

Press Releases

February 27, 2002

OTS 02-07 - OTS Director Gilleran Reports Thrifts Reach Record \$10.2 Billion in Earnings in 2001

Office of Thrift Supervision

FOR RELEASE at 3:30 P.M. EST

For further information

Wednesday, February 27, 2002

Contact: Sam Eskenazi

OTS 02-07

202/906-6677

OTS Director Gilleran Reports Thrifts Reach Record \$10.2 Billion in Earnings in 2001

WASHINGTON -- "Last year was one of the best in the thrift industry's history," Office of Thrift Supervision Director James E. Gilleran said today. He noted that net income reached an annual record of \$10.2 billion in 2001, up 27 percent from \$8 billion the prior year.

Mr. Gilleran said, "The low interest rate environment and strong earnings from record levels of mortgage refinancing were the driving force for the strong showing." The thrift industry has experienced five consecutive quarters of earnings growth, reaching a record \$2.9 billion during the fourth quarter of 2001.

"Last year OTS saw the highest return on assets in 46 years," Mr. Gilleran said. Profitability, as measured by return on average assets, a key industry measuring rod, jumped to 1.07 percent in 2001, up from 0.91 percent a year earlier. For the fourth quarter, the return on assets figure stood at a record 1.22 percent.

At the same time, credit quality in the industry weakened somewhat reflecting general economic conditions. "While the overall credit quality of thrifts remained strong and near record lows," Mr. Gilleran said, "troubled assets rose to 0.7 percent of total assets, up from 0.6 percent a year ago." There has been a very gradual but steady increase in the level of troubled loans since the second quarter of 2000.

Mr. Gilleran reported that, at the end of the year, 98 percent of all thrifts were well capitalized and the asset level of the industry rose by \$49 billion during the year to \$978 billion. The number of thrifts dropped by 49 during the year to a total of 1,019, including one thrift failure. While there were 20 institutions that converted out of the OTS thrift charter, there were 10 conversions to a federal thrift charter and another 13 new federal thrift charters that were granted by OTS during the year.

Other highlights of the report include:

- The number of problem thrifts stood steady at 16 in the fourth quarter and the assets of problem thrifts, those with composite CAMELS ratings of four or five, fell to \$3 billion, the lowest it has been in more than three years.
- The number of three-rated thrifts fell by one to 72 during the quarter. Of those, 64 -- or 89 percent -- were well capitalized. A strong capital position provides an important cushion for these thrifts to work through their problems. These troubled thrifts had total assets of \$26 billion or only 2.6 percent of total industry assets.
- Interest rate risk, a key indicator for the health of the thrift industry, improved slightly during the quarter. Based on preliminary figures, the percentage of thrifts with lower risk fell from 75 percent to 70 percent. Those with the highest risk rose from six percent to eight percent.

OTS will release its full fourth quarter 2001 Thrift Industry Data Report on March 6. A copy of the report will be posted on the agency's web site at that time.

###

The Office of Thrift Supervision (OTS), a bureau of the U.S. Treasury, regulates and supervises the nation's thrift industry. OTS's 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 visit the OTS web page at www.ots.treas.gov.