# THE OTS-REGULATED THRIFT INDUSTRY THIRD QUARTER 1998 HIGHLIGHTS

*Office of Thrift Supervision/December 2, 1998*

The OTS-regulated thrift industry's financial performance remained solid in the third quarter. Third quarter earnings set a new record but were heightened by one-time gains-on-sale from several thrifts' restructuring. At the same time, revaluations of servicing and acquisition related charges by several large thrifts reduced aggregate third quarter earnings. Earnings remained strong excluding these one-time events, however. Thrift industry capital continued to be solid and troubled assets remain at very low levels. As in the first two quarters of 1998, thrifts' third quarter mortgage originations and sales were brisk, augmented by loan refinancings. This robust "mortgage-banking" activity contributed to thrifts' strong earnings and slightly altered the composition of earnings and assets.

## Thrift Earnings Continued Strong in the Third Quarter

The thrift industry posted record quarterly earnings of $2.2 billion in the third quarter of 1998, eclipsing the prior record of $2.1 billion set in the second quarter.[1] Earnings in both quarters were significantly influenced by one-time events. Third quarter earnings were boosted by several large thrifts' restructuring gains-on-sale. Third quarter earnings were also depressed by several thrifts' loan servicing portfolio revaluations, provisions for losses, and acquisition related expenses. Moreover, one large thrift was acquired under the purchase method of accounting late in the third quarter, thereby reporting only partial quarterly earnings.

Absent one-time events, earnings in each of the first three quarters of 1998 were approximately $1.8 billion – a strong level for the industry.

As shown in the chart on the top of page 2, ROA in the third quarter was 113 basis points -- also a quarterly record surpassing the previous record of 107 basis points in the second quarter of 1998. ROA was 97 basis points in the first quarter of 1998 and 71 basis points one year ago. Absent one-time events, third quarter 1998 ROA was approximately 100 basis points, continuing the trend of solid ROAs achieved by thrifts for the past six years.

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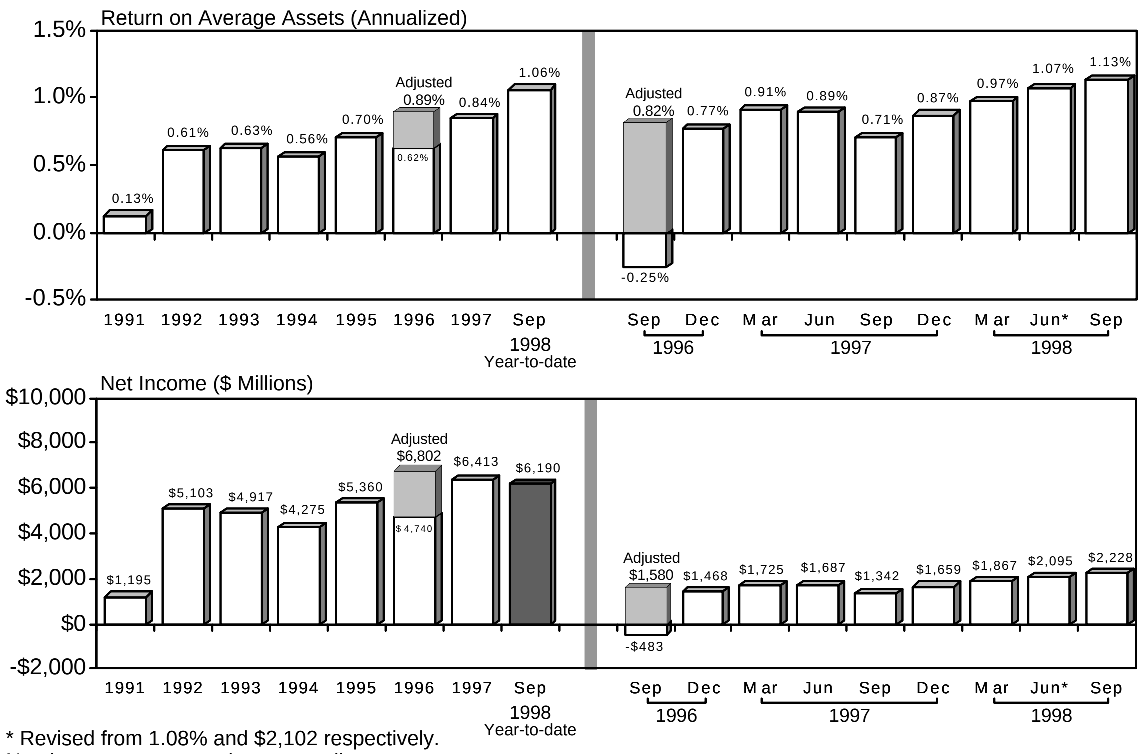
[1] Thrift financial data have been collected on a quarterly basis since 1984. Prior to 1984, semi-annual and monthly data were collected.



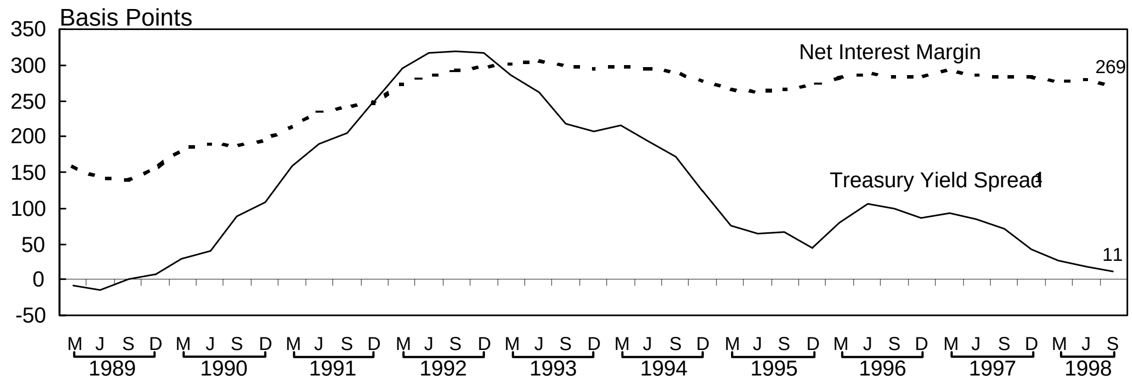

* Revised from 1.08% and $2,102 respectively.
Numbers may not sum due to rounding.
Adjusted data exclude the net SAIF special assessment of $2.1 billion incurred in the third quarter of 1996.

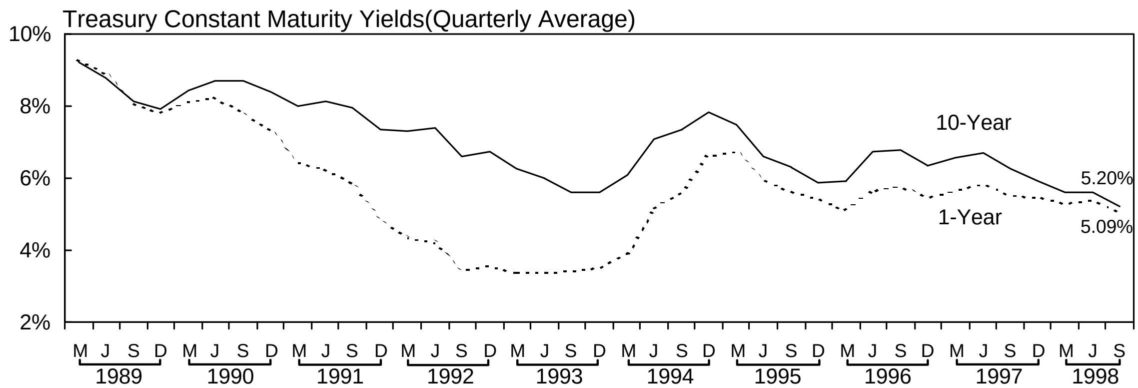
Earnings for the first three quarters of 1998 were $6.2 billion, up from $4.8 billion in the comparable period for 1997. Earnings for the first three quarters of 1998 almost equaled the record annual earnings of $6.4 billion in 1997. ROA for the first nine months of 1998 was 106 basis points, up from 83 basis points for the same period in 1997.

**Net Interest Margin Remained Stable Despite Flat Yield Curve**

The chart on page 3 shows the substantial narrowing of the average Treasury yield spread between the one year and ten year interest rates since the early 1990s. For the period March 1991 through December 1994, the average quarterly Treasury yield spread was 233 basis points. This spread narrowed 70 percent to an average of 69 basis points for the 14 quarters March 1995 through June 1998. The third quarter spread tightened further to 11 basis points – the lowest spread 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. During the 1991-1994 time period, thrifts' NIM averaged 278 basis points, compared to an average of 279 basis points for the period March 1995 through June 1998. Although thrifts' NIM for the third quarter fell to 269 basis points from 279 basis points in the second quarter and 284 basis points one year ago, much of this decline reflected the fact that a large intra-industry acquisition late in the quarter resulted in the institution's assets, but not the bulk of its earnings, being counted in this measure. Absent this transaction, third quarter NIM was 277 basis points, almost equal to NIM for the prior quarter and the March 1995 through June 1998 average.




[1] 10-Year Treasury Constant Maturity yields less 1-Year Treasury Constant Maturity

The relative stability of 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.

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. At the end of the third quarter, the weighted average coupon ("WAC") on ARMs held by the industry was 7.29 percent – down slightly (less than 1 percent) from 7.34 percent one year ago and from 7.36 percent at the end of 1996. In contrast, the WAC on fixed-rate single-family mortgages dropped more significantly to 7.51 percent at September 30, 1998, from 7.76 percent one year earlier and at the end of 1996 (over a 3 percent decline).

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 the third quarter.)

Thrifts' NIM will continue to be pressured by the 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.

Homebuyers and refinancers will most likely continue to favor long-term fixed-rate mortgages as long as the yield curve stays low and flat. Thrifts generally sell most long-term fixed-rate mortgages in the secondary market. Hence, future growth in thrift mortgage portfolios may be concentrated in lower-yielding mortgage-backed securities and collateralized mortgage obligations ("CMOs"), which would dampen thrifts' asset yields.

On the liability side of the balance sheet, the continued decline in deposits will also pressure thrifts' NIM. As discussed in more detail later in this paper, the ratio of deposits-to-assets continued to decline in the third quarter to a new low – 62.6 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.

**High Mortgage Prepayment Rates Resulted in Servicing Revaluations**

Spurred by low interest rates, mortgage prepayments were quite high in the first three quarters of 1998. The majority of the rise in prepayments during the first nine months of 1998 was due to consumers refinancing mortgages. Refinancings as a percent of mortgage originations rose to 57 percent in the third quarter from 44 percent in the second quarter and 53 percent in the first quarter.[2] Refinancing activity continued to rise in the month of October, reflecting the sharp drop in interest rates in late September 1998. (Refinancings as a percent of originations rose to 64 percent for the month of October 1998.)

The rise in refinancings, and the resultant prepayments, caused many mortgage market participants to reassess their expected mortgage prepayment assumptions and to revalue their servicing. Such revaluations by several large thrifts depressed third quarter aggregate servicing fees. Servicing fees as a percent of average assets fell to negative 3 basis points in the third quarter from 10 basis points in the second quarter and 11 basis points one year ago. Excluding several large thrifts with substantial servicing revaluations, the servicing fee-to-average assets ratio was 6 basis points in the third quarter.

[2] Data from the Mortgage Bankers Association of America.

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

The strength of thrifts' recent earnings was largely driven by lower provisions for losses and higher non-interest income. Provisions for losses as a percent of average assets were 23 basis points in the third quarter, an increase from 21 basis points in the second quarter. Slight changes in provisions for loss occur due to sales of assets, mergers and acquisitions, and changes in asset composition.

Despite the slight increase in third quarter provisions for losses, provisions for the first three quarters of 1998 fell 19 percent to 21 basis points from 26 basis points for the comparable period in 1997. Improvements in asset quality accounted for the lower provisions for losses.

"Other" non-interest income jumped to 115 basis points in the third quarter from 56 basis points in the second quarter and from 22 basis points one year ago. Excluding the large thrifts with significant one-time events, third quarter other non-interest income was 66 basis points – a level more comparable to prior quarters.

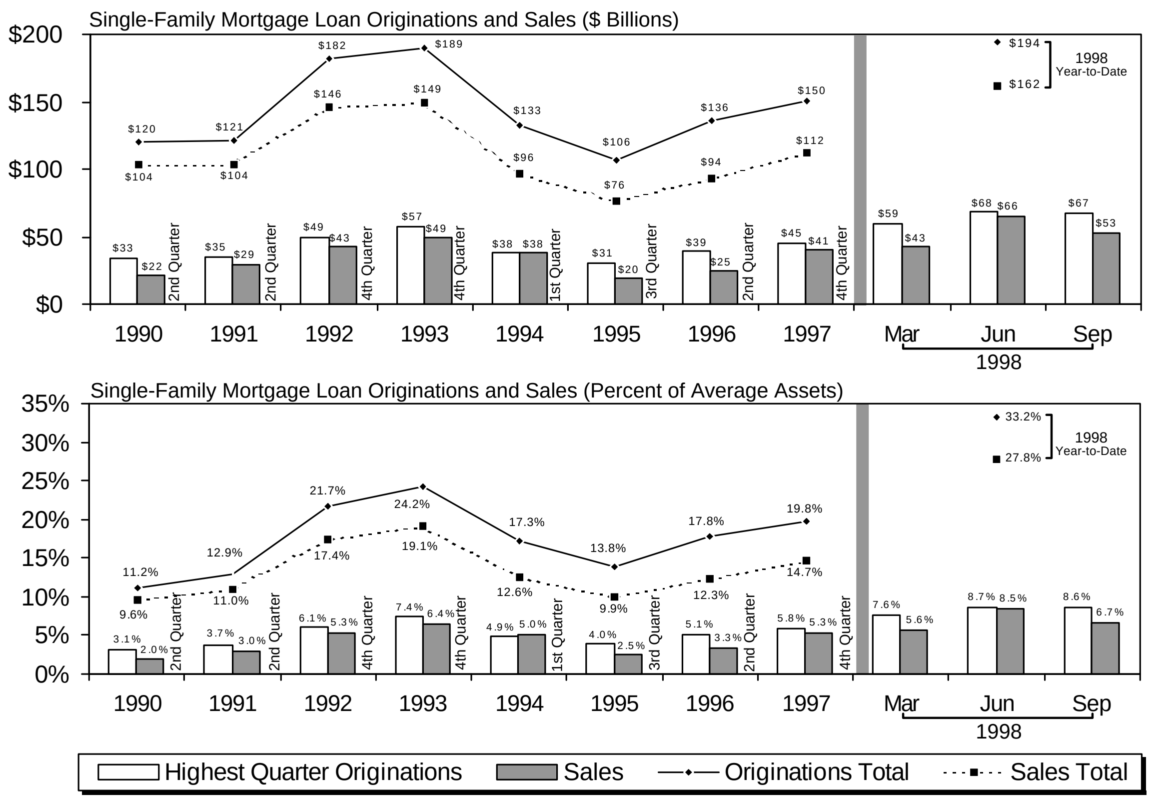
Higher gains were also generated from the sale of "assets held for sale," reflecting strong mortgage banking activity. Such gains increased slightly to 30 basis points in the third quarter from 28 basis points in the prior quarter, but were up significantly from 7 basis points one year ago.

The industry's non-servicing fee income has generally increased over the past four years. Non-servicing fee income as a percent of average assets was 52 basis points in the third quarter, down slightly from 53 basis points last quarter, but up from 48 basis points one year ago. (Two years ago such fee income was 37 basis points.) An increase in fee-generating activities and products, such as mutual fund and annuity sales, trust activities, and demand deposits, helped generate higher fee income.

Control of general and administrative, or overhead, expense also contributed to maintaining solid earnings. The industry's overhead expense-to-average assets ratio declined slightly to 2.16 percent from 2.20 percent in the prior quarter and from 2.18 percent one year ago. However, overhead expense-to-assets ratios for the most recent four quarters were modestly above those in prior quarters, reflecting strong mortgage banking activity. One area of supervisory focus will be how well the industry matches reduction in overhead expenses to moderation in mortgage banking activity.

## Refinancing Activity Continued to Boost Mortgage Origination Volume

Relatively low mortgage interest rates, combined with a healthy economy and low unemployment, continued to boost mortgage originations in the third quarter of 1998. Third quarter single-family mortgage originations were $67.5 billion, just slightly below the record $67.7 billion posted in the second quarter. Single-family originations for the first three quarters of 1998 were $194 billion and have already surpassed the prior yearly high of $189 billion in 1993.[3] The chart below presents thrifts' single-family mortgage originations and sales from 1990 through 1997 and the first three quarters of 1998 in dollars (top panel) and as a percent of average assets (bottom panel). The highest quarterly origination volume is also presented as a bar in each panel.




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

Total mortgage originations, including multi-family and non-residential mortgages, were $78.61 billion in the third quarter, a new quarterly record for the

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

thrift industry. The prior record was $78.58 billion, posted in the second quarter.[4] A rise in third quarter construction lending pushed total mortgage originations to this new record. Total construction loan originations were $6.3 billion in the third quarter, up from $6.0 billion in the prior quarter. The vast majority (79 percent) of thrifts' construction lending was for single-family homes. The remainder was for multi-family residences (8 percent) and non-residential structures (13 percent). Total mortgage originations were $67.5 billion in the first quarter and $48.4 billion one year ago; total construction originations were $4.7 billion and $5.1 billion for the same periods.

Total mortgage originations include refinanced mortgages. Continued low long-term mortgage rates spurred high levels of refinancings. The thrift industry fully participated in this increased activity. Refinancings remained a significant portion of total 1998 mortgage originations, measuring 13.3 percent in the third quarter, 13.7 percent in the second quarter, and 16.5 percent in the first quarter using reported thrift financial data.[5] In contrast, refinancings represented 9.6 percent of total mortgage originations in the first three quarters of 1997.

Long-term interest rates reached record lows in the first quarter and remained low through the third 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 an average of just 13 percent of all mortgages originated during the first three quarters of 1998.[6] This was the lowest percentage of ARMs originated in any quarterly period between the first quarter of 1985 and the third quarter of 1998. The last period ARMs were this low was in the first quarter of 1996 (16 percent). (The peak ARM share of originations was 64 percent in the fourth quarter of 1987.) The average percentage of ARM share of mortgage originations from 1985-1997 was 33 percent.

Thrifts' sales of single-family mortgages were very strong in the first three quarters of 1998. The percent of single-family mortgage originations sold was 78 percent in the third quarter, a decline from 98 percent in the second quarter but up from 67 percent one year ago. Fluctuations in the ratio of sales to originations can occur due to the timing of packaging and selling loans. (The unusually high percent of sales-to-originations in the second quarter was

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[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 ("MBAA") estimates refinancings from all sources. Under the MBAA definition, the refinancing share of total single-family mortgage originations was 57 percent in the third quarter, up from 44 percent in the previous quarter and from 53 percent for the first quarter. (Refinancings represented 31 percent of total originations for the year 1997.)

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

attributable to one large thrift's sale and securitization of mortgage loans from portfolio. Absent this one thrift, the industry's ratio of sales to originations fell to 85 percent, a level more comparable to prior quarters.) For the first three quarters of 1998, the percent of single-family mortgage originations sold was 85 percent compared to 69 percent for the same period in 1997. This increase in the proportion of single-family originations sold reflects the increasing emphasis thrifts have placed on mortgage banking activities during this current refinancing boom.

Assets-held-for-sale remained high in the third quarter, measuring $27.3 billion (3.4 percent of assets), up slightly from $26.6 billion (3.4 percent) in the second quarter. One year ago, assets-held-for-sale were $17.4 billion (2.3 percent) and the average for 1997 was $14.7 billion (1.9 percent). The sharp rise in 1998 assets-held-for-sale reflects the strong origination volume and the build-up of closed loans prior to their eventual sale in the secondary market.

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

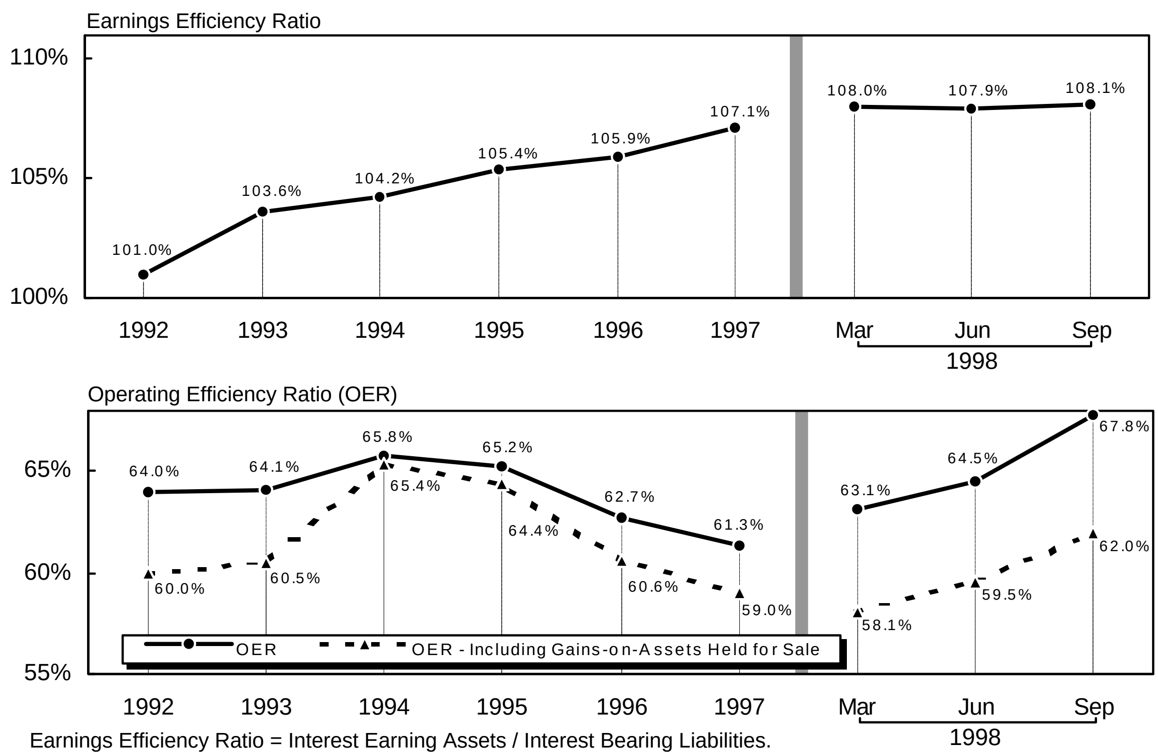
Borrower preference for long-term fixed-rate mortgages during the 1998 has altered the composition of thrift mortgage portfolios. The percentage of assets held in 30-year single-family fixed-rate mortgages and securities increased slightly in the third quarter to 13.4 percent from 12.6 percent in the prior 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 down slightly in the third from the second quarter -- 15-year mortgages declined to 7.6 percent from 7.8 percent of assets; balloon mortgages declined to 3.0 percent from 3.2 percent.

ARMs remained, by far, the most significant mortgage product held by thrifts, but declined slightly in the first three quarters of 1998 due to the popularity of fixed-rate mortgages in this interest rate environment. As a percent of assets, ARMs declined to 34.6 percent in the third quarter from 36.0 percent in the prior quarter. At the end of 1997, ARMs represented 40.7 percent of assets. ARMs that adjust with "lagging market indexes" ("LMI ARMs") declined at a slightly higher rate than ARMs adjusting with "current market indexes" ("CMI ARMs"). From December 1997 to September 1998, LMI ARMs declined 18.4 percent, from 19.5 percent of assets to 16.0 percent, respectively. CMI ARMs fell 15.4 percent, from 17.6 percent of assets at the end of 1997 to 14.8 percent in the third quarter 1998.

[7] Data are for thrifts filing Schedule CMR.

## Efficiency Measures Impacted by Strong Origination Volume and One-Time Events

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 remained virtually unchanged at approximately 108 percent in the first three quarters of 1998. (The earnings efficiency ratio was 108.1 percent for the third quarter.) However, the 1998 ratio represents an 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.

As shown in the chart, the operating efficiency ratio weakened in the third quarter to 67.8 percent from 64.5 percent in the second quarter. The deterioration was primarily attributable to two factors: 1) the "negative" servicing fee income associated with revaluations of several large thrifts' servicing portfolios; and 2) the changed earnings composition due to strong mortgage banking activity. Absent the large thrifts with significant revaluations of their servicing, the operating efficiency ratio was 65.6 percent – a level more in line with the prior quarter's ratio, but still a deterioration relative to 1997 ratios. This deterioration remains even when we adjust the measure to include gains-on-assets held for sale. This is a trend we will continue to monitor closely.

**Capital Levels Remain Strong**

Equity capital for the industry (capital calculated using Generally Accepted Accounting Principles) increased slightly to 8.58 percent of assets in the third quarter, a new record high, from the previous record, 8.56 percent, in the second quarter. The industry's equity capital ratio has risen in each quarter since the payment of the special SAIF premium two years ago. At September 1996, the capital ratio was 7.82 percent.

The risk-based capital ratio also rose slightly to 14.71 percent in the third quarter from 14.64 percent in the prior quarter. The industry's risk-based capital ratio remains considerably higher than the 10 percent level needed for "well-capitalized" status.

The industry's tier 1 leverage capital ratio declined slightly in the third quarter to 7.71 percent of adjusted tangible assets from 7.72 percent in the prior quarter. The slight decline in the tier 1 leverage capital ratio in the face of rising equity capital was attributable to an increase in intangible assets. Intangible assets, which are excluded from tier 1 leverage capital, increased to 9.2 percent of equity capital in the third quarter from 8.5 percent in the second quarter. The rise in intangible assets was primarily due to an increase in acquisitions recorded under the purchase method of accounting.

The percentage of thrifts that met or exceeded well-capitalized standards in the third quarter remained at 98 percent, the same as in the prior quarter. At the end of the third quarter no thrift was undercapitalized; two thrifts were undercapitalized in the prior quarter.

**The Number and Assets of Problem Thrifts Remain at Low Levels**

The number of problem thrifts, those with CAMELS ratings of "4" or "5" on their most recent safety and soundness examination, was unchanged in the third quarter from the second quarter at 18 (1.5 percent of all thrifts). The number of problem thrifts reached a post-FIRREA low of 14 (1.2 percent ) for the first quarter. One year ago there were 23 (1.9 percent) problem thrifts.

Aggregate assets of problem thrifts in the third quarter also remained unchanged from the prior quarter at $2.9 billion, or 0.4 percent of industry assets. One year ago, problem thrifts' combined assets were $1.8 billion (0.2 percent).

## Troubled Assets Declined Slightly in the Third Quarter

Troubled assets[8] fell in the third quarter to $6.4 billion, or 0.80 percent of assets, from to $6.8 billion (0.87 percent) in the second quarter. Troubled assets in the third quarter reached the lowest level since 1990, when this measure of asset quality was first used in the thrift industry. The prior troubled asset low was reached in the second quarter. One year ago the industry's troubled assets measured $8.2 billion, or 1.08 percent of total assets.

The decrease in third quarter troubled assets was primarily due to a decline in noncurrent loans. Noncurrent loans fell to $4.9 billion (0.61 percent of assets) in the third quarter from $5.3 billion (0.67 percent) in the second quarter. Thrifts' repossessed assets, net of specific valuation allowances, fell more modestly in the third quarter to $1.5 billion (0.19 percent of assets), from $1.6 billion (0.20 percent of total assets) in the second quarter.

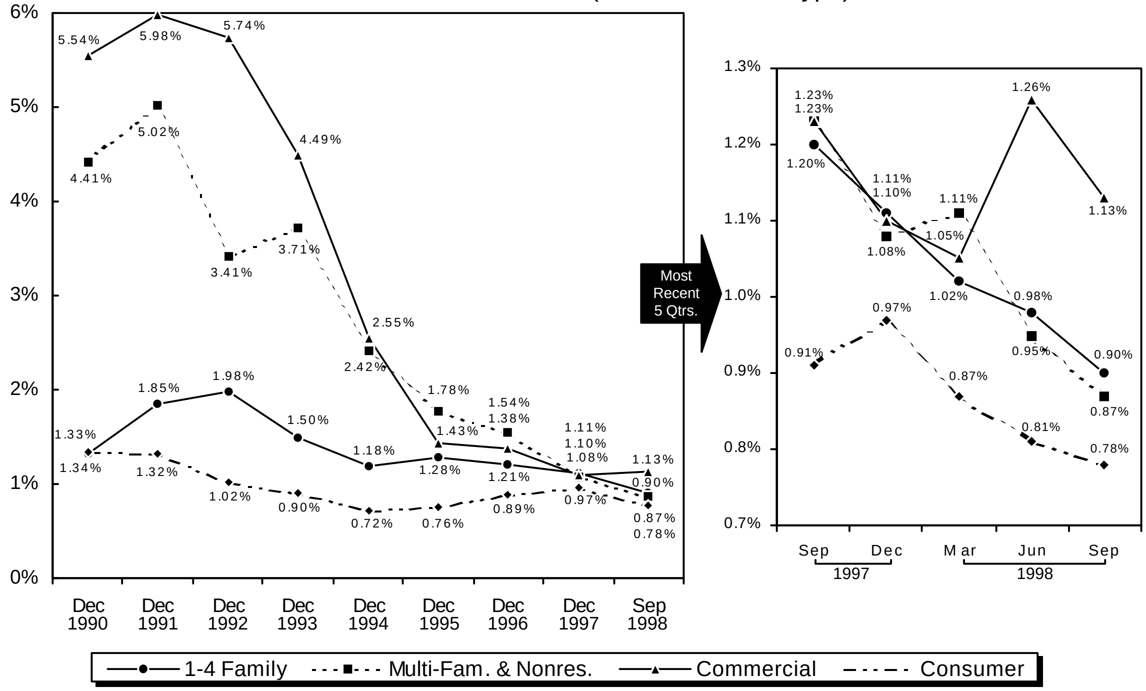
## Noncurrent Loan Rates Declined

The chart on the top of page 12 presents thrifts' noncurrent loan rates from December 1990 through September 1998 for four major industry loan types: single-family mortgages, consumer loans, commercial loans, and multi-family and non-residential mortgage loans. As shown in the chart, noncurrent loan rates for these major loan types declined in the third quarter. Moreover, third 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.

The noncurrent rate on thrifts' primary assets – single-family mortgages – fell to 0.90 percent of all single-family loans at the end of the third quarter from 0.98 percent in the prior quarter and 1.20 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. The ratio of noncurrent multi-family and non-residential mortgages to all such loans dropped to 0.87 percent in the third quarter from 0.95 percent in the prior quarter and 1.23 percent one year ago.

[8] Troubled assets include noncurrent loans and repossessed assets.

Noncurrent Loans (Percent of Loan Type)




Data after 1995 are net of specific valuation allowances.

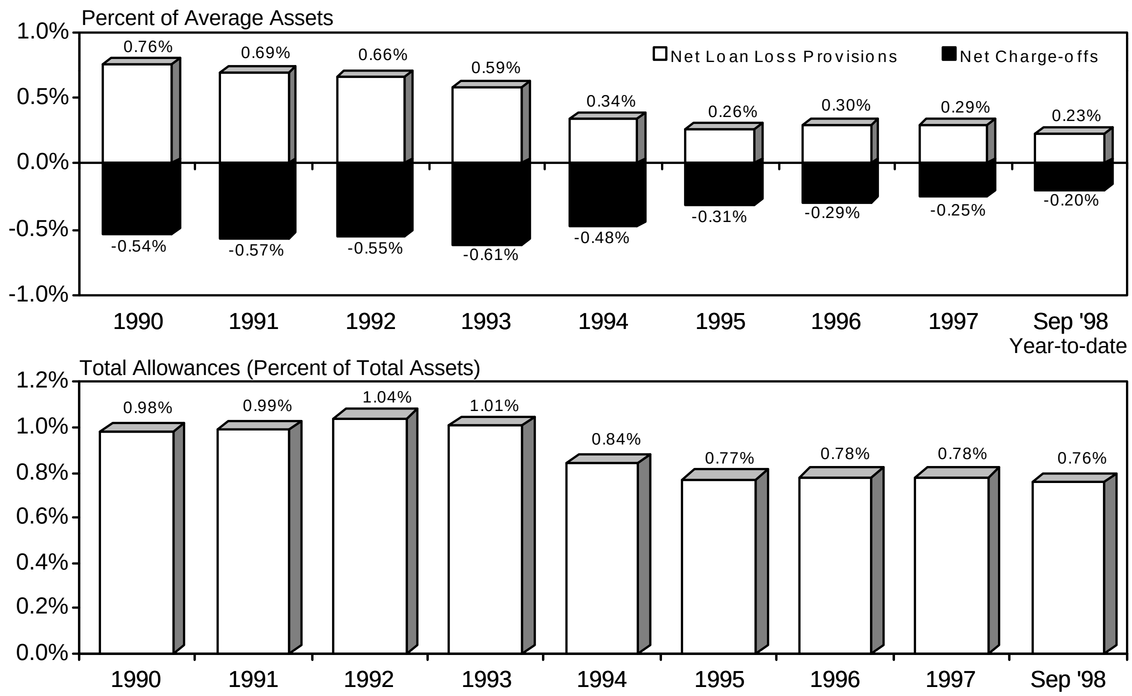
In contrast, noncurrent consumer loans rose from 1994 through 1997 before falling in 1998. Noncurrent consumer loans decreased to 0.78 percent of all consumer loans from 0.81 percent in the second quarter and 0.91 percent one year ago. Although commercial loan noncurrent rates fluctuated somewhat in 1998, the trend in generally down since 1991. Noncurrent commercial loans fell to 1.13 percent of all commercial loans from 1.26 percent in the prior quarter and from 1.23 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 Remain Level

The top panel of the chart below presents thrifts' annualized net loan loss provisions and annualized net charge-offs (charge-offs less recoveries) as a percent of average assets from 1990-1997 and the first three quarters of 1998.

Total allowances as a percent of total assets for the same time period are presented in the bottom panel.




Net charge-offs are charge-offs less recoveries.
Total allowances include allowances from acquired entities.

As shown in the top panel, net charge-offs steadily declined from 0.61 percent in 1993 to 0.25 percent in 1997. Charge-offs fell further to 0.20 percent in the first three quarters of 1998. The fall in net charge-offs was attributable to lower levels of delinquent loans and troubled assets.

Net provisions for losses also fell during this period at rates that were generally consistent with net charge-offs. These parallel trends tended to stabilize valuation allowances at approximately 0.77 percent of assets since 1995. Appropriate levels of allowances must be determined on a case-by-case basis and will vary with types of loans held, underwriting standards, and expectations of changes in economic conditions.

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

OTS has instituted a quarterly “Lending Standards Survey” of examiners to help monitor trends in loan underwriting standards. OTS examiners prepare the results of the survey upon completion of on-site safety and soundness examinations. The survey includes results from examinations of 786 thrifts completed during the twelve month period between July 1, 1997, and June 30, 1998. These thrifts had combined assets of approximately $463 billion.

In general, the results of the survey indicate there is no widespread movement by thrifts towards higher risk lending activities, relaxed underwriting standards, or expansion into nontraditional lending. The survey found that the majority of thrifts (539, or 69 percent) are almost entirely "low risk" lenders, i.e. focus on single-family mortgage lending and very small amounts of consumer lending.

The remaining 247 thrifts (31 percent) included in the survey made more than minimal amounts of non-traditional, i.e. non-single-family mortgage loans. Some of these thrifts were involved in higher-risk lending activities as follows:

- 36 (4.6 percent of thrifts in the survey) engaged in subprime real estate lending;
- 24 (3.1 percent) were involved in high loan-to-value home equity lending;
- 14 (1.8 percent ) made subprime auto dealer loans;
- 5 (0.6 percent) were involved in subprime credit card lending.

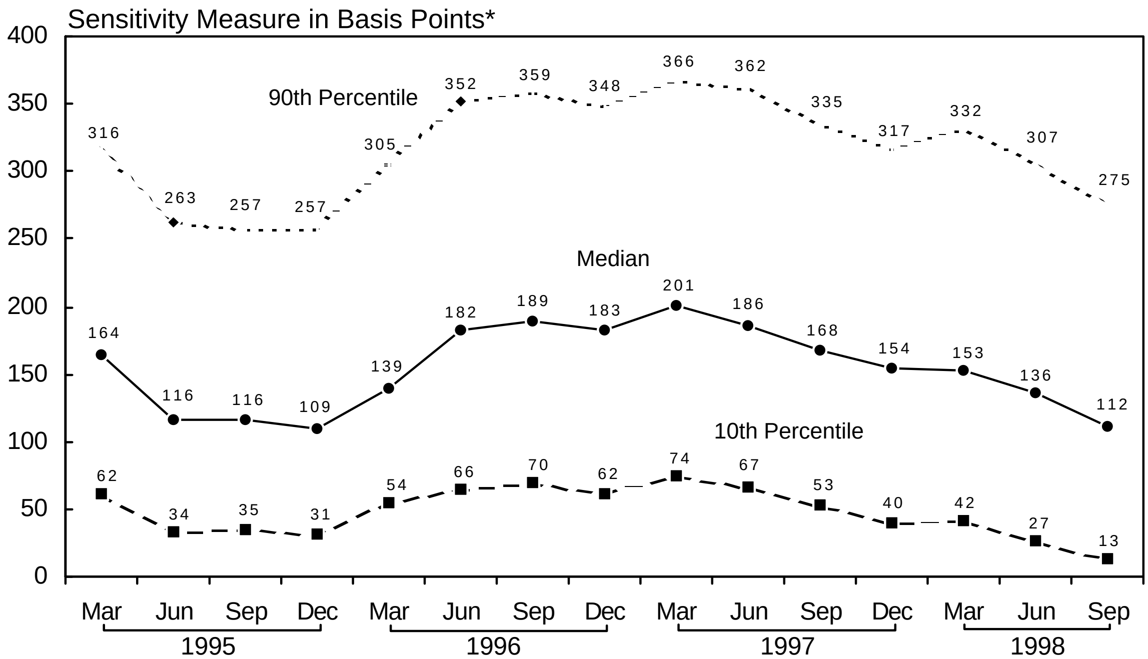
The vast majority (219, or 89 percent) of the 247 thrifts engaged in more than minimal amounts of non-traditional lending were found to be adequately managing the higher credit risks from such lending.

The 28 thrifts inadequately managing the higher credit risks associated with non-traditional lending are receiving particular supervisory attention. Any thrift involved in, or contemplating, higher-risk lending must have adequate managerial expertise, loan monitoring, underwriting procedures, charge-off policies, and reserve and capital levels. In addition, planning for potential downturns in the economy is a very important activity for thrift managers and is especially crucial for higher-risk loan analyses. Because the economic environment for the past five years has been very favorable and these higher-risk loans have not been stressed by an economic downturn, current delinquency experience may not be a sufficient guide for assessing the potential credit risk associated with these types of activities.

### Thrifts' Sensitivity to Interest Rate Risk Declined in Second Quarter; Post-Shock NPV Remained Strong

The chart on the top of page 15 presents the industry's sensitivity measures from March 1995 to September 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 reflect the sensitivity of the thrift to interest rate changes. The resulting change in NPV –

the “post-shock NPV” – reflects the ability of the thrift to absorb or withstand future interest rate changes.



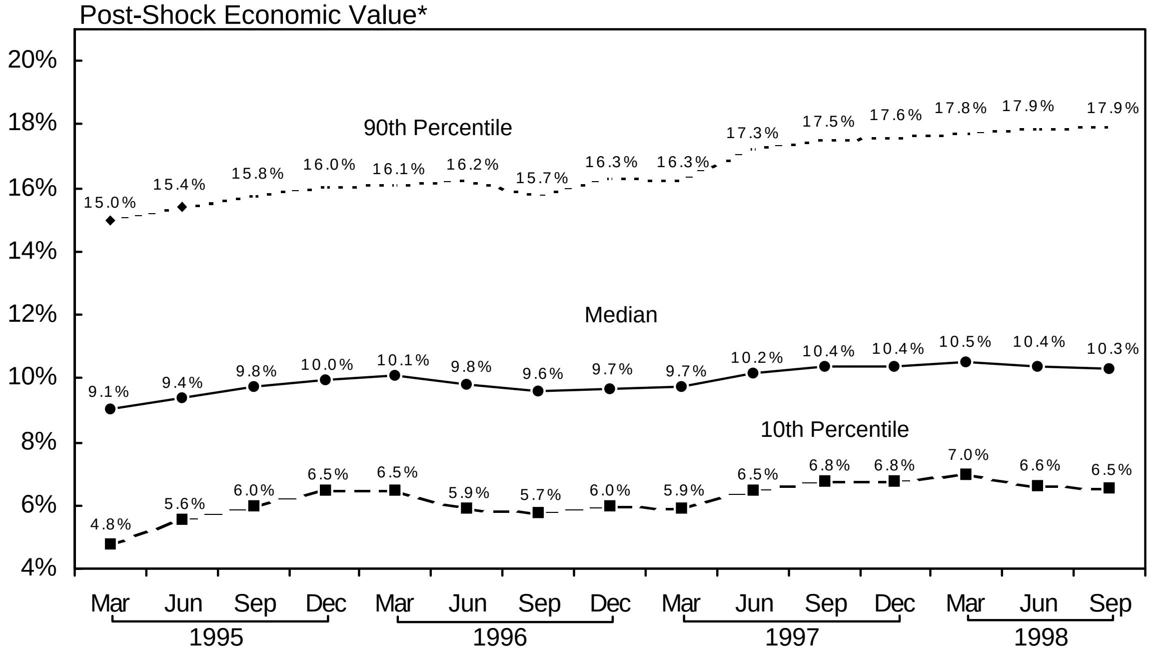

* Preliminary third quarter data.

Based on preliminary data, the industry’s median third quarter sensitivity to interest rate risk declined to 112 basis points from 136 basis points in the prior quarter. This decline is somewhat unexpected given the increase in 30-year fixed rate mortgages held by thrifts. The sharp declines in interest rates near the end of the third quarter, increased prepayment speeds, lengthening of fixed-maturity borrowings, and other portfolio shifts to shorter-term assets, e.g. consumer and commercial loans, may help explain this decline.

The improvement in third quarter sensitivity extended to thrifts most sensitive to interest rate risk (those in the 90$^{th}$ percentile) and thrifts with the least sensitivity (those in the 10$^{th}$ percentile). The third quarter sensitivity measure for thrifts in the 90$^{th}$ percentile was 275 basis points, a decline from 307 basis points in the prior quarter. The decline in the second quarter sensitivity measure was more pronounced for thrifts in the 10$^{th}$ percentile. The third quarter sensitivity measure dropped to 13 basis points for thrifts in this group from 27 basis points in the second quarter.

Increases in thrift capital levels have allowed the industry to better absorb greater sensitivity to interest rate risk. The median third quarter post-shock economic value for the industry remained strong although it fell slightly from the prior quarter. The industry’s median post-shock economic value dropped slightly to 10.3 percent in the third quarter from 10.4 percent in the prior quarter as shown in the chart on page 16. Third quarter post-shock economic value remained unchanged from the prior quarter at 17.9 percent for those thrifts with the highest values (the 90th percentile). The third quarter post-shock economic value declined slightly to 6.5 percent from 6.6 percent in the second quarter for thrifts with the lowest (the 10th percentile) values. Increased loan prepayment speeds may be contributing to the second quarter decline in post-shock economic value.

Post-Shock Economic Value*




* Preliminary third quarter data.

**Consolidation Continued to Reduce the Number of Thrifts**

The number of thrift institutions regulated by OTS declined by a net of 11 to 1,170 at the end of the third quarter from 1,181 last quarter. A total of 26 thrifts exited the OTS-regulated thrift industry while 15 new thrifts were chartered. For the first three quarters of 1998, 77 thrifts have exited the OTS-regulated thrift industry. Thrift exits for the first three quarters of 1998 were down substantially from exits over the last four full years (an average of 135 annually). Continuing a four year trend, the majority (60, or 78 percent) of year-to-date thrift exits were due to acquisitions by, or mergers with, another thrift or bank.

Partially offsetting thrift exits was the rise in new thrifts chartered, particularly start-up, or de novo, thrifts. For the first three quarters of 1998, 32 thrifts entered the OTS-regulated industry. Of these, 18 (56 percent) were de novo thrifts – the remaining 14 (44 percent) were existing banks or non-OTS regulated thrifts that converted to the federal thrift charter.

Aggregate assets of OTS-regulated thrifts increased to $795 billion in the third quarter from $786 billion the second quarter. Although the number of thrifts continued to fall, aggregate thrift industry assets grew due to the following factors:

- the large portion (27 percent) of the exits that was due to thrift-to-thrift mergers among OTS-regulated thrifts;
- de novo activity resulting in 15 new federal thrift charters in the third quarter of 1998;
- a dramatic reduction in the thrift assets exiting due to a decline in both the number and asset size of thrift inter-industry exits; and
- strong asset growth in thrifts remaining under OTS regulation.

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

Asset growth of remaining thrifts exceeded the asset losses from exiting thrifts over the first three quarters of 1998. A portion of the third quarter growth in assets reflects assets added to portfolio with the ultimate intent of selling the assets. Assets-held-for-sale were high in the third quarter ($27.4 billion or 3.4 percent of assets) and in the prior quarter ($26.6 billion or 3.4 percent), reflecting high levels of mortgage banking activity. In contrast, assets-held-for-sale averaged $14.7 billion or 1.9 percent in 1997. Aggregate thrift industry asset growth may slow or decline in upcoming quarters if assets-held-for-sale are not replaced after their eventual sale.

Post-acquisition restructuring may also cause internal asset growth to slow or decline. As previously mentioned, thrift-to-thrift mergers represented a large portion of recent thrift exits. Future sales/closures of branches, divisions, or other assets would also slow internal thrift industry asset growth.

**Holdings of Single-Family Mortgages Declined Slightly – Drop in Deposits Continued Unabated**

After generally rising since 1987, the industry’s holdings of direct single-family mortgage loans declined for the second consecutive quarter to 49.6 percent of total assets at the end of the third quarter, from 49.8 percent in the prior quarter. One year ago, single-family mortgages were 50.8 percent of assets. 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 11.8 percent of assets at September 1998. MPS have generally declined as a share of assets over the past four years as thrifts increased direct lending. MPS measured 12.3 percent of assets in the second quarter and 13.6 percent one year ago.

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)

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

(1) Excludes the SAIF special assessment.
(2) Data after 1995 are net of specific valuation allowances.
(3) Does not include Mortgage Backed Securities.
Numbers may not sum due to rounding. With the exception of regulatory capital measures, all data prior to June 1996 are unconsolidated.
Office of Thrift Supervision / August 1998

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

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

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

* Annualized.
Beginning in 1997, detailed asset categories are reported net of specific valuation allowances, loans in process, and unamortized yield adjustments.
Numbers may not sum due to rounding.
With the exception of regulatory capital measures, all data prior to June 1996 are unconsolidated.
Office of Thrift Supervision / August 1998

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

NORTHEAST REGION

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

(1) Excludes the SAIF special assessment.
(2) Data after 1995 are net of specific valuation allowances.
(3) Does not include Mortgage Backed Securities.
Numbers may not sum due to rounding. With the exception of regulatory capital measures, all data prior to June 1996 are unconsolidated.
Office of Thrift Supervision / August 1998

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

NORTHEAST REGION

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

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

* Annualized.
Beginning in 1997, detailed asset categories are reported net of specific valuation allowances, loans in process, and unamortized yield adjustments.
Numbers may not sum due to rounding.
With the exception of regulatory capital measures, all data prior to June 1996 are unconsolidated.
Office of Thrift Supervision / August 1998

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

SOUTHEAST REGION

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

(1) Excludes the SAIF special assessment.
(2) Data after 1995 are net of specific valuation allowances.
(3) Does not include Mortgage Backed Securities.
Numbers may not sum due to rounding. With the exception of regulatory capital measures, all data prior to June 1996 are unconsolidated.
Office of Thrift Supervision / August 1998

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

SOUTHEAST REGION

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

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

* Annualized.
Beginning in 1997, detailed asset categories are reported net of specific valuation allowances, loans in process, and unamortized yield adjustments.
Numbers may not sum due to rounding.
With the exception of regulatory capital measures, all data prior to June 1996 are unconsolidated.
Office of Thrift Supervision / August 1998

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

CENTRAL REGION

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

(1) Excludes the SAIF special assessment.
(2) Data after 1995 are net of specific valuation allowances.
(3) Does not include Mortgage Backed Securities.
Numbers may not sum due to rounding. With the exception of regulatory capital measures, all data prior to June 1996 are unconsolidated.
Office of Thrift Supervision / August 1998

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

CENTRAL REGION

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

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

* Annualized.
Beginning in 1997, detailed asset categories are reported net of specific valuation allowances, loans in process, and unamortized yield adjustments.
Numbers may not sum due to rounding.
With the exception of regulatory capital measures, all data prior to June 1996 are unconsolidated.
Office of Thrift Supervision / August 1998

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

MIDWEST REGION

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

(1) Excludes the SAIF special assessment.
(2) Data after 1995 are net of specific valuation allowances.
(3) Does not include Mortgage Backed Securities.
Numbers may not sum due to rounding. With the exception of regulatory capital measures, all data prior to June 1996 are unconsolidated.
Office of Thrift Supervision / August 1998

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

MIDWEST REGION

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

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

* Annualized.
Beginning in 1997, detailed asset categories are reported net of specific valuation allowances, loans in process, and unamortized yield adjustments.
Numbers may not sum due to rounding.
With the exception of regulatory capital measures, all data prior to June 1996 are unconsolidated.
Office of Thrift Supervision / August 1998

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

WEST REGION

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

(1) Excludes the SAIF special assessment.
(2) Data after 1995 are net of specific valuation allowances.
(3) Does not include Mortgage Backed Securities.
Numbers may not sum due to rounding. With the exception of regulatory capital measures, all data prior to June 1996 are unconsolidated.
Office of Thrift Supervision / August 1998

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

WEST REGION

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

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

* Annualized.
Beginning in 1997, detailed asset categories are reported net of specific valuation allowances, loans in process, and unamortized yield adjustments.
Numbers may not sum due to rounding.
With the exception of regulatory capital measures, all data prior to June 1996 are unconsolidated.
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