



EXAMINER FILE PHOTO

Chairman Herb Sandler and President Marion Sandler of prosperous Golden West Financial Corp.

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One thrift firm that thrives: Golden West Financial

Operating profit best
in its 78-year history

By Susan Burkhardt
OF THE EXAMINER STAFF

Herb Sandler says he almost has to pinch himself in the morning.

His thrift holding company, Golden West Financial Corp. of Oakland, Monday reported the best operating profit in its 78-year history.

"We've never been stronger, but there's this sea of desolation around us," said the 58-year-old chairman of Golden West, the parent company for the 184-branch World Savings of Oakland.

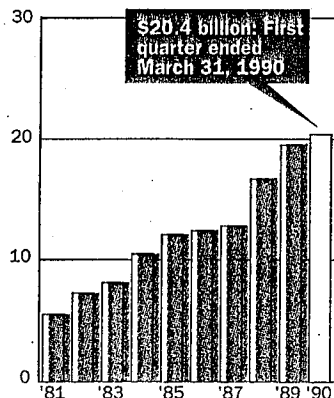
The "sea of desolation" is the nation's savings and loan industry, which is in shambles. More than one fourth of the nation's thrifts disappeared in the 1980s, and last year Congress passed new legislation to restore the nation's thrift deposit insurance fund to solvency.

LONG-TERM GROWTH, PROFITABILITY

Total assets and return on assets for Golden West Financial Corp.

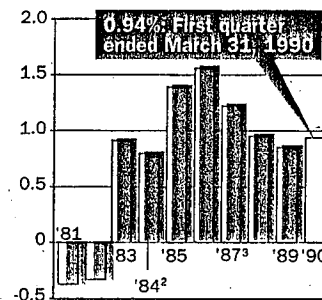
Total assets

In billions of dollars



Return on average assets¹

Profit as a percent of average assets.



¹A key measure of a bank's profitability.

²Before an extraordinary gain of \$2.85 million

³Before an extraordinary charge of \$4.7 million
Includes a \$7.8 million write-off (\$4.5 million net of tax) for FSLIC secondary reserve.

SOURCE: Golden West Financial Group

EXAMINER GRAPHICS

With the legislation came stiff new capital standards. One third of the thrifts in the West fail at least one of those tests, which means their financial surplus (a capital cushion against future losses) is inadequate measured by the risks

[See GOLDEN, B-5]

Golden West Financial prospers

they are assuming.

Golden West Financial owns and operates three thrifts in six states, and each meets the new capital standards of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA).

Not only do Golden West's thrifts meet the current requirements, but they also meet the fully phased-in capital standards, which will go into effect in 1995.

"There's only a handful of companies in that position," Sandler said. That puts Golden West in the enviable position of being able to make acquisitions. "If there are deals out there, we'll take advantage of them," Sandler said.

Net income in the first quarter was \$47 million (75 cents a share), up 34 percent over last year's first quarter earnings of \$35 million (56 cents). Golden West had a higher net income in the third quarter, 1985, when it earned \$54 million, but resulted from a number of one-time gains on sales of loans, said Golden West chief financial officer J.L. Helvey.

But first quarter core or operating earnings, which represent profits from the company's basic business activities, were a record \$44 million (69 cents), up 44 percent from the \$30 million (48 cents)

earned in the same period last year.

More tellingly, the company's annual return on assets increased to 0.94 percent in the first quarter from 0.85 percent last year. A 1 percent return on assets (net income divided by average total assets for the year) is considered excellent by industry standards.

The company's profit margin was squeezed last year because interest rates rose in the first quarter, Helvey said. The company's variable rate mortgages are tied to an index that moves slower than its deposits. That's great for consumers, but bad for the company in the short term. As the firm's cost of funds rises rapidly, its earnings on mortgages will take some time to catch up.

The company, which is noted for its cost-cutting culture, managed to improve its efficiency again in the first quarter.

Golden West, which has grown at an average annual compounded rate of 20 percent during the last 20 years, managed another record in size. Its assets, primarily loans and investments, topped \$20 billion in the first quarter.

"It does pay off to stick to high ethical values," Sandler said, adding that no other bank or S&L could boast of a 20-year record of 20 percent annual growth. He said the company had prospered because it stuck to its retail focus in residential lending, avoided imprudent risk, emphasized customer service — and did it all with integrity.