

Press Releases

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OTS 09-012 - Economic Stress Results in Record Loss for Thrift Industry in 2008; Financial Fundamentals Remain Sound

FOR RELEASE

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CONTACT:

William Ruberry
(202) 906-6677

Washington, D.C. — The U.S. thrift industry had a record loss of \$13.4 billion in 2008, as thrifts bolstered their reserves for loan losses by a record amount of \$38.7 billion, the Office of Thrift Supervision (OTS) reported today.

The annual loss included a loss of about \$3 billion in the fourth quarter of 2008, compared with a loss of about \$8.8 billion in the fourth quarter a year ago and a loss of about \$4.4 billion in the third quarter of 2008.

The record amount that thrifts added to bolster their cushions for possible loan losses during the year included \$8.7 billion in the fourth quarter. Because loss provisions are charges to earnings, 2008 earnings suffered. However, this substantial response to economic conditions not only improved the position of thrifts to absorb potential loan losses, but also prepared thrifts to participate in the financial rebound when the nation emerges from the recession.

“The economic storm that began in housing hit thrifts hard and early,” said OTS Director John Reich. “However, I am optimistic that actions taken by thrift managers and boards of directors will position thrifts to be on the leading edge when recovery comes.”

The rising loan loss provisions and concurrent drop in earnings reflected increases in mortgage delinquencies during the year that pushed the level of troubled assets to its highest point since 1991.

Despite thrifts' losses and reduced asset quality, the industry's financial fundamentals remained solid. More than 97 percent of thrifts held capital exceeding the “well-capitalized” regulatory standards. The combined assets of these thrifts represented more than 95 percent of all industry assets. Other capital measures, such as tangible capital, also remained solid, while “core” or “operating” earnings remained solid and stable.

Other highlights include:

- The number of problem thrifts — those with composite examination ratings of 4 or 5 — was up from 11 thrifts one year ago to 26 thrifts at the end of 2008.

- At the end of 2008, the OTS supervised 810 thrifts with assets of \$1.20 trillion. In addition, OTS supervised 463 holding company enterprises with approximately \$6.4 trillion in U.S. domiciled consolidated assets.
- Profitability, as measured by return on average assets (ROA), was a negative 1.00 percent for the year, compared with a negative 0.04 percent in 2007. In the fourth quarter of 2008, ROA was a negative 1.02 percent, compared with a negative 2.31 percent in the comparable quarter a year ago and a negative 1.48 percent in the third quarter of 2008.

More details, as well as charts and selected indicators, are available on the OTS website at <http://www.ots.treas.gov/?p=IndustryPerformance>.