



THE OTS-REGULATED THRIFT INDUSTRY FOURTH QUARTER 1998 HIGHLIGHTS

Office of Thrift Supervision/March 2, 1999

The OTS-regulated thrift industry's financial performance remained sound in the fourth quarter, ending a very solid, active 1998. Fourth quarter earnings were dampened by several large thrifts' restructuring charges, primarily merger related. Despite the fourth quarter dip, 1998 annual earnings reached a new record. Thrift industry capital remained substantially above "well-capitalized" levels. The industry's troubled assets fell to a new record low. Thrifts' fourth quarter mortgage originations, augmented by loan refinancings, reached new heights, pushing total 1998 mortgage originations to a new record. As in the first three quarters of 1998, mortgage sales were brisk in the fourth quarter. This robust "mortgage banking" activity contributed to thrifts' strong 1998 earnings and slightly altered the composition of earnings and assets.

1998 Earnings Eclipse 1997 Record

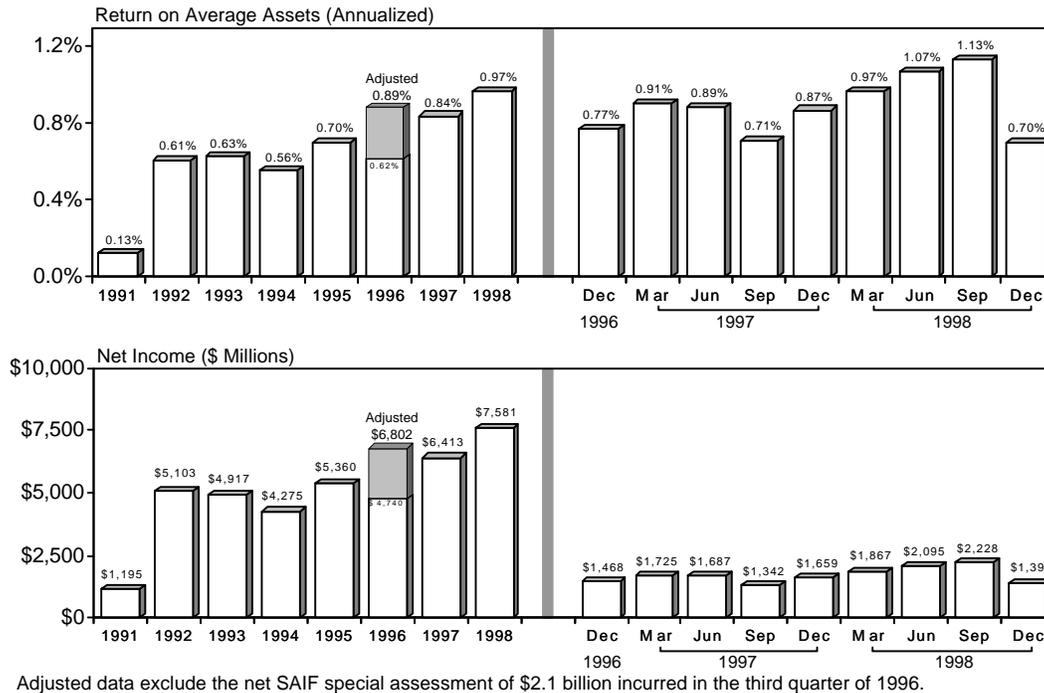
The thrift industry posted record earnings of \$7.6 billion in 1998, including \$1.4 billion in the fourth quarter, eclipsing the prior record of \$6.4 billion in 1997 by 19 percent.¹ Earnings in both 1998 and 1997 were significantly influenced by large one-time events. Absent those events, however, 1998 adjusted earnings were approximately \$7.4 billion -- still well above 1997 adjusted earnings of \$6.8 billion.

As shown in the chart on page two, return on average assets ("ROA") for 1998 was 97 basis points, 15 percent above the 84 basis points for 1997. Although not a record, 1998 ROA was the strongest since 1962 when ROA was 98 basis points. The record ROA was 120 basis points in 1946.² After adjusting for large one-time events, 1998 ROA was approximately 95 basis points.

Fourth quarter earnings were down from the record quarterly earnings of \$2.2 billion in the prior quarter and \$1.7 billion earned one year ago. One-time restructuring charges, primarily merger related charges, incurred by several large thrifts, depressed fourth quarter earnings by approximately \$500 million. In contrast, large one-time gains boosted third quarter earnings by approximately \$400 million.

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

² Prior to 1951, the thrift industry was exempt from federal income taxes.



ROA for the fourth quarter was 70 basis points, down from 113 basis points in the prior quarter and 87 basis points one year ago. Excluding the large one-time events, ROA was approximately equal in each quarter of 1998 – averaging 95 basis points and underscoring the strength of industry earnings.

Declines in fourth quarter ROA from the third quarter occurred in five of the eight years from 1991-98. This trend was attributable to seasonal factors, end of year budgetary decisions, and strategic operating adjustments for the upcoming year. Nonetheless, unprofitable thrifts rose to 10.8 percent of all thrifts in the fourth quarter from 8.1 percent in the third quarter and exceeded the comparable percentage in the previous two fourth quarters.

Net Interest Margin Remained Relatively Stable Despite Flat Yield Curve

The average Treasury yield spread between the one year and ten year interest rates 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 67 percent to an average of 76 basis points for the 12 quarters March 1995 through December 1997 and tightened further in 1998 to 11 basis points in the third quarter and 13 basis points in the fourth quarter. These were the lowest spreads since the fourth quarter of 1989 (8 basis points).

Despite these narrowing Treasury yield spreads, thrifts' ratio of net interest income to average assets, or net interest margin ("NIM"), has remained relatively stable. From 1991 through 1994, thrifts' NIM averaged 278 basis points, equal to the average for the period March 1995 through December 1998.

The relative stability of thrifts' NIM during this time frame was primarily due to increases in the proportion of interest-earning assets to interest-bearing liabilities, movement to higher yielding consumer and commercial lending, rollover of higher rate deposits and borrowings into similar liabilities with lower interest rates, and increases in lower interest-costing transaction accounts.

Some of the relative NIM stability also reflects the fact that the yield curve thrifts faced did not flatten as sharply as the Treasury yield spread. For example, the rate adjustments on single-family adjustable rate mortgages ("ARMs") also helped stabilize NIM. The flattening of the yield curve was primarily due to falling long-term rates. Short-term rates, on which ARM rates are based, have remained relatively level. Hence, the yield on ARMs has not dropped as rapidly as on fixed-rate mortgages, helping stabilize NIM.

At the end of 1998, the weighted average coupon ("WAC") on ARMs held by the industry was 7.20 percent – down less than 3 percent from 7.40 percent one year ago. In contrast, the WAC on fixed-rate single-family mortgages dropped more significantly (5 percent) to 7.37 percent at December 31, 1998, from 7.73 percent one year earlier. Despite relative stability of short-term interest rates since 1996, ARMs adjusted upwards to reflect their base rate plus margin. The average margin for thrifts' ARMs was approximately 250 basis points at the end of 1998.

Despite relative stability, thrifts' NIM declined 5 percent to 274 basis points in 1998 from 287 basis points in 1997 and will continue to be squeezed by the low, flat, and sometimes inverted, yield curve. Pressure can mount on both sides of the balance sheet.

On the asset side, any increased mortgage refinancing activity spurred by the current low and flat yield curve may tend to both reduce yields on thrifts' existing assets and compress spreads on new business. With a low and flat yield curve, homebuyers and refinancers have favored long-term fixed-rate mortgages. Thrifts generally sell most long-term fixed-rate mortgages in the secondary market. As long as the yield curve stays low and flat, future thrift mortgage portfolio growth may be concentrated in lower-yielding mortgage-backed securities and collateralized mortgage obligations ("CMOs"), further dampening thrifts' asset yields.

On the liability side, the continued decline in deposits will also pressure thrifts' NIM. As discussed later in more detail, the ratio of deposits-to-assets continued

to decline in the fourth quarter to a new low – 61 percent. While deposits represent a relatively low-cost source of funds, thrifts are adjusting the liability side of their balance sheet to respond to the decline in deposits.

Higher Non-Interest Income and Improved Asset Quality Strengthened Earnings

Higher non-interest income and lower provisions for losses accounted for much of the strength of 1998 thrift earnings. Provisions for losses as a percent of average assets declined 23 percent to 20 basis points in 1998, down from 26 basis points in 1997. The decline in provisions for loss was attributable to continued reduction in troubled assets. As discussed later, troubled assets fell to a record low in 1998. The table below compares the industry's relative income statements for 1998, 1997 and the 1992-95 average. (1996 was excluded due to the payment of the large special SAIF premium.)

| Components of ROA | Average 1992 - 1995 | 1997 | 1998 | Change '92-'95 to 1998 | Change 1997 to 1998 |
|--|------------------------|--------------|--------------|------------------------------|---------------------------|
| ROA | 0.63% | 0.84% | 0.97% | 0.34% | 0.13% |
| Net Interest Margin | 2.87% | 2.87% | 2.74% | -0.13% | -0.13% |
| Interest Income | 7.00% | 7.28% | 7.00% | 0.00% | -0.28% |
| Interest Expense | 4.14% | 4.41% | 4.26% | 0.12% | -0.15% |
| Provisions for Losses | 0.36% | 0.26% | 0.20% | -0.16% | -0.06% |
| Fee Income | 0.34% | 0.57% | 0.57% | 0.23% | 0.00% |
| Mortgage Loan Servicing Fees | 0.08% | 0.11% | 0.06% | -0.02% | -0.05% |
| Other Fees and Charges | 0.26% | 0.46% | 0.51% | 0.25% | 0.05% |
| Other Non-Interest Income ¹ | 0.43% | 0.35% | 0.68% | 0.25% | 0.33% |
| Sale of Assets Held for Sale | 0.12% | 0.13% | 0.28% | 0.16% | 0.15% |
| Non-Interest Expense | 2.27% | 2.21% | 2.32% | 0.05% | 0.11% |

Data are annualized and numbers may not sum due to rounding.

¹ Other Non-Interest Income primarily includes sale of assets held for sale and held for investment, dividends on FHLB stock, and income from leasing office space.

“Other” non-interest income rose to 68 basis points in 1998 from 35 basis points in 1997. Much of this increase reflected several large thrifts’ significant gains-on-sale from restructuring in the third quarter of 1998 with the sale of branches and portfolios of loans generating most of the gains. Total restructuring gains-on-sale were approximately \$885 million (0.11 percent of average assets) in 1998, and represented one-third of the rise in other non-interest income.

Another 45 percent of the increase came from the sale of "assets held for sale." Such gains increased to 28 basis points in 1998 from 13 basis points in 1997, reflecting strong mortgage banking activity.

The industry's non-servicing fee income, which has generally risen over the past five years, was 51 basis points in 1998, up from 46 basis points in 1997, and substantially above the 26 basis points for the 1992-95 average. An increase in fee-generating activities, primarily demand deposits and mutual fund and annuity sales, helped generate higher fee income. Demand deposits rose 17 percent to \$60.4 billion at the end of 1998 from \$51.5 billion one year ago. Sales of mutual funds and annuities increased 16 percent to \$12.1 billion in 1998 from \$10.4 billion in 1997.

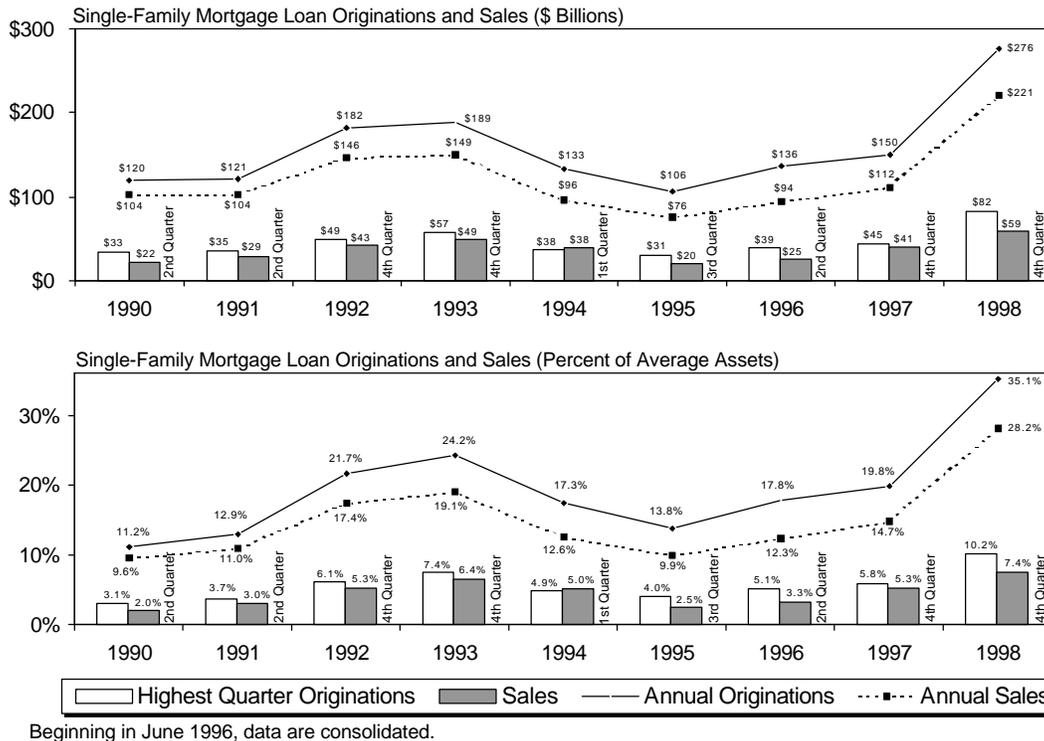
Servicing fees fell to 6 basis points in 1998 from 11 basis points in 1997 and 8 basis points for the 1992-95 average. Servicing fees dropped despite a rise in the industry's loans serviced for others. Thrifts' aggregate loan servicing portfolio rose to \$525 billion in 1998 from \$448 billion in 1997. The drop in fees in the face of the increased servicing portfolio was due to the rise in refinancings, and the resultant loan prepayments. Rising prepayments caused many mortgage market participants to reassess their expected mortgage prepayment assumptions and to revalue their servicing.

The industry's overhead expense-to-average assets ratio increased to 2.32 percent in 1998 from 2.21 percent in the prior year and 2.27 percent for the 1992-95 average. The rise in the overhead expense ratio was primarily due to charges related to mergers and acquisitions and expenses related to strong mortgage banking activity. Supervisory attention will focus on how well the industry matches reduction in overhead expenses to moderation in mortgage banking activity, and the successful integration of acquired entities.

Refinancing Activity Continued to Boost Mortgage Originations

Relatively low mortgage interest rates, combined with a healthy economy, low unemployment, and record housing sales, boosted thrift mortgage originations to record levels in the fourth quarter and in all of 1998. Fourth quarter single-family mortgage originations were \$81.5 billion, surpassing the prior record of \$67.7 billion posted in the second quarter. Single-family originations for 1998 were a record \$276 billion, 46 percent above the previous high of \$189 billion in 1993.³ The chart on page six presents thrifts' single-family mortgage originations and sales from 1990 through 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.

³ Prior to June 1996, detailed single-family mortgage origination data were on an unconsolidated (thrift only) basis.



Total mortgage originations, including multi-family and non-residential mortgages, were \$93.6 billion in the fourth quarter, besting the previous high of \$78.7 billion in the third quarter.⁴ The total mortgage originations of \$318.4 billion in 1998 topped the prior annual record of \$265.5 billion in 1986 by 20 percent. The 1998 figure was even more significant considering that 3,247 thrifts were operating in 1986, nearly three times the 1,145 in 1998, and aggregate industry assets were 48 percent higher in 1986 (\$1.2 trillion) than in 1998 (\$815 billion).

Total mortgage originations include refinanced mortgages. Continued low long-term mortgage rates spurred a refinancing boom in 1998. The thrift industry fully participated in this increased activity as refinancings almost doubled in 1998 to 19 percent of originations from 11 percent in 1997.⁵

⁴ Total mortgage origination data are on a consolidated basis.

⁵ Reported thrift refinancing data are for loans refinanced by the original loan holder. The Mortgage Bankers Association of America ("MBA") estimates refinancings from all sources. Under the MBA definition, the refinancing share of total single-family mortgage originations was 59 percent (estimated) in the fourth quarter, up from 44 percent (actual) in the previous quarter. Refinancings averaged 50 percent of originations in 1998, up from 31 percent in 1997.

Long-term interest rates were low throughout 1998 and reached record lows in the fourth quarter. Reflecting low long-term interest rates and the flat yield curve, borrower preference leaned heavily to long-term, fixed-rate mortgages. Single-family ARMs comprised just 10 percent of all mortgages originated in the fourth quarter, the smallest percentage of ARMs originated in any quarterly period between the first quarter of 1985 and the fourth quarter of 1998.⁶ For 1998, ARMs represented 12 percent of all originations, down from 22 percent in 1997 and 27 percent in 1996. The average percentage of ARM share of mortgage originations from 1985-97 was 33 percent. The peak ARM share of originations was 64 percent in the fourth quarter of 1987.

Thrifts' sales of single-family mortgages were also very strong during 1998. The percent of single-family mortgage originations sold in 1998 was 80 percent compared to 75 percent in 1997 and 61 percent in 1996. This increase reflected the increasing emphasis by thrifts on mortgage banking activities during this current refinancing boom.

Assets-held-for-sale remained high in the fourth quarter at \$31.2 billion (3.8 percent of assets), up from \$27.5 billion (3.5 percent) in the third quarter. One year ago, assets-held-for-sale were \$17.4 billion (2.2 percent) and the average for 1997 was \$14.7 billion (1.9 percent). The sharp rise in 1998 reflected 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

Borrower preference for long-term fixed-rate mortgages during 1998 also altered the composition of thrift mortgage portfolios. The percentage of assets held in 30-year single-family fixed-rate mortgages and securities increased in the fourth quarter to 14.3 percent from 13.4 percent in the third quarter and from 11.0 percent at the end of 1997.⁷ Some portion of this shift may be temporary, however, reflecting the temporary holding of such loans until their eventual sale in the secondary market. Other types of fixed-rate mortgages held by thrifts were up slightly in the fourth quarter from the third quarter -- 15-year mortgages rose to 8.0 percent from 7.6 percent of assets, balloon mortgages increased to 3.6 percent from 3.4 percent.

ARMs remained by far the most significant mortgage product held by thrifts, but declined in 1998 due to the popularity of fixed-rate mortgages in this interest rate environment. ARMs comprised 31.7 percent of assets in the fourth quarter, 34.2 percent in the prior quarter, and 39.8 percent at the end of 1997. ARMs that adjust with "lagging market indexes" ("LMI ARMs") declined at a slightly lower rate than ARMs adjusting with "current market indexes" ("CMI ARMs").

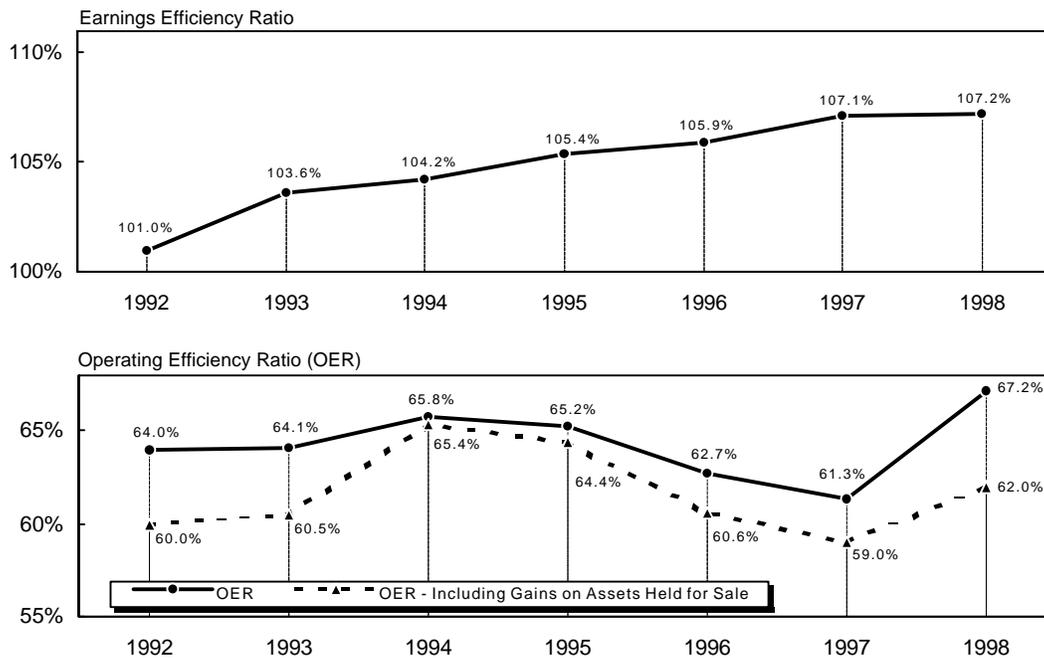
⁶ Data from the Federal Housing Finance Board's Mortgage Interest Rate Survey.

⁷ Data are for thrifts filing Schedule CMR.

From December 1997 to December 1998, LMI ARMs declined 19 percent, from 20.3 percent of assets to 16.5 percent, respectively. CMI ARMs fell 22 percent, from 19.6 percent of assets to 15.2 percent over the same period.

Record Origination Volume and One-Time Events Hamper Efficiency Measures

The chart below presents thrifts' earnings efficiency and operating efficiency ratios 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.



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.

The earnings efficiency ratio declined to 107.2 percent in the fourth quarter from 108.1 percent in the prior quarter. The decline was attributable to a rise in cash and non-interest deposits and, as discussed later, a decline in capital. However, the 1998 ratio represents a slight improvement from 107.1 percent at the end of 1997. As shown in the chart, the earnings efficiency ratio has generally risen for the past six years. Higher capital, fewer problem assets, and

lower levels of cash and non-interest earning assets improved the earnings efficiency ratio during this longer time frame.

The operating efficiency ratio also deteriorated in 1998 to 67.2 percent from 61.3 percent in 1997 as the strong mortgage banking activity and significant restructuring and merger related charges changed the composition of earnings and increased overhead expense. The successful integration of acquired entities and cost management strategies to changing lending patterns are trends OTS will continue to monitor closely.

Capital Levels Decline from Record but Remain Strong

The industry's ratio of equity capital-to-assets fell to 8.23 percent in the fourth quarter from the record high of 8.58 percent in the third quarter. Excluding the 1996 third quarter decline caused by the special SAIF premium, this was the first decline in the industry's capital ratio since the second quarter of 1996. The industry's capital remains strong nonetheless. The fourth quarter capital ratio of 8.23 percent would rank as the fifth highest ever recorded, exceeded only by the four quarters from December 1997 through September 1998. The capital ratio was 8.32 percent one year ago and 7.92 percent at the end of 1996.

The decline in the fourth quarter capital ratio reflected both a rise in assets and an increase in the ratio of dividends-to-net income. The industry's equity capital declined to \$67.3 billion in the fourth quarter from \$68.3 billion in the third quarter due to a rise in the dividend rate to 109 percent of net income. Since fourth quarter industry earnings were depressed by large one-time charges, the ratio of dividends-to-net income was much higher than the average rate of 65 percent for the years 1995 through 1997, excluding the third quarter of 1996 when the SAIF special premium was incurred.

The increase in assets (the denominator of the capital-to-assets ratio) also depressed the capital ratio. As discussed in more detail later, assets rose 2.8 percent in the fourth quarter to \$817.2 billion from \$795.2 billion in the prior quarter. Some of this growth was attributable to a rise in "assets-held-for-sale," and hence, temporary in nature.

The risk-based capital ratio fell in the fourth quarter to 14.38 percent from 14.72 percent in the prior quarter and 14.50 percent one year ago. The decline in risk-based capital reflected the decrease in equity capital. The industry's risk-based capital ratio remains considerably higher than the 10 percent level needed for "well-capitalized" status.

The industry's tier 1 leverage capital ratio also declined in the fourth quarter to 7.44 percent of adjusted tangible assets from 7.71 percent in the prior quarter and 7.58 percent one year ago.

The percentage of thrifts that met or exceeded well-capitalized standards was 98 percent in the fourth quarter, the same as in the third quarter and slightly above 97 percent one year ago. At year-end, two thrifts were undercapitalized compared to none in the previous quarter and one at the end of 1997.

The Number and Assets of Problem Thrifts Remain at Low Levels

Problem thrifts, those with CAMELS ratings of "4" or "5" on their most recent safety and soundness examination, declined in the fourth quarter to 15 (1.3 percent of all thrifts) from 18 (1.5 percent) in the third quarter and one year ago. The number of problem thrifts reached a post-FIRREA low of 14 (1.2 percent) in the first quarter of 1998.

Aggregate assets of problem thrifts rose to \$5.9 billion (0.7 percent of industry assets) in the fourth quarter from \$2.9 billion (0.4 percent) in the prior quarter. One year ago, problem thrifts' combined assets were \$1.6 billion (0.2 percent). The rise in problem thrifts' assets reflects a change in composition of thrifts rated "4" or "5", not asset growth.

Five thrifts, with combined assets of \$800 million, received ratings upgrades, and one \$56 million thrift merged with another institution in the fourth quarter. But three thrifts were downgraded in their examination ratings.

Troubled Assets Declined Slightly in the Fourth Quarter

Troubled assets fell in the fourth quarter to \$6.3 billion, or 0.77 percent of assets, from to \$6.4 billion (0.80 percent) in the third quarter.⁸ This was the lowest level since 1990, when this measure of asset quality was first used in the thrift industry. The previous low was reached in the third quarter. One year ago the industry's troubled assets measured \$7.7 billion, or 0.99 percent of total assets.

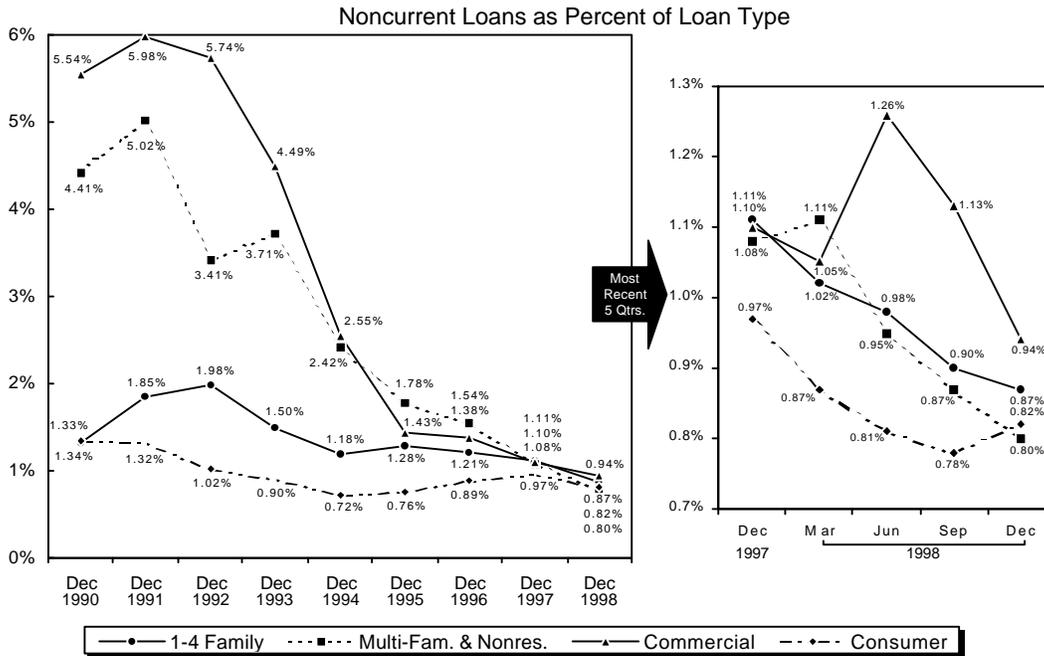
Declines in both noncurrent loans and repossessed assets caused the fourth quarter reduction in troubled assets. Noncurrent loans fell to \$4.80 billion (0.59 percent of assets) from \$4.88 billion (0.61 percent) in the prior quarter. Thrifts' repossessed assets, net of specific valuation allowances, fell to \$1.47 billion (0.18 percent of assets), from \$1.51 billion (0.19 percent) over the same period.

Most Noncurrent Loan Rates Declined – Consumer Loans Excepted

The chart on the top of page eleven presents thrifts' noncurrent loan rates from December 1990 through December 1998 for four major industry loan types:

⁸ Troubled assets include noncurrent loans and repossessed assets.

single-family mortgages, consumer loans, commercial loans, and multi-family and non-residential mortgage loans. Noncurrent loan rates dropped in the fourth quarter for all these major loan types, except for consumer loans.



The noncurrent rate on thrifts' primary assets – single-family mortgages – fell to 0.87 percent of all single-family loans at the end of the fourth quarter from 0.90 percent in the prior quarter and 1.11 percent one year ago. The single-family mortgage noncurrent rate has generally fallen for the past three years. Likewise, there has been a long-term, general decline in the noncurrent rate of multi-family and non-residential mortgages and it dropped to 0.79 percent in the fourth quarter from 0.87 percent in the third quarter and 1.08 percent one year ago. The fourth quarter noncurrent rates for mortgage loans (single-family, multi-family and non-residential) were at the lowest levels since the use of this asset quality indicator began in 1990.

In contrast to the general decline in noncurrent mortgage loan rates, noncurrent consumer loans rose from 1994 through 1997. After falling in the first three quarters of 1998 to 0.78 percent from 0.97 percent at year-end 1997, noncurrent consumer loans rose in the fourth quarter to 0.82 percent of all consumer loans.

Notwithstanding some fluctuation in 1998, commercial loan noncurrent rates have generally trended downward since 1991. Noncurrent commercial loans fell

to 0.94 percent of all commercial loans in the fourth quarter from 1.13 percent in the third quarter and from 1.10 percent one year ago.

Continued improvements in thrifts' noncurrent loan rates have been significant and encouraging. However, some of the drop in noncurrent loan ratios may be partially attributable to sales of loan portfolios, rollover of consumer debt into refinanced single-family mortgages, and increases in new, "un-aged" loans that have not experienced delinquency problems. Further, refinanced loans may mask some borrowers' debt management problems. Hence, vigorous loan performance monitoring should continue and will be key to helping maintain good asset quality.

Reduced Charge-Offs Reflect Improved Asset Quality; Allowances Decline Slightly

Net charge-offs steadily declined from 0.61 percent in 1993 to 0.25 percent in 1997. Charge-offs fell further to 0.20 percent in 1998. The fall in net charge-offs was attributable to lower levels of delinquent loans and troubled assets.

Valuation allowances fell slightly in the fourth quarter to 0.73 percent of assets from 0.76 in the prior quarter and 0.78 on year ago. The decline in fourth quarter allowances was attributable to an increase in cash and non-interest deposits and a rise in mortgage derivative securities. 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.

Increased Supervisory Attention on Higher-Risk Lending

OTS instituted a quarterly "Lending Standards Survey" in 1997 to help monitor trends in loan underwriting standards. OTS examiners prepare the results of the survey upon completion of on-site safety and soundness examinations. The most recent survey results, for institutions examined in the third quarter of 1998, covered 193 institutions with combined assets of \$167 billion. Because these survey results necessarily lag current thrift activities, the OTS also holds regular meetings with senior regional supervisory staff to monitor more current changes in thrift lending patterns, including any shifts in underwriting standards.

The survey results over the last year (from third quarter 1997 through third quarter 1998) confirm the finding that the gain in net income from lower loss provisions does, in fact, reflect continued improvement in overall asset quality. Of the 786 thrifts examined during that twelve month period, 69 percent (539 thrifts) appear to be almost entirely "low risk" lenders, with a heavy focus on single-family mortgage lending. However, of the 31 percent (247 thrifts) that were engaging in non-traditional higher-risk lending, 11 percent (28 thrifts) were

found to be inadequately managing the higher lending risks. This group of thrifts, albeit small, is very troubling from a supervisory perspective. A key reason for that concern is that the strength of the current economic expansion can mask underlying weaknesses in these higher-risk lending activities.

In addition, these survey results significantly lag current market developments. The substantial increases in construction lending and commercial small business lending by thrifts in 1998, described later, can raise supervisory concerns if adequate risk management procedures are not being followed.

Recent discussions with OTS regional supervisory staff focused upon three areas of emerging concern:

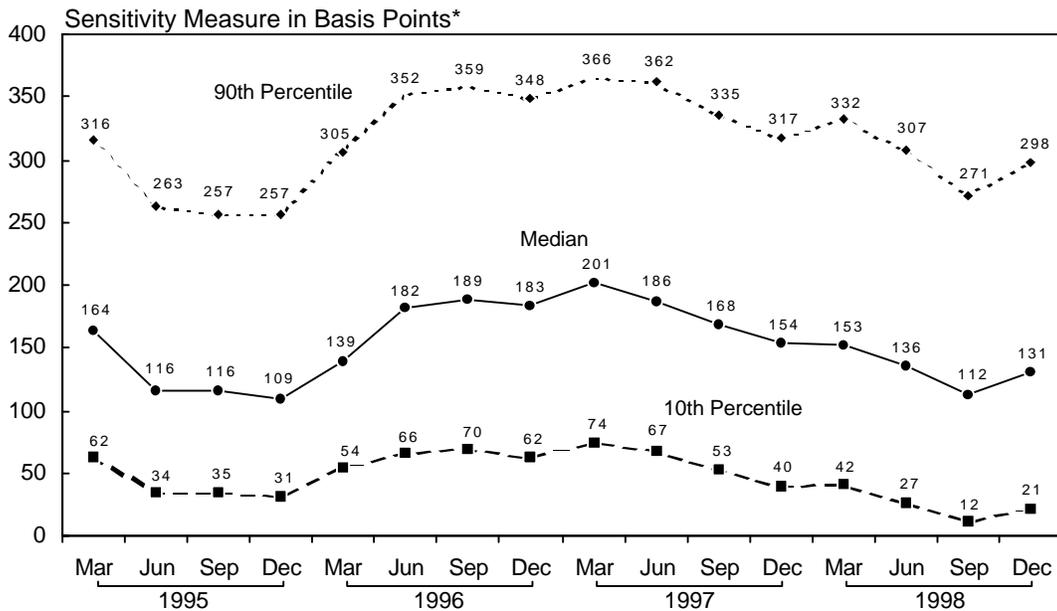
1. increases in both subprime and high loan-to-value ("LTV") lending;
2. deterioration in underwriting standards applied to all loans; and
3. construction lending done on a speculative basis.

Given the length of the current economic expansion, these types of higher-risk lending raise supervisory concerns, since they may be particularly vulnerable to any economic stress. OTS published Thrift Bulletin 72 on high LTV lending on August 27, 1998, and is working with the other federal bank regulators to publish new guidance on subprime lending. Thrifts engaging in higher-risk lending must have adequate managerial expertise, underwriting procedures, loan pricing and monitoring, charge-off policies, and reserve and capital levels. The risk assessment process for higher-risk lending should incorporate operating, compliance, and legal risks. In addition, planning for potential downturns in the economy is especially crucial for higher-risk loan analyses. All policies, procedures and internal controls for higher-risk lending must be approved by thrifts' boards of directors. Thrifts engaging in higher-risk lending will continue to receive heightened supervisory attention and those found to be inadequately managing such lending will be considered engaging in unsafe and unsound practices.

Thrifts' IRR Sensitivity Increased in Fourth Quarter; Post-Shock NPV Remained Strong

The chart on the next page tracks the industry's interest rate risk sensitivity measures from March 1995 through December 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, or 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 test the sensitivity of the thrift to interest rate changes. The resulting change in NPV – the "post-shock NPV" – indicates thrifts' ability to absorb or withstand future interest rate changes.

Based on preliminary data, the industry's median fourth quarter sensitivity to interest rate risk increased to 131 basis points from 112 basis points in the prior quarter. It was the first upswing since the first quarter of 1997 and was largely due to the increase in 30-year fixed rate mortgages held by thrifts coupled with the decline in ARMs. Although the median sensitivity measure remained at a low level despite the increase, continued increases will subject thrifts' net interest margin to greater risk from rising rates. For comparison, the median sensitivity measure was 154 basis points one year ago and 183 basis points at the end of 1996.

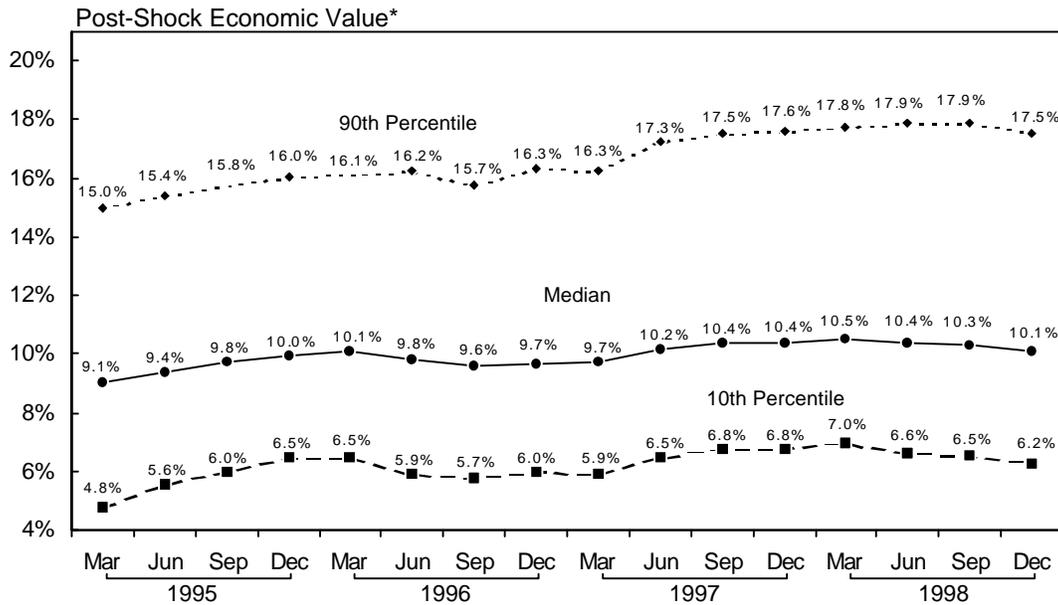


* Preliminary fourth quarter data.

The increase in the fourth quarter extended to thrifts most sensitive to interest rate risk (those in the 90th percentile) and thrifts with the least sensitivity (those in the 10th percentile). The fourth quarter sensitivity measure for thrifts in the 90th percentile was 298 basis points, a rise from 271 basis points in the prior quarter. The fourth quarter sensitivity measure for thrifts in the 10th percentile was 21 basis points, an increase from 12 basis points in the third quarter. As with the median measure, the fourth quarter sensitivity measures for thrifts in the 90th and the 10th percentiles were lower than those in the past two years.

The median fourth quarter post-shock economic value for the industry remained strong at 10.1 percent in the fourth quarter, although it fell slightly from 10.3 percent in the third quarter as shown in the chart on page fifteen. The decline resulted primarily from the slight decline in capital and the rise in sensitivity measures. Fourth quarter post-shock economic value also dropped for those thrifts with the highest values (90th percentile) and those with the lowest

(10th percentile) values. The fourth quarter post-shock economic value declined slightly to 17.5 percent from 17.9 percent in the prior quarter for thrifts in the 90th percentile. For thrifts in the 10th percentile, post-shock economic value fell to 6.2 percent in the fourth quarter from 6.5 percent in the third quarter.



Consolidation Continued to Reduce the Number of Thrifts

The number of thrift institutions regulated by OTS declined to 1,145 in the fourth quarter from 1,170 in the third quarter and 1,215 one year ago. The rate of decline slowed in 1998 as fewer institutions exited OTS supervision and more new thrifts were chartered. The net reduction of 70 was the slowest since 1986 when 27 thrifts left the industry.

A total of 109 thrifts left OTS jurisdiction during 1998, mainly as a result of mergers and acquisitions. This has been the pattern over the past four years, but the number leaving in 1998 was substantially below the average of 135 over the past four years. Eighty-seven thrifts, or 80 percent of the departures, were merged with, or acquired by another thrift or bank. Merger and acquisition activity has remained brisk each year since 1993.

Conversions of OTS thrifts to bank or non-OTS charters slowed considerably in 1998 to just 18 institutions, compared to 49 in 1997 and an average of 44 for the 1994-97 period.

Partially offsetting thrift exits was the rise in new thrifts chartered, particularly start-up, or de novo, thrifts. In 1998, 39 thrifts entered the OTS-regulated industry. Of these, 25 (64 percent) were de novo thrifts – the remaining 14 (36 percent) were existing banks or non-OTS regulated thrifts that converted to a federal thrift charter.

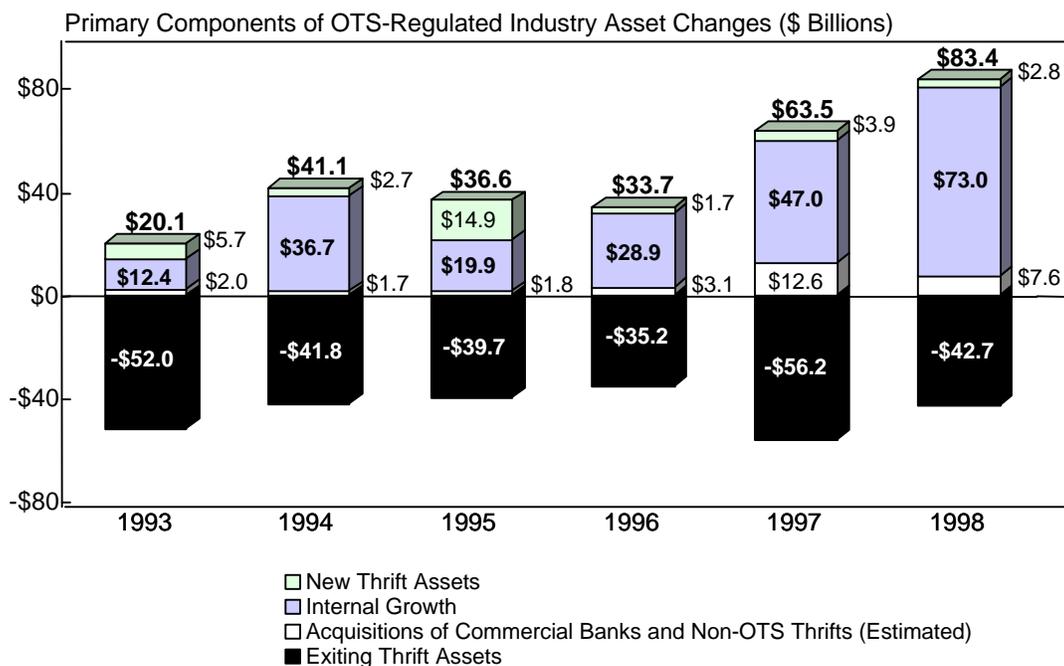
OTS-regulated thrift industry assets increased sharply to \$817 billion in the fourth quarter from \$795 billion in the third quarter and \$777 billion one year ago. Assets were the highest since 1991 when they totaled \$895 billion and last exceeded \$800 billion in 1992 (\$807 billion). Although the number of thrifts continued to fall in 1998, aggregate thrift industry assets grew due to the following factors:

- a large portion (44 percent) of mergers and acquisitions were mergers among OTS-regulated thrifts;
- de novo activity resulted in 39 new federal thrift charters in 1998;
- exiting assets declined dramatically because of a decline in both the number and asset size of thrift inter-industry exits; and
- strong asset growth in thrifts remaining under OTS regulation.

One-Time Events Buttressed Strong Asset Growth

Asset growth of remaining thrifts exceeded the asset losses from exiting thrifts in 1998. The chart on the next page presents the primary components of changes in industry assets from 1993 through 1998. As shown, internal asset growth was quite strong in 1998, rising to \$73.0 billion from \$47.0 billion in 1997. However, 1998 asset growth was strongly affected by one-time events and some portion may be temporary.

Assets-held-for-sale remained high throughout 1998, reflecting strong mortgage origination and mortgage banking activity. At the end of 1998, assets-held-for-sale were \$31.2 billion, or 3.8 percent of assets, up from \$27.5 billion (3.5 percent) in the third quarter and significantly above the 1997 average of \$14.7 billion (1.9 percent). The rise in assets-held-for-sale accounted for about 20 percent of the 1998 internal asset growth. Aggregate thrift industry asset growth may slow or decline in upcoming quarters if assets-held-for-sale are not replaced after their eventual sale.



Acquisitions of non-OTS institutions also boosted asset growth, adding \$7.6 billion to the industry total in 1998. Post-acquisition restructuring may also cause internal asset growth to slow or decline. As previously noted, thrift-to-thrift mergers represented a large portion of recent thrift departures and future sales or closures of branches, divisions, or other assets would also slow internal thrift industry asset growth.

Assets of new thrifts added \$2.8 billion to industry assets in 1998, of which 71 percent was generated by one thrift that converted from a bank to a thrift.

Portion of Assets Held in Single-Family Mortgages Declined

Industry holdings of direct single-family mortgage loans as a percent of total industry assets declined in each of the last three quarters of 1998 after generally rising since 1987. Single-family mortgages declined to 49.1 percent of assets at end of 1998 from 50.3 percent one year earlier. As previously discussed, the decline in mortgage loans was concentrated in ARMs. Despite the decline, direct single-family mortgages remain by far the most significant asset held by thrifts.

Mortgage pool securities ("MPS") were thrifts' second most significant asset, representing 11.4 percent of assets at December 1998. MPS have generally declined as a share of assets over the past four years as thrifts increased direct

Increases in mortgage derivative securities offset the declines in single-family mortgages and MPS during the third quarter. Mortgage derivative securities rose to 7.0 percent of total assets in the third quarter from 6.0 percent in the prior quarter and 4.7 percent one year ago. The rise in mortgage derivatives was primarily concentrated in several large thrifts. These thrifts added short-term, low-risk CMOs to their portfolios to compensate for the sharp decline in ARM originations. Most of the CMOs recently acquired by thrifts appear to be ARM substitutes. Floating-rate CMOs represented 35 percent of all CMOs held by thrifts at September 30, 1998; fixed-rate CMOs maturing in less than five years represented another 55 percent.

Construction loans were the second fastest growing thrift loan type in the third quarter, increasing at an annualized rate of 37.1 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 1.7 percent in the third quarter, up from 1.5 percent in the second quarter and one year ago.

Commercial/small business loans and consumer loans have generally increased as a percent of assets since 1993. Consumer loans dipped slightly to 5.83 percent of assets in the third quarter from 5.84 percent in the second quarter. Periodic fluctuations occur in thrifts' consumer loan portfolios due to loans sales and paydowns. However, the general trend has been upward for these loans. One year ago, consumer loans were 5.7 percent of assets; two years ago 5.2 percent.

Commercial/small business loans rose to 1.8 percent of assets in the third quarter from 1.6 percent in the prior quarter and from 1.4 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 36.0 percent from December 1993 to September 1998.)

Deposits continued to decline as a funding source in the third quarter. The third quarter deposits-to-assets ratio fell to 62.6 percent from 64.1 percent in the prior quarter and 65.8 percent one year ago. The decline in deposits has been concentrated in deposits under \$100,000. Such deposits dropped to 51.2 percent of assets in the third quarter from 53.1 percent in the previous quarter and 55.7 percent one year ago. Deposits over \$100,000 rose to 11.4 percent from 11.0 percent in the second quarter and 10.1 percent one year ago. Higher rates of return available to consumers on alternative investments accounted for much of the continued decline in deposits.

Despite the overall decline in deposits, demand deposits (non-interest and interest paying) held by the industry have generally increased as a percent of assets during the past several years. Thrifts' demand deposits increased to 7.2

percent in the third quarter from 6.5 percent one year ago. Increases in these low cost funds also contributed to the decline in the industry's interest expense. Third quarter demand deposits declined slightly from the second quarter (7.4 percent) due primarily to branch sales.

Borrowings have generally replaced deposits as a funding source for assets. The use of borrowings, primarily advances from the Federal Home Loan Banks, allowed thrifts to manage their liabilities and take advantage of low long-term interest rates. Borrowings as a percent of assets rose to 25.6 percent in the third quarter from 24.4 percent in the prior quarter and 23.6 percent one year ago. More importantly, thrifts extended the weighted average remaining maturity of total borrowings to 21.3 months in the third quarter from 12.3 months one year ago. This extension of borrowing maturities contributed to the improvements in thrifts' sensitivity to interest rate risk.

Despite extending maturities, the overall weighted average cost of thrifts' fixed-rate borrowings fell to 5.67 percent at the end of the third quarter from 5.90 percent one year ago. This decline reflects the low long-term rates of interest during the third quarter.

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

| | | 3-MONTHS ENDED | | | | | | | |
|--|------|----------------|--------|--------|------------------|--------|--------|--------------|--------------|
| | | 1994 | 1995 | 1996 | ADJ. 1996 (1) | 1997 | 1998 | SEP. 1998 | DEC. 1998 |
| | | ---- | ---- | ---- | ---- | ---- | ---- | ---- | |
| SUMMARY DATA: | | | | | | | | | |
| Number of Thrifts | (#) | 1,543 | 1,437 | 1,334 | | 1,215 | 1,145 | 1,170 | 1,145 |
| Total Assets | (\$) | 774.07 | 770.98 | 769.37 | | 776.58 | 817.21 | 795.20 | 817.21 |
| Net Income | (\$) | 4.28 | 5.36 | 4.74 | 6.80 | 6.41 | 7.58 | 2.23 | 1.39 |
| Profits | (\$) | 5.96 | 6.04 | 5.91 | | 6.99 | 8.06 | 2.38 | 1.53 |
| Losses | (\$) | -1.68 | -0.68 | -1.18 | | -0.57 | -0.48 | -0.16 | -0.14 |
| PROFITABILITY MEASURES: | | | | | | | | | |
| Return on Average Assets | (%) | 0.56 | 0.70 | 0.62 | 0.89 | 0.84 | 0.97 | 1.13 | 0.70 |
| Median Ratio | (%) | 0.84 | 0.74 | 0.47 | 0.77 | 0.83 | 0.78 | 0.79 | 0.70 |
| Return on Average Equity | (%) | 7.36 | 9.00 | 7.77 | 11.15 | 10.44 | 11.44 | 13.24 | 8.28 |
| Median Ratio | (%) | 9.30 | 7.75 | 4.51 | 7.73 | 8.33 | 7.32 | 7.28 | 6.45 |
| Net Interest Income | (\$) | 22.21 | 20.53 | 21.79 | | 21.82 | 21.50 | 5.29 | 5.42 |
| % of Average Assets | (%) | 2.90 | 2.66 | 2.85 | | 2.87 | 2.74 | 2.69 | 2.71 |
| Total Fee Income | (\$) | 2.68 | 2.87 | 3.65 | | 4.38 | 4.54 | 0.98 | 1.24 |
| % of Average Assets | (%) | 0.36 | 0.39 | 0.51 | | 0.62 | 0.62 | 0.50 | 0.62 |
| G&A Expense | (\$) | 16.37 | 15.26 | 19.14 | 15.97 | 16.06 | 17.49 | 4.25 | 4.88 |
| % of Average Assets | (%) | 2.14 | 1.98 | 2.50 | 2.09 | 2.11 | 2.23 | 2.16 | 2.44 |
| CAPITAL MEASURES: | | | | | | | | | |
| Equity Capital Ratio | (%) | 7.48 | 8.01 | 7.92 | | 8.32 | 8.23 | 8.58 | 8.23 |
| Tier 1 Leverage Ratio | (%) | 7.12 | 7.47 | 7.38 | | 7.58 | 7.44 | 7.71 | 7.44 |
| Risk-based Capital Ratio | (%) | 14.79 | 15.15 | 14.53 | | 14.50 | 14.38 | 14.72 | 14.38 |
| Thrifts by FDICIA Capital Categories: | | | | | | | | | |
| Well-Capitalized | (#) | 1,439 | 1,392 | 1,290 | | 1,183 | 1,115 | 1,142 | 1,115 |
| Adequately Capitalized | (#) | 95 | 38 | 43 | | 31 | 26 | 28 | 26 |
| Undercapitalized | (#) | 5 | 4 | 0 | | 1 | 1 | 0 | 1 |
| Significantly Undercapitalized | (#) | 3 | 1 | 1 | | 0 | 1 | 0 | 1 |
| Critically Undercapitalized | (#) | 1 | 0 | 0 | | 0 | 0 | 0 | 0 |
| FAILED/PROBLEM THRIFTS: | | | | | | | | | |
| Failed Thrifts | (#) | 2 | 2 | 1 | | 0 | 0 | 0 | 0 |
| Problem Thrifts | (#) | 53 | 41 | 29 | | 18 | 15 | 18 | 15 |
| Problem Thrift Assets | (\$) | 30.32 | 10.76 | 5.43 | | 1.58 | 5.92 | 2.88 | 5.92 |
| Problem Thrift Assets as a % of Total Assets | (%) | 3.92 | 1.40 | 0.71 | | 0.20 | 0.72 | 0.36 | 0.72 |
| ASSET QUALITY MEASURES: | | | | | | | | | |
| Troubled Assets (2) | (\$) | 10.86 | 9.54 | 8.71 | | 7.72 | 6.27 | 6.39 | 6.27 |
| % of Total Assets | (%) | 1.40 | 1.24 | 1.13 | | 0.99 | 0.77 | 0.80 | 0.77 |
| Noncurrent Loans | (\$) | 7.05 | 6.76 | 6.57 | | 5.92 | 4.80 | 4.88 | 4.80 |
| % of Total Assets | (%) | 0.91 | 0.88 | 0.85 | | 0.76 | 0.59 | 0.61 | 0.59 |
| Noncurrent Loans as a % of Loan Type: | | | | | | | | | |
| 1-4 Family Mortgages | (%) | 1.18 | 1.28 | 1.21 | | 1.11 | 0.87 | 0.90 | 0.87 |
| Multifamily Loans | (%) | 2.17 | 1.62 | 1.45 | | 0.74 | 0.49 | 0.56 | 0.49 |
| Commercial Loans | (%) | 2.55 | 1.43 | 1.38 | | 1.10 | 0.94 | 1.13 | 0.94 |
| Consumer Loans | (%) | 0.72 | 0.76 | 0.89 | | 0.97 | 0.82 | 0.78 | 0.82 |
| 1-4 FAMILY MORTGAGE LOAN ACTIVITY: | | | | | | | | | |
| Originations | (\$) | 132.63 | 106.32 | 136.08 | | 150.16 | 275.60 | 67.58 | 81.50 |
| Purchases | (\$) | 45.02 | 40.51 | 57.37 | | 62.43 | 95.43 | 23.48 | 26.63 |
| Sales | (\$) | 96.31 | 76.40 | 93.76 | | 111.83 | 221.41 | 53.06 | 58.94 |
| Loans Outstanding (3) | (\$) | 364.02 | 365.29 | 383.86 | | 390.77 | 400.82 | 394.55 | 400.82 |
| Loans Outstanding / Total Assets | (%) | 47.03 | 47.38 | 49.89 | | 50.32 | 49.05 | 49.62 | 49.05 |

(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 / March 1999

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

| | DECEMBER 1997 | | SEPTEMBER 1998 | | DECEMBER 1998 | |
|--|---------------|-------------------|----------------|-------------------|---------------|-------------------|
| | (\$) | % OF TOTAL ASSETS | (\$) | % OF TOTAL ASSETS | (\$) | % OF TOTAL ASSETS |
| TOTAL ASSETS | 776.58 | 100.00 | 795.20 | 100.00 | 817.21 | 100.00 |
| 1-4 Family Mortgages | 390.77 | 50.32 | 394.55 | 49.62 | 400.82 | 49.05 |
| Mortgage Pool Securities | 103.82 | 13.37 | 93.70 | 11.78 | 93.32 | 11.42 |
| Multifamily Mortgages | 47.46 | 6.11 | 43.89 | 5.52 | 44.02 | 5.39 |
| Nonresidential Mortgages | 30.24 | 3.89 | 28.97 | 3.64 | 29.47 | 3.61 |
| Construction Loans | 11.33 | 1.46 | 13.25 | 1.67 | 13.75 | 1.68 |
| Land Loans | 3.50 | 0.45 | 3.82 | 0.48 | 3.91 | 0.48 |
| Commercial Loans | 11.50 | 1.48 | 14.08 | 1.77 | 15.57 | 1.90 |
| Consumer Loans | 44.85 | 5.78 | 46.40 | 5.84 | 47.38 | 5.80 |
| Cash and Noninterest-Earning Deposits | 10.85 | 1.40 | 10.95 | 1.38 | 13.02 | 1.59 |
| Investment Securities | 85.05 | 10.95 | 104.81 | 13.18 | 113.65 | 13.91 |
| Mortgage Derivatives | 36.29 | 4.67 | 55.95 | 7.04 | 67.00 | 8.20 |
| Reposessed Assets, Net | 1.80 | 0.23 | 1.51 | 0.19 | 1.47 | 0.18 |
| Real Estate Held for Investment | 0.48 | 0.06 | 0.45 | 0.06 | 0.43 | 0.05 |
| Office Premises & Equipment | 7.88 | 1.02 | 7.97 | 1.00 | 7.95 | 0.97 |
| Other Assets | 32.44 | 4.18 | 36.24 | 4.56 | 37.79 | 4.62 |
| Less: Contra Assets & Valuation Allowances | 5.38 | 0.69 | 5.40 | 0.68 | 5.34 | 0.65 |
| TOTAL LIABILITIES AND CAPITAL | 776.58 | 100.00 | 795.20 | 100.00 | 817.21 | 100.00 |
| Total Deposits | 507.77 | 65.39 | 497.59 | 62.57 | 498.55 | 61.01 |
| Deposits < or = to \$100,000 | 426.28 | 54.89 | 407.35 | 51.23 | 403.30 | 49.35 |
| Deposits > \$100,000 | 81.49 | 10.49 | 90.24 | 11.35 | 95.25 | 11.66 |
| Escrows | 8.37 | 1.08 | 10.55 | 1.33 | 11.76 | 1.44 |
| Total Borrowings | 184.90 | 23.81 | 203.69 | 25.61 | 224.97 | 27.53 |
| Advances from FHLB | 118.51 | 15.26 | 125.64 | 15.80 | 143.08 | 17.51 |
| Reverse Repurchase Agreements | 38.49 | 4.96 | 44.69 | 5.62 | 49.43 | 6.05 |
| Other Borrowings | 27.90 | 3.59 | 33.36 | 4.20 | 32.47 | 3.97 |
| Other Liabilities | 10.93 | 1.41 | 15.11 | 1.90 | 14.69 | 1.80 |
| EQUITY CAPITAL | 64.60 | 8.32 | 68.26 | 8.58 | 67.25 | 8.23 |

| | DECEMBER 1997 | | SEPTEMBER 1998 | | DECEMBER 1998 | |
|---|---------------|------------------------|----------------|------------------------|---------------|------------------------|
| | (\$) | % OF AVERAGE ASSETS(*) | (\$) | % OF AVERAGE ASSETS(*) | (\$) | % OF AVERAGE ASSETS(*) |
| INCOME AND EXPENSE DATA | | | | | | |
| Interest Income | 14.07 | 7.34 | 13.59 | 6.92 | 13.75 | 6.87 |
| Interest Expense | 8.61 | 4.49 | 8.31 | 4.23 | 8.32 | 4.16 |
| Net Interest Income | 5.46 | 2.85 | 5.29 | 2.69 | 5.42 | 2.71 |
| Loss Provisions-Interest Bearing Assets | 0.53 | 0.28 | 0.45 | 0.23 | 0.38 | 0.19 |
| Noninterest Income | 2.13 | 1.11 | 3.24 | 1.65 | 2.23 | 1.11 |
| Mortgage Loan Servicing Fees | 0.22 | 0.12 | -0.05 | -0.03 | 0.18 | 0.09 |
| Other Fees and Charges | 0.97 | 0.51 | 1.03 | 0.52 | 1.06 | 0.53 |
| Other Noninterest Income | 0.94 | 0.49 | 2.26 | 1.15 | 0.99 | 0.49 |
| Noninterest Expense | 4.43 | 2.31 | 4.43 | 2.26 | 5.05 | 2.52 |
| G&A Expense | 4.23 | 2.21 | 4.25 | 2.16 | 4.88 | 2.44 |
| Goodwill Expense | 0.15 | 0.08 | 0.16 | 0.08 | 0.14 | 0.07 |
| Loss Provis.-Nonint. Bearing Assets | 0.05 | 0.03 | 0.03 | 0.02 | 0.03 | 0.01 |
| Income Before Taxes & Extraord. Items | 2.63 | 1.37 | 3.64 | 1.85 | 2.22 | 1.11 |
| Income Taxes | 0.97 | 0.51 | 1.39 | 0.71 | 0.77 | 0.38 |
| Extraordinary Items | 0.00 | 0.00 | -0.02 | -0.01 | -0.07 | -0.03 |
| Net Income | 1.66 | 0.87 | 2.23 | 1.13 | 1.39 | 0.70 |

* 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 / March 1999

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

NORTHEAST REGION

| | | 3-MONTHS ENDED | | | | | | | |
|--|------|----------------|--------|--------|------------------|--------|--------|--------------|--------------|
| | | 1994 | 1995 | 1996 | ADJ. 1996 (1) | 1997 | 1998 | SEP. 1998 | DEC. 1998 |
| | | ---- | ---- | ---- | ---- | ---- | ---- | ---- | |
| SUMMARY DATA: | | | | | | | | | |
| Number of Thrifts | (#) | 293 | 283 | 269 | | 257 | 243 | 250 | 243 |
| Total Assets | (\$) | 126.19 | 140.09 | 139.82 | | 153.60 | 158.73 | 158.55 | 158.73 |
| Net Income | (\$) | 0.99 | 1.00 | 0.95 | 1.25 | 1.28 | 1.31 | 0.39 | 0.26 |
| Profits | (\$) | 1.12 | 1.04 | 1.05 | | 1.32 | 1.41 | 0.39 | 0.33 |
| Losses | (\$) | -0.13 | -0.04 | -0.10 | | -0.04 | -0.10 | -0.01 | -0.06 |
| PROFITABILITY MEASURES: | | | | | | | | | |
| Return on Average Assets | (%) | 0.79 | 0.77 | 0.68 | 0.89 | 0.91 | 0.86 | 1.00 | 0.68 |
| Median Ratio | (%) | 0.87 | 0.72 | 0.47 | 0.77 | 0.78 | 0.71 | 0.75 | 0.65 |
| Return on Average Equity | (%) | 10.50 | 9.59 | 8.30 | 10.87 | 10.87 | 9.76 | 11.19 | 7.76 |
| Median Ratio | (%) | 9.83 | 7.86 | 4.74 | 8.09 | 8.02 | 6.78 | 7.30 | 6.41 |
| Net Interest Income | (\$) | 3.92 | 3.83 | 4.18 | | 4.33 | 4.35 | 1.10 | 1.07 |
| % of Average Assets | (%) | 3.10 | 2.96 | 2.99 | | 3.07 | 2.84 | 2.84 | 2.76 |
| Total Fee Income | (\$) | 0.29 | 0.32 | 0.41 | | 0.62 | 0.87 | 0.21 | 0.26 |
| % of Average Assets | (%) | 0.24 | 0.26 | 0.33 | | 0.63 | 0.66 | 0.55 | 0.66 |
| G&A Expense | (\$) | 2.61 | 2.58 | 3.17 | 2.71 | 2.91 | 3.53 | 0.86 | 0.97 |
| % of Average Assets | (%) | 2.07 | 2.00 | 2.27 | 1.94 | 2.06 | 2.31 | 2.22 | 2.50 |
| CAPITAL MEASURES: | | | | | | | | | |
| Equity Capital Ratio | (%) | 7.74 | 8.41 | 8.24 | | 8.74 | 8.59 | 8.98 | 8.59 |
| Tier 1 Leverage Ratio | (%) | 7.49 | 7.89 | 7.60 | | 7.90 | 7.67 | 7.97 | 7.67 |
| Risk-based Capital Ratio | (%) | 16.72 | 17.35 | 16.35 | | 16.37 | 15.58 | 16.24 | 15.58 |
| Thrifts by FDICIA Capital Categories: | | | | | | | | | |
| Well-Capitalized | (#) | 278 | 278 | 264 | | 257 | 240 | 247 | 240 |
| Adequately Capitalized | (#) | 13 | 3 | 5 | | 0 | 2 | 3 | 2 |
| Undercapitalized | (#) | 2 | 1 | 0 | | 0 | 0 | 0 | 0 |
| Significantly Undercapitalized | (#) | 0 | 0 | 0 | | 0 | 1 | 0 | 1 |
| Critically Undercapitalized | (#) | 0 | 0 | 0 | | 0 | 0 | 0 | 0 |
| FAILED/PROBLEM THRIFTS: | | | | | | | | | |
| Failed Thrifts | (#) | 0 | 1 | 0 | | 0 | 0 | 0 | 0 |
| Problem Thrifts | (#) | 6 | 2 | 0 | | 1 | 2 | 2 | 2 |
| Problem Thrift Assets | (\$) | 0.77 | 0.31 | 0.00 | | 0.22 | 0.51 | 0.54 | 0.51 |
| Problem Thrift Assets as a % of Total Assets | (%) | 0.61 | 0.22 | 0.00 | | 0.15 | 0.32 | 0.34 | 0.32 |
| ASSET QUALITY MEASURES: | | | | | | | | | |
| Troubled Assets (2) | (\$) | 2.22 | 1.76 | 2.02 | | 2.17 | 1.52 | 1.58 | 1.52 |
| % of Total Assets | (%) | 1.76 | 1.26 | 1.44 | | 1.41 | 0.96 | 1.00 | 0.96 |
| Noncurrent Loans | (\$) | 1.54 | 1.27 | 1.64 | | 1.83 | 1.19 | 1.25 | 1.19 |
| % of Total Assets | (%) | 1.22 | 0.91 | 1.17 | | 1.19 | 0.75 | 0.79 | 0.75 |
| Noncurrent Loans as a % of Loan Type: | | | | | | | | | |
| 1-4 Family Mortgages | (%) | 1.60 | 1.43 | 1.69 | | 1.92 | 1.32 | 1.29 | 1.32 |
| Multifamily Loans | (%) | 5.90 | 1.92 | 3.69 | | 2.52 | 0.94 | 1.16 | 0.94 |
| Commercial Loans | (%) | 5.12 | 2.52 | 2.66 | | 1.86 | 1.08 | 1.61 | 1.08 |
| Consumer Loans | (%) | 1.20 | 1.19 | 1.11 | | 0.86 | 0.76 | 0.77 | 0.76 |
| 1-4 FAMILY MORTGAGE LOAN ACTIVITY: | | | | | | | | | |
| Originations | (\$) | 12.96 | 12.38 | 18.76 | | 21.77 | 51.19 | 12.28 | 15.16 |
| Purchases | (\$) | 3.95 | 8.38 | 12.38 | | 6.47 | 8.31 | 2.19 | 2.55 |
| Sales | (\$) | 7.14 | 5.64 | 8.64 | | 11.75 | 36.52 | 8.94 | 10.97 |
| Loans Outstanding (3) | (\$) | 50.03 | 59.58 | 63.39 | | 68.50 | 66.16 | 68.39 | 66.16 |
| Loans Outstanding / Total Assets | (%) | 39.64 | 42.53 | 45.33 | | 44.60 | 41.68 | 43.14 | 41.68 |

(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 / March 1999

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

NORTHEAST REGION

| | DECEMBER 1997 | | SEPTEMBER 1998 | | DECEMBER 1998 | |
|--|---------------|-------------------|----------------|-------------------|---------------|-------------------|
| | (\$) | % OF TOTAL ASSETS | (\$) | % OF TOTAL ASSETS | (\$) | % OF TOTAL ASSETS |
| TOTAL ASSETS | 153.60 | 100.00 | 158.55 | 100.00 | 158.73 | 100.00 |
| 1-4 Family Mortgages | 68.50 | 44.60 | 68.39 | 43.14 | 66.16 | 41.68 |
| Mortgage Pool Securities | 23.56 | 15.34 | 20.48 | 12.92 | 19.76 | 12.45 |
| Multifamily Mortgages | 6.15 | 4.00 | 6.36 | 4.01 | 6.53 | 4.12 |
| Nonresidential Mortgages | 7.25 | 4.72 | 7.07 | 4.46 | 7.14 | 4.50 |
| Construction Loans | 1.29 | 0.84 | 1.51 | 0.95 | 1.49 | 0.94 |
| Land Loans | 0.28 | 0.18 | 0.32 | 0.20 | 0.25 | 0.15 |
| Commercial Loans | 2.65 | 1.72 | 3.43 | 2.16 | 3.72 | 2.34 |
| Consumer Loans | 8.48 | 5.52 | 8.97 | 5.66 | 8.20 | 5.16 |
| Cash and Noninterest-Earning Deposits | 2.15 | 1.40 | 2.27 | 1.43 | 2.43 | 1.53 |
| Investment Securities | 26.23 | 17.08 | 31.08 | 19.60 | 34.07 | 21.46 |
| Mortgage Derivatives | 12.56 | 8.18 | 16.70 | 10.53 | 19.57 | 12.33 |
| Reposessed Assets, Net | 0.35 | 0.23 | 0.33 | 0.21 | 0.33 | 0.21 |
| Real Estate Held for Investment | 0.09 | 0.06 | 0.10 | 0.06 | 0.09 | 0.06 |
| Office Premises & Equipment | 1.49 | 0.97 | 1.54 | 0.97 | 1.46 | 0.92 |
| Other Assets | 6.04 | 3.93 | 7.61 | 4.80 | 7.99 | 5.03 |
| Less: Contra Assets & Valuation Allowances | 0.90 | 0.59 | 0.91 | 0.58 | 0.86 | 0.54 |
| TOTAL LIABILITIES AND CAPITAL | 153.60 | 100.00 | 158.55 | 100.00 | 158.73 | 100.00 |
| Total Deposits | 104.26 | 67.88 | 102.55 | 64.68 | 100.89 | 63.56 |
| Deposits < or = to \$100,000 | 90.60 | 58.98 | 87.36 | 55.10 | 85.26 | 53.72 |
| Deposits > \$100,000 | 13.66 | 8.89 | 15.19 | 9.58 | 15.62 | 9.84 |
| Escrows | 1.45 | 0.95 | 1.93 | 1.22 | 2.12 | 1.34 |
| Total Borrowings | 32.59 | 21.22 | 37.38 | 23.58 | 40.13 | 25.28 |
| Advances from FHLB | 20.91 | 13.62 | 22.53 | 14.21 | 24.67 | 15.54 |
| Reverse Repurchase Agreements | 8.95 | 5.83 | 11.11 | 7.01 | 12.55 | 7.91 |
| Other Borrowings | 2.73 | 1.78 | 3.74 | 2.36 | 2.90 | 1.83 |
| Other Liabilities | 1.87 | 1.22 | 2.45 | 1.55 | 1.96 | 1.23 |
| EQUITY CAPITAL | 13.42 | 8.74 | 14.24 | 8.98 | 13.64 | 8.59 |

| | DECEMBER 1997 | | SEPTEMBER 1998 | | DECEMBER 1998 | |
|---|---------------|------------------------|----------------|------------------------|---------------|------------------------|
| | (\$) | % OF AVERAGE ASSETS(*) | (\$) | % OF AVERAGE ASSETS(*) | (\$) | % OF AVERAGE ASSETS(*) |
| INCOME AND EXPENSE DATA | | | | | | |
| Interest Income | 2.77 | 7.40 | 2.69 | 6.92 | 2.60 | 6.71 |
| Interest Expense | 1.62 | 4.32 | 1.59 | 4.08 | 1.53 | 3.94 |
| Net Interest Income | 1.15 | 3.08 | 1.10 | 2.84 | 1.07 | 2.76 |
| Loss Provisions-Interest Bearing Assets | 0.08 | 0.21 | 0.05 | 0.13 | 0.06 | 0.14 |
| Noninterest Income | 0.36 | 0.97 | 0.46 | 1.17 | 0.43 | 1.10 |
| Mortgage Loan Servicing Fees | 0.06 | 0.15 | 0.03 | 0.07 | 0.04 | 0.11 |
| Other Fees and Charges | 0.18 | 0.47 | 0.18 | 0.48 | 0.22 | 0.56 |
| Other Noninterest Income | 0.13 | 0.34 | 0.24 | 0.63 | 0.17 | 0.44 |
| Noninterest Expense | 0.87 | 2.32 | 0.92 | 2.36 | 1.01 | 2.59 |
| G&A Expense | 0.83 | 2.22 | 0.86 | 2.22 | 0.97 | 2.50 |
| Goodwill Expense | 0.03 | 0.08 | 0.05 | 0.12 | 0.03 | 0.07 |
| Loss Provis.-Nonint. Bearing Assets | 0.01 | 0.02 | 0.01 | 0.02 | 0.01 | 0.02 |
| Income Before Taxes & Extraord. Items | 0.57 | 1.52 | 0.59 | 1.52 | 0.44 | 1.13 |
| Income Taxes | 0.20 | 0.54 | 0.20 | 0.52 | 0.16 | 0.42 |
| Extraordinary Items | 0.00 | 0.00 | 0.00 | 0.00 | -0.01 | -0.03 |
| Net Income | 0.37 | 0.98 | 0.39 | 1.00 | 0.26 | 0.68 |

* 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 / March 1999

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

SOUTHEAST REGION

| | | 1994 | 1995 | 1996 | ADJ. 1996 (1) | 1997 | 1998 | 3-MONTHS ENDED | |
|--|------|-------|-------|-------|------------------|-------|-------|----------------|--------------|
| | | | | | | | | SEP. 1998 | DEC. 1998 |
| | | ---- | ---- | ---- | ---- | ---- | ---- | ----- | ----- |
| SUMMARY DATA: | | | | | | | | | |
| Number of Thrifts | (#) | 319 | 291 | 264 | | 237 | 222 | 225 | 222 |
| Total Assets | (\$) | 82.29 | 73.01 | 61.71 | | 62.78 | 63.13 | 63.21 | 63.13 |
| Net Income | (\$) | 0.67 | 0.58 | 0.34 | 0.53 | 0.52 | 0.53 | 0.19 | 0.08 |
| Profits | (\$) | 0.74 | 0.64 | 0.46 | | 0.59 | 0.62 | 0.22 | 0.11 |
| Losses | (\$) | -0.07 | -0.06 | -0.12 | | -0.08 | -0.09 | -0.03 | -0.02 |
| PROFITABILITY MEASURES: | | | | | | | | | |
| Return on Average Assets | (%) | 0.78 | 0.74 | 0.53 | 0.83 | 0.83 | 0.85 | 1.24 | 0.54 |
| Median Ratio | (%) | 0.82 | 0.79 | 0.47 | 0.77 | 0.78 | 0.79 | 0.80 | 0.65 |
| Return on Average Equity | (%) | 9.73 | 8.76 | 5.82 | 9.04 | 8.86 | 8.66 | 12.41 | 5.37 |
| Median Ratio | (%) | 9.36 | 8.24 | 4.53 | 7.60 | 8.33 | 7.11 | 6.83 | 5.81 |
| Net Interest Income | (\$) | 2.73 | 2.32 | 2.11 | | 2.04 | 1.89 | 0.46 | 0.44 |
| % of Average Assets | (%) | 3.19 | 2.99 | 3.28 | | 3.28 | 3.02 | 2.98 | 2.88 |
| Total Fee Income | (\$) | 0.42 | 0.51 | 0.66 | | 0.72 | 0.56 | 0.11 | 0.12 |
| % of Average Assets | (%) | 0.55 | 0.73 | 1.12 | | 1.21 | 0.80 | 0.72 | 0.80 |
| G&A Expense | (\$) | 2.13 | 1.97 | 2.16 | 1.86 | 1.95 | 1.90 | 0.48 | 0.45 |
| % of Average Assets | (%) | 2.48 | 2.54 | 3.35 | 2.90 | 3.13 | 3.05 | 3.10 | 2.91 |
| CAPITAL MEASURES: | | | | | | | | | |
| Equity Capital Ratio | (%) | 8.22 | 8.98 | 9.10 | | 9.82 | 9.85 | 10.28 | 9.85 |
| Tier 1 Leverage Ratio | (%) | 8.03 | 8.51 | 8.62 | | 9.03 | 9.17 | 9.44 | 9.17 |
| Risk-based Capital Ratio | (%) | 16.30 | 16.62 | 16.01 | | 16.35 | 17.40 | 18.12 | 17.40 |
| Thrifts by FDICIA Capital Categories: | | | | | | | | | |
| Well-Capitalized | (#) | 292 | 281 | 251 | | 223 | 211 | 212 | 211 |
| Adequately Capitalized | (#) | 26 | 9 | 12 | | 14 | 8 | 13 | 8 |
| Undercapitalized | (#) | 1 | 0 | 0 | | 0 | 1 | 0 | 1 |
| Significantly Undercapitalized | (#) | 0 | 0 | 1 | | 0 | 0 | 0 | 0 |
| Critically Undercapitalized | (#) | 0 | 0 | 0 | | 0 | 0 | 0 | 0 |
| FAILED/PROBLEM THRIFTS: | | | | | | | | | |
| Failed Thrifts | (#) | 0 | 0 | 0 | | 0 | 0 | 0 | 0 |
| Problem Thrifts | (#) | 19 | 15 | 13 | | 9 | 5 | 7 | 5 |
| Problem Thrift Assets | (\$) | 3.32 | 1.33 | 0.85 | | 0.56 | 0.22 | 0.37 | 0.22 |
| Problem Thrift Assets as a % of Total Assets | (%) | 4.03 | 1.82 | 1.38 | | 0.89 | 0.35 | 0.58 | 0.35 |
| ASSET QUALITY MEASURES: | | | | | | | | | |
| Troubled Assets (2) | (\$) | 1.34 | 0.97 | 0.79 | | 0.72 | 0.61 | 0.60 | 0.61 |
| % of Total Assets | (%) | 1.62 | 1.33 | 1.28 | | 1.15 | 0.96 | 0.95 | 0.96 |
| Noncurrent Loans | (\$) | 0.64 | 0.51 | 0.49 | | 0.46 | 0.41 | 0.39 | 0.41 |
| % of Total Assets | (%) | 0.78 | 0.70 | 0.80 | | 0.74 | 0.65 | 0.61 | 0.65 |
| Noncurrent Loans as a % of Loan Type: | | | | | | | | | |
| 1-4 Family Mortgages | (%) | 0.82 | 0.83 | 0.94 | | 0.94 | 0.90 | 0.87 | 0.90 |
| Multifamily Loans | (%) | 2.39 | 1.98 | 1.39 | | 0.91 | 0.87 | 0.75 | 0.87 |
| Commercial Loans | (%) | 2.75 | 1.71 | 1.97 | | 1.07 | 0.82 | 0.96 | 0.82 |
| Consumer Loans | (%) | 0.82 | 1.04 | 1.54 | | 1.82 | 1.00 | 0.93 | 1.00 |
| 1-4 FAMILY MORTGAGE LOAN ACTIVITY: | | | | | | | | | |
| Originations | (\$) | 14.96 | 9.94 | 11.58 | | 12.07 | 19.13 | 4.51 | 5.37 |
| Purchases | (\$) | 6.23 | 3.22 | 3.03 | | 5.87 | 9.28 | 2.06 | 2.52 |
| Sales | (\$) | 11.01 | 6.01 | 6.35 | | 8.94 | 13.47 | 3.05 | 3.01 |
| Loans Outstanding (3) | (\$) | 39.20 | 34.36 | 29.67 | | 29.68 | 30.69 | 30.51 | 30.69 |
| Loans Outstanding / Total Assets | (%) | 47.63 | 47.06 | 48.08 | | 47.27 | 48.62 | 48.27 | 48.62 |

(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 / March 1999

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

SOUTHEAST REGION

| | DECEMBER 1997 | | SEPTEMBER 1998 | | DECEMBER 1998 | |
|--|---------------|-------------------|----------------|-------------------|---------------|-------------------|
| | (\$) | % OF TOTAL ASSETS | (\$) | % OF TOTAL ASSETS | (\$) | % OF TOTAL ASSETS |
| TOTAL ASSETS | 62.78 | 100.00 | 63.21 | 100.00 | 63.13 | 100.00 |
| 1-4 Family Mortgages | 29.68 | 47.27 | 30.51 | 48.27 | 30.69 | 48.62 |
| Mortgage Pool Securities | 6.40 | 10.19 | 6.19 | 9.80 | 5.58 | 8.84 |
| Multifamily Mortgages | 0.86 | 1.37 | 0.68 | 1.08 | 0.67 | 1.06 |
| Nonresidential Mortgages | 3.62 | 5.76 | 3.20 | 5.06 | 3.18 | 5.03 |
| Construction Loans | 2.37 | 3.77 | 2.25 | 3.56 | 2.31 | 3.67 |
| Land Loans | 1.17 | 1.86 | 1.12 | 1.76 | 1.15 | 1.82 |
| Commercial Loans | 1.11 | 1.76 | 1.31 | 2.08 | 1.50 | 2.38 |
| Consumer Loans | 4.73 | 7.53 | 3.45 | 5.46 | 3.54 | 5.60 |
| Cash and Noninterest-Earning Deposits | 1.24 | 1.98 | 1.19 | 1.88 | 1.30 | 2.05 |
| Investment Securities | 8.45 | 13.46 | 10.29 | 16.28 | 10.25 | 16.23 |
| Mortgage Derivatives | 2.08 | 3.31 | 3.11 | 4.91 | 3.52 | 5.58 |
| Reposessed Assets, Net | 0.26 | 0.41 | 0.21 | 0.33 | 0.20 | 0.32 |
| Real Estate Held for Investment | 0.05 | 0.09 | 0.05 | 0.08 | 0.06 | 0.09 |
| Office Premises & Equipment | 0.99 | 1.57 | 0.96 | 1.53 | 0.97 | 1.53 |
| Other Assets | 2.35 | 3.75 | 2.21 | 3.50 | 2.15 | 3.40 |
| Less: Contra Assets & Valuation Allowances | 0.48 | 0.77 | 0.43 | 0.67 | 0.41 | 0.65 |
| TOTAL LIABILITIES AND CAPITAL | 62.78 | 100.00 | 63.21 | 100.00 | 63.13 | 100.00 |
| Total Deposits | 46.24 | 73.66 | 45.28 | 71.64 | 45.11 | 71.46 |
| Deposits < or = to \$100,000 | 38.97 | 62.08 | 37.04 | 58.60 | 36.31 | 57.53 |
| Deposits > \$100,000 | 7.27 | 11.58 | 8.24 | 13.04 | 8.80 | 13.93 |
| Escrows | 0.23 | 0.37 | 0.37 | 0.58 | 0.32 | 0.51 |
| Total Borrowings | 9.14 | 14.56 | 9.91 | 15.69 | 10.38 | 16.44 |
| Advances from FHLB | 7.23 | 11.52 | 7.68 | 12.15 | 8.15 | 12.91 |
| Reverse Repurchase Agreements | 1.11 | 1.77 | 1.67 | 2.65 | 1.61 | 2.56 |
| Other Borrowings | 0.80 | 1.27 | 0.56 | 0.89 | 0.61 | 0.97 |
| Other Liabilities | 1.00 | 1.60 | 1.15 | 1.81 | 1.11 | 1.75 |
| EQUITY CAPITAL | 6.17 | 9.82 | 6.50 | 10.28 | 6.22 | 9.85 |

| | DECEMBER 1997 | | SEPTEMBER 1998 | | DECEMBER 1998 | |
|---|---------------|------------------------|----------------|------------------------|---------------|------------------------|
| | (\$) | % OF AVERAGE ASSETS(*) | (\$) | % OF AVERAGE ASSETS(*) | (\$) | % OF AVERAGE ASSETS(*) |
| INCOME AND EXPENSE DATA | | | | | | |
| Interest Income | 1.15 | 7.46 | 1.13 | 7.24 | 1.07 | 6.98 |
| Interest Expense | 0.66 | 4.28 | 0.66 | 4.26 | 0.63 | 4.10 |
| Net Interest Income | 0.49 | 3.18 | 0.46 | 2.98 | 0.44 | 2.88 |
| Loss Provisions-Interest Bearing Assets | 0.08 | 0.52 | 0.11 | 0.71 | 0.04 | 0.23 |
| Noninterest Income | 0.29 | 1.91 | 0.45 | 2.91 | 0.17 | 1.13 |
| Mortgage Loan Servicing Fees | 0.01 | 0.08 | -0.02 | -0.16 | 0.01 | 0.07 |
| Other Fees and Charges | 0.17 | 1.13 | 0.14 | 0.88 | 0.11 | 0.72 |
| Other Noninterest Income | 0.11 | 0.70 | 0.34 | 2.19 | 0.05 | 0.34 |
| Noninterest Expense | 0.54 | 3.52 | 0.50 | 3.23 | 0.45 | 2.96 |
| G&A Expense | 0.51 | 3.35 | 0.48 | 3.10 | 0.45 | 2.91 |
| Goodwill Expense | 0.02 | 0.10 | 0.01 | 0.06 | 0.01 | 0.05 |
| Loss Provis.-Nonint. Bearing Assets | 0.01 | 0.07 | 0.01 | 0.07 | 0.00 | 0.01 |
| Income Before Taxes & Extraord. Items | 0.16 | 1.05 | 0.30 | 1.95 | 0.13 | 0.82 |
| Income Taxes | 0.06 | 0.40 | 0.10 | 0.66 | 0.04 | 0.29 |
| Extraordinary Items | 0.00 | 0.00 | -0.01 | -0.05 | 0.00 | 0.00 |
| Net Income | 0.10 | 0.65 | 0.19 | 1.24 | 0.08 | 0.54 |

* 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 / March 1999

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

CENTRAL REGION

| | | 1994 | 1995 | 1996 | ADJ. 1996 (1) | 1997 | 1998 | 3-MONTHS ENDED | |
|--|------|--------|--------|--------|------------------|--------|--------|----------------|--------------|
| | | | | | | | | SEP. 1998 | DEC. 1998 |
| | | ---- | ---- | ---- | ---- | ---- | ---- | ---- | ---- |
| SUMMARY DATA: | | | | | | | | | |
| Number of Thrifts | (#) | 470 | 433 | 405 | | 363 | 353 | 358 | 353 |
| Total Assets | (\$) | 147.36 | 157.25 | 158.17 | | 156.91 | 162.20 | 157.77 | 162.20 |
| Net Income | (\$) | 1.13 | 1.32 | 1.11 | 1.58 | 1.45 | 1.54 | 0.43 | 0.33 |
| Profits | (\$) | 1.33 | 1.47 | 1.33 | | 1.54 | 1.62 | 0.46 | 0.34 |
| Losses | (\$) | -0.20 | -0.15 | -0.21 | | -0.09 | -0.08 | -0.03 | -0.01 |
| PROFITABILITY MEASURES: | | | | | | | | | |
| Return on Average Assets | (%) | 0.79 | 0.85 | 0.70 | 1.00 | 0.94 | 0.98 | 1.11 | 0.84 |
| Median Ratio | (%) | 0.86 | 0.77 | 0.47 | 0.76 | 0.90 | 0.79 | 0.79 | 0.75 |
| Return on Average Equity | (%) | 9.32 | 9.89 | 8.10 | 11.51 | 10.59 | 10.62 | 11.80 | 9.07 |
| Median Ratio | (%) | 9.12 | 7.59 | 4.18 | 7.12 | 8.45 | 7.32 | 7.12 | 6.39 |
| Net Interest Income | (\$) | 4.36 | 4.25 | 4.55 | | 4.52 | 4.49 | 1.12 | 1.14 |
| % of Average Assets | (%) | 3.02 | 2.75 | 2.88 | | 2.94 | 2.87 | 2.88 | 2.87 |
| Total Fee Income | (\$) | 0.48 | 0.57 | 0.68 | | 0.74 | 0.80 | 0.20 | 0.19 |
| % of Average Assets | (%) | 0.34 | 0.38 | 0.43 | | 0.48 | 0.49 | 0.51 | 0.49 |
| G&A Expense | (\$) | 2.95 | 3.10 | 3.92 | 3.20 | 3.34 | 3.76 | 0.98 | 0.99 |
| % of Average Assets | (%) | 2.05 | 2.00 | 2.47 | 2.02 | 2.17 | 2.40 | 2.51 | 2.50 |
| CAPITAL MEASURES: | | | | | | | | | |
| Equity Capital Ratio | (%) | 8.52 | 8.77 | 8.46 | | 9.13 | 9.07 | 9.40 | 9.07 |
| Tier 1 Leverage Ratio | (%) | 8.18 | 8.30 | 8.00 | | 8.09 | 8.06 | 8.39 | 8.06 |
| Risk-based Capital Ratio | (%) | 17.21 | 17.22 | 15.98 | | 15.39 | 14.93 | 15.28 | 14.93 |
| Thrifts by FDICIA Capital Categories: | | | | | | | | | |
| Well-Capitalized | (#) | 456 | 424 | 396 | | 355 | 348 | 354 | 348 |
| Adequately Capitalized | (#) | 14 | 9 | 9 | | 7 | 5 | 4 | 5 |
| Undercapitalized | (#) | 0 | 0 | 0 | | 1 | 0 | 0 | 0 |
| Significantly Undercapitalized | (#) | 0 | 0 | 0 | | 0 | 0 | 0 | 0 |
| Critically Undercapitalized | (#) | 0 | 0 | 0 | | 0 | 0 | 0 | 0 |
| FAILED/PROBLEM THRIFTS: | | | | | | | | | |
| Failed Thrifts | (#) | 0 | 0 | 0 | | 0 | 0 | 0 | 0 |
| Problem Thrifts | (#) | 2 | 4 | 3 | | 2 | 3 | 2 | 3 |
| Problem Thrift Assets | (\$) | 0.05 | 0.86 | 0.73 | | 0.03 | 0.44 | 0.14 | 0.44 |
| Problem Thrift Assets as a % of Total Assets | (%) | 0.03 | 0.55 | 0.46 | | 0.02 | 0.27 | 0.09 | 0.27 |
| ASSET QUALITY MEASURES: | | | | | | | | | |
| Troubled Assets (2) | (\$) | 0.86 | 1.17 | 1.06 | | 1.06 | 1.19 | 1.09 | 1.19 |
| % of Total Assets | (%) | 0.59 | 0.74 | 0.67 | | 0.68 | 0.73 | 0.69 | 0.73 |
| Noncurrent Loans | (\$) | 0.64 | 1.01 | 0.89 | | 0.86 | 0.93 | 0.87 | 0.93 |
| % of Total Assets | (%) | 0.43 | 0.64 | 0.56 | | 0.55 | 0.58 | 0.55 | 0.58 |
| Noncurrent Loans as a % of Loan Type: | | | | | | | | | |
| 1-4 Family Mortgages | (%) | 0.59 | 0.87 | 0.68 | | 0.68 | 0.71 | 0.69 | 0.71 |
| Multifamily Loans | (%) | 0.92 | 1.35 | 1.46 | | 0.78 | 0.67 | 0.81 | 0.67 |
| Commercial Loans | (%) | 1.46 | 1.16 | 1.24 | | 0.67 | 0.97 | 0.86 | 0.97 |
| Consumer Loans | (%) | 0.44 | 0.84 | 0.93 | | 1.10 | 0.90 | 0.80 | 0.90 |
| 1-4 FAMILY MORTGAGE LOAN ACTIVITY: | | | | | | | | | |
| Originations | (\$) | 26.49 | 28.14 | 38.41 | | 39.81 | 69.51 | 16.78 | 20.17 |
| Purchases | (\$) | 9.98 | 10.25 | 12.24 | | 15.49 | 31.81 | 8.97 | 9.94 |
| Sales | (\$) | 18.58 | 20.55 | 29.96 | | 34.10 | 72.24 | 18.66 | 21.36 |
| Loans Outstanding (3) | (\$) | 72.24 | 77.74 | 80.77 | | 80.95 | 82.06 | 80.82 | 82.06 |
| Loans Outstanding / Total Assets | (%) | 49.02 | 49.43 | 51.07 | | 51.59 | 50.59 | 51.23 | 50.59 |

(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 / March 1999

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

CENTRAL REGION

| | DECEMBER 1997 | | SEPTEMBER 1998 | | DECEMBER 1998 | |
|--|---------------|-------------------|----------------|-------------------|---------------|-------------------|
| | (\$) | % OF TOTAL ASSETS | (\$) | % OF TOTAL ASSETS | (\$) | % OF TOTAL ASSETS |
| TOTAL ASSETS | 156.91 | 100.00 | 157.77 | 100.00 | 162.20 | 100.00 |
| 1-4 Family Mortgages | 80.95 | 51.59 | 80.82 | 51.23 | 82.06 | 50.59 |
| Mortgage Pool Securities | 14.74 | 9.39 | 14.38 | 9.11 | 15.99 | 9.86 |
| Multifamily Mortgages | 5.71 | 3.64 | 5.52 | 3.50 | 5.55 | 3.42 |
| Nonresidential Mortgages | 5.22 | 3.33 | 5.24 | 3.32 | 5.21 | 3.21 |
| Construction Loans | 2.83 | 1.80 | 3.03 | 1.92 | 3.18 | 1.96 |
| Land Loans | 0.94 | 0.60 | 1.02 | 0.65 | 1.06 | 0.66 |
| Commercial Loans | 2.85 | 1.81 | 3.41 | 2.16 | 3.87 | 2.39 |
| Consumer Loans | 12.90 | 8.22 | 14.38 | 9.12 | 14.99 | 9.24 |
| Cash and Noninterest-Earning Deposits | 2.19 | 1.40 | 2.37 | 1.50 | 2.68 | 1.65 |
| Investment Securities | 20.73 | 13.21 | 19.21 | 12.18 | 18.50 | 11.41 |
| Mortgage Derivatives | 8.85 | 5.64 | 7.70 | 4.88 | 7.26 | 4.48 |
| Reposessed Assets, Net | 0.20 | 0.13 | 0.23 | 0.14 | 0.25 | 0.16 |
| Real Estate Held for Investment | 0.13 | 0.09 | 0.11 | 0.07 | 0.09 | 0.05 |
| Office Premises & Equipment | 1.73 | 1.10 | 1.77 | 1.12 | 1.77 | 1.09 |
| Other Assets | 6.70 | 4.27 | 7.24 | 4.59 | 7.99 | 4.93 |
| Less: Contra Assets & Valuation Allowances | 0.90 | 0.58 | 0.96 | 0.61 | 1.00 | 0.62 |
| TOTAL LIABILITIES AND CAPITAL | 156.91 | 100.00 | 157.77 | 100.00 | 162.20 | 100.00 |
| Total Deposits | 109.55 | 69.82 | 109.65 | 69.50 | 109.46 | 67.48 |
| Deposits < or = to \$100,000 | 93.28 | 59.45 | 90.86 | 57.59 | 89.88 | 55.41 |
| Deposits > \$100,000 | 16.26 | 10.37 | 18.79 | 11.91 | 19.58 | 12.07 |
| Escrows | 1.93 | 1.23 | 1.58 | 1.00 | 2.01 | 1.24 |
| Total Borrowings | 29.09 | 18.54 | 29.42 | 18.65 | 33.51 | 20.66 |
| Advances from FHLB | 21.15 | 13.48 | 21.79 | 13.81 | 24.15 | 14.89 |
| Reverse Repurchase Agreements | 5.70 | 3.63 | 3.41 | 2.16 | 7.37 | 4.54 |
| Other Borrowings | 2.25 | 1.43 | 4.22 | 2.67 | 1.99 | 1.23 |
| Other Liabilities | 2.00 | 1.28 | 2.28 | 1.45 | 2.51 | 1.55 |
| EQUITY CAPITAL | 14.33 | 9.13 | 14.84 | 9.40 | 14.71 | 9.07 |

| | DECEMBER 1997 | | SEPTEMBER 1998 | | DECEMBER 1998 | |
|---|---------------|------------------------|----------------|------------------------|---------------|------------------------|
| | (\$) | % OF AVERAGE ASSETS(*) | (\$) | % OF AVERAGE ASSETS(*) | (\$) | % OF AVERAGE ASSETS(*) |
| INCOME AND EXPENSE DATA | | | | | | |
| Interest Income | 2.87 | 7.46 | 2.78 | 7.16 | 2.78 | 7.01 |
| Interest Expense | 1.75 | 4.55 | 1.66 | 4.28 | 1.64 | 4.14 |
| Net Interest Income | 1.12 | 2.90 | 1.12 | 2.88 | 1.14 | 2.87 |
| Loss Provisions-Interest Bearing Assets | 0.15 | 0.40 | 0.10 | 0.25 | 0.11 | 0.28 |
| Noninterest Income | 0.46 | 1.20 | 0.62 | 1.60 | 0.60 | 1.51 |
| Mortgage Loan Servicing Fees | 0.02 | 0.06 | 0.01 | 0.02 | 0.01 | 0.03 |
| Other Fees and Charges | 0.16 | 0.42 | 0.19 | 0.50 | 0.18 | 0.46 |
| Other Noninterest Income | 0.28 | 0.72 | 0.42 | 1.08 | 0.40 | 1.02 |
| Noninterest Expense | 1.00 | 2.60 | 1.01 | 2.61 | 1.03 | 2.60 |
| G&A Expense | 0.95 | 2.46 | 0.98 | 2.51 | 0.99 | 2.50 |
| Goodwill Expense | 0.05 | 0.14 | 0.04 | 0.09 | 0.03 | 0.09 |
| Loss Provis.-Nonint. Bearing Assets | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.01 |
| Income Before Taxes & Extraord. Items | 0.42 | 1.10 | 0.63 | 1.62 | 0.59 | 1.49 |
| Income Taxes | 0.18 | 0.47 | 0.20 | 0.52 | 0.20 | 0.51 |
| Extraordinary Items | 0.00 | 0.00 | 0.00 | 0.00 | -0.06 | -0.14 |
| Net Income | 0.24 | 0.63 | 0.43 | 1.11 | 0.33 | 0.84 |

* 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 / March 1999

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

MIDWEST REGION

| | | 1994 | 1995 | 1996 | ADJ. 1996 (1) | 1997 | 1998 | 3-MONTHS ENDED | |
|--|------|--------|--------|--------|------------------|-------|-------|----------------|--------------|
| | | | | | | | | SEP. 1998 | DEC. 1998 |
| | | ---- | ---- | ---- | ---- | ---- | ---- | ----- | ----- |
| SUMMARY DATA: | | | | | | | | | |
| Number of Thrifts | (#) | 320 | 302 | 282 | | 256 | 239 | 245 | 239 |
| Total Assets | (\$) | 121.52 | 124.03 | 124.57 | | 91.93 | 95.92 | 90.15 | 95.92 |
| Net Income | (\$) | 0.80 | 1.24 | 1.45 | 1.80 | 0.94 | 0.92 | 0.21 | 0.25 |
| Profits | (\$) | 1.07 | 1.27 | 1.62 | | 1.09 | 1.04 | 0.25 | 0.28 |
| Losses | (\$) | -0.27 | -0.03 | -0.16 | | -0.15 | -0.11 | -0.04 | -0.03 |
| PROFITABILITY MEASURES: | | | | | | | | | |
| Return on Average Assets | (%) | 0.71 | 1.00 | 1.14 | 1.42 | 0.96 | 1.02 | 0.94 | 1.08 |
| Median Ratio | (%) | 0.87 | 0.77 | 0.46 | 0.81 | 0.85 | 0.78 | 0.79 | 0.72 |
| Return on Average Equity | (%) | 9.20 | 12.98 | 14.00 | 17.32 | 11.23 | 11.27 | 10.24 | 11.96 |
| Median Ratio | (%) | 9.70 | 7.89 | 4.77 | 8.18 | 8.17 | 7.36 | 7.46 | 6.43 |
| Net Interest Income | (\$) | 3.05 | 3.19 | 3.47 | | 2.79 | 2.47 | 0.62 | 0.66 |
| % of Average Assets | (%) | 2.70 | 2.58 | 2.73 | | 2.85 | 2.72 | 2.77 | 2.81 |
| Total Fee Income | (\$) | 0.53 | 0.64 | 0.83 | | 0.70 | 0.74 | 0.18 | 0.20 |
| % of Average Assets | (%) | 0.50 | 0.54 | 0.73 | | 0.77 | 0.86 | 0.81 | 0.86 |
| G&A Expense | (\$) | 2.40 | 2.46 | 3.22 | 2.69 | 2.10 | 2.13 | 0.53 | 0.56 |
| % of Average Assets | (%) | 2.12 | 1.99 | 2.54 | 2.12 | 2.15 | 2.35 | 2.38 | 2.40 |
| CAPITAL MEASURES: | | | | | | | | | |
| Equity Capital Ratio | (%) | 7.44 | 8.05 | 8.42 | | 8.74 | 8.80 | 9.22 | 8.80 |
| Tier 1 Leverage Ratio | (%) | 7.07 | 7.46 | 7.71 | | 8.34 | 8.38 | 8.68 | 8.38 |
| Risk-based Capital Ratio | (%) | 15.29 | 15.47 | 15.30 | | 15.64 | 14.96 | 15.37 | 14.96 |
| Thrifts by FDICIA Capital Categories: | | | | | | | | | |
| Well-Capitalized | (#) | 300 | 297 | 275 | | 248 | 229 | 239 | 229 |
| Adequately Capitalized | (#) | 20 | 4 | 7 | | 8 | 10 | 6 | 10 |
| Undercapitalized | (#) | 0 | 1 | 0 | | 0 | 0 | 0 | 0 |
| Significantly Undercapitalized | (#) | 0 | 0 | 0 | | 0 | 0 | 0 | 0 |
| Critically Undercapitalized | (#) | 0 | 0 | 0 | | 0 | 0 | 0 | 0 |
| FAILED/PROBLEM THRIFTS: | | | | | | | | | |
| Failed Thrifts | (#) | 0 | 0 | 0 | | 0 | 0 | 0 | 0 |
| Problem Thrifts | (#) | 7 | 6 | 3 | | 1 | 2 | 3 | 2 |
| Problem Thrift Assets | (\$) | 0.49 | 0.33 | 0.13 | | 0.01 | 0.79 | 0.85 | 0.79 |
| Problem Thrift Assets as a % of Total Assets | (%) | 0.41 | 0.27 | 0.11 | | 0.02 | 0.82 | 0.94 | 0.82 |
| ASSET QUALITY MEASURES: | | | | | | | | | |
| Troubled Assets (2) | (\$) | 1.32 | 1.09 | 1.03 | | 0.64 | 0.62 | 0.63 | 0.62 |
| % of Total Assets | (%) | 1.09 | 0.88 | 0.83 | | 0.70 | 0.64 | 0.70 | 0.64 |
| Noncurrent Loans | (\$) | 0.69 | 0.73 | 0.74 | | 0.46 | 0.43 | 0.45 | 0.43 |
| % of Total Assets | (%) | 0.57 | 0.59 | 0.59 | | 0.50 | 0.45 | 0.50 | 0.45 |
| Noncurrent Loans as a % of Loan Type: | | | | | | | | | |
| 1-4 Family Mortgages | (%) | 0.92 | 0.95 | 0.97 | | 0.69 | 0.61 | 0.62 | 0.61 |
| Multifamily Loans | (%) | 1.14 | 0.99 | 0.83 | | 0.44 | 0.48 | 0.31 | 0.48 |
| Commercial Loans | (%) | 1.34 | 1.71 | 0.95 | | 1.28 | 0.98 | 1.64 | 0.98 |
| Consumer Loans | (%) | 0.40 | 0.41 | 0.65 | | 0.84 | 0.55 | 0.82 | 0.55 |
| 1-4 FAMILY MORTGAGE LOAN ACTIVITY: | | | | | | | | | |
| Originations | (\$) | 17.42 | 16.22 | 21.84 | | 19.23 | 31.30 | 8.15 | 10.09 |
| Purchases | (\$) | 14.17 | 11.12 | 14.77 | | 11.98 | 18.46 | 5.52 | 5.02 |
| Sales | (\$) | 18.74 | 12.65 | 21.41 | | 16.98 | 28.46 | 7.59 | 7.03 |
| Loans Outstanding (3) | (\$) | 49.95 | 54.47 | 54.11 | | 40.59 | 43.40 | 41.10 | 43.40 |
| Loans Outstanding / Total Assets | (%) | 41.11 | 43.92 | 43.44 | | 44.15 | 45.25 | 45.59 | 45.25 |

(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 / March 1999

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

MIDWEST REGION

| | DECEMBER 1997 | | SEPTEMBER 1998 | | DECEMBER 1998 | |
|--|---------------|-------------------|----------------|-------------------|---------------|-------------------|
| | (\$) | % OF TOTAL ASSETS | (\$) | % OF TOTAL ASSETS | (\$) | % OF TOTAL ASSETS |
| TOTAL ASSETS | 91.93 | 100.00 | 90.15 | 100.00 | 95.92 | 100.00 |
| 1-4 Family Mortgages | 40.59 | 44.15 | 41.10 | 45.59 | 43.40 | 45.25 |
| Mortgage Pool Securities | 12.70 | 13.81 | 9.24 | 10.25 | 10.03 | 10.46 |
| Multifamily Mortgages | 2.29 | 2.49 | 2.19 | 2.43 | 2.22 | 2.31 |
| Nonresidential Mortgages | 3.61 | 3.92 | 3.81 | 4.22 | 4.28 | 4.46 |
| Construction Loans | 3.30 | 3.59 | 4.74 | 5.26 | 4.91 | 5.12 |
| Land Loans | 0.59 | 0.64 | 0.77 | 0.86 | 0.81 | 0.84 |
| Commercial Loans | 1.80 | 1.96 | 2.41 | 2.68 | 3.12 | 3.25 |
| Consumer Loans | 10.07 | 10.95 | 9.93 | 11.02 | 10.88 | 11.34 |
| Cash and Noninterest-Earning Deposits | 1.08 | 1.18 | 1.15 | 1.27 | 1.30 | 1.36 |
| Investment Securities | 10.77 | 11.72 | 9.53 | 10.57 | 9.63 | 10.04 |
| Mortgage Derivatives | 3.46 | 3.77 | 3.26 | 3.62 | 3.50 | 3.65 |
| Reposessed Assets, Net | 0.18 | 0.19 | 0.18 | 0.20 | 0.19 | 0.19 |
| Real Estate Held for Investment | 0.04 | 0.04 | 0.04 | 0.04 | 0.03 | 0.03 |
| Office Premises & Equipment | 1.00 | 1.08 | 1.10 | 1.23 | 1.17 | 1.22 |
| Other Assets | 4.46 | 4.85 | 4.54 | 5.03 | 4.53 | 4.73 |
| Less: Contra Assets & Valuation Allowances | 0.54 | 0.59 | 0.57 | 0.63 | 0.58 | 0.61 |
| TOTAL LIABILITIES AND CAPITAL | 91.93 | 100.00 | 90.15 | 100.00 | 95.92 | 100.00 |
| Total Deposits | 58.47 | 63.61 | 58.71 | 65.12 | 60.35 | 62.92 |
| Deposits < or = to \$100,000 | 50.07 | 54.46 | 48.54 | 53.84 | 49.53 | 51.64 |
| Deposits > \$100,000 | 8.41 | 9.14 | 10.17 | 11.28 | 10.82 | 11.28 |
| Escrows | 1.69 | 1.84 | 2.19 | 2.42 | 2.43 | 2.53 |
| Total Borrowings | 22.68 | 24.67 | 19.26 | 21.36 | 23.42 | 24.42 |
| Advances from FHLB | 15.00 | 16.31 | 15.36 | 17.03 | 19.43 | 20.25 |
| Reverse Repurchase Agreements | 4.74 | 5.16 | 1.69 | 1.88 | 1.61 | 1.68 |
| Other Borrowings | 2.94 | 3.20 | 2.21 | 2.45 | 2.38 | 2.49 |
| Other Liabilities | 1.04 | 1.14 | 1.69 | 1.87 | 1.28 | 1.33 |
| EQUITY CAPITAL | 8.04 | 8.74 | 8.31 | 9.22 | 8.44 | 8.80 |

| | DECEMBER 1997 | | SEPTEMBER 1998 | | DECEMBER 1998 | |
|---|---------------|------------------------|----------------|------------------------|---------------|------------------------|
| | (\$) | % OF AVERAGE ASSETS(*) | (\$) | % OF AVERAGE ASSETS(*) | (\$) | % OF AVERAGE ASSETS(*) |
| INCOME AND EXPENSE DATA | | | | | | |
| Interest Income | 1.70 | 7.43 | 1.59 | 7.11 | 1.64 | 7.03 |
| Interest Expense | 1.06 | 4.64 | 0.97 | 4.34 | 0.98 | 4.21 |
| Net Interest Income | 0.64 | 2.79 | 0.62 | 2.77 | 0.66 | 2.81 |
| Loss Provisions-Interest Bearing Assets | 0.06 | 0.25 | 0.06 | 0.25 | 0.06 | 0.25 |
| Noninterest Income | 0.31 | 1.37 | 0.31 | 1.38 | 0.33 | 1.43 |
| Mortgage Loan Servicing Fees | 0.05 | 0.20 | 0.03 | 0.12 | 0.02 | 0.10 |
| Other Fees and Charges | 0.13 | 0.57 | 0.16 | 0.69 | 0.18 | 0.75 |
| Other Noninterest Income | 0.14 | 0.59 | 0.13 | 0.57 | 0.13 | 0.57 |
| Noninterest Expense | 0.52 | 2.29 | 0.55 | 2.43 | 0.58 | 2.48 |
| G&A Expense | 0.51 | 2.22 | 0.53 | 2.38 | 0.56 | 2.40 |
| Goodwill Expense | 0.01 | 0.04 | 0.01 | 0.05 | 0.01 | 0.05 |
| Loss Provis.-Nonint. Bearing Assets | 0.01 | 0.04 | 0.00 | 0.00 | 0.01 | 0.03 |
| Income Before Taxes & Extraord. Items | 0.37 | 1.60 | 0.33 | 1.47 | 0.35 | 1.51 |
| Income Taxes | 0.11 | 0.47 | 0.12 | 0.53 | 0.10 | 0.43 |
| Extraordinary Items | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net Income | 0.26 | 1.13 | 0.21 | 0.94 | 0.25 | 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 / March 1999

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

WEST REGION

| | | 1994 | 1995 | 1996 | ADJ. 1996 (1) | 1997 | 1998 | 3-MONTHS ENDED | |
|--|------|--------|--------|--------|------------------|--------|--------|----------------|--------------|
| | | | | | | | | SEP. 1998 | DEC. 1998 |
| | | ---- | ---- | ---- | ---- | ---- | ---- | ----- | ----- |
| SUMMARY DATA: | | | | | | | | | |
| Number of Thrifts | (#) | 141 | 128 | 114 | | 102 | 88 | 92 | 88 |
| Total Assets | (\$) | 296.70 | 276.60 | 285.09 | | 311.37 | 337.24 | 325.52 | 337.24 |
| Net Income | (\$) | 0.68 | 1.23 | 0.88 | 1.64 | 2.23 | 3.27 | 1.01 | 0.46 |
| Profits | (\$) | 1.70 | 1.62 | 1.46 | | 2.45 | 3.37 | 1.07 | 0.47 |
| Losses | (\$) | -1.02 | -0.39 | -0.58 | | -0.22 | -0.09 | -0.06 | -0.01 |
| PROFITABILITY MEASURES: | | | | | | | | | |
| Return on Average Assets | (%) | 0.23 | 0.43 | 0.32 | 0.59 | 0.73 | 1.02 | 1.25 | 0.55 |
| Median Ratio | (%) | 0.49 | 0.46 | 0.38 | 0.63 | 0.77 | 0.78 | 0.84 | 0.72 |
| Return on Average Equity | (%) | 3.26 | 6.24 | 4.49 | 8.40 | 10.23 | 13.65 | 16.48 | 7.56 |
| Median Ratio | (%) | 5.95 | 5.94 | 4.41 | 8.25 | 9.56 | 8.72 | 8.77 | 7.92 |
| Net Interest Income | (\$) | 8.15 | 6.95 | 7.47 | | 8.15 | 8.30 | 1.98 | 2.12 |
| % of Average Assets | (%) | 2.74 | 2.43 | 2.71 | | 2.67 | 2.58 | 2.45 | 2.56 |
| Total Fee Income | (\$) | 0.96 | 0.83 | 1.06 | | 1.60 | 1.58 | 0.27 | 0.46 |
| % of Average Assets | (%) | 0.30 | 0.29 | 0.42 | | 0.53 | 0.56 | 0.34 | 0.56 |
| G&A Expense | (\$) | 6.28 | 5.16 | 6.68 | 5.50 | 5.78 | 6.16 | 1.39 | 1.91 |
| % of Average Assets | (%) | 2.11 | 1.80 | 2.42 | 1.99 | 1.89 | 1.92 | 1.73 | 2.31 |
| CAPITAL MEASURES: | | | | | | | | | |
| Equity Capital Ratio | (%) | 6.66 | 7.09 | 6.99 | | 7.27 | 7.19 | 7.49 | 7.19 |
| Tier 1 Leverage Ratio | (%) | 6.21 | 6.51 | 6.52 | | 6.66 | 6.44 | 6.65 | 6.44 |
| Risk-based Capital Ratio | (%) | 12.55 | 12.73 | 12.45 | | 12.62 | 12.85 | 12.96 | 12.85 |
| Thrifts by FDICIA Capital Categories: | | | | | | | | | |
| Well-Capitalized | (#) | 113 | 112 | 104 | | 100 | 87 | 90 | 87 |
| Adequately Capitalized | (#) | 22 | 13 | 10 | | 2 | 1 | 2 | 1 |
| Undercapitalized | (#) | 2 | 2 | 0 | | 0 | 0 | 0 | 0 |
| Significantly Undercapitalized | (#) | 3 | 1 | 0 | | 0 | 0 | 0 | 0 |
| Critically Undercapitalized | (#) | 1 | 0 | 0 | | 0 | 0 | 0 | 0 |
| FAILED/PROBLEM THRIFTS: | | | | | | | | | |
| Failed Thrifts | (#) | 2 | 1 | 1 | | 0 | 0 | 0 | 0 |
| Problem Thrifts | (#) | 19 | 14 | 10 | | 5 | 3 | 4 | 3 |
| Problem Thrift Assets | (\$) | 25.69 | 7.92 | 3.72 | | 0.75 | 3.96 | 0.98 | 3.96 |
| Problem Thrift Assets as a % of Total Assets | (%) | 8.66 | 2.87 | 1.30 | | 0.24 | 1.17 | 0.30 | 1.17 |
| ASSET QUALITY MEASURES: | | | | | | | | | |
| Troubled Assets (2) | (\$) | 5.12 | 4.55 | 3.81 | | 3.13 | 2.34 | 2.49 | 2.34 |
| % of Total Assets | (%) | 1.72 | 1.65 | 1.34 | | 1.01 | 0.69 | 0.76 | 0.69 |
| Noncurrent Loans | (\$) | 3.54 | 3.23 | 2.81 | | 2.31 | 1.84 | 1.92 | 1.84 |
| % of Total Assets | (%) | 1.19 | 1.17 | 0.99 | | 0.74 | 0.54 | 0.59 | 0.54 |
| Noncurrent Loans as a % of Loan Type: | | | | | | | | | |
| 1-4 Family Mortgages | (%) | 1.49 | 1.68 | 1.42 | | 1.12 | 0.83 | 0.91 | 0.83 |
| Multifamily Loans | (%) | 1.92 | 1.69 | 1.10 | | 0.41 | 0.35 | 0.39 | 0.35 |
| Commercial Loans | (%) | 1.52 | 0.43 | 0.57 | | 0.73 | 0.78 | 0.65 | 0.78 |
| Consumer Loans | (%) | 0.99 | 0.64 | 0.57 | | 0.59 | 0.98 | 0.69 | 0.98 |
| 1-4 FAMILY MORTGAGE LOAN ACTIVITY: | | | | | | | | | |
| Originations | (\$) | 60.80 | 39.64 | 45.50 | | 57.35 | 104.46 | 25.87 | 30.71 |
| Purchases | (\$) | 10.68 | 7.54 | 14.94 | | 22.62 | 27.58 | 4.73 | 6.60 |
| Sales | (\$) | 40.84 | 31.55 | 27.39 | | 40.05 | 70.71 | 14.82 | 16.56 |
| Loans Outstanding (3) | (\$) | 152.60 | 139.15 | 155.92 | | 171.06 | 178.51 | 173.72 | 178.51 |
| Loans Outstanding / Total Assets | (%) | 51.43 | 50.31 | 54.69 | | 54.94 | 52.93 | 53.37 | 52.93 |

(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 / March 1999

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

WEST REGION

| | DECEMBER 1997 | | SEPTEMBER 1998 | | DECEMBER 1998 | |
|--|---------------|-------------------|----------------|-------------------|---------------|-------------------|
| | (\$) | % OF TOTAL ASSETS | (\$) | % OF TOTAL ASSETS | (\$) | % OF TOTAL ASSETS |
| TOTAL ASSETS | 311.37 | 100.00 | 325.52 | 100.00 | 337.24 | 100.00 |
| 1-4 Family Mortgages | 171.06 | 54.94 | 173.72 | 53.37 | 178.51 | 52.93 |
| Mortgage Pool Securities | 46.42 | 14.91 | 43.41 | 13.34 | 41.97 | 12.44 |
| Multifamily Mortgages | 32.46 | 10.42 | 29.13 | 8.95 | 29.05 | 8.61 |
| Nonresidential Mortgages | 10.54 | 3.38 | 9.65 | 2.96 | 9.66 | 2.87 |
| Construction Loans | 1.54 | 0.50 | 1.72 | 0.53 | 1.86 | 0.55 |
| Land Loans | 0.53 | 0.17 | 0.59 | 0.18 | 0.64 | 0.19 |
| Commercial Loans | 3.10 | 0.99 | 3.52 | 1.08 | 3.35 | 0.99 |
| Consumer Loans | 8.67 | 2.79 | 9.65 | 2.97 | 9.77 | 2.90 |
| Cash and Noninterest-Earning Deposits | 4.18 | 1.34 | 3.98 | 1.22 | 5.32 | 1.58 |
| Investment Securities | 18.87 | 6.06 | 34.70 | 10.66 | 41.21 | 12.22 |
| Mortgage Derivatives | 9.34 | 3.00 | 25.19 | 7.74 | 33.15 | 9.83 |
| Reposessed Assets, Net | 0.82 | 0.26 | 0.57 | 0.17 | 0.51 | 0.15 |
| Real Estate Held for Investment | 0.16 | 0.05 | 0.15 | 0.05 | 0.16 | 0.05 |
| Office Premises & Equipment | 2.68 | 0.86 | 2.60 | 0.80 | 2.57 | 0.76 |
| Other Assets | 12.89 | 4.14 | 14.64 | 4.50 | 15.14 | 4.49 |
| Less: Contra Assets & Valuation Allowances | 2.55 | 0.82 | 2.53 | 0.78 | 2.48 | 0.73 |
| TOTAL LIABILITIES AND CAPITAL | 311.37 | 100.00 | 325.52 | 100.00 | 337.24 | 100.00 |
| Total Deposits | 189.25 | 60.78 | 181.41 | 55.73 | 182.75 | 54.19 |
| Deposits < or = to \$100,000 | 153.36 | 49.25 | 143.55 | 44.10 | 142.31 | 42.20 |
| Deposits > \$100,000 | 35.90 | 11.53 | 37.85 | 11.63 | 40.43 | 11.99 |
| Escrows | 3.06 | 0.98 | 4.49 | 1.38 | 4.88 | 1.45 |
| Total Borrowings | 91.39 | 29.35 | 107.71 | 33.09 | 117.54 | 34.85 |
| Advances from FHLB | 54.22 | 17.41 | 58.28 | 17.90 | 66.69 | 19.77 |
| Reverse Repurchase Agreements | 17.99 | 5.78 | 26.79 | 8.23 | 26.28 | 7.79 |
| Other Borrowings | 19.19 | 6.16 | 22.63 | 6.95 | 24.57 | 7.29 |
| Other Liabilities | 5.01 | 1.61 | 7.54 | 2.32 | 7.84 | 2.32 |
| EQUITY CAPITAL | 22.65 | 7.27 | 24.38 | 7.49 | 24.24 | 7.19 |

| | DECEMBER 1997 | | SEPTEMBER 1998 | | DECEMBER 1998 | |
|---|---------------|------------------------|----------------|------------------------|---------------|------------------------|
| | (\$) | % OF AVERAGE ASSETS(*) | (\$) | % OF AVERAGE ASSETS(*) | (\$) | % OF AVERAGE ASSETS(*) |
| INCOME AND EXPENSE DATA | | | | | | |
| Interest Income | 5.58 | 7.20 | 5.40 | 6.70 | 5.65 | 6.83 |
| Interest Expense | 3.51 | 4.54 | 3.42 | 4.25 | 3.54 | 4.27 |
| Net Interest Income | 2.06 | 2.66 | 1.98 | 2.45 | 2.12 | 2.56 |
| Loss Provisions-Interest Bearing Assets | 0.16 | 0.21 | 0.14 | 0.17 | 0.12 | 0.14 |
| Noninterest Income | 0.70 | 0.91 | 1.40 | 1.73 | 0.70 | 0.84 |
| Mortgage Loan Servicing Fees | 0.08 | 0.11 | -0.09 | -0.11 | 0.09 | 0.11 |
| Other Fees and Charges | 0.33 | 0.42 | 0.36 | 0.44 | 0.37 | 0.45 |
| Other Noninterest Income | 0.29 | 0.38 | 1.12 | 1.40 | 0.23 | 0.28 |
| Noninterest Expense | 1.49 | 1.93 | 1.46 | 1.81 | 1.98 | 2.39 |
| G&A Expense | 1.43 | 1.84 | 1.39 | 1.73 | 1.91 | 2.31 |
| Goodwill Expense | 0.04 | 0.06 | 0.05 | 0.07 | 0.06 | 0.07 |
| Loss Provis.-Nonint. Bearing Assets | 0.02 | 0.03 | 0.01 | 0.01 | 0.01 | 0.01 |
| Income Before Taxes & Extraord. Items | 1.11 | 1.43 | 1.78 | 2.21 | 0.72 | 0.86 |
| Income Taxes | 0.42 | 0.54 | 0.77 | 0.95 | 0.26 | 0.31 |
| Extraordinary Items | 0.00 | 0.00 | -0.01 | -0.01 | 0.00 | 0.00 |
| Net Income | 0.69 | 0.89 | 1.01 | 1.25 | 0.46 | 0.55 |

* 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 / March 1999