average Assets	(%)	2.48	2.54	3.35	2.90	3.13	3.03	3.09	3.10	3.09
CAPITAL MEASURES:										
Equity Capital Ratio	(%)	8.22	8.98	9.10		9.82	9.31	9.74	9.77	9.74
Tier 1 Leverage Ratio	(%)	8.03	8.51	8.62		9.03	8.70	9.15	9.04	9.15
Risk-based Capital Ratio	(%)	16.30	16.62	16.01		16.35	16.05	16.88	16.67	16.88
Thrifts by FDICIA Capital Categories:										
Well-Capitalized	(#)	292	281	251		223	243	214	224	214
Adequately Capitalized	(#)	26	9	12		14	10	13	11	13
Undercapitalized	(#)	1	0	0		0	0	0	0	0
Significantly Undercapitalized	(#)	0	0	1		0	1	0	0	0
Critically Undercapitalized	(#)	0	0	0		0	0	0	0	0
FAILED/PROBLEM THRIFTS:										
Failed Thrifts	(#)	0	0	0		0	0	0	0	0
Problem Thrifts	(#)	19	15	13		9	12	8	7	8
Problem Thrift Assets	(\$)	3.32	1.33	0.85		0.56	0.87	0.45	0.36	0.45
Problem Thrift Assets as a % of Total Assets	(%)	4.03	1.82	1.38		0.89	1.36	0.70	0.55	0.70
ASSET QUALITY MEASURES:										
Troubled Assets (2)	(\$)	1.34	0.97	0.79		0.72	0.75	0.64	0.71	0.64
% of Total Assets	(%)	1.62	1.33	1.28		1.15	1.17	1.00	1.09	1.00
Noncurrent Loans	(\$)	0.64	0.51	0.49		0.46	0.46	0.41	0.46	0.41
% of Total Assets	(%)	0.78	0.70	0.80		0.74	0.72	0.64	0.71	0.64
Noncurrent Loans as a % of Loan Type:										
1-4 Family Mortgages	(%)	0.82	0.83	0.94		0.94	0.88	0.84	0.90	0.84
Multifamily Loans	(%)	2.39	1.98	1.39		0.91	1.50	0.98	1.13	0.98
Commercial Loans	(%)	2.75	1.71	1.97		1.07	1.61	1.04	0.90	1.04
Consumer Loans	(%)	0.82	1.04	1.54		1.82	1.43	1.31	1.47	1.31
1-4 FAMILY MORTGAGE LOAN ACTIVITY:										
Originations	(\$)	14.96	9.94	11.58		12.07	5.62	9.26	4.71	4.55
Purchases	(\$)	6.23	3.22	3.03		5.87	2.33	4.70	2.42	2.29
Sales	(\$)	11.01	6.01	6.35		8.94	4.03	7.41	3.70	3.70
Loans Outstanding (3)	(\$)	39.20	34.36	29.67		29.68	30.67	29.99	30.30	29.99
Loans Outstanding / Total Assets	(%)	47.63	47.06	48.08		47.27	47.97	46.91	46.82	46.91

(1) Excludes the SAIF special assessment.

(2) Data after 1995 are net of specific valuation allowances.

(3) Does not include Mortgage Backed Securities.

Numbers may not sum due to rounding. With the exception of regulatory capital measures, all data prior to June 1996 are unconsolidated.

Office of Thrift Supervision / August 1998

THE OTS-REGULATED THRIFT INDUSTRY  
AGGREGATE FINANCIAL CONDITION AND INCOME DATA  
(Dollars in Billions)

SOUTHEAST REGION

	JUNE 1997		MARCH 1998		JUNE 1998	
	(\$)	% OF TOTAL ASSETS	(\$)	% OF TOTAL ASSETS	(\$)	% OF TOTAL ASSETS
TOTAL ASSETS	63.94	100.00	64.72	100.00	63.93	100.00
1-4 Family Mortgages	30.67	47.97	30.30	46.82	29.99	46.91
Mortgage Pool Securities	5.84	9.14	7.07	10.93	7.14	11.17
Multifamily Mortgages	0.94	1.47	0.83	1.28	0.79	1.23
Nonresidential Mortgages	3.89	6.09	3.60	5.56	3.54	5.53
Construction Loans	2.32	3.63	2.44	3.77	2.31	3.62
Land Loans	1.16	1.82	1.20	1.85	1.12	1.76
Commercial Loans	1.18	1.84	1.17	1.81	1.26	1.97
Consumer Loans	4.98	7.79	4.66	7.21	4.41	6.90
Cash and Noninterest-Earning Deposits	1.18	1.85	1.17	1.81	1.22	1.90
Investment Securities	8.76	13.70	8.87	13.71	8.89	13.91
Mortgage Derivatives	2.09	3.27	1.98	3.06	2.28	3.57
Reposessed Assets, Net	0.29	0.45	0.25	0.39	0.23	0.36
Real Estate Held for Investment	0.05	0.08	0.05	0.08	0.05	0.07
Office Premises & Equipment	1.00	1.56	1.00	1.54	0.99	1.55
Other Assets	2.13	3.34	2.58	3.99	2.45	3.83
Less: Contra Assets & Valuation Allowances	0.47	0.73	0.47	0.73	0.46	0.72
TOTAL LIABILITIES AND CAPITAL	63.94	100.00	64.72	100.00	63.93	100.00
Total Deposits	47.99	75.06	47.11	72.79	45.80	71.64
Deposits < or = to \$100,000	40.92	63.99	39.06	60.35	37.75	59.04
Deposits > \$100,000	7.07	11.06	8.05	12.44	8.05	12.60
Escrows	0.59	0.93	0.45	0.70	0.49	0.76
Total Borrowings	8.39	13.13	9.68	14.95	10.31	16.13
Advances from FHLB	6.16	9.63	7.29	11.26	7.76	12.14
Reverse Repurchase Agreements	1.20	1.88	1.62	2.51	1.79	2.80
Other Borrowings	1.03	1.61	0.77	1.18	0.76	1.18
Other Liabilities	1.01	1.58	1.15	1.78	1.11	1.73
EQUITY CAPITAL	5.95	9.31	6.32	9.77	6.23	9.74

	JUNE 1997		MARCH 1998		JUNE 1998	
	(\$)	% OF AVERAGE ASSETS(*)	(\$)	% OF AVERAGE ASSETS(*)	(\$)	% OF AVERAGE ASSETS(*)
INCOME AND EXPENSE DATA						
Interest Income	1.20	7.66	1.17	7.38	1.15	7.32
Interest Expense	0.67	4.27	0.66	4.21	0.67	4.27
Net Interest Income	0.53	3.39	0.50	3.17	0.48	3.04
Loss Provisions-Interest Bearing Assets	0.06	0.39	0.04	0.26	0.05	0.30
Noninterest Income	0.24	1.54	0.26	1.63	0.26	1.65
Mortgage Loan Servicing Fees	0.01	0.09	0.01	0.08	0.01	0.04
Other Fees and Charges	0.15	0.96	0.15	0.96	0.15	0.96
Other Noninterest Income	0.08	0.50	0.09	0.59	0.10	0.65
Noninterest Expense	0.48	3.08	0.51	3.20	0.50	3.18
G&A Expense	0.47	2.98	0.49	3.10	0.49	3.09
Goodwill Expense	0.01	0.06	0.01	0.09	0.01	0.06
Loss Provis.-Nonint. Bearing Assets	0.01	0.04	0.00	0.01	0.01	0.03
Income Before Taxes & Extraord. Items	0.23	1.47	0.21	1.35	0.19	1.21
Income Taxes	0.09	0.56	0.08	0.48	0.07	0.43
Extraordinary Items	0.00	0.00	0.00	0.00	0.00	0.00
Net Income	0.14	0.90	0.14	0.87	0.12	0.78

\* Annualized.

Beginning in 1997, detailed asset categories are reported net of specific valuation allowances, loans in process, and unamortized yield adjustments. Numbers may not sum due to rounding.

With the exception of regulatory capital measures, all data prior to June 1996 are unconsolidated.

Office of Thrift Supervision / August 1998

THE OTS-REGULATED THRIFT INDUSTRY  
SELECTED INDICATORS  
(Dollars in Billions)

CENTRAL REGION

		1994	1995	1996	ADJ. 1996 (1)	1997	6-MONTHS ENDED		3-MONTHS ENDED	
							JUNE 1997	JUNE 1998	MAR. 1998	JUNE 1998
SUMMARY DATA:										
Number of Thrifts	(#)	470	433	405		363	377	359	362	359
Total Assets	(\$)	147.36	157.25	158.17		156.91	156.10	157.08	156.85	157.08
Net Income	(\$)	1.13	1.32	1.11	1.58	1.45	0.82	0.78	0.39	0.39
Profits	(\$)	1.33	1.47	1.33		1.54	0.83	0.82	0.39	0.43
Losses	(\$)	-0.20	-0.15	-0.21		-0.09	-0.01	-0.04	0.00	-0.04
PROFITABILITY MEASURES:										
Return on Average Assets	(%)	0.79	0.85	0.70	1.00	0.94	1.06	1.00	1.00	0.99
Median Ratio	(%)	0.83	0.77	0.44	0.75	0.86	0.91	0.87	0.91	0.86
Return on Average Equity	(%)	9.32	9.89	8.10	11.51	10.59	12.28	10.86	10.95	10.78
Median Ratio	(%)	8.79	7.29	3.98	7.04	7.90	8.53	7.88	8.08	8.03
Net Interest Income	(\$)	4.36	4.25	4.55		4.52	2.31	2.24	1.11	1.12
% of Average Assets	(%)	3.02	2.75	2.88		2.94	2.97	2.87	2.87	2.87
Total Fee Income	(\$)	0.48	0.57	0.68		0.74	0.37	0.41	0.19	0.22
% of Average Assets	(%)	0.34	0.38	0.43		0.48	0.46	0.55	0.50	0.55
G&A Expense	(\$)	2.95	3.10	3.92	3.20	3.34	1.63	1.79	0.85	0.94
% of Average Assets	(%)	2.05	2.00	2.47	2.02	2.17	2.10	2.29	2.18	2.41
CAPITAL MEASURES:										
Equity Capital Ratio	(%)	8.52	8.77	8.46		9.13	9.12	9.27	9.18	9.27
Tier 1 Leverage Ratio	(%)	8.18	8.30	8.00		8.09	8.10	8.27	8.20	8.27
Risk-based Capital Ratio	(%)	17.21	17.22	15.98		15.39	15.85	15.37	15.40	15.37
Thrifts by FDICIA Capital Categories:										
Well-Capitalized	(#)	456	424	396		355	370	355	357	355
Adequately Capitalized	(#)	14	9	9		7	6	3	5	3
Undercapitalized	(#)	0	0	0		1	1	1	0	1
Significantly Undercapitalized	(#)	0	0	0		0	0	0	0	0
Critically Undercapitalized	(#)	0	0	0		0	0	0	0	0
FAILED/PROBLEM THRIFTS:										
Failed Thrifts	(#)	0	0	0		0	0	0	0	0
Problem Thrifts	(#)	2	4	3		2	3	1	1	1
Problem Thrift Assets	(\$)	0.05	0.86	0.73		0.03	0.71	0.03	0.02	0.03
Problem Thrift Assets as a % of Total Assets	(%)	0.03	0.55	0.46		0.02	0.45	0.02	0.02	0.02
ASSET QUALITY MEASURES:										
Troubled Assets (2)	(\$)	0.86	1.17	1.06		1.06	1.02	1.07	1.05	1.07
% of Total Assets	(%)	0.59	0.74	0.67		0.68	0.65	0.68	0.67	0.68
Noncurrent Loans	(\$)	0.64	1.01	0.89		0.86	0.84	0.86	0.83	0.86
% of Total Assets	(%)	0.43	0.64	0.56		0.55	0.54	0.54	0.53	0.54
Noncurrent Loans as a % of Loan Type:										
1-4 Family Mortgages	(%)	0.59	0.87	0.68		0.68	0.64	0.67	0.65	0.67
Multifamily Loans	(%)	0.92	1.35	1.46		0.78	1.14	1.04	1.04	1.04
Commercial Loans	(%)	1.46	1.16	1.24		0.67	1.00	1.26	0.71	1.26
Consumer Loans	(%)	0.44	0.84	0.93		1.10	1.17	0.77	0.83	0.77
1-4 FAMILY MORTGAGE LOAN ACTIVITY:										
Originations	(\$)	26.49	28.14	38.41		39.81	16.97	32.56	15.82	16.74
Purchases	(\$)	9.98	10.25	12.24		15.49	5.62	12.90	6.24	6.66
Sales	(\$)	18.58	20.55	29.96		34.10	12.93	32.14	14.49	17.65
Loans Outstanding (3)	(\$)	72.24	77.74	80.77		80.95	80.66	80.86	81.53	80.86
Loans Outstanding / Total Assets	(%)	49.02	49.43	51.07		51.59	51.67	51.48	51.98	51.48

(1) Excludes the SAIF special assessment.

(2) Data after 1995 are net of specific valuation allowances.

(3) Does not include Mortgage Backed Securities.

Numbers may not sum due to rounding. With the exception of regulatory capital measures, all data prior to June 1996 are unconsolidated.

Office of Thrift Supervision / August 1998

THE OTS-REGULATED THRIFT INDUSTRY  
AGGREGATE FINANCIAL CONDITION AND INCOME DATA  
(Dollars in Billions)

CENTRAL REGION

	JUNE 1997		MARCH 1998		JUNE 1998	
	(\$)	% OF TOTAL ASSETS	(\$)	% OF TOTAL ASSETS	(\$)	% OF TOTAL ASSETS
TOTAL ASSETS	156.10	100.00	156.85	100.00	157.08	100.00
1-4 Family Mortgages	80.66	51.67	81.53	51.98	80.86	51.48
Mortgage Pool Securities	16.62	10.65	14.35	9.15	14.28	9.09
Multifamily Mortgages	6.02	3.86	5.65	3.60	5.53	3.52
Nonresidential Mortgages	5.38	3.45	4.98	3.18	5.12	3.26
Construction Loans	3.06	1.96	2.71	1.73	2.68	1.71
Land Loans	0.89	0.57	0.95	0.61	0.94	0.60
Commercial Loans	2.51	1.61	3.29	2.10	3.14	2.00
Consumer Loans	11.23	7.19	12.89	8.22	13.84	8.81
Cash and Noninterest-Earning Deposits	2.21	1.41	2.20	1.40	2.24	1.42
Investment Securities	19.90	12.75	20.67	13.18	20.35	12.95
Mortgage Derivatives	8.50	5.44	8.58	5.47	7.92	5.04
Reposessed Assets, Net	0.19	0.12	0.23	0.15	0.21	0.13
Real Estate Held for Investment	0.14	0.09	0.14	0.09	0.13	0.08
Office Premises & Equipment	1.71	1.10	1.73	1.10	1.75	1.11
Other Assets	6.44	4.13	6.45	4.11	6.98	4.44
Less: Contra Assets & Valuation Allowances	0.85	0.55	0.92	0.59	0.98	0.62
TOTAL LIABILITIES AND CAPITAL	156.10	100.00	156.85	100.00	157.08	100.00
Total Deposits	110.73	70.94	109.58	69.86	110.45	70.32
Deposits < or = to \$100,000	95.40	61.11	92.39	58.90	91.27	58.11
Deposits > \$100,000	15.33	9.82	17.19	10.96	19.18	12.21
Escrows	1.66	1.07	2.23	1.42	1.78	1.13
Total Borrowings	27.57	17.66	28.55	18.20	27.90	17.76
Advances from FHLB	19.72	12.63	20.94	13.35	20.03	12.75
Reverse Repurchase Agreements	5.30	3.40	5.35	3.41	4.63	2.95
Other Borrowings	2.55	1.63	2.27	1.44	3.24	2.06
Other Liabilities	1.91	1.22	2.09	1.33	2.38	1.51
EQUITY CAPITAL	14.23	9.12	14.40	9.18	14.57	9.27

	JUNE 1997		MARCH 1998		JUNE 1998	
	(\$)	% OF AVERAGE ASSETS(*)	(\$)	% OF AVERAGE ASSETS(*)	(\$)	% OF AVERAGE ASSETS(*)
INCOME AND EXPENSE DATA						
Interest Income	2.84	7.37	2.80	7.22	2.80	7.16
Interest Expense	1.71	4.44	1.69	4.36	1.68	4.29
Net Interest Income	1.13	2.93	1.11	2.87	1.12	2.87
Loss Provisions-Interest Bearing Assets	0.08	0.20	0.09	0.22	0.12	0.32
Noninterest Income	0.44	1.15	0.47	1.22	0.58	1.49
Mortgage Loan Servicing Fees	0.04	0.10	0.03	0.07	0.03	0.07
Other Fees and Charges	0.14	0.36	0.17	0.44	0.19	0.49
Other Noninterest Income	0.27	0.69	0.28	0.72	0.37	0.94
Noninterest Expense	0.85	2.21	0.89	2.30	0.99	2.52
G&A Expense	0.81	2.10	0.85	2.18	0.94	2.41
Goodwill Expense	0.04	0.12	0.05	0.12	0.04	0.11
Loss Provis.-Nonint. Bearing Assets	0.00	0.00	0.00	0.00	0.00	0.01
Income Before Taxes & Extraord. Items	0.64	1.67	0.61	1.56	0.59	1.52
Income Taxes	0.22	0.58	0.22	0.56	0.20	0.52
Extraordinary Items	0.00	0.00	0.00	0.00	0.00	0.00
Net Income	0.42	1.09	0.39	1.00	0.39	0.99

\* Annualized.

Beginning in 1997, detailed asset categories are reported net of specific valuation allowances, loans in process, and unamortized yield adjustments. Numbers may not sum due to rounding.

With the exception of regulatory capital measures, all data prior to June 1996 are unconsolidated.

Office of Thrift Supervision / August 1998

THE OTS-REGULATED THRIFT INDUSTRY  
SELECTED INDICATORS  
(Dollars in Billions)

MIDWEST REGION

		1994	1995	1996	ADJ. 1996 (1)	1997	6-MONTHS ENDED		3-MONTHS ENDED	
							JUNE 1997	JUNE 1998	MAR. 1998	JUNE 1998
SUMMARY DATA:										
Number of Thrifts	(#)	320	302	282		256	270	247	247	247
Total Assets	(\$)	121.52	124.03	124.57		91.93	101.10	89.60	90.47	89.60
Net Income	(\$)	0.80	1.24	1.45	1.80	0.94	0.53	0.46	0.26	0.20
Profits	(\$)	1.07	1.27	1.62		1.09	0.57	0.51	0.28	0.23
Losses	(\$)	-0.27	-0.03	-0.16		-0.15	-0.04	-0.05	-0.02	-0.03
PROFITABILITY MEASURES:										
Return on Average Assets	(%)	0.71	1.00	1.14	1.42	0.96	1.02	1.03	1.15	0.90
Median Ratio	(%)	0.85	0.77	0.46	0.80	0.81	0.89	0.83	0.88	0.83
Return on Average Equity	(%)	9.20	12.98	14.00	17.32	11.23	12.22	11.43	12.99	9.89
Median Ratio	(%)	9.32	7.84	4.66	7.99	8.10	8.79	7.93	8.59	7.77
Net Interest Income	(\$)	3.05	3.19	3.47		2.79	1.48	1.19	0.56	0.63
% of Average Assets	(%)	2.70	2.58	2.73		2.85	2.87	2.65	2.49	2.82
Total Fee Income	(\$)	0.53	0.64	0.83		0.70	0.35	0.35	0.16	0.19
% of Average Assets	(%)	0.50	0.54	0.73		0.77	0.70	0.85	0.72	0.85
G&A Expense	(\$)	2.40	2.46	3.22	2.69	2.10	1.08	1.04	0.51	0.52
% of Average Assets	(%)	2.12	1.99	2.54	2.12	2.15	2.09	2.31	2.28	2.34
CAPITAL MEASURES:										
Equity Capital Ratio	(%)	7.44	8.05	8.42		8.74	8.53	9.12	9.00	9.12
Tier 1 Leverage Ratio	(%)	7.07	7.46	7.71		8.34	8.15	8.71	8.57	8.71
Risk-based Capital Ratio	(%)	15.29	15.47	15.30		15.64	16.06	15.52	15.62	15.52
Thrifts by FDICIA Capital Categories:										
Well-Capitalized	(#)	300	297	275		248	268	241	240	241
Adequately Capitalized	(#)	20	4	7		8	2	6	7	6
Undercapitalized	(#)	0	1	0		0	0	0	0	0
Significantly Undercapitalized	(#)	0	0	0		0	0	0	0	0
Critically Undercapitalized	(#)	0	0	0		0	0	0	0	0
FAILED/PROBLEM THRIFTS:										
Failed Thrifts	(#)	0	0	0		0	0	0	0	0
Problem Thrifts	(#)	7	6	3		1	2	3	2	3
Problem Thrift Assets	(\$)	0.49	0.33	0.13		0.01	0.03	1.25	1.17	1.25
Problem Thrift Assets as a % of Total Assets	(%)	0.41	0.27	0.11		0.02	0.03	1.40	1.29	1.40
ASSET QUALITY MEASURES:										
Troubled Assets (2)	(\$)	1.32	1.09	1.03		0.64	0.71	0.63	0.64	0.63
% of Total Assets	(%)	1.09	0.88	0.83		0.70	0.71	0.71	0.70	0.71
Noncurrent Loans	(\$)	0.69	0.73	0.74		0.46	0.49	0.45	0.45	0.45
% of Total Assets	(%)	0.57	0.59	0.59		0.50	0.48	0.50	0.50	0.50
Noncurrent Loans as a % of Loan Type:										
1-4 Family Mortgages	(%)	0.92	0.95	0.97		0.69	0.74	0.64	0.64	0.64
Multifamily Loans	(%)	1.14	0.99	0.83		0.44	0.55	0.22	0.61	0.22
Commercial Loans	(%)	1.34	1.71	0.95		1.28	1.81	1.82	1.22	1.82
Consumer Loans	(%)	0.40	0.41	0.65		0.84	0.64	0.89	0.90	0.89
1-4 FAMILY MORTGAGE LOAN ACTIVITY:										
Originations	(\$)	17.42	16.22	21.84		19.23	9.46	13.06	6.44	6.62
Purchases	(\$)	14.17	11.12	14.77		11.98	5.50	7.93	3.59	4.34
Sales	(\$)	18.74	12.65	21.41		16.98	7.46	13.83	6.01	7.82
Loans Outstanding (3)	(\$)	49.95	54.47	54.11		40.59	45.35	40.42	41.00	40.42
Loans Outstanding / Total Assets	(%)	41.11	43.92	43.44		44.15	44.86	45.11	45.32	45.11

(1) Excludes the SAIF special assessment.

(2) Data after 1995 are net of specific valuation allowances.

(3) Does not include Mortgage Backed Securities.

Numbers may not sum due to rounding. With the exception of regulatory capital measures, all data prior to June 1996 are unconsolidated.

Office of Thrift Supervision / August 1998

THE OTS-REGULATED THRIFT INDUSTRY  
AGGREGATE FINANCIAL CONDITION AND INCOME DATA  
(Dollars in Billions)

MIDWEST REGION

	JUNE 1997		MARCH 1998		JUNE 1998	
	(\$)	% OF TOTAL ASSETS	(\$)	% OF TOTAL ASSETS	(\$)	% OF TOTAL ASSETS
TOTAL ASSETS	101.10	100.00	90.47	100.00	89.60	100.00
1-4 Family Mortgages	45.35	44.86	41.00	45.32	40.42	45.11
Mortgage Pool Securities	16.45	16.27	10.35	11.44	9.52	10.62
Multifamily Mortgages	2.21	2.18	2.25	2.48	2.19	2.45
Nonresidential Mortgages	3.61	3.57	3.69	4.08	3.57	3.99
Construction Loans	3.25	3.22	3.61	3.99	4.06	4.54
Land Loans	0.56	0.55	0.59	0.66	0.61	0.68
Commercial Loans	1.51	1.49	2.12	2.35	2.28	2.54
Consumer Loans	10.13	10.02	10.08	11.14	10.20	11.38
Cash and Noninterest-Earning Deposits	1.12	1.11	1.23	1.36	1.15	1.29
Investment Securities	11.97	11.84	10.86	12.00	10.71	11.96
Mortgage Derivatives	4.87	4.82	3.24	3.58	3.49	3.90
Reposessed Assets, Net	0.23	0.22	0.19	0.21	0.18	0.20
Real Estate Held for Investment	0.04	0.04	0.04	0.04	0.04	0.04
Office Premises & Equipment	1.09	1.08	1.00	1.11	1.05	1.18
Other Assets	4.12	4.07	4.02	4.44	4.16	4.65
Less: Contra Assets & Valuation Allowances	0.52	0.51	0.56	0.62	0.56	0.62
TOTAL LIABILITIES AND CAPITAL	101.10	100.00	90.47	100.00	89.60	100.00
Total Deposits	65.43	64.71	59.28	65.53	58.89	65.72
Deposits < or = to \$100,000	57.36	56.74	50.03	55.31	49.44	55.18
Deposits > \$100,000	8.06	7.97	9.25	10.23	9.45	10.55
Escrows	1.66	1.65	2.01	2.22	1.88	2.10
Total Borrowings	24.26	24.00	19.83	21.92	19.35	21.59
Advances from FHLB	14.85	14.69	14.24	15.75	14.72	16.43
Reverse Repurchase Agreements	5.92	5.85	2.95	3.26	1.95	2.17
Other Borrowings	3.49	3.45	2.64	2.92	2.68	2.99
Other Liabilities	1.13	1.12	1.20	1.33	1.31	1.46
EQUITY CAPITAL	8.62	8.53	8.14	9.00	8.17	9.12

	JUNE 1997		MARCH 1998		JUNE 1998	
	(\$)	% OF AVERAGE ASSETS(*)	(\$)	% OF AVERAGE ASSETS(*)	(\$)	% OF AVERAGE ASSETS(*)
INCOME AND EXPENSE DATA						
Interest Income	1.83	7.33	1.63	7.20	1.62	7.24
Interest Expense	1.14	4.55	1.06	4.71	0.99	4.42
Net Interest Income	0.69	2.78	0.56	2.49	0.63	2.82
Loss Provisions-Interest Bearing Assets	0.07	0.27	0.07	0.33	0.06	0.26
Noninterest Income	0.23	0.91	0.37	1.64	0.28	1.25
Mortgage Loan Servicing Fees	0.05	0.20	0.03	0.15	0.04	0.16
Other Fees and Charges	0.12	0.50	0.13	0.57	0.15	0.69
Other Noninterest Income	0.05	0.22	0.21	0.92	0.09	0.40
Noninterest Expense	0.53	2.14	0.53	2.36	0.54	2.42
G&A Expense	0.52	2.07	0.51	2.28	0.52	2.34
Goodwill Expense	0.01	0.04	0.01	0.04	0.01	0.05
Loss Provis.-Nonint. Bearing Assets	0.01	0.03	0.01	0.04	0.01	0.03
Income Before Taxes & Extraord. Items	0.32	1.29	0.33	1.44	0.31	1.39
Income Taxes	0.09	0.38	0.07	0.29	0.11	0.49
Extraordinary Items	0.00	0.00	0.00	0.00	0.00	0.00
Net Income	0.23	0.91	0.26	1.15	0.20	0.90

\* Annualized.

Beginning in 1997, detailed asset categories are reported net of specific valuation allowances, loans in process, and unamortized yield adjustments. Numbers may not sum due to rounding.

With the exception of regulatory capital measures, all data prior to June 1996 are unconsolidated.

Office of Thrift Supervision / August 1998

THE OTS-REGULATED THRIFT INDUSTRY  
SELECTED INDICATORS  
(Dollars in Billions)

WEST REGION

		1994	1995	1996	ADJ. 1996 (1)	1997	6-MONTHS ENDED		3-MONTHS ENDED	
							JUNE 1997	JUNE 1998	MAR. 1998	JUNE 1998
SUMMARY DATA:										
Number of Thrifts	(#)	141	128	114		102	109	96	97	96
Total Assets	(\$)	296.70	276.60	285.09		311.37	307.67	322.04	316.72	322.04
Net Income	(\$)	0.68	1.23	0.88	1.64	2.23	1.20	1.81	0.76	1.05
Profits	(\$)	1.70	1.62	1.46		2.45	1.23	1.83	0.77	1.06
Losses	(\$)	-1.02	-0.39	-0.58		-0.22	-0.03	-0.02	-0.01	-0.01
PROFITABILITY MEASURES:										
Return on Average Assets	(%)	0.23	0.43	0.32	0.59	0.73	0.79	1.14	0.96	1.32
Median Ratio	(%)	0.46	0.45	0.32	0.58	0.73	0.77	0.84	0.88	0.86
Return on Average Equity	(%)	3.26	6.24	4.49	8.40	10.23	11.14	15.32	13.10	17.44
Median Ratio	(%)	5.90	5.61	3.79	7.78	9.11	9.85	9.18	9.91	9.27
Net Interest Income	(\$)	8.15	6.95	7.47		8.15	4.07	4.20	2.09	2.12
% of Average Assets	(%)	2.74	2.43	2.71		2.67	2.69	2.65	2.66	2.65
Total Fee Income	(\$)	0.96	0.83	1.06		1.60	0.79	0.84	0.39	0.45
% of Average Assets	(%)	0.30	0.29	0.42		0.53	0.53	0.56	0.50	0.56
G&A Expense	(\$)	6.28	5.16	6.68	5.50	5.78	2.72	2.86	1.39	1.47
% of Average Assets	(%)	2.11	1.80	2.42	1.99	1.89	1.80	1.81	1.77	1.84
CAPITAL MEASURES:										
Equity Capital Ratio	(%)	6.66	7.09	6.99		7.27	7.14	7.66	7.44	7.66
Tier 1 Leverage Ratio	(%)	6.21	6.51	6.52		6.66	6.54	6.73	6.64	6.73
Risk-based Capital Ratio	(%)	12.55	12.73	12.45		12.62	12.47	12.88	12.78	12.88
Thrifts by FDICIA Capital Categories:										
Well-Capitalized	(#)	113	112	104		100	105	93	95	93
Adequately Capitalized	(#)	22	13	10		2	3	3	2	3
Undercapitalized	(#)	2	2	0		0	0	0	0	0
Significantly Undercapitalized	(#)	3	1	0		0	0	0	0	0
Critically Undercapitalized	(#)	1	0	0		0	1	0	0	0
FAILED/PROBLEM THRIFTS:										
Failed Thrifts	(#)	2	1	1		0	0	0	0	0
Problem Thrifts	(#)	19	14	10		5	8	5	4	5
Problem Thrift Assets	(\$)	25.69	7.92	3.72		0.75	1.04	1.04	0.67	1.04
Problem Thrift Assets as a % of Total Assets	(%)	8.66	2.87	1.30		0.24	0.34	0.32	0.21	0.32
ASSET QUALITY MEASURES:										
Troubled Assets (2)	(\$)	5.12	4.55	3.81		3.13	3.60	2.72	3.06	2.72
% of Total Assets	(%)	1.72	1.65	1.34		1.01	1.17	0.84	0.97	0.84
Noncurrent Loans	(\$)	3.54	3.23	2.81		2.31	2.67	2.09	2.31	2.09
% of Total Assets	(%)	1.19	1.17	0.99		0.74	0.87	0.65	0.73	0.65
Noncurrent Loans as a % of Loan Type:										
1-4 Family Mortgages	(%)	1.49	1.68	1.42		1.12	1.30	0.99	1.10	0.99
Multifamily Loans	(%)	1.92	1.69	1.10		0.41	0.70	0.44	0.45	0.44
Commercial Loans	(%)	1.52	0.43	0.57		0.73	0.84	0.70	0.79	0.70
Consumer Loans	(%)	0.99	0.64	0.57		0.59	0.48	0.58	0.58	0.58
1-4 FAMILY MORTGAGE LOAN ACTIVITY:										
Originations	(\$)	60.80	39.64	45.50		57.35	25.89	47.87	21.06	26.81
Purchases	(\$)	10.68	7.54	14.94		22.62	10.05	16.24	5.06	11.19
Sales	(\$)	40.84	31.55	27.39		40.05	16.56	39.33	12.42	26.92
Loans Outstanding (3)	(\$)	152.60	139.15	155.92		171.06	166.96	172.70	174.47	172.70
Loans Outstanding / Total Assets	(%)	51.43	50.31	54.69		54.94	54.27	53.63	55.09	53.63

(1) Excludes the SAIF special assessment.

(2) Data after 1995 are net of specific valuation allowances.

(3) Does not include Mortgage Backed Securities.

Numbers may not sum due to rounding. With the exception of regulatory capital measures, all data prior to June 1996 are unconsolidated.

Office of Thrift Supervision / August 1998

THE OTS-REGULATED THRIFT INDUSTRY  
AGGREGATE FINANCIAL CONDITION AND INCOME DATA  
(Dollars in Billions)

WEST REGION

	JUNE 1997		MARCH 1998		JUNE 1998	
	(\$)	% OF TOTAL ASSETS	(\$)	% OF TOTAL ASSETS	(\$)	% OF TOTAL ASSETS
TOTAL ASSETS	307.67	100.00	316.72	100.00	322.04	100.00
1-4 Family Mortgages	166.96	54.27	174.47	55.09	172.70	53.63
Mortgage Pool Securities	45.78	14.88	46.79	14.77	45.28	14.06
Multifamily Mortgages	32.49	10.56	32.25	10.18	31.73	9.85
Nonresidential Mortgages	11.79	3.83	10.18	3.21	10.18	3.16
Construction Loans	1.52	0.49	1.60	0.50	1.69	0.52
Land Loans	0.52	0.17	0.56	0.18	0.59	0.18
Commercial Loans	2.75	0.89	3.19	1.01	3.24	1.01
Consumer Loans	7.88	2.56	8.64	2.73	9.12	2.83
Cash and Noninterest-Earning Deposits	3.34	1.09	4.06	1.28	3.96	1.23
Investment Securities	20.62	6.70	20.06	6.33	26.93	8.36
Mortgage Derivatives	9.06	2.94	10.98	3.47	18.88	5.86
Reposessed Assets, Net	0.93	0.30	0.75	0.24	0.63	0.20
Real Estate Held for Investment	0.16	0.05	0.20	0.06	0.19	0.06
Office Premises & Equipment	2.77	0.90	2.58	0.82	2.67	0.83
Other Assets	12.65	4.11	13.87	4.38	15.64	4.86
Less: Contra Assets & Valuation Allowances	2.48	0.81	2.48	0.78	2.51	0.78
TOTAL LIABILITIES AND CAPITAL	307.67	100.00	316.72	100.00	322.04	100.00
Total Deposits	191.60	62.27	189.96	59.98	188.17	58.43
Deposits < or = to \$100,000	157.92	51.33	153.68	48.52	151.74	47.12
Deposits > \$100,000	33.68	10.95	36.28	11.46	36.43	11.31
Escrows	2.88	0.94	4.25	1.34	4.19	1.30
Total Borrowings	86.74	28.19	93.06	29.38	99.35	30.85
Advances from FHLB	46.98	15.27	52.49	16.57	54.25	16.85
Reverse Repurchase Agreements	18.92	6.15	22.49	7.10	25.33	7.87
Other Borrowings	20.85	6.78	18.07	5.71	19.77	6.14
Other Liabilities	4.47	1.45	5.89	1.86	5.65	1.75
EQUITY CAPITAL	21.98	7.14	23.57	7.44	24.67	7.66

	JUNE 1997		MARCH 1998		JUNE 1998	
	(\$)	% OF AVERAGE ASSETS(*)	(\$)	% OF AVERAGE ASSETS(*)	(\$)	% OF AVERAGE ASSETS(*)
INCOME AND EXPENSE DATA						
Interest Income	5.37	7.07	5.49	7.00	5.64	7.07
Interest Expense	3.35	4.41	3.40	4.34	3.53	4.42
Net Interest Income	2.02	2.66	2.09	2.66	2.12	2.65
Loss Provisions-Interest Bearing Assets	0.21	0.27	0.09	0.11	0.12	0.15
Noninterest Income	0.57	0.75	0.65	0.83	0.81	1.01
Mortgage Loan Servicing Fees	0.08	0.11	0.08	0.11	0.09	0.11
Other Fees and Charges	0.32	0.42	0.31	0.39	0.36	0.45
Other Noninterest Income	0.17	0.22	0.26	0.33	0.36	0.45
Noninterest Expense	1.44	1.90	1.45	1.85	1.53	1.92
G&A Expense	1.36	1.79	1.39	1.77	1.47	1.84
Goodwill Expense	0.05	0.06	0.05	0.06	0.05	0.07
Loss Provis.-Nonint. Bearing Assets	0.04	0.05	0.01	0.02	0.01	0.02
Income Before Taxes & Extraord. Items	0.94	1.24	1.20	1.53	1.28	1.60
Income Taxes	0.35	0.46	0.44	0.56	0.22	0.28
Extraordinary Items	0.00	0.00	-0.01	-0.01	0.00	0.00
Net Income	0.59	0.78	0.76	0.96	1.05	1.32

\* Annualized.

Beginning in 1997, detailed asset categories are reported net of specific valuation allowances, loans in process, and unamortized yield adjustments. Numbers may not sum due to rounding.

With the exception of regulatory capital measures, all data prior to June 1996 are unconsolidated.

Office of Thrift Supervision / August 1998