

Press Releases

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OTS 96-61 - Q2 1996 - U.S. Thrift Industry Posts 2nd Quarter. Earnings of \$1.89 Billion

Office of Thrift Supervision

News Release

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U.S. THRIFT INDUSTRY POSTS SECOND QUARTER EARNINGS OF \$1.89 BILLION

WASHINGTON, D.C., Sept. 5, 1996 -- The nation's thrift industry earned \$1.89 billion in the second quarter of 1996, the Office of Thrift Supervision (OTS) reported today. The earnings were a record and eclipsed the previous record of \$1.83 billion reported for the first quarter this year. The industry earned \$1.35 billion in the second quarter one year ago. For the first six months of 1996, net income was a record \$3.72 billion, compared with \$2.5 billion for the first six months of 1995, OTS Executive Director of Research and Analysis Kenneth F. Ryder reported.

Return on average assets was 99 basis points in the second quarter, compared with 96 basis points in the first quarter and 70 basis points in second quarter 1995. Core earnings, which do not include more volatile one-time restructuring gains and charges to income, were 83 basis points, up from 79 basis points in the first quarter.

Although assets at OTS-regulated thrifts increased more than \$5 billion in the second quarter, the number of thrifts and total deposits used to fund their assets continued to decline. For the 1,397 OTS-regulated thrifts reporting at the end of the second quarter, the decline in deposits was particularly acute at the 1,370 thrifts that are members of the Savings Association Insurance Fund (SAIF). Those thrifts reported deposits falling 6.7 percent (annualized) to \$454.2 billion from \$470 billion at year-end 1995.

Deposits now fund only 68.1 percent of thrifts' assets, an all-time low. The higher insurance premium SAIF-insured thrifts pay on deposits has contributed to increased use of other borrowings to fund thrift assets. These borrowings were led by advances from federal home loan banks (FHLBs), which increased by \$6.6 billion during the second quarter.

The industry's equity capital ratio declined slightly to 8.05 percent in the second quarter from its historic peak of 8.08 percent in the first quarter. Capital levels remain strong, however, with more than 97 percent of individual thrifts meeting or exceeding the highest regulatory capital category -- well capitalized. As of June 30, 1996, only five thrift institutions were undercapitalized. One thrift was critically undercapitalized, and was placed in receivership and sold on August 9, 1996.

The number of problem thrifts -- those with CAMEL ratings of 4 or 5 -- was 33 in the second quarter, down from 37 in the prior quarter. Assets of problem thrifts fell from \$11 billion to \$7 billion.

Troubled assets declined to \$9.3 billion, or 1.21 percent of total assets, in the second quarter, from \$9.7 billion, or 1.27 percent, in the first quarter. Troubled assets are noncurrent loans plus repossessed collateral. The ratio of noncurrent single-family home loans declined from 1.35 percent in the first quarter to 1.25 percent in the second quarter.

Ryder said some of this improvement in thrift asset quality measures may stem from several accounting and reporting changes, including the fact that for the first time quarterly data are being reported on a consolidated basis -- combining data from savings associations and their subsidiaries. Previously, thrifts were required to report data three different ways: for the thrift alone, for subsidiaries alone and a consolidated report for both. Starting with the second quarter, thrifts need only report consolidated data. OTS changed the requirement to reduce the data collection burden by 40 percent and to make the reporting requirement for thrifts consistent with that for commercial banks.

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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. For copies of news releases or other documents call PubliFax at 202/906-5660, or visit the OTS web page at www.ots.treas.gov.