



## OFFICE OF THRIFT SUPERVISION

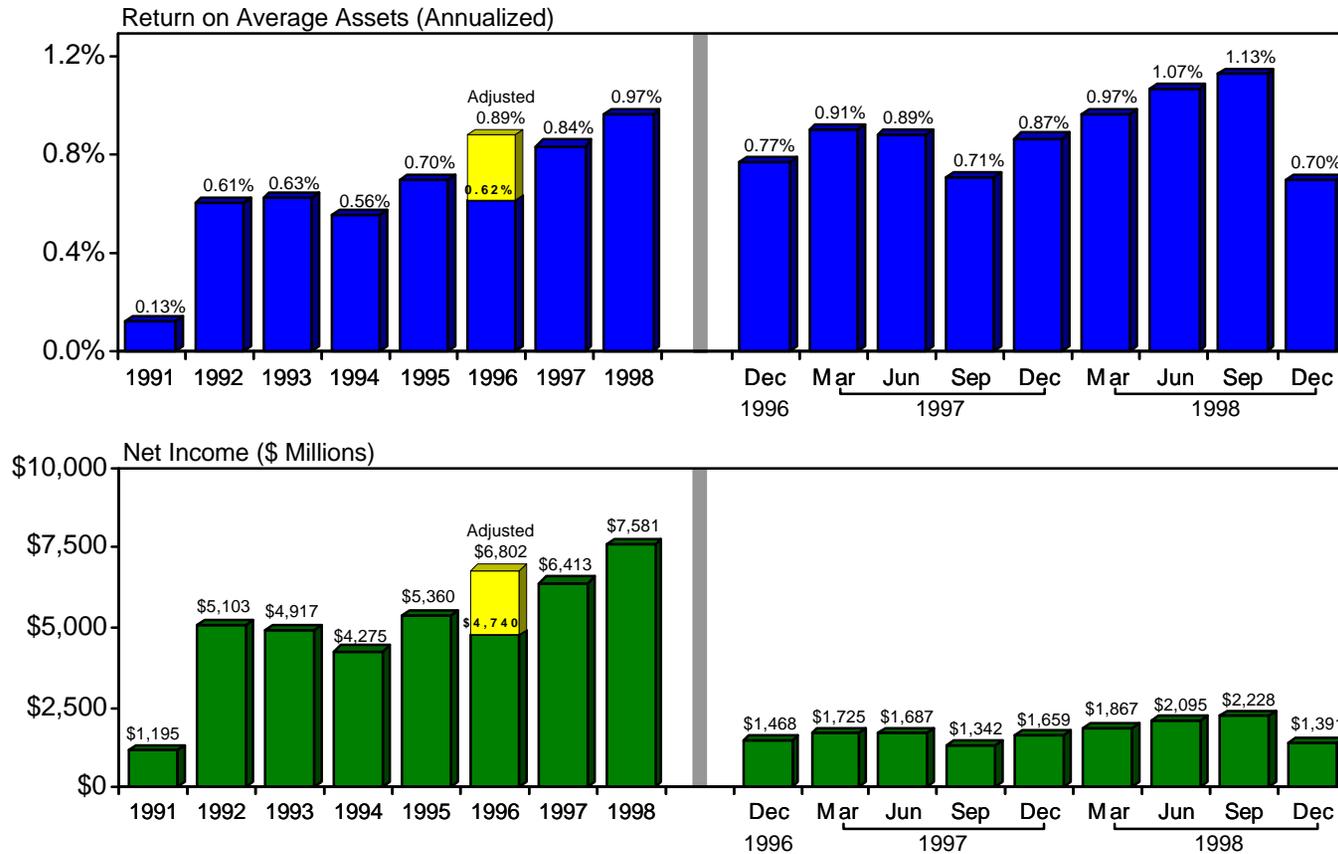
### Fourth Quarter 1998 Index of Charts

TITLE	CHART
• 1998 Earnings Were A Record Despite Large Acquisition Related Charges In The Fourth Quarter	1
• Strong 1998 ROA Was Primarily Attributable To Gains-On-Sale From Mortgage Banking Activities	2
• Net Interest Margin Remained Relatively Stable Despite Narrowing Yield Spreads	3
• Thrifts' Yield Spread Rose In The Fourth Quarter Due To Reduced Liability Costs	4
• Single-Family Mortgage Originations In 1998 Were A Record For OTS-Regulated Thrift Industry	5
• Operating Efficiency Deteriorated In 1998 Due Primarily To Acquisition Related Charges And Increased Mortgage Banking Activity	6
• Equity Capital Declined Slightly But Remains Strong	7
• Problem Thrifts Continued To Decline Though Problem Thrift Assets Increased	8
• Troubled Assets Reached A New Low	9
• Only Noncurrent Consumer Loan Rates Rose In The Fourth Quarter	10
• Thrifts' Decline In Smaller Deposits Offset By Growth In Larger Deposits And FHLBank Advances	11
• Interest Rate Risk Sensitivity Increased In The Fourth Quarter	12
• Pre-Shock NPV Buffered The Impact of Higher Sensitivity	13
• Thrift Assets Increased While Consolidation Continued In 1998	14
• Asset Growth Was Strong, But Some Portion May Be Temporary	15
• Thrift Exits Slowed While New Entrants Increased In 1998	16
• Mortgage Derivatives And Small Business / Commercial Loans Led 1998 Growth	17



Office of Thrift Supervision  
March 1999

# 1998 EARNINGS WERE A RECORD DESPITE LARGE ACQUISITION RELATED CHARGES IN THE FOURTH QUARTER



Adjusted data exclude the net SAIF special assessment of \$2.1 billion incurred in the third quarter of 1996.  
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## STRONG 1998 ROA WAS PRIMARILY ATTRIBUTABLE TO GAINS-ON-SALE FROM MORTGAGE BANKING ACTIVITIES

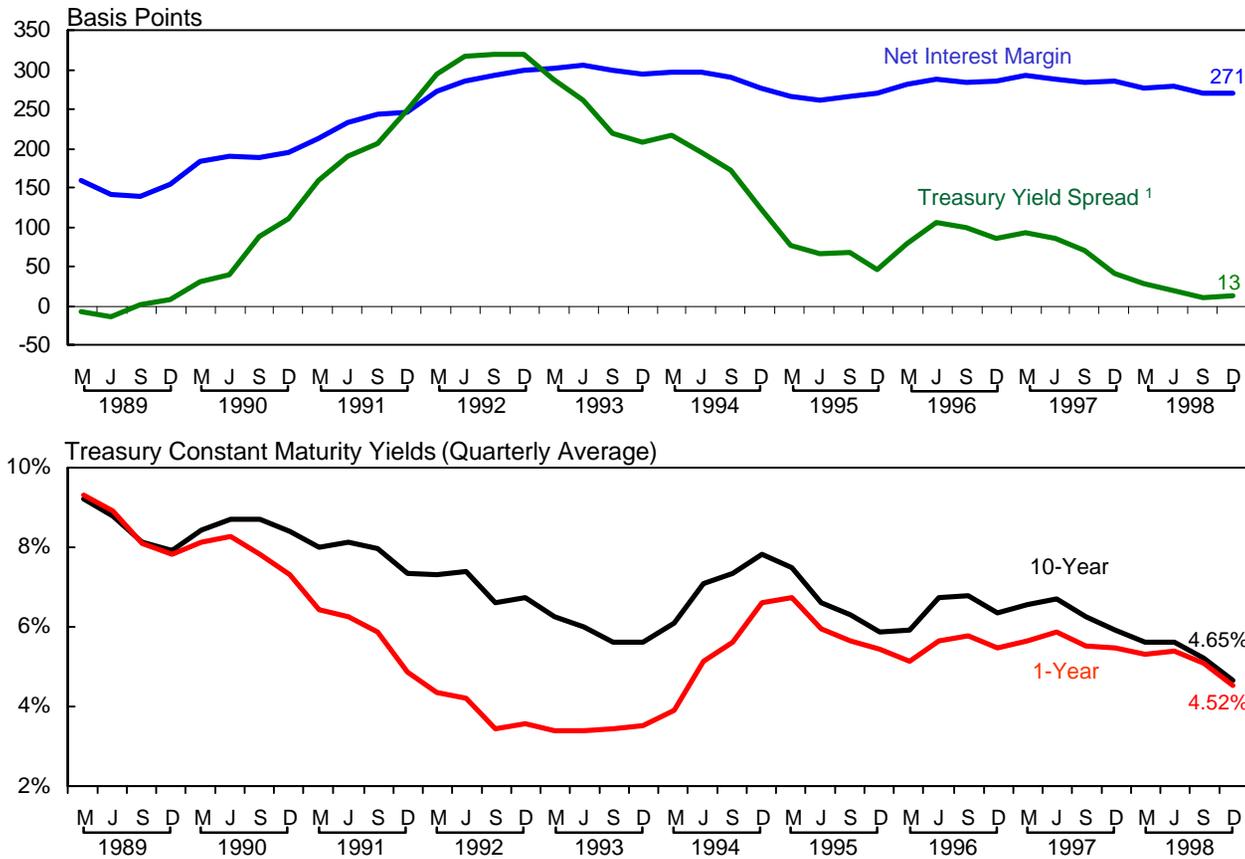
Components of ROA	Average 1992 - 1995	1997	1998	Change '92-'95 to 1998	Change 1997 to 1998
<b>ROA</b>	<b>0.63%</b>	<b>0.84%</b>	<b>0.97%</b>	<b>0.34%</b>	<b>0.13%</b>
<b>Net Interest Margin</b>	<b>2.87%</b>	<b>2.87%</b>	<b>2.74%</b>	<b>-0.13%</b>	<b>-0.13%</b>
Interest Income	7.00%	7.28%	7.00%	0.00%	-0.28%
Interest Expense	4.14%	4.41%	4.26%	0.12%	-0.15%
<b>Provisions for Losses</b>	<b>0.36%</b>	<b>0.26%</b>	<b>0.20%</b>	<b>-0.16%</b>	<b>-0.06%</b>
<b>Fee Income</b>	<b>0.34%</b>	<b>0.57%</b>	<b>0.57%</b>	<b>0.23%</b>	<b>0.00%</b>
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 <sup>1</sup>	0.43%	0.35%	0.68%	0.25%	0.33%
<b>Sale of Assets Held for Sale</b>	<b>0.12%</b>	<b>0.13%</b>	<b>0.28%</b>	<b>0.16%</b>	<b>0.15%</b>
<b>Non-Interest Expense</b>	<b>2.27%</b>	<b>2.21%</b>	<b>2.32%</b>	<b>0.05%</b>	<b>0.11%</b>

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

<sup>1</sup> 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.

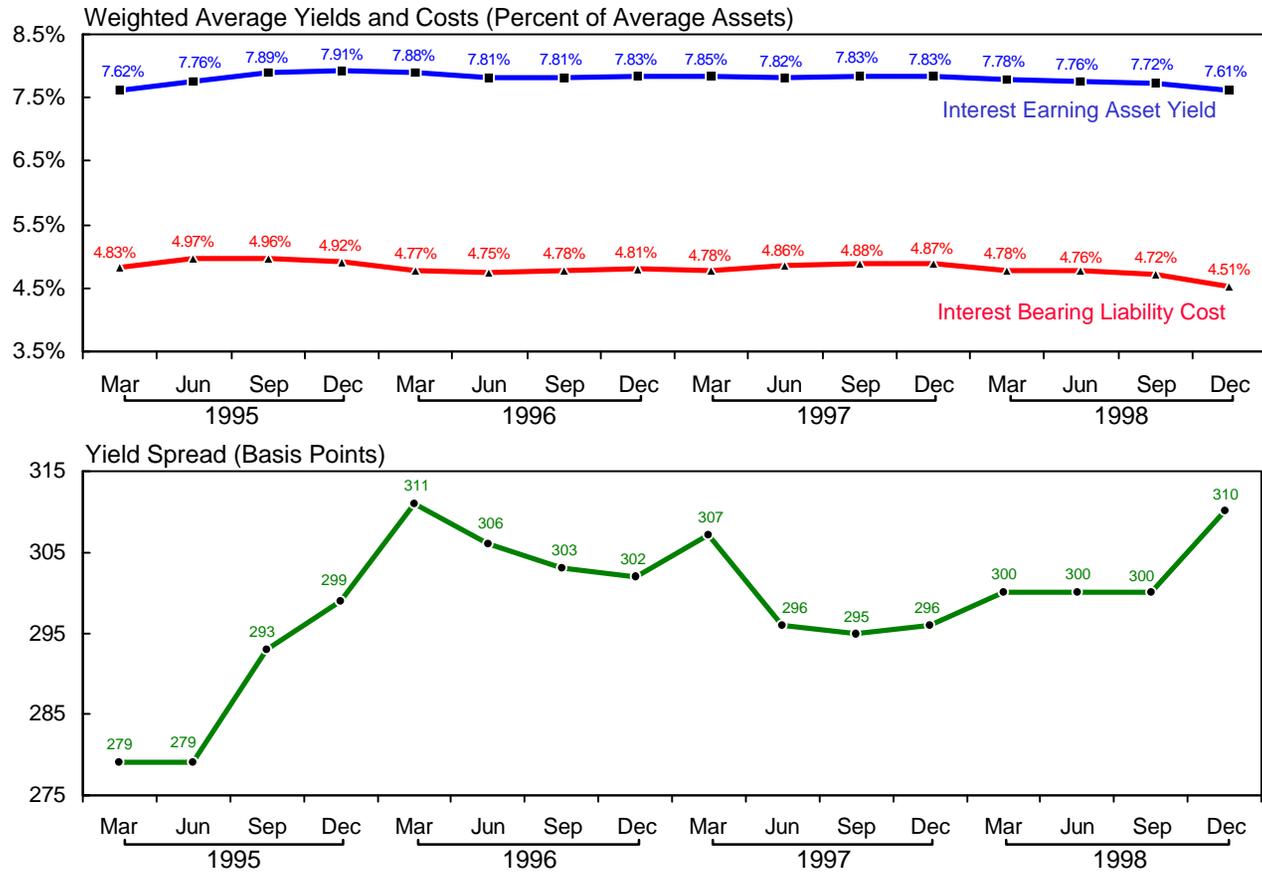
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# NET INTEREST MARGIN REMAINED RELATIVELY STABLE DESPITE NARROWING YIELD SPREADS



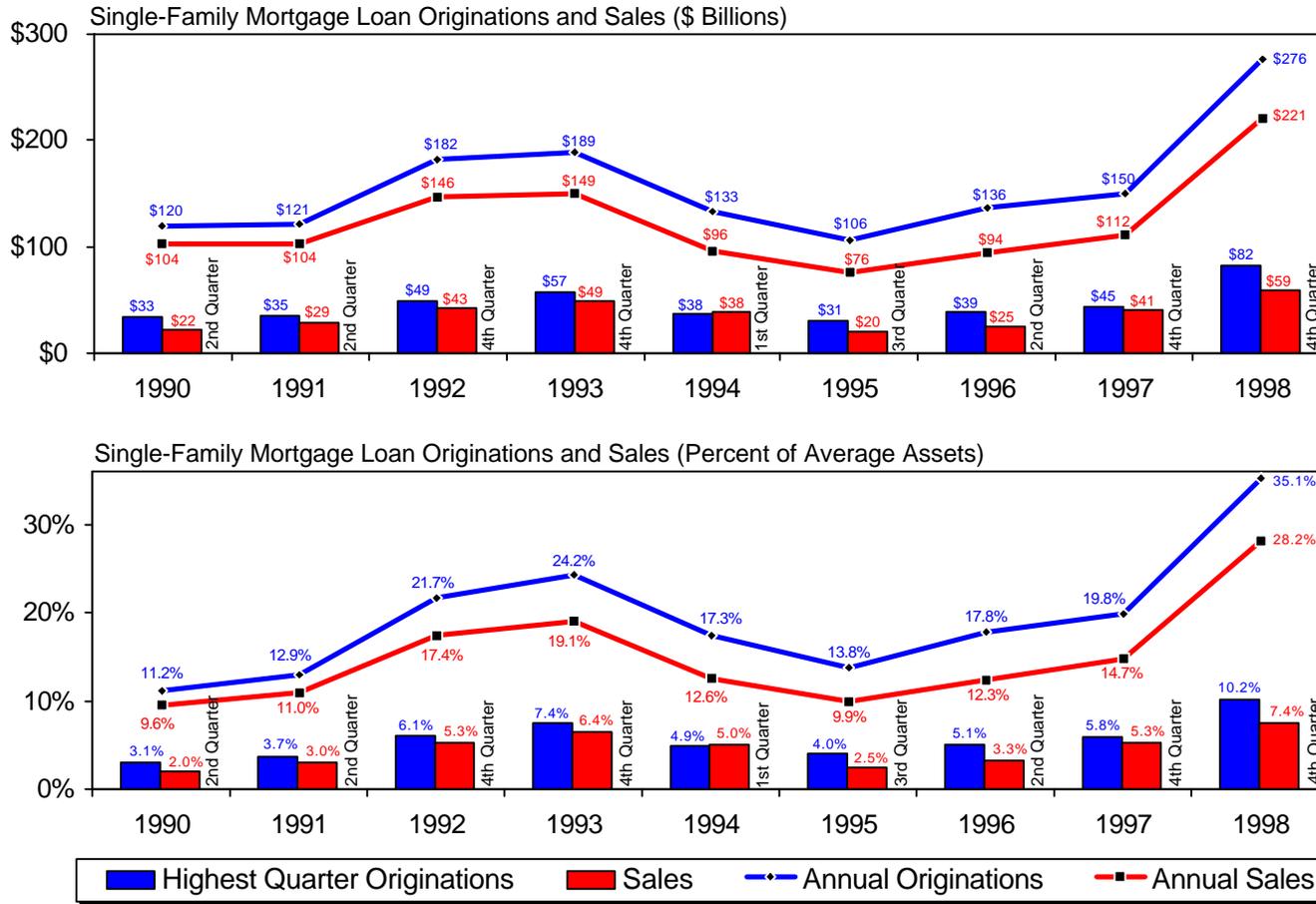
<sup>1</sup> 10-Year Treasury Constant Maturity yields less 1-Year Treasury Constant Maturity yields.  
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# THRIFTS' YIELD SPREAD ROSE IN THE FOURTH QUARTER DUE TO REDUCED LIABILITY COSTS



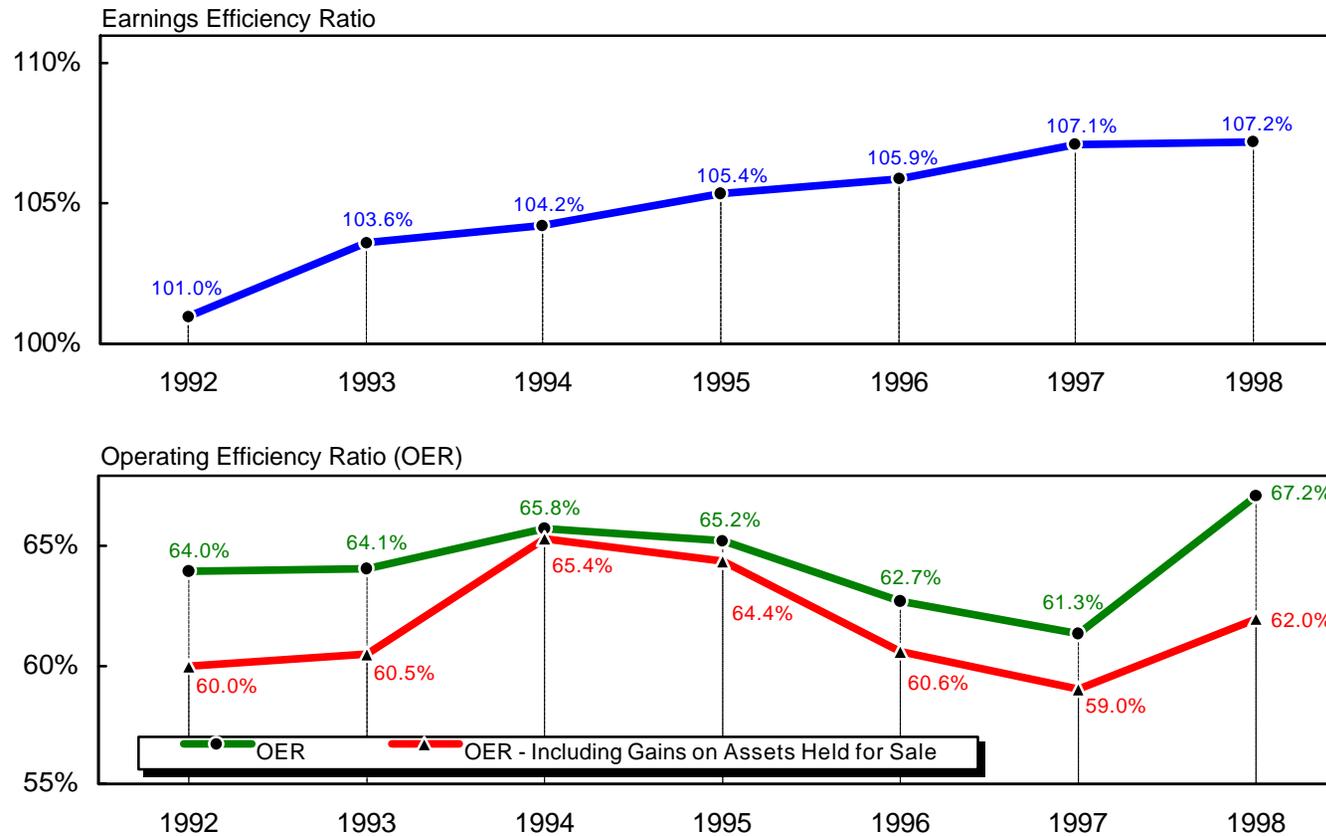
Yield Spread is the end of period Weighted Average Yield minus the Weighted Average Cost.  
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# SINGLE-FAMILY MORTGAGE ORIGINATIONS IN 1998 WERE A RECORD FOR OTS-REGULATED THRIFT INDUSTRY



Beginning in June 1996, data are consolidated.  
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## OPERATING EFFICIENCY DETERIORATED IN 1998 DUE PRIMARILY TO ACQUISITION RELATED CHARGES AND INCREASED MORTGAGE BANKING ACTIVITY



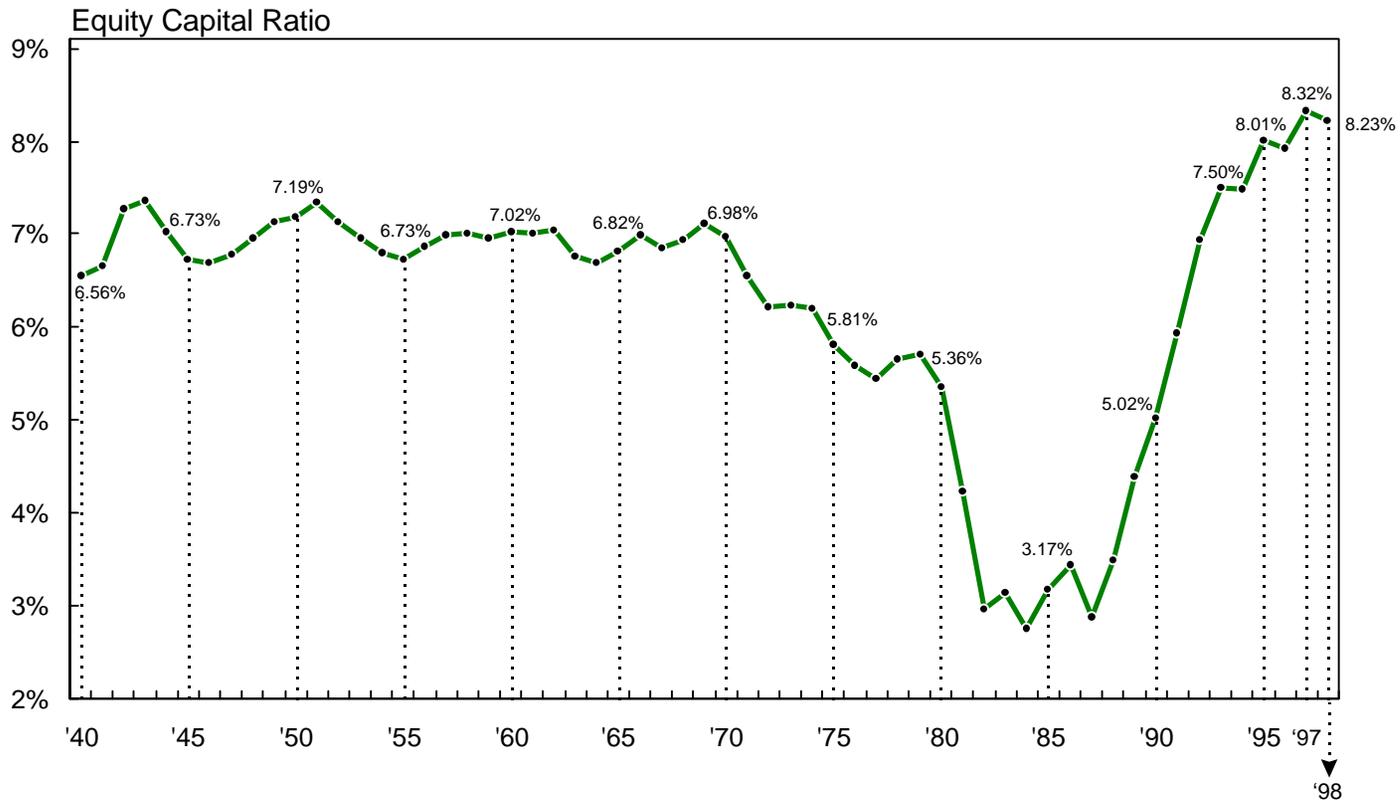
Earnings Efficiency Ratio = Interest Earning Assets / Interest Bearing Liabilities.

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

1996 General and Administrative Expense excludes net SAIF special assessment.

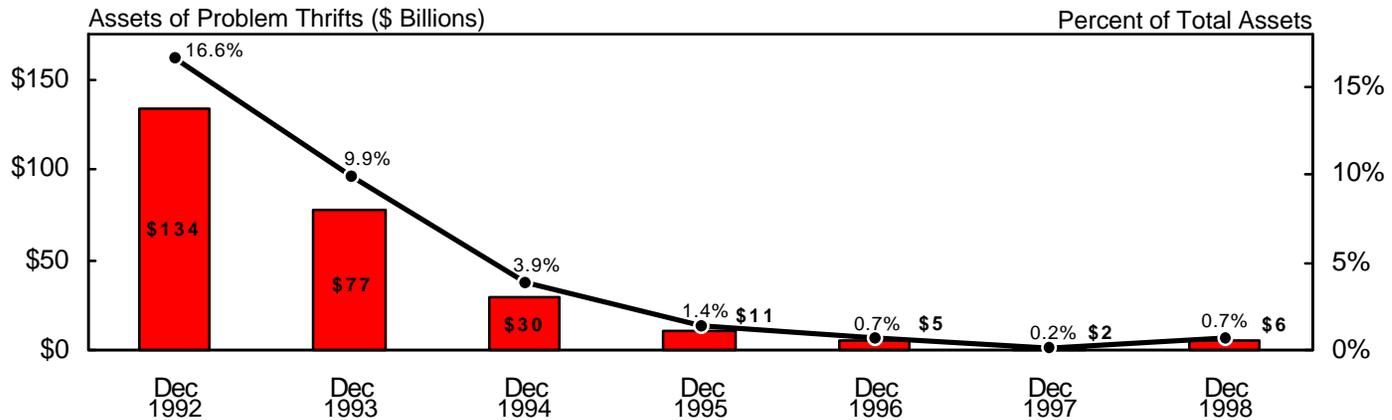
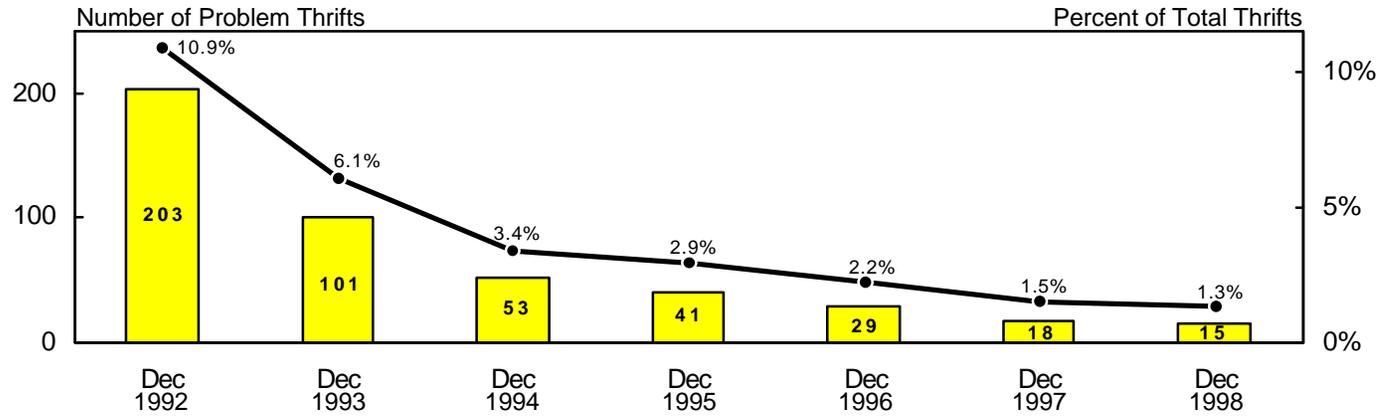
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# EQUITY CAPITAL DECLINED SLIGHTLY BUT REMAINS STRONG

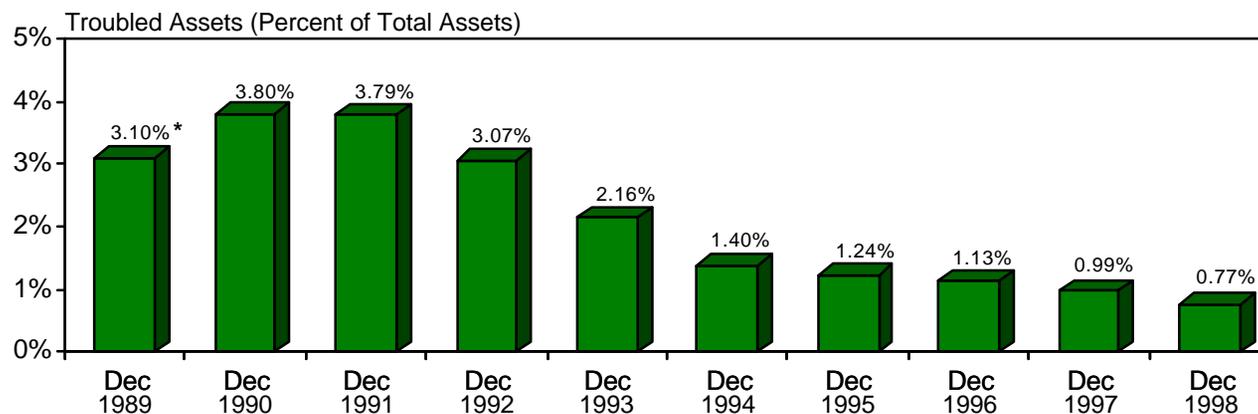
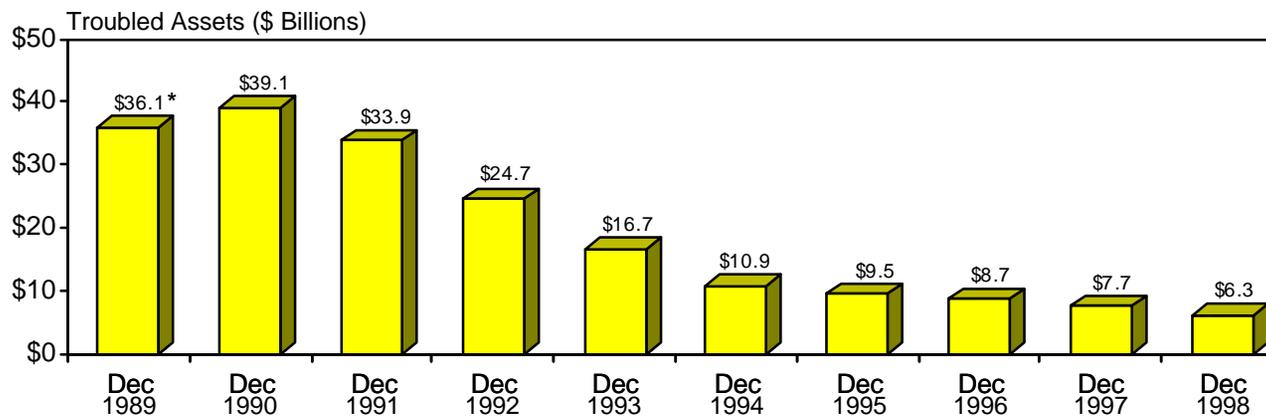


# PROBLEM THRIFTS CONTINUED TO DECLINE THOUGH PROBLEM THRIFT ASSETS INCREASED

(Thriffs with CAMELS Ratings of 4 or 5)



## TROUBLED ASSETS REACHED A NEW LOW



\* Estimated.

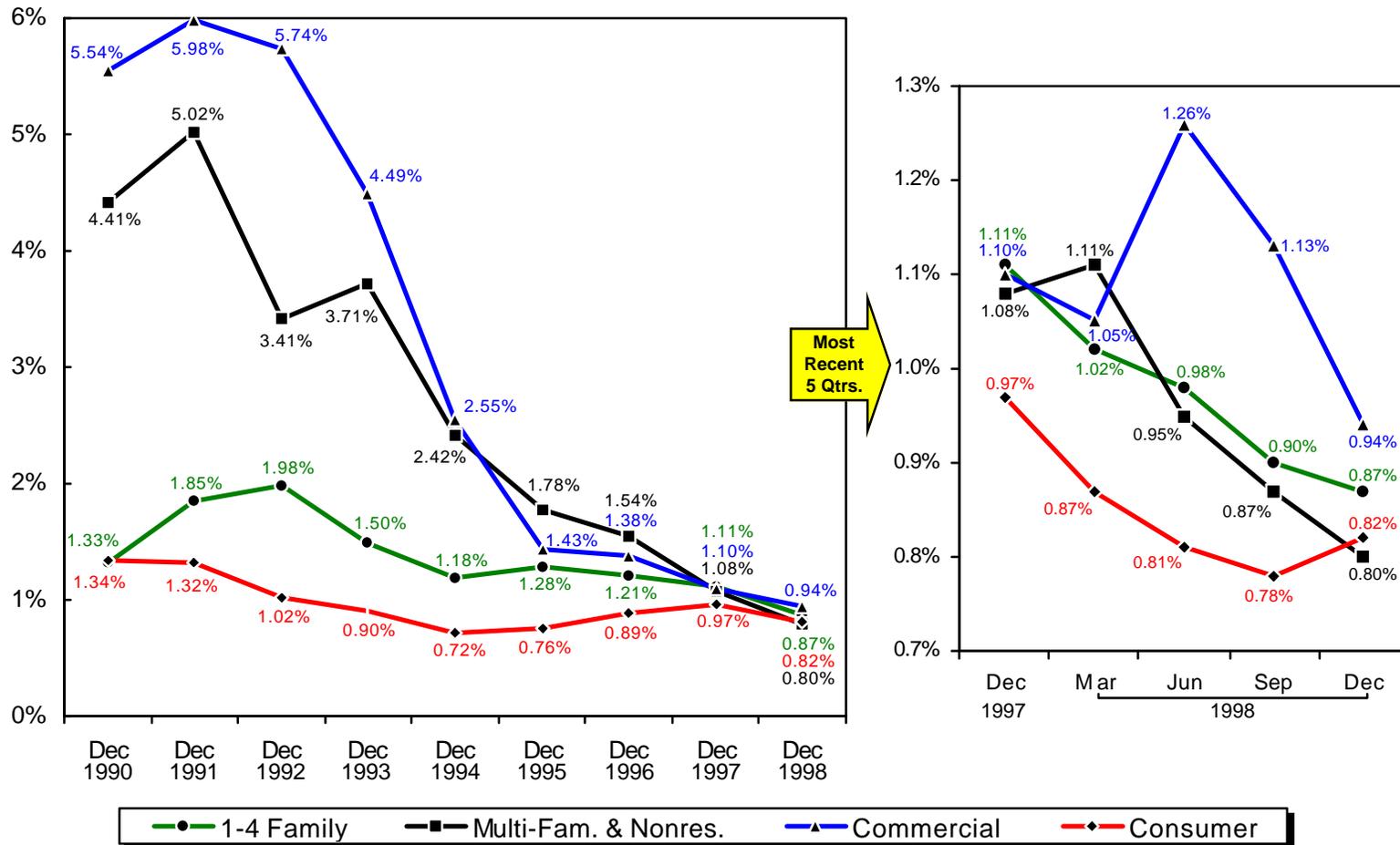
Troubled Assets include noncurrent loans and repossessed assets.

Data after 1995 are net of specific valuation allowances.

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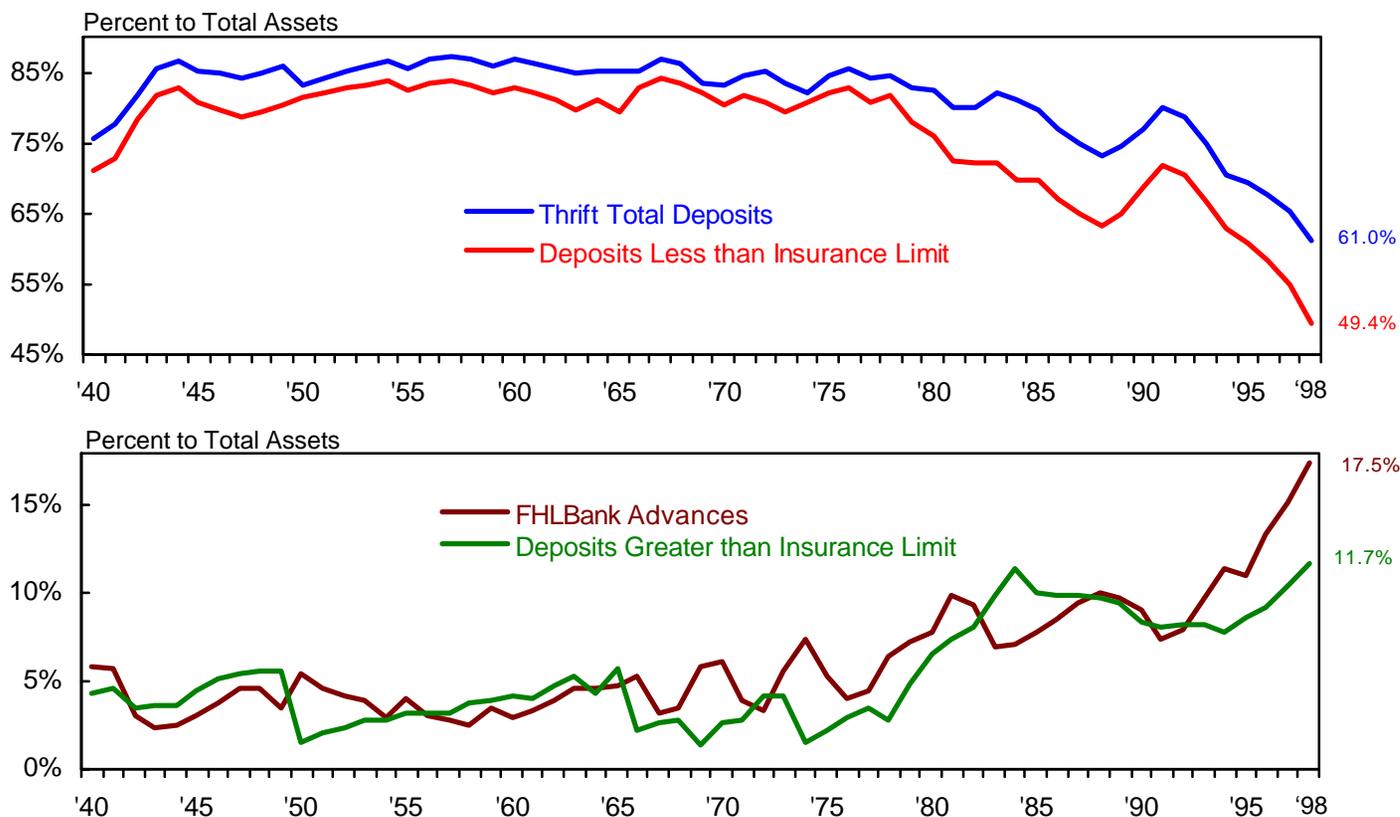
# ONLY NONCURRENT CONSUMER LOAN RATES ROSE IN THE FOURTH QUARTER

Noncurrent Loans as Percent of Loan Type



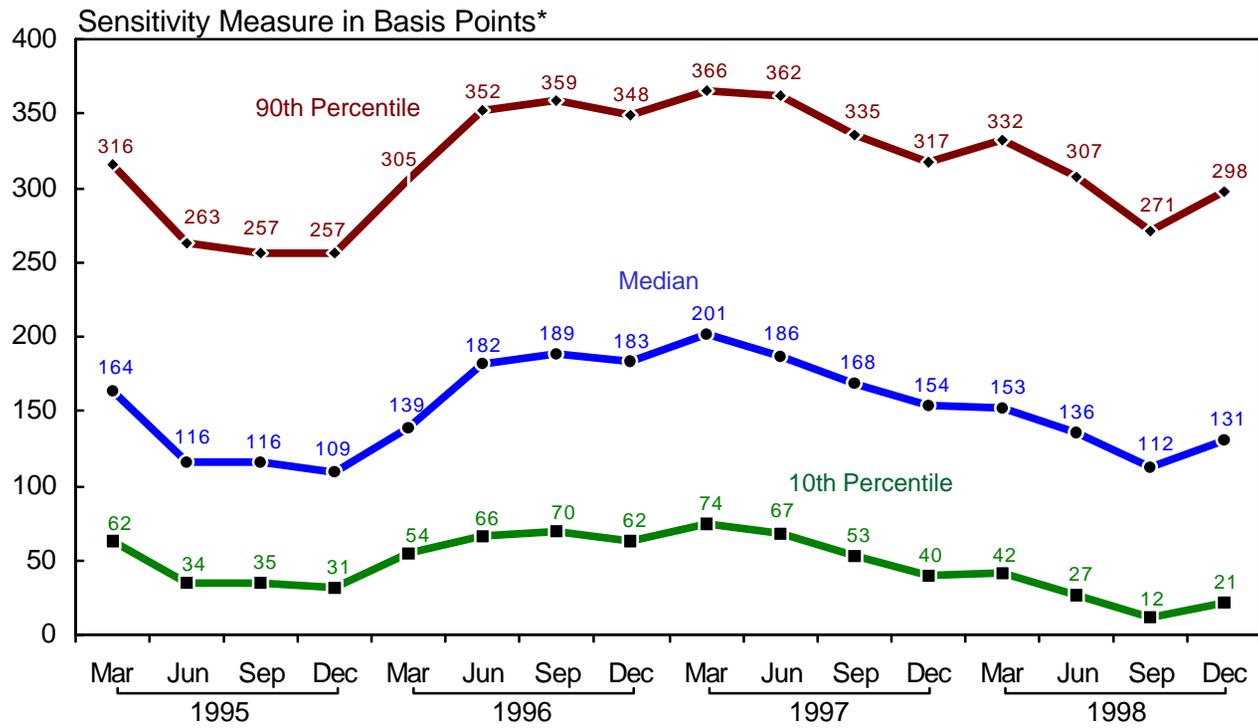
Data after 1995 are net of specific valuation allowances.  
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## THRIFTS' DECLINE IN SMALLER DEPOSITS OFFSET BY GROWTH IN LARGER DEPOSITS AND FHLBank ADVANCES



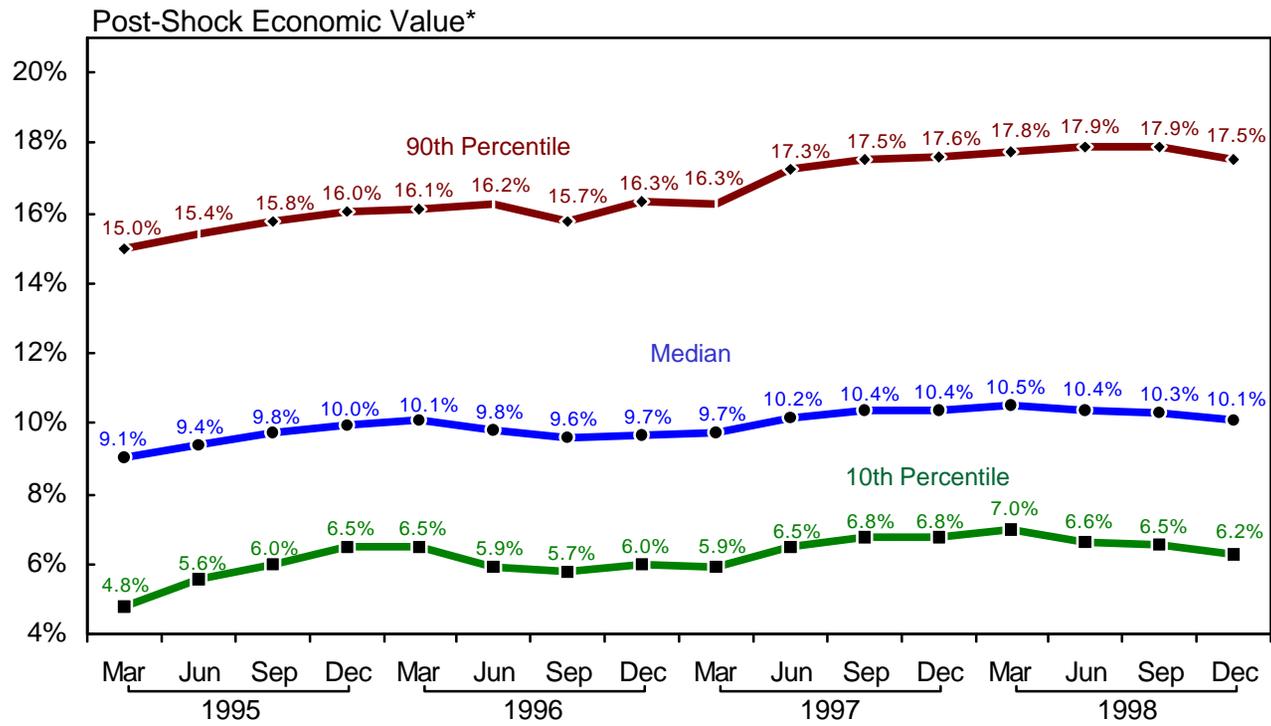
Historical maximum insured deposits are: 1934-'49, \$5,000; 1950-'65, \$10,000; 1966-'68, 15,000; 1969-'73, \$20,000; 1974-'79, \$40,000 (non-government accounts), \$100,000 (government accounts); 1980-present, \$100,000.  
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## INTEREST RATE RISK SENSITIVITY INCREASED IN THE FOURTH QUARTER



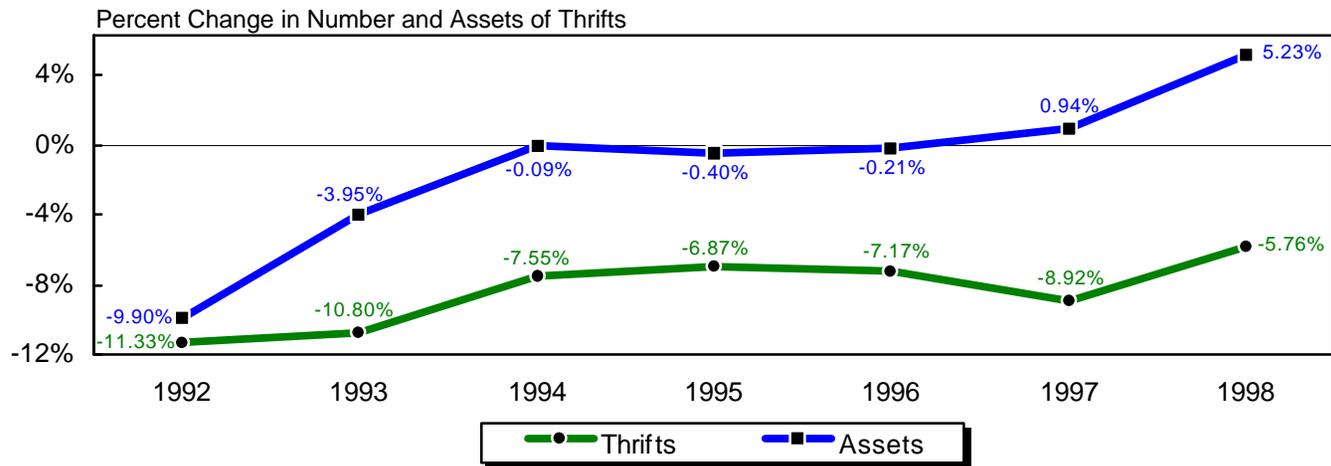
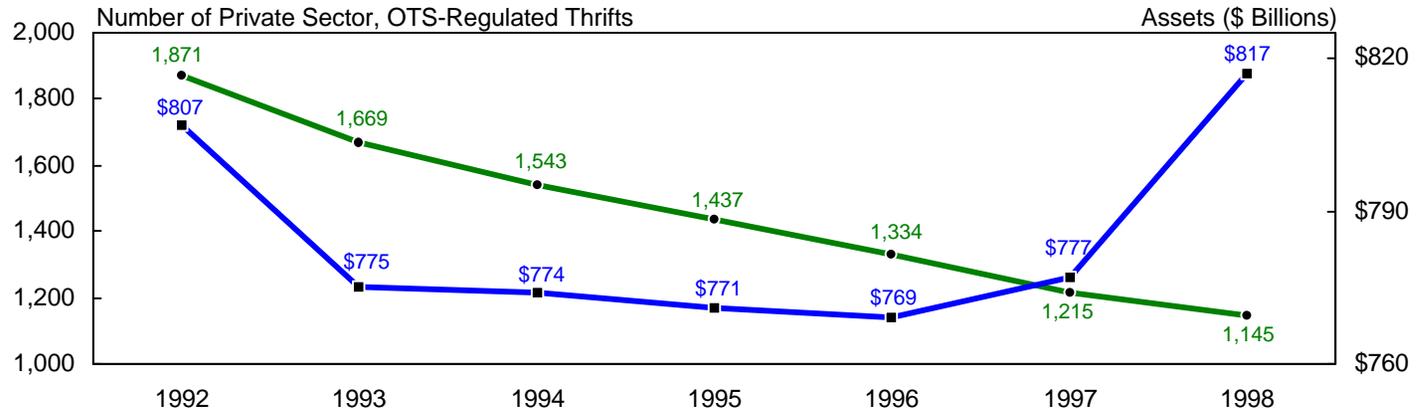
\* Preliminary fourth quarter data.  
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# PRE-SHOCK NPV BUFFERED THE IMPACT OF HIGHER SENSITIVITY

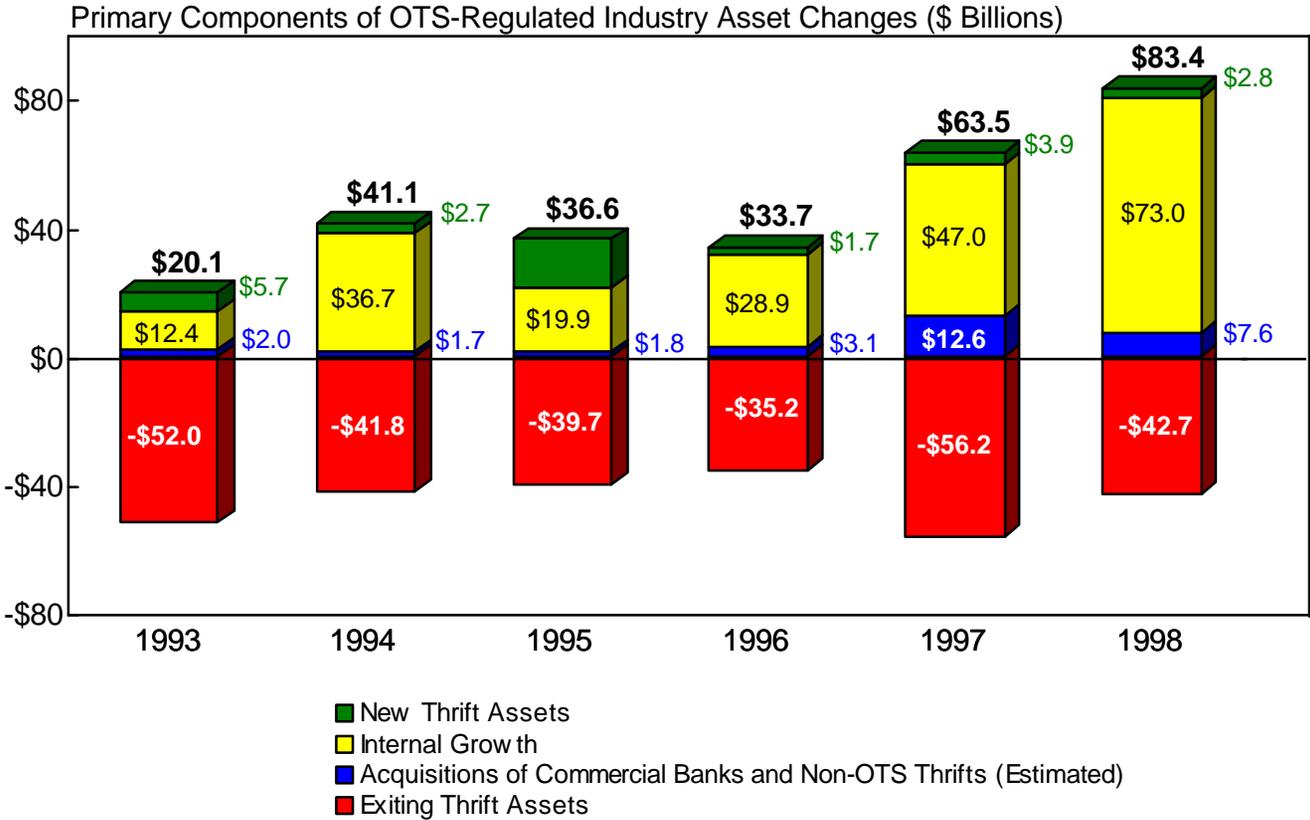


\* Preliminary fourth quarter data.  
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# THRIFT ASSETS INCREASED WHILE CONSOLIDATION CONTINUED IN 1998



# ASSET GROWTH WAS STRONG, BUT SOME PORTION MAY BE TEMPORARY



## THRIFT EXITS SLOWED WHILE NEW ENTRANTS INCREASED IN 1998

OTS-REGULATED THRIFTS	1993	1994	1995	1996	1997	1998				Total 1998
						Mar	Jun	Sep	Dec	
<b>TOTAL EXITS</b>	<b>213</b>	<b>149</b>	<b>129</b>	<b>119</b>	<b>141</b>	<b>26</b>	<b>25</b>	<b>26</b>	<b>32</b>	<b>109</b>
Failures	8	2	2	1	0	0	0	0	0	0
Conversions										
To Commercial Banks	18	17	13	10	32	3	0	0	2	5
To State-Chartered Savings Banks	<u>98</u>	<u>49</u>	<u>16</u>	<u>20</u>	<u>17</u>	<u>3</u>	<u>5</u>	<u>3</u>	<u>2</u>	<u>13</u>
<b>Total Conversions</b>	<b>116</b>	<b>66</b>	<b>29</b>	<b>30</b>	<b>49</b>	<b>6</b>	<b>5</b>	<b>3</b>	<b>4</b>	<b>18</b>
Acquisitions										
By Commercial Banks	39	44	49	46	56	8	12	11	11	42
By State-Chartered Savings Banks	<u>3</u>	<u>2</u>	<u>1</u>	<u>3</u>	<u>5</u>	<u>0</u>	<u>0</u>	<u>3</u>	<u>4</u>	<u>7</u>
<b>Total Acquisitions by Non-OTS     Regulated Institutions</b>	<b>42</b>	<b>46</b>	<b>50</b>	<b>49</b>	<b>61</b>	<b>8</b>	<b>12</b>	<b>14</b>	<b>15</b>	<b>49</b>
OTS Thrift-to-Thrift Mergers	37	32	43	36	28	11	8	7	12	38
Voluntary Dissolutions	10	3	5	3	3	1	0	2	1	4
<b>TOTAL ENTRANTS</b>	<b>13</b>	<b>24</b>	<b>23</b>	<b>18</b>	<b>21</b>	<b>6</b>	<b>11</b>	<b>15</b>	<b>7</b>	<b>39</b>
De Novo	12	16	3	6	11	2	5	12	6	25
Charter Conversions	1	8	20	12	10	4	6	3	1	14
<b>NET DECLINE</b>	<b>200</b>	<b>125</b>	<b>106</b>	<b>101</b>	<b>120</b>	<b>20</b>	<b>14</b>	<b>11</b>	<b>25</b>	<b>70</b>

## MORTGAGE DERIVATIVES AND SMALL BUSINESS / COMMERCIAL LOANS LED 1998 GROWTH

	Dec 1993		Dec 1997		Dec 1998		Average Annual Growth Rates	
	Dec '93	Dec '98	Dec '97	Dec '98	Dec '93	Dec '98	Dec '97	Dec '98
	\$	% TA	\$	% TA	\$	% TA		
TOTAL ASSETS	\$774.8	100.0%	\$776.6	100.0%	\$817.2	100.0%	1.1%	5.2%
Total Loans	503.7	65.0%	539.7	69.5%	554.9	67.9%	2.0%	2.8%
1-4 Family Mortgage Loans	354.8	45.8%	390.8	50.3%	400.8	49.0%	2.6%	2.6%
<b>Construction Loans</b>	<b>12.7</b>	<b>1.6%</b>	<b>11.3</b>	<b>1.5%</b>	<b>13.8</b>	<b>1.7%</b>	<b>1.7%</b>	<b>21.4%</b>
Other Mortgages	95.7	12.4%	81.2	10.5%	77.4	9.5%	-3.8%	-4.7%
<b>Small Business / Commercial Loans</b>	<b>5.2</b>	<b>0.7%</b>	<b>11.5</b>	<b>1.5%</b>	<b>15.6</b>	<b>1.9%</b>	<b>39.9%</b>	<b>35.4%</b>
Consumer Loans	35.4	4.6%	44.9	5.8%	47.4	5.8%	6.8%	5.6%
Mortgage Pool Securities	119.5	15.4%	103.8	13.4%	93.3	11.4%	-4.4%	-10.1%
Investment Securities	108.6	14.0%	85.1	11.0%	113.7	13.9%	0.9%	33.6%
<b>Mortgage Derivatives</b>	<b>43.8</b>	<b>5.7%</b>	<b>36.3</b>	<b>4.7%</b>	<b>67.0</b>	<b>8.2%</b>	<b>10.6%</b>	<b>84.6%</b>

Dollars in billions and numbers may not sum due to rounding.

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

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