

## Press Releases

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OTS 97-36 - Nations Thrift Industry Earns \$1.7 Billion In First Quarter

### Office of Thrift Supervision

# NEWS

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#### **NATION'S THRIFT INDUSTRY EARNS \$1.7 BILLION IN FIRST QUARTER**

WASHINGTON, D.C., June 4, 1997 -- The nation's thrift industry earned \$1.7 billion in the first quarter 1997 and maintained a strong capital position, Director Nicolas Retsinas of the Office of Thrift Supervision (OTS) reported today.

First quarter results compared with earnings in the 1996 fourth quarter of \$1.5 billion and first quarter of \$1.8 billion. Except for the third quarter of 1996 when the one-time \$2.1 billion net SAIF special assessment caused a loss, more than 90 percent of thrifts have been profitable for the past five years.

The strong earnings resulted in a return on average assets of 91 basis points in the first quarter, compared with 90 basis points in the fourth quarter of 1996 and 96 basis points one year ago.

Unlike those earlier quarters when one-time restructuring by several large thrifts affected earnings, first quarter 1997 earnings were largely free of one-time gains or losses.

"A healthy net interest margin, higher fee income, and control of overhead expenses all contributed to the solid first quarter earnings," said Retsinas.

First quarter net interest margin as a percent of average assets was 293 basis points, more than 4 percent above the net interest margin one year ago. Most of this improvement reflected lower interest expense, as older high-rate certificates of deposit matured and were replaced by CDs at current market rates.

Thrifts' fee income from mortgage loan servicing and other fees, as a percent of average assets, was 52 basis points -- 24 percent higher than one year ago.

Near record capital levels were maintained by the thrift industry with equity capital at 7.94 percent of assets. Ninety-six percent of the industry met or exceeded the highest capital category -- well capitalized. At the end of the first quarter, three thrifts were undercapitalized, one of which was critically undercapitalized. Since then, two undercapitalized thrifts have increased capital to required levels and the remaining one is working on a recovery plan.

The number of OTS-regulated thrifts stood at 1,302 at March 31, 1997, down from 1,334 at the end of 1996. Their total assets fell only slightly from \$769.4 billion to \$764.6 billion because the asset growth from remaining thrifts nearly offset the loss of assets from thrifts leaving OTS supervision.

Approximately one-third of the 34 departing institutions were acquired by commercial banks, but more than half were merged into other thrifts. In the same period two thrifts began operating under OTS supervision for the first time. In addition, one application was approved for a startup institution, and three other applications for OTS charters were pending.

The number of problem thrifts -- those with CAMELS ratings of 4 or 5 -- increased by one to 30 (2.3 percent of all thrifts) in the first quarter.

Troubled assets increased slightly in the first quarter to \$8.8 billion, or 1.15 percent of total industry assets. Non-current loan ratios also increased during the first quarter for consumer loans and single family and non-residential mortgages. Only the non-current commercial loan ratio continued to decline through the first quarter.

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

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