OTS 09-047 - Thrift Industry Breaks Even in Second Quarter of 2009

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Washington, D.C. — The U.S. thrift industry essentially broke even in the second quarter of 2009, reporting a slight profit of $4 million — the first positive earnings for the industry since the third quarter of 2007, the Office of Thrift Supervision (OTS) reported today.

"Although significant challenges lie ahead, thrift managers are making progress toward positioning their institutions for a positive future," said Acting Director John E. Bowman.

Capital ratios improved during the quarter, and higher net interest margins and increased fee income contributed to the improved profitability. However, earnings were dampened by loan loss provisions, as well as by a special deposit insurance assessment from the Federal Deposit Insurance Corporation, which reduced after-tax net income by an estimated $325 million. Loan loss provisions declined to $4.7 billion, but were still the sixth highest on record, exceeded only by the provisions during the previous five quarters.

Troubled assets as a percentage of all industry assets continued to creep upward, reflecting the nation’s weak job market, and the number of problem thrifts continued to rise as well.

In other highlights:

- Capital remained solid, with 96.2 percent of all thrifts, holding 95.9 percent of industry assets, exceeding “well-capitalized” regulatory standards.
- Profitability, as measured by return on average assets, was zero percent in the second quarter, an improvement from the negative 0.53 percent in the previous quarter and the negative 1.43 percent in the second quarter a year ago.
- The number of problem thrifts — those with composite examination ratings of 4 or 5 — was 40, up from 31 in the previous quarter.
- At the end of the second quarter of 2009, the OTS supervised 794 thrifts with assets of $1.098 trillion, as well as 459 holding company enterprises with approximately $5.5 trillion in U.S. domiciled consolidated assets.

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