SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

|X| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1997

OR

|_| TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File No. 0-21341

OCWEN FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| FLORIDA | 65-0039856 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

THE FORUM, SUITE 1000

1675 PALM BEACH LAKES BOULEVARD, WEST PALM BEACH, FLORIDA 33401

(Address of principal executive offices) (Zip Code)

(561) 681-8000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ].

Number of shares of Common Stock, $.01 par value, outstanding at the close of business on August 13, 1997: 29,802,610

OCWEN FINANCIAL CORPORATION
FORM 10-Q

I N D E X

PART I - FINANCIAL INFORMATION

Item 1. Interim Financial Statements (Unaudited)

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

| | June 30, 1997 | December 31, 1996 |
|---|---|---|
| **Assets** | | |
| Cash and amounts due from depository institutions | $ 6,911 | $ 6,878 |
| Interest bearing deposits | 29,992 | 13,341 |
| Federal funds sold and repurchase agreements | 189,844 | 32,000 |
| Securities held for trading | -- | 75,606 |
| Securities available for sale, at market value | 263,412 | 354,005 |
| Loans available for sale, at lower of cost or market | 103,627 | 126,366 |
| Investment securities, net | 38,821 | 8,901 |
| Loan portfolio, net | 433,663 | 402,582 |
| Discount loan portfolio, net | 1,295,120 | 1,060,953 |
| Principal, interest and dividends receivable | 13,311 | 16,821 |
| Investments in low income housing tax credit interests | 101,204 | 93,309 |
| Investment in joint ventures | 27,588 | 67,909 |
| Real estate owned, net | 117,703 | 103,704 |
| Investment in real estate | 63,679 | 41,033 |
| Premises and equipment, net | 17,531 | 14,619 |
| Income taxes receivable | 8,879 | 15,115 |
| Deferred tax asset | 10,718 | 5,860 |
| Goodwill | 11,040 | -- |
| Other assets | 53,836 | 44,683 |
| | $ 2,786,879 | $ 2,483,685 |
| **Liabilities and Stockholders' Equity** | | |
| Liabilities: | | |
| Deposits | $ 2,198,603 | $ 1,919,742 |
| Advances from the Federal Home Loan Bank | -- | 399 |
| Securities sold under agreements to repurchase | -- | 74,546 |
| Notes, debentures and other interest bearing obligations | 286,972 | 225,573 |
| Accrued expenses, payables and other liabilities | 55,927 | 59,829 |
| Total liabilities | $ 2,541,502 | $ 2,280,089 |
| Minority interest | 1,513 | -- |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock, $.01 par value; 20,000,000 shares authorized; 0 shares issued and outstanding | -- | -- |
| Common stock, $.01 par value; 200,000,000 shares authorized; 26,799,511 and 26,744,170 shares issued and outstanding at June 30, 1997 and December 31, 1996, respectively | 268 | 267 |
| Additional paid-in capital | 23,124 | 23,258 |
| Retained earnings | 216,250 | 180,417 |
| Unrealized gain on securities available for sale, net of taxes | 7,060 | 3,486 |
| Notes receivable on exercise of common stock options | (2,838) | (3,832) |
| Total stockholders' equity | 243,864 | 203,596 |
| | $ 2,786,879 | $ 2,483,685 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

| | Three Months | | Six Months | |
|---|---|---|---|---|
| For the periods ended June 30, | 1997 | 1996 | 1997 | 1996 |
| Interest income: | | | | |
| Federal funds sold and repurchase agreements | $ 795 | $ 1,329 | $ 2,453 | $ 2,098 |
| Securities available for sale | 6,509 | 6,284 | 14,682 | 14,064 |
| Securities held for trading | -- | -- | 248 | -- |
| Loans available for sale | 3,973 | 4,887 | 6,824 | 11,484 |
| Loans | 10,674 | 7,764 | 21,366 | 17,773 |
| Discount loans | 44,246 | 29,903 | 74,470 | 52,058 |
| Investment securities and other | 745 | 1,335 | 1,426 | 1,980 |
| | 66,942 | 51,502 | 121,469 | 99,457 |
| Interest expense: | | | | |
| Deposits | 31,371 | 22,445 | 61,264 | 45,446 |
| Securities sold under agreements to repurchase | 204 | 32 | 477 | 685 |
| Advances from the Federal Home Loan Bank | 145 | 993 | 428 | 2,032 |
| Notes, debentures and other interest bearing obligations | 7,148 | 3,434 | 13,863 | 6,873 |
| | 38,868 | 26,904 | 76,032 | 55,036 |
| Net interest income before provision for loan losses | 28,074 | 24,598 | 45,437 | 44,421 |
| Provision for loan losses | 7,909 | 4,964 | 17,651 | 14,370 |
| Net interest income after provision for loan losses | 20,165 | 19,634 | 27,786 | 30,051 |
| Non-interest income: | | | | |
| Servicing fees and other charges | 4,845 | 1,468 | 10,081 | 787 |
| Gains on sales of interest earning assets, net | 23,365 | 4,584 | 40,143 | 9,601 |
| Gain (loss) on real estate owned, net | 4,629 | 887 | 3,835 | (1,028) |
| Other income | 450 | 1,129 | 581 | 2,001 |
| | 33,289 | 8,068 | 54,640 | 11,361 |
| Non-interest expense | | | | |
| Compensation and employee benefits | 19,676 | 8,570 | 34,599 | 14,739 |
| Occupancy and equipment | 3,960 | 2,181 | 6,789 | 4,227 |
| Net operating income (loss) on investments in real estate and certain low-income housing tax credit interests | 104 | (399) | 1,197 | 62 |
| Other operating expenses | 7,340 | 3,518 | 11,192 | 6,526 |
| | 31,080 | 13,870 | 53,777 | 25,554 |
| Equity in earnings of investment in joint venture | 1,301 | 1,078 | 15,674 | 1,078 |
| Income before income taxes | 23,675 | 14,910 | 44,323 | 16,936 |
| Income tax expense | 5,126 | 2,911 | 8,733 | 1,910 |
| Minority interest in net loss of consolidated subsidiary | (243) | -- | (243) | -- |
| Net income | $ 18,792 | $ 11,999 | $ 35,833 | $ 15,026 |
| Earnings per share: | | | | |
| Net income | $ 0.69 | $ 0.45 | $ 1.32 | $ 0.57 |
| Weighted average common shares outstanding | 27,063,761 | 26,398,127 | 27,068,563 | 26,397,920 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Dollars in thousands, except per share data)
For the six months ended June 30, 1997 and the year ended
December 31, 1996

| | COMMON STOCK | | ADDITIONAL PAID-IN CAPITAL | RETAINED EARNINGS | UNREALIZED GAIN (LOSS) ON SECURITIES AVAILABLE FOR SALE, NET OF TAXES | NOTES RECEIVABLE ON EXERCISE OF COMMON STOCK OPTIONS | TOTAL |
|---|---|---|---|---|---|---|---|
| | SHARES | AMOUNT | | | | | |
| Balances at December 31, 1995...... | 23,812,270 | $ 238 | $ 10,449 | $ 130,275 | $ (1,415) | $ -- | $ 139,547 |
| Net Income.......................... | -- | -- | -- | 50,142 | -- | -- | 50,142 |
| Repurchase of common stock options. | -- | -- | (177) | -- | -- | -- | (177) |
| Exercise of common stock options... | 2,928,830 | 29 | 12,963 | -- | -- | -- | 12,992 |
| Directors compensation payable in common stock.................... | 3,070 | -- | 23 | -- | -- | -- | 23 |
| Notes receivable on exercise of common stock options............ | -- | -- | -- | -- | -- | (3,832) | (3,832) |
| Change in unrealized gain on securities available for sale, net of taxes.................... | -- | -- | -- | -- | 4,901 | -- | 4,901 |
| Balances at December 31, 1996...... | 26,744,170 | 267 | 23,258 | 180,417 | 3,486 | (3,832) | 203,596 |
| Net income.......................... | -- | -- | -- | 35,833 | -- | -- | 35,833 |
| Repurchase of common stock options. | -- | -- | (1,870) | -- | -- | -- | (1,870) |
| Exercise of common stock options... | 55,341 | 1 | 1,736 | -- | -- | -- | 1,737 |
| Repayment of notes receivable on exercise of common stock options .................. | -- | -- | -- | -- | -- | 994 | 994 |
| Change in unrealized gain on securities available for sale, net of taxes.................... | -- | -- | -- | -- | 3,574 | -- | 3,574 |
| Balances at June 30, 1997.......... | 26,799,511 | $ 268 | $ 23,124 | $ 216,250 | $ 7,060 | $ (2,838) | $ 243,864 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)

| For the six months ended June 30, | 1997 | 1996 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income | $ 35,833 | $ 15,026 |
| Adjustments to reconcile net income to net cash provided (used) by operating activities: | | |
| Net cash provided from trading activities | 106,833 | 4,744 |
| Proceeds from sales of loans available for sale | 187,848 | 287,233 |
| Purchases of loans available for sale | (62,504) | (142,150) |
| Origination of loans available for sale | (126,502) | (720) |
| Principal payments received on loans available for sale | 6,251 | 21,334 |
| Premium amortization (discount accretion), net | 23,310 | 3,229 |
| Depreciation and amortization | 11,339 | 1,997 |
| Provision for loan losses | 17,651 | 14,370 |
| Gains on sales of interest earning assets, net | (40,143) | (9,601) |
| Loss on sales of premises and equipment | -- | 97 |
| (Gain) loss on sale of real estate owned, net | (8,220) | 2,010 |
| Gain on sale of interest in tax credit partnership interests | -- | (990) |
| Decrease in principal, interest and dividends receivable | 3,510 | 1,366 |
| Decrease (increase) in income taxes receivable | 6,236 | (7,076) |
| (Increase) decrease in deferred tax asset | (4,925) | 4,282 |
| Increase in goodwill | (11,040) | -- |
| (Increase) decrease in other assets | (9,184) | 4,345 |
| Decrease in accrued expenses, payables and other liabilities | (7,858) | (6,386) |
| Net cash provided by operating activities | 128,435 | 193,110 |
| Cash flows from investing activities: | | |
| Proceeds from sales of securities available for sale | 162,412 | 137,454 |
| Purchases of securities available for sale | (107,374) | (85,557) |
| Maturities of and principal payments received on securities available for sale | 11,930 | 23,021 |
| Purchase of securities held for investment | (29,920) | -- |
| Purchase of assets from Admiral | (6,750) | -- |
| Purchase of low income housing tax credit interests | (16,200) | (14,427) |
| Proceeds from low income housing tax credit interests | -- | 3,704 |
| Proceeds from sales of discount loans | 221,966 | 22,152 |
| Proceeds from sales of loans held for investment | 3,594 | -- |
| Purchase and originations of loans held for investment | (99,851) | (80,071) |
| Purchase of discount loans | (707,209) | (120,590) |
| Decrease (increase) in investment in joint ventures | 40,321 | (63,404) |
| Principal payments received on loans held for investment | 69,394 | 62,173 |
| Principal payments received on discount loans | 159,144 | 135,851 |
| Proceeds from sales of real estate owned | 85,604 | 75,674 |
| Purchase of real estate owned in connection with discount loan purchases | (1,425) | (1,434) |
| Proceeds from sale of premises and equipment | -- | 233 |
| Additions to premises and equipment | (5,718) | (5,698) |
| Net cash (used) provided by investing activities | (220,082) | 89,081 |

(Continued on next page)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

OCWEN FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(DOLLARS IN THOUSANDS)

| For the six months ended June 30, | 1997 | 1996 |
|---|---|---|
| Cash flows from financing activities: | | |
| Increase in deposits | 278,861 | 529 |
| Decrease in securities sold under agreements to repurchase | (74,546) | (84,761) |
| Proceeds from issuance of notes and borrowings under lines of credit | 61,399 | -- |
| Payments on advances from Federal Home Loan Bank | (399) | -- |
| Payments and repurchase of notes and mortgages payable | -- | (1,351) |
| Repayment of notes by executive officers | 994 | -- |
| Exercise of common stock options | 1,736 | 2 |
| Repurchase of common stock options | (1,870) | (176) |
| Net cash provided (used) by financing activities | 266,175 | (85,757) |
| Net increase in cash and cash equivalents | 174,528 | 196,434 |
| Cash and cash equivalents at beginning of period | 52,219 | 54,632 |
| Cash and cash equivalents at end of period | $ 226,747 | $ 251,066 |
| Reconciliation of cash and cash equivalents at end of period: | | |
| Cash and amounts due from depository institutions | $ 6,911 | $ 6,196 |
| Interest bearing deposits | 29,992 | 57,638 |
| Federal funds sold and repurchase agreements | 189,844 | 187,232 |
| | $ 226,747 | $ 251,066 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the period for: | | |
| Interest | $ 77,512 | $ 54,424 |
| Income taxes | $ 7,354 | $ 1,922 |
| Supplemental schedule of non-cash investing and financing activities: | | |
| Exchange of discount loans and loans available for sale for securities | $ 290,614 | $ 134,785 |
| Real estate owned acquired through foreclosure | $ 90,153 | $ 43,299 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

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NOTE 1 BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in conformity with the instructions to Form 10-Q and Article 10, Rule 10-01 of Regulation S-X for interim financial statements. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles ("GAAP") for complete financial statements. The consolidated financial statements include the accounts of Ocwen Financial Corporation ("Ocwen" or the "Company") and its subsidiaries. Ocwen owns directly and indirectly all of the outstanding common and preferred stock of its primary subsidiary, Ocwen Federal Bank FSB (the "Bank"), and Investors Mortgage Insurance Holding Company ("IMI"). Ocwen also owns 80% of Ocwen Financial Services ("OFS"), with the remaining 20% owned by Admiral Home Loan ("Admiral") and reported in the consolidated financial statements as a minority interest.

In the opinion of management, the accompanying financial statements contain all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the Company's financial condition at June 30, 1997 and December 31, 1996, the results of its operations for the three and six months ended June 30, 1997 and 1996, its cash flows for the six months ended June 30, 1997 and 1996, and its changes in stockholders' equity for the year ended December 31, 1996 and the six months ended June 30, 1997. The results of operations and other data for the six month period ended June 30, 1997 are not necessarily indicative of the results that may be expected for any other interim periods or the entire year ending December 31, 1997. The unaudited consolidated financial statements presented herein should be read in conjunction with the audited consolidated financial statements and related notes thereto included in the Company's Form 10-K for the year ended December 31, 1996. Certain reclassifications have been made to prior years' consolidated financial statements to conform to the June 30, 1997 presentation.

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the statements of financial condition and revenues and expenses for the periods covered. Actual results could differ from those estimates and assumptions.

NOTE 2 ADOPTION OF RECENTLY ISSUED ACCOUNTING STANDARDS

On January 1, 1997, the Company adopted Statement of Financial Accounting Standard ("SFAS") No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". SFAS No. 125 (i) sets forth the criteria for (a) determining when to recognize financial and servicing assets and liabilities, and (b) accounting for transfers of financial assets as sales or borrowings; and (ii) requires (a) liabilities and derivatives related to a transfer of financial assets to be recorded at fair value, (b) servicing assets and retained interests in transferred assets carrying amounts be determined by allocating carrying amounts based on fair value, (c) amortization of servicing assets and liabilities be in proportion to net servicing income, (d) impairment measurement based on fair value, and (e) pledged financial assets to be classified as collateral.

SFAS No. 125 provides implementation guidance for assessing isolation of transferred assets and for accounting for transfers of partial interests, servicing of financial assets, securitizations, transfers of sales-type and direct financing lease receivables, securities lending transactions, repurchase agreements including "dollar rolls", "wash sales", loan syndications and participations, risk participations in banker's acceptances, factoring arrangements, transfers of receivables with recourse and extinguishments of liabilities. In December 1996, SFAS No. 127, "Deferral of the Effective Date of FASB Statement No. 125", was issued and delayed implementation for one year certain provisions of SFAS No. 125. The Company's adoption of these statements did not have any material impact on its results of operations, financial position or cash flows.

On January 28, 1997 the Securities and Exchange Commission approved rule amendments (Release #33-7386, the "Release") regarding disclosures about derivative financial instruments, or other financial instruments and derivative commodity instruments. The Release amended Rule 4-08 of Regulation S-X (General Notes to Financial Statements) to add a new paragraph which requires extensive detail regarding the accounting policies followed in connection with accounting for derivative financial instruments and derivative commodity instruments. The accounting policy disclosure requirements are effective for periods ending after June 15, 1997. See Note 4 below and Management's Discussion and Analysis of Financial Condition and Results of Operations - Asset and Liability Management included in Item 2 hereof for the Company's accounting policy disclosures in accordance with the requirements of the Release. The Release also added Item 305 to regulation S-K to require quantitative (in one of three formats) and qualitative disclosures outside of the financial statements about market risk inherent in derivative and other financial instruments. The quantitative and qualitative disclosures about market risks are effective for periods ending after June 15, 1997 which include annual financial statements.

In February 1997, SFAS No. 128, "Earnings per Share", and SFAS No. 129, "Disclosure of Information about Capital Structure", were issued. SFAS No. 128 established standards for computing and presenting earnings per share and applies to entities with publicly held common stock or potential common stock. SFAS No. 128 simplifies the standards previously found in Accounting Principles Board Opinion No. 15. SFAS No. 128 is effective for financial statements issued for periods ending after December 15, 1997, including interim periods and early adoption is not permitted. SFAS No. 129 is also effective for financial statements for periods ending after December 15, 1997. The Company does not anticipate a material impact on its earnings per share calculation as a result of implementing these statements.

## NOTE 3 INVESTMENT IN JOINT VENTURES

The Company's investment in joint ventures include investments in BCFL, L.L.C. ("BCFL"), a limited liability corporation formed in January 1997 between the Company and BlackRock Capital Finance L.P. ("BlackRock"), and BCBF, L.L.C., (the "LLC"), a limited liability company formed in March 1996 between the Company and BlackRock. The Company owns a 10% interest in BCFL and a 50% interest in LLC. BCFL was formed to acquire multifamily loans. At June 30, 1997, the Company's 10% investment, which is accounted for under the cost method, amounted to $1,056.

The Company's 50% investment in the LLC, which was formed to acquire single-family residential loans offered by the Department of Housing and Urban Development ("HUD"), amounted to $26,532 and $67,909 at June 30, 1997 and December 31, 1996, respectively, and is net of valuation allowances of $2,002 and $5,114, respectively. Because the LLC is a pass-through entity for federal income tax purposes, provisions for income taxes are established by each of the Company and its co-investor and not the LLC.

The Company's equity in earnings of the LLC includes 50% of the net income of the LLC before deduction of the Company's 50% share of loan servicing fees which are paid 100% to the Company. Equity in earnings for the six months ended June 30, 1997 includes the recapture of $2,641 of valuation allowances established in 1996 by the Company on its equity investment in the joint venture as a result of the resolution and securitization of loans during the first quarter of 1997. The Company has recognized 50% of the loan servicing fees not eliminated in consolidation in servicing fees and other charges.

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

Set forth below is the statement of financial condition of the LLC at the dates indicated and a statement of operations for the six months ended June 30, 1997.

BCBF, L.L.C.
STATEMENTS OF FINANCIAL CONDITION

| | June 30, 1997 | December 31, 1996 |
|---|---|---|
| Assets: | | |
| Cash | $ 10 | $ 10 |
| Loans held for sale, at lower of cost or market value.......... | 36,864 | 110,702 |
| Real estate owned, net of valuation allowance of $175 and $511 at June 30, 1997 and December 31, 1996, respectively......... | 13,970 | 25,595 |
| Other assets................................................. | 6,225 | 10,526 |
| | $ 57,069 | $ 146,833 |
| Liabilities and Owners' Equity | | |
| Liabilities:................................................. | | |
| Accrued expenses, payables and other liabilities............. | $ 1 | $ 787 |
| Total liabilities......................................... | $ 1 | $ 787 |
| Owners' Equity: | | |
| Ocwen Federal Bank FSB....................................... | 28,534 | 73,023 |
| BlackRock Capital Finance L.P................................ | 28,534 | 73,023 |
| Total owners' equity....................................... | 57,068 | 146,046 |
| | $ 57,069 | $ 146,833 |

BCBF, L.L.C.
STATEMENTS OF OPERATIONS

| | FOR THE THREE MONTHS ENDED JUNE 30, 1997 | FOR THE SIX MONTHS ENDED JUNE 30, 1997 | FOR THE PERIOD APRIL 10, 1996 THROUGH JUNE 30, 1996 |
|---|---|---|---|
| Interest income........................... | $ 1,869 | $ 5,354 | $ 9,309 |
| Interest expense.......................... | -- | -- | 8,279 |
| Net interest income................... | 1,869 | 5,354 | 1,030 |
| Non-interest income: | | | |
| Gain on sale of loans held for sale.... | -- | 18,412 | 1,324 |
| Gain on real estate owned, net......... | (206) | 1,337 | -- |
| Loan fees............................. | 1 | 23 | 7 |
| | (205) | 19,772 | 1,331 |
| Operating expenses: | | | |
| Loan servicing fees................... | 753 | 1,429 | 2,207 |
| Net income............................... | | | |
| | $ 911 | $ 23,697 | $ 154 |

In March, 1997, as part of a larger transaction involving the Company and an affiliate of BlackRock, the LLC securitized 1,196 loans with an unpaid principal balance of $51,714 and past due interest of $14,209, and a net book value of $40,454. Proceeds from sales of such securities by the LLC amounted to $58,866. The Company continues to service such loans and is paid a servicing fee. For further discussion regarding this transaction, see Management

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

Discussion and Analysis of Financial Condition and Results of Operations - Non-interest Income included in Item 2 hereof.

NOTE 4 INTEREST RATE RISK MANAGEMENT INSTRUMENTS

In managing its interest rate risk, the Company on occasion enters into swaps. Under swaps, the Company agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional amount. The terms of the swaps provide for the Company to receive a floating rate of interest equal to the London Interbank Offered Rate ("LIBOR") and to pay fixed interest rates. The notional amount of the outstanding swap is amortized (i.e., reduced) monthly based upon estimated prepayment rates of the mortgages underlying the securities being hedged. The terms of the outstanding swap at June 30, 1997 and December 31, 1996 follows:

| | MATURITY | NOTIONAL AMOUNT | LIBOR INDEX | FIXED RATE | FLOATING RATE AT END OF PERIOD | FAIR VALUE |
|---|---|---|---|---|---|---|
| JUNE 30, 1997........ | 1998 | $ 41,460 | 1-Month | 6.18% | 5.69% | $ 23 |
| DECEMBER 31, 1996.... | 1998 | $ 45,720 | 1-Month | 6.18% | 5.67% | $ (103) |

The 1-month LIBOR was 5.69% and 5.50% on June 30, 1997 and December 31, 1996, respectively.

The Company also enters into short sales of Eurodollar and U.S. Treasury interest rate futures contracts as part of its overall interest rate risk management activity. Interest rate futures contracts are commitments to either purchase or sell designated financial instruments at a future date for a specified price and may be settled in cash or through delivery. U.S. Treasury futures have been sold by the Company to hedge the risk of a reduction in the market value of fixed-rate mortgage loans and certain fixed-rate mortgage-backed and related securities available for sale in a rising interest rate environment.

Terms and other information on interest rate futures contracts sold short were as follows at the dates indicated:

| | Maturity | Notional Principal | Fair Value |
|---|---|---|---|
| JUNE 30, 1997 | | | |
| U.S. Treasury futures... | 1997 | $ 197,900 | (1,182) |
| DECEMBER 31, 1996 | | | |
| Eurodollar futures...... | 1997 | $ 365,000 | $ (558) |
| | 1998 | 40,000 | (87) |
| U.S. Treasury futures... | 1997 | 165,100 | 498 |

Because interest rate futures contracts are exchange traded, holders of these instruments look to the exchange for performance under these contracts and not the entity holding the offsetting futures contract, thereby minimizing the risk of nonperformance under these contracts. The Company is exposed to credit loss in the event of nonperformance by the counterparty to the swap and controls this risk through credit monitoring procedures. The notional principal amount does not represent the Company's exposure to credit loss.

NOTE 5 REGULATORY REQUIREMENTS

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") and the regulations promulgated thereunder established certain minimum levels of regulatory capital for savings institutions subject to Office of Thrift Supervision ("OTS") supervision. The Bank must follow specific capital guidelines stipulated by the

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OTS which involve quantitative measures of the Bank's assets, liabilities and certain off-balance sheet items. An institution that fails to comply with its regulatory capital requirements must obtain OTS approval of a capital plan and can be subject to a capital directive and certain restrictions on its operations. At June 30, 1997, the minimum regulatory capital requirements were:

- Tangible and core capital of 1.5 percent and 3 percent of total adjusted assets, respectively, consisting principally of stockholders' equity, but excluding most intangible assets, such as goodwill and any net unrealized holding gains or losses on debt securities available for sale.

- Risk-based capital consisting of core capital plus certain subordinated debt and other capital instruments and, subject to certain limitations, general valuation allowances on loans receivable, equal to 8 percent of the value of risk-weighted assets.

At June 30, 1997, the Bank was "well-capitalized" under the prompt corrective action ("PCA") regulations adopted by the OTS pursuant to the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"). To be categorized as "well capitalized", the Bank must maintain minimum core capital, Tier 1 risk-based capital and total risk-based capital ratios as set forth in the table below. The Bank's capital amounts and classification are subject to review by federal regulators about components, risk-weightings and other factors. There are no conditions or events since June 30, 1997 that management believes have changed the institution's category.

(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

The following tables summarize the Bank's actual and required regulatory capital at June 30, 1997

| | ACTUAL | | MINIMUM FOR CAPITAL ADEQUACY PURPOSES | | TO BE WELL CAPITALIZED FOR PROMPT CORRECTIVE ACTION PROVISIONS | |
|---|---|---|---|---|---|---|
| | RATIO | AMOUNT | RATIO | AMOUNT | RATIO | AMOUNT |
| Stockholders' equity and ratio to total assets | 9.65% | $ 252,536 | | | | |
| Net unrealized gain on certain available for sale securities | | (7,044) | | | | |
| Excess mortgage servicing rights | | (254) | | | | |
| Tangible capital, and ratio to adjusted total assets | 9.40% | $ 245,238 | 1.50% | $ 39,147 | | |
| Tier 1 (core) capital, and ratio to adjusted total assets | 9.40% | $ 245,238 | 3.00% | $ 78,294 | 5.00% | $130,490 |
| Tier 1 capital, and ratio to risk-weighted assets | 9.13% | $ 245,238 | | | 6.00% | $161,212 |
| Allowance for loan and lease losses | | 25,709 | | | | |
| Subordinated debentures | | 100,000 | | | | |
| Tier 2 Capital | | 125,709 | | | | |
| Total risk-based capital, and ratio to risk-weighted assets | 13.81% | $ 370,947 | 8.00% | $214,949 | 10.00% | $268,687 |
| Total regulatory assets | | $2,617,108 | | | | |
| Adjusted total assets | | $2,609,810 | | | | |
| Risk-weighted assets | | $2,686,869 | | | | |

The OTS has promulgated a regulation governing capital distributions. The Bank is considered to be a Tier 1 association under this regulation because it met or exceeded its fully phased-in capital requirements at June 30, 1997. A Tier 1 association that before and after a proposed capital distribution meets or exceeds its fully phased-in capital requirements may make capital distributions during any calendar year equal to the greater of (i) 100% of net income for the calendar year to date plus 50% of its "surplus capital ratio" at the beginning of the year or (ii) 75% of its net income over the most recent four-quarter period. In order to make these capital distributions, the Bank must submit written notice to the OTS 30 days in advance of making the distribution. Notwithstanding the foregoing, however, the Bank's ability to make capital distributions as a Tier 1 institution is limited by agreements between it and the OTS to maintain specified capital levels and to dividend to Ocwen subordinate and residual securities resulting from the Bank's securitization activities, as discussed below.

In addition to these OTS regulations governing capital distributions, the indenture governing the $100,000 of 12% subordinated debentures (the "Debentures") due 2005 and issued by the Bank on June 12, 1995 limits the declaration or payment of dividends and the purchase or redemption of common or preferred stock in the aggregate to the sum of 50%

of consolidated net income and 100% of all capital contributions and proceeds from the issuance or sale (other than to a subsidiary) of common stock, since the date the Debentures were issued.

Based upon recent discussions with the OTS, the Bank has determined to maintain a core capital ratio of at least 9% and a total risk-based capital ratio of no less than 13%. Based upon recent discussions with the OTS, the Bank also determined to transfer its single-family residential lending activities to sub-prime borrowers to OFS. Additionally, the Bank agreed with the OTS (i) to discontinue the purchase of subordinate classes of mortgage-related securities created by unaffiliated parties, (ii) to sell the five such securities held by it at March 31, 1997 (aggregate book value of $32,010), which was completed by a sale to Ocwen Asset Investment Corp. ("OAIC"), a real estate investment trust in which Ocwen owns a 9.8% interest, on May 19, 1997 (at a gain of $2,648 to the Bank) and (iii) subject to the requirements of the OTS capital distribution regulations, to dividend to Ocwen all subordinate and residual mortgage-related securities acquired by it in connection with its securitization activities. The Bank dividended two securities with an aggregate book value of $19,462 to Ocwen in June 1997, and at June 30, 1997, the Bank held five subordinate securities and one residual security which had an aggregate book value of $38,130. The Bank believes at this time that it will continue to be a "well-capitalized institution" under OTS regulations.

NOTE 6 COMMITMENTS AND CONTINGENCIES

At June 30, 1997 the Company had commitments to (i) originate $32,683 of sub-prime loans secured by single-family residential properties, (ii) fund $52,058 of loans secured by multi-family residential buildings, (iii) fund $15,189 of loans secured by office buildings and (iv) fund $33,693 of loans secured by hotel properties. Additionally, the Company had commitments of $8,326 to purchase sub-prime loans secured by single-family residential properties. The Company, through its investment in subordinate securities and REMIC residuals which had a book value of $57,408 at June 30, 1997, supports senior classes of mortgage-related securities having an outstanding principal balance of $1,396,562.

The Company is subject to various pending legal proceedings in the ordinary course of business. Management, after reviewing these claims with legal counsel, is of the opinion that the resolution of these claims will not have a material adverse effect on the Company's financial position, results of operations, cash flows or liquidity.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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GENERAL

The Company considers itself to be involved in a single business segment of providing financial services and conducts a wide variety of business within this segment. The Company's business activities are conducted primarily through the Bank and currently consist primarily of its discount loan acquisition, resolution and servicing activities, and various investment activities, including investments in a wide variety of mortgage-related securities and investments in low-income housing tax credit interests. The Company obtains funds for investment in the foregoing and other business activities primarily from brokered and other wholesale certificates of deposit and, to a lesser extent, retail deposits obtained through its office in Fort Lee, New Jersey, FHLB advances, reverse repurchase agreements, lines of credit and asset securitizations.

The Company is a registered savings and loan holding company subject to regulation by the OTS. The Bank is a registered savings and loan holding company subject to regulation by the OTS. The Bank is subject to regulation by the OTS, as its chartering authority, and by the Federal Deposit Insurance Corporation ("FDIC") as a result of its membership in the Savings Association Insurance Fund ("SAIF") administered by the FDIC, which insures the Bank's deposits up to the maximum extent permitted by law. The Bank is also subject to certain regulation by the Board of Governors of the Federal Reserve System ("Federal Reserve Board") and currently is a member of the FHLB of New York, one of the 12 regional banks which comprise the FHLB System.

At June 30, 1997, the only significant subsidiaries of the Company, other than the Bank, were IMI and OFS. IMI, through subsidiaries, owns and manages the Westin Hotel in Columbus, Ohio and residential units in cooperative buildings which were acquired in connection with foreclosure on loans held by the Bank or by deed-in-lieu thereof. OFS was formed in October 1996 for the purpose of purchasing substantially all of the assets of Admiral (a transaction which closed on May 1, 1997), the Company's primary correspondent mortgage banking firm for sub-prime single-family residential loans, and assuming all of the Bank's sub-prime single-family residential lending operations.

The following discussion of the Company's consolidated financial condition and results of operations and capital resources and liquidity should be read in conjunction with the Interim Consolidated Financial Statements and related Notes included in Item 1 hereof.

RECENT DEVELOPMENTS

On July 15, 1997, IMI sold a 69% partnership interest in the Westin Hotel for a minimal gain.

On July 17, 1997, the Company entered into a letter of intent to acquire a small, privately-held firm which is engaged primarily in the development of software for the financial services industry, including loan servicing software. The aggregate purchase price would be $8.0 million, including $3.5 million which would be contingent on the target meeting certain software development performance criteria, and would be payable in cash and/or securities of the Company, as to be agreed by the parties. This acquisition is subject to the completion of due diligence by the Company to its satisfaction, the negotiation and execution of definitive agreements and the satisfaction of other conditions customary in these types of transactions, and, as a result, there can be no assurance that it will be consummated in the near term or at all.

The Company is currently exploring obtaining an approximately $20 million line of credit to the Company and an approximately $500 million line of credit to the Bank. If obtained, these lines of credit will enhance the Company's ability to manage its liquidity and sources of funds to utilize those which are the most cost effective.

The Company has received notice that HUD intends to auction approximately 18,200 single-family residential loans with an aggregate unpaid principal amount of approximately $1.15 billion in early September 1997. The Company currently intends to submit a bid to acquire all or a substantial portion of these loans with one or more co-investors. There can be no assurance that the Company ultimately will submit a bid or as to the terms hereof, or that any bid by the Company will be successful in whole or in part.

On August 6, 1997 the Securities and Exchange Commission ("SEC") declared effective a Form S-1 registration statement with respect to the offering by the Company to the public of 3,000,000 shares (plus up to 450,000

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shares pursuant to the underwriters' over-allotment options) of newly-issued common stock. The offering of such common stock , which closed on August 12, 1997, resulted in estimated net proceeds to the Company of $123.4 million. Concurrently on August 6, 1997, the SEC declared effective a Form S-1 registration statement with respect to the offering by Ocwen Capital Trust I, a newly-formed Delaware business trust and subsidiary of Ocwen, of $125.0 million of 10 7/8% capital securities. The offering of such capital securities, which also closed on August 12, 1997, resulted in estimated net proceeds to the Company of $120.7 million.

On Friday, August 1, 1997 shares of the Company's common stock began trading on the New York Stock Exchange ("NYSE") under the symbol "OCN". The Company has traded on the NASDAQ National Market System under the symbol "OCWN" since September 1996, when the Company completed its initial public offering. Upon effectiveness of the NYSE listing, the Company delisted its common stock from NASDAQ.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

CONSOLIDATED FINANCIAL HIGHLIGHTS

| | At or For the Three Months Ended June 30, | | |
|---|---|---|---|
| | 1997 | 1996 | Change |
| FOR THE PERIOD: | (Dollars in thousands, except share data) | | |
| Net interest income | $ 28,074 | $ 24,598 | 14% |
| Provision for loan losses | 7,909 | 4,964 | (59) |
| Non-interest income | 33,289 | 8,068 | 313 |
| Non-interest expense | 31,080 | 13,870 | (124) |
| Equity in earnings of investment in joint ventures | 1,301 | 1,078 | 21 |
| Net income | 18,792 | 11,999 | 57 |
| PER COMMON SHARE | | | |
| Net income | $ 0.69 | $ 0.45 | 53% |
| Stock price: (1) | | | |
| High | 32.88 | - | - |
| Low | 25.50 | - | - |
| Close | 32.63 | - | - |
| AVERAGE BALANCES | | | |
| Interest-earning assets | $ 2,334,115 | $ 1,517,572 | 54% |
| Interest-bearing liabilities | 2,345,476 | 1,649,551 | (42) |
| Stockholders' equity | 232,758 | 148,599 | 57 |
| KEY RATIOS | | | |
| Interest rate spread: | | | |
| Yield on interest-earning assets | 11.47% | 13.57% | (15)% |
| Cost of interest-bearing liabilities | 6.63 | 6.52 | (2) |
| Interest rate spread | 4.84 | 7.05 | (31) |
| Annualized return on average assets (2) | 2.75 | 2.27 | 21 |
| Annualized return on average equity | 32.29 | 32.30 | - |
| Efficiency ratio (3) | 49.60 | 41.10 | (21) |
| Core (leverage) capital ratio | 9.40 | 6.74 | 39 |
| Risk-based capital ratio | 13.81 | 13.61 | 1 |

| | At or For the Six Months Ended June 30, | | |
|---|---|---|---|
| | 1997 | 1996 | Change |
| FOR THE PERIOD: | (Dollars in thousands, except share data) | | |
| Net interest income | $ 45,437 | $ 44,421 | 2% |
| Provision for loan losses | 17,651 | 14,370 | (23) |
| Non-interest income | 54,640 | 11,361 | 381 |
| Non-interest expense | 53,777 | 25,554 | (110) |
| Equity in earnings of investment in joint ventures | 15,674 | 1,078 | 1,354 |
| Net income | 35,833 | 15,026 | 138 |
| PER COMMON SHARE | | | |
| Net income | $ 1.32 | $ 0.57 | 132 |
| Stock price (1) | | | |
| High | 34.75 | - | - |
| Low | 25.25 | - | - |
| Close | 32.63 | - | - |
| AVERAGE BALANCES | | | |
| Interest-earning assets | $ 2,251,951 | $ 1,572,250 | 43% |
| Interest-bearing liabilities | 2,302,046 | 1,687,970 | (36) |
| Stockholders' equity | 222,386 | 145,399 | 53 |
| KEY RATIOS | | | |
| Interest rate spread: | | | |
| Yield on interest-earning assets | 10.79% | 12.65% | (15)% |
| Cost of interest-bearing liabilities | 6.61 | 6.52 | (1) |
| Interest rate spread | 4.18 | 6.13 | (32) |
| Annualized return on average assets (2) | 2.68 | 1.48 | 81 |
| Annualized return on average equity | 32.23 | 20.67 | 56 |
| Efficiency ratio (3) | 46.46 | 44.94 | 3 |

(1) For the period ended June 30.
(2) Includes the Company's pro rata share of average assets held by its 50% joint venture.
(3) Before provision for loan losses and including equity in earnings of investment in joint venture.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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SUMMARY

The Company's net income amounted to $18.8 million or $0.69 per share for the three months ended June 30, 1997 as compared to net income of $12.0 million, or $0.45 per share for the same period in 1996. For the six months ended June 30, 1997, the Company's net income amounted to $35.8 million or $1.32 per share, compared to net income of $15.0 million, or $0.57 per share for the same period in 1996.

The $3.5 million or 14% increase in net interest income during the second quarter of 1997 as compared to the second quarter of 1996 is primarily due to a $816.5 million increase in average interest-earnings assets offset in part by a $695.9 million increase in average interest-bearing liabilities and a 221 basis point decline in the interest rate spread

The $25.2 million or 313% increase in non-interest income for the three months ended June 30, 1997 is primarily due to a $17.2 million net gain earned in connection with the securitization of 1,783 single-family residential loans with an unpaid principal balance of $170.6 million (of which 1,751 loans with an unpaid principal balance of $168.3 million were discount loans and 32 loans with an unpaid principal balance of $2.3 million were from the loan portfolio), a $4.5 million gain earned in connection with the securitization of 896 sub-prime single-family residential mortgage loans with an aggregate unpaid principal balance of $104.8 million and a $2.6 million gain on the sale of mortgage-related securities to OAIC. (See Note 5 to the Interim Consolidated Financial Statements). The Company continues to service the loans for a fee and has retained an interest in the related subordinate and residual class securities. Also included in non-interest income for the six months ended June 30, 1997 is a $9.5 million gain resulting from the Company's direct participation in a securitization by the Company, the LLC and an affiliate of BlackRock of 2,916 discount mortgage loans on March 27, 1997 which were previously acquired from HUD in 1995 and 1996.

Equity in earnings of investment in joint ventures of $15.7 million for the six months ended June 30, 1997 includes $9.2 million representing the Company's pro rata share of the gain recorded by the LLC in connection with the March 27, 1997 securitization described above. The LLC, was formed in March, 1996 and began operations in the second quarter of 1996.

Non-interest expense increased $17.2 million or 124% during the three months ended June 30, 1997, as compared to the same period in 1996, primarily due to an increase in the average number of employees to 823 from 373 and an increase in employee profit sharing expense of $3.3 million. For the six months ended June 30, 1997, non-interest expense increased $28.2 million or 110% as compared to the same period in 1996 primarily as a result of an increase in the average number of employees to 721 from 349 and a $6.9 million increase in employee profit sharing expense.

The following table presents the estimated contribution by business activity to the Company's net income for the periods indicated.

| | Three months ended June 30 | | Six months ended June 30 | |
|---|---|---|---|---|
| | 1997 | 1996 | 1997 | 1996 |
| Discount Loans: | | | | |
| Single-family residential loans..... | 26% | 3% | 32% | 2% |
| Large Commercial .................. | 34 | 26 | 25 | 21 |
| Small Commercial................... | 3 | 8 | 3 | 5 |
| Investment in low-income housing tax credits.............................. | 16 | 22 | 18 | 33 |
| Commercial lending.................... | 7 | 21 | 5 | 20 |
| Sub-prime single family lending........ | (1) | 18 | 2 | 15 |
| Mortgate loan servicing................ | 1 | 1 | 3 | 4 |
| Investment Securities................. | 9 | 1 | 9 | 1 |
| Other................................. | 5 | -- | 3 | (1) |
| | 100% | 100% | 100% | 100% |

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

AVERAGE BALANCE AND RATE ANALYSIS. The following table sets forth, for the periods indicated, information regarding the total amount of income from interest-earning assets and the resultant average yields, the interest expense associated with interest-bearing liabilities, expressed in dollars and rates, and the net interest rate spread and net interest margin. Information is based on daily balances during the indicated periods.

| | Three Months Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 1997 | | | 1996 | | |
| | Average Balance | Interest | Annualized Yield/Rate | Average Balance | Interest | Annualized Yield/Rate |
| | (Dollars in thousands) | | | | | |
| AVERAGE ASSETS: | | | | | | |
| Federal funds sold and repurchase agreements ..... | $ 63,192 | $ 795 | 5.03% | $ 97,678 | $ 1,329 | 5.44% |
| Securities available for sale | 308,267 | 6,509 | 8.45 | 281,970 | 6,284 | 8.91 |
| Loans available for sale (1) . | 135,801 | 3,973 | 11.70 | 218,719 | 4,887 | 8.94 |
| Investment securities and other (2) .................... | 29,113 | 745 | 10.24 | 35,940 | 1,335 | 14.86 |
| Loan portfolio (1) ........... | 447,591 | 10,674 | 9.54 | 296,106 | 7,764 | 10.49 |
| Discount loan portfolio ...... | 1,350,151 | 44,246 | 13.11 | 587,159 | 29,903 | 20.37 |
| Total interest-earning assets, interest income ... | 2,334,115 | 66,942 | 11.47 | 1,517,572 | 51,502 | 13.57 |
| Non-interest earning cash ... | 12,204 | | | 6,639 | | |
| Allowance for loan losses .... | (21,441) | | | (11,771) | | |
| Investments in low-income housing tax credit interests ...... | 100,779 | | | 99,900 | | |
| Investment in joint ventures . | 30,128 | | | 55,440 | | |
| Real estate owned, net ....... | 102,527 | | | 142,010 | | |
| Other assets ................ | 174,002 | | | 87,196 | | |
| Total assets ............. | $2,732,315 | | | $1,896,986 | | |
| AVERAGE LIABILITIES AND STOCKHOLDERS' EQUITY: | | | | | | |
| Interest-bearing demand deposits ..................... | $ 42,600 | $ 496 | 4.66 | $ 21,753 | $ 176 | 3.24 |
| Savings deposits ............ | 2,037 | 12 | 2.36 | 3,423 | 19 | 2.22 |
| Certificates of deposit .... | 2,030,734 | 30,863 | 6.08 | 1,435,549 | 22,250 | 6.20 |
| Total interest-bearing deposits .................. | 2,075,371 | 31,371 | 6.05 | 1,460,725 | 22,445 | 6.15 |
| Notes, debentures and other .. | 245,523 | 7,148 | 11.65 | 115,946 | 3,434 | 11.85 |
| Securities sold under agreements to repurchase .. | 14,272 | 204 | 5.72 | 2,481 | 32 | 5.16 |
| Federal Home Loan Bank advances | 10,310 | 145 | 5.63 | 70,399 | 993 | 5.64 |
| Total interest-bearing liabilities, interest expense ................. | 2,345,476 | 38,868 | 6.63 | 1,649,551 | 26,904 | 6.52 |
| Non-interest bearing deposits | 28,147 | | | 4,284 | | |
| Escrow deposits ............. | 72,006 | | | 40,437 | | |
| Other liabilities ........... | 53,928 | | | 54,115 | | |
| Total liabilities .......... | 2,499,557 | | | 1,748,387 | | |
| Stockholders' equity ......... | 232,758 | | | 148,599 | | |
| Total liabilities and stockholders' equity .... | $2,732,315 | | | $1,896,986 | | |
| Net interest income before provision for loan losses . | | $ 28,074 | | | $ 24,598 | |
| Net interest rate spread ..... | | | 4.84% | | | 7.05% |
| Net interest rate margin ..... | | | 4.81% | | | 6.48% |
| Ratio of interest-earning assets to interest-bearing liabilities ............... | | 99% | | | 92% | |

(1) The average balance includes non-performing loans, interest on which is recognized on a cash basis.

(2) Included in interest income on investment securities and other is interest income earned on that portion of the deferred tax asset which relates to tax residuals. Inclusive of the average balance of the deferred tax asset related to tax residuals as investment securities and other, the average yield for the three months ended June 30, 1997 and 1996 would have been 10.34% and 10.93%, respectively.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

| | Six Months Ended June 30 | | | | | |
|---|---|---|---|---|---|---|
| | 1997 | | | 1996 | | |
| | Average Balance | Interest | Annualized Yield/Rate | Average Balance | Interest | Annualized Yield/Rate |
| | (Dollars in thousands) | | | | | |
| AVERAGE ASSETS: | | | | | | |
| Federal funds sold and repurchase agreements .... | $ 97,765 | $ 2,453 | 5.02% | $ 77,435 | $ 2,098 | 5.42% |
| Securities available for sale | 323,640 | 14,682 | 9.07 | 301,940 | 14,064 | 9.32 |
| Securities held for trading.. | 6,589 | 248 | 7.53 | -- | -- | -- |
| Loans available for sale (1). | 127,823 | 6,824 | 10.68 | 240,009 | 11,484 | 9.57 |
| Investment securities and other (2)................. | 26,306 | 1,426 | 10.84 | 37,273 | 1,980 | 10.62 |
| Loan portfolio (1)........... | 435,642 | 21,366 | 9.81 | 299,243 | 17,773 | 11.88 |
| Discount loan portfolio...... | 1,234,186 | 74,470 | 12.07 | 616,350 | 52,058 | 16.89 |
| Total interest - earning assets, interest income... | 2,251,951 | 121,469 | 10.79 | 1,572,250 | 99,457 | 12.65 |
| Non-interest earning cash... | 11,781 | | | 6,549 | | |
| Allowance for loan losses.... | (18,897) | | | (7,307) | | |
| Investments in low-income housing tax credit interests...... | 95,588 | | | 94,825 | | |
| Investment in joint ventures. | 46,882 | | | 27,720 | | |
| Real estate owned, net....... | 107,377 | | | 152,499 | | |
| Other assets................. | 176,625 | | | 78,165 | | |
| Total assets............. | $ 2,671,306 | | | $1,924,701 | | |
| AVERAGE LIABILITIES AND STOCKHOLDERS' EQUITY: | | | | | | |
| Interest-bearing demand deposits ................. | $ 33,275 | $ 723 | 4.35 | $ 23,668 | $ 405 | 3.42 |
| Savings deposits............. | 2,328 | 27 | 2.32 | 3,434 | 40 | 2.33 |
| Certificates of deposit...... | 1,997,377 | 60,514 | 6.06 | 1,450,536 | 45,001 | 6.20 |
| Total interest-bearing deposits.................. | 2,032,980 | 61,264 | 6.03 | 1,477,638 | 45,446 | 6.15 |
| Notes, debentures and other.. | 235,547 | 13,863 | 11.77 | 116,140 | 6,873 | 11.84 |
| Securities sold under agreements to repurchase.. | 17,603 | 477 | 5.42 | 23,793 | 685 | 5.76 |
| Federal Home Loan Bank advances............. | 15,916 | 428 | 5.38 | 70,399 | 2,032 | 5.77 |
| Total interest-bearing liabilities, interest expense....... | 2,302,046 | 76,032 | 6.61 | 1,687,970 | 55,036 | 6.52 |
| Non-interest bearing deposits | 20,765 | | | 4,039 | | |
| Escrow deposits.............. | 71,860 | | | 38,773 | | |
| Other liabilities............ | 54,249 | | | 48,520 | | |
| Total liabilities......... | 2,448,920 | | | 1,779,302 | | |
| Stockholders' equity......... | 222,386 | | | 145,399 | | |
| Total liabilities and stockholders' equity...... | $ 2,671,306 | | | $1,924,701 | | |
| Net interest income before provision for loan losses. | | $ 45,437 | | | $44,421 | |
| Net interest rate spread.. | | | 4.18% | | | 6.13% |
| Net interest rate margin..... | | | 4.04% | | | 5.65% |
| Ratio of interest-earning assets to interest-bearing liabilities ............. | 98% | | | 93% | | |

(1) The average balance includes non-performing loans, interest on which is recognized on a cash basis.

(2) Included in interest income on investment securities and other is interest income earned on that portion of the deferred tax asset which relates to tax residuals. Inclusive of the average balance of the deferred tax asset related to tax residuals as investment securities and other, the average yield for the six months ended June 30, 1997 and

1996 would have been 10.90% and 7.39%, respectively.

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RATE/VOLUME ANALYSIS. The following table describes the extent to which changes in interest rates and changes in volume of interest-earning assets and interest-bearing liabilities have affected the Company's interest income and expense during the periods indicated. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (i) changes in volume (change in volume multiplied by prior rate), (ii) changes in rate (change in rate multiplied by prior volume) and (iii) total change in rate and volume. Changes attributable to both volume and rate have been allocated proportionately to the change due to volume and the change due to rate.

| | Three months | | | Six months | | |
|---|---|---|---|---|---|---|
| FOR THE PERIODS ENDED JUNE 30- | 1997 vs. 1996 | | | 1997 vs. 1996 | | |
| (DOLLARS IN THOUSANDS) | Increase (decrease) due to | | | Increase (decrease) due to | | |
| | Rate | Volume | Total | Rate | Volume | Total |
| INTEREST-EARNING ASSETS: | | | | | | |
| Federal funds sold and repurchase agreements.... | $ (94) | $ (440) | $ (534) | $ (164) | $ 519 | $ 355 |
| Securities held for trading | -- | -- | -- | 248 | -- | 248 |
| Securities available for sale..................... | (341) | 566 | 225 | (373) | 991 | 618 |
| Loans available for sale. | 1,254 | (2,168) | (914) | 1,206 | (5,866) | (4,660) |
| Loan portfolio........... | (757) | 3,667 | 2,910 | (3,487) | 7,080 | 3,593 |
| Discount loan portfolio.. | (13,644) | 27,987 | 14,343 | (18,173) | 40,585 | 22,412 |
| Investment securities and other.................... | (366) | (224) | (590) | 40 | (594) | (554) |
| Total interest-earning assets................... | (13,948) | 29,388 | 15,440 | (20,703) | 42,715 | 22,012 |
| INTEREST-BEARING LIABILITIES: | | | | | | |
| Interest-bearing demand deposits................. | 101 | 219 | 320 | 127 | 191 | 318 |
| Savings deposits......... | 1 | (8) | (7) | -- | (13) | (13) |
| Certificates of deposit.. | (441) | 9,054 | 8,613 | (1,078) | 16,591 | 15,513 |
| Total interest-bearing deposits................ | (339) | 9,265 | 8,926 | (951) | 16,769 | 15,818 |
| Subordinated debentures.. | (59) | 3,773 | 3,714 | (38) | 7,028 | 6,990 |
| Securities sold under agreements to repurchase. | 3 | 169 | 172 | (38) | (170) | (208) |
| Federal Home Loan Bank advances............... | (3) | (845) | (848) | (130) | (1,474) | (1,604) |
| Total interest-bearing liabilities.......... | (398) | 12,362 | 11,964 | (1,157) | 22,153 | 20,996 |
| Increase in net interest income................... | $(13,550) | $ 17,026 | $ 3,476 | $(19,546) | $20,562 | $ 1,016 |

RESULTS OF OPERATIONS: THREE AND SIX MONTHS ENDED JUNE 30, 1997 VERSUS THREE AND SIX MONTHS ENDED JUNE 30, 1996

NET INTEREST INCOME. The Company's net interest income of $28.1 million increased $3.5 million or 14% during the three months ended June 30, 1997 as compared to the comparable period in the prior year. Interest income increased $15.4 million or 30% due to a $816.5 million or 54% increase in the Company's average interest-earning assets from period to period which was offset in part by a 210 basis point decrease in the weighted average yield earned. Interest expense increased $12.0 million or 44% due to a $695.9 million or 42% increase in the Company's average interest-bearing liabilities.

Net interest income of $45.4 million for the six months ended June 30, 1997 increased $1.0 million or 2% over the comparable period of the prior year. The increase resulted from the $679.7 million or 43% increase in average interest-earning assets from period to period which was offset in part by a 186 basis point decrease in the weighted average yield earned on those assets, net of the $614.1 million or 36% increase in the average interest-bearing liabilities.

INTEREST INCOME. Interest income on the discount loan portfolio increased by $14.3 million or 48% in the three months ended June 30, 1997 versus the three months ended June 30, 1996 as a result of a $763.0 million or 130% increase in the average balance of the discount loan portfolio which was offset in part by 726 basis point decline in the weighted average yield earned. For the six months ended June 30, 1997 as compared to the same period in 1996, interest income on the discount loan portfolio increased $22.4 million or 43% due to a

$617.8 million or 100% increase in the average balance of the discount loan portfolio which was offset in part by a 482 basis point decrease in the weighted average yield earned. The decline in the yields during 1997, as compared to 1996, is primarily attributable to

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an increase in the average balance of single-family discount loans acquired from HUD, significant resolutions of residential and commercial loans during the second quarter of 1996 and the Company's decision to cease accretion of discount on nonperforming single-family discount loans effective January 1, 1997. Discount accretion on non-performing single-family residential discount loans amounted to $3.0 million or 203 basis points in yield during the three months ended June 30, 1996 and $5.0 million or 162 basis points in yield during the six months ended June 30, 1996. The Company believes that for the remainder of 1997 the yield earned on its discount loan portfolio will remain below the yield earned in the prior year due to its decision to cease accretion of discount and its current strategy of attempting to work with borrowers to either (i) bring their loans current, (ii) modify the terms of their loans, (iii) enter into forbearance agreements that require the borrower to make monthly payments greater than or equal to scheduled payment amount or (iv) refinance the loans with the Company. This resolution strategy results in lower initial yields as compared to borrowers paying off their loans in full or in part, and to the extent the loans are ultimately sold will result in a significant portion of the earnings being reflected in gains on sales of interest earning assets. In addition, the majority of the single-family HUD loans acquired by the Company in February 1997 are currently under a HUD forbearance plan, whereby the borrower makes payments based upon ability to pay for a specific period of time, which generally results in a lower effective yield than the contract rate. Once this period is over the borrower must make at least its contractual mortgage payment or the Company can pursue foreclosure or other actions. Virtually all the loans currently serviced by the Company under these plans will reach the end of the grace period by July 1998. The yield on the overall discount loan portfolio is also likely to continue to fluctuate from quarter to quarter as a result of the timing of resolutions, particularly the resolution of large multifamily and commercial loans, and the mix of the overall portfolio between paying and nonpaying loans.

Interest income on the loan portfolio increased by $2.9 million or 37% in the second quarter of 1997 from the comparable period in 1996 primarily due to an increase in the average balance of the loan portfolio for the three months ended June 30, 1997 of $151.5 million or 51% over that of the same period in 1996, offset in part by a 95 basis point decrease in the weighted average yield earned. For the six months ended June 30, 1997, interest income on the loan portfolio increased $3.6 million or 20% over that of the same period in 1996 as a result of a $136.4 million or 46% increase in the average balance of the loan portfolio which was offset in part by a 207 basis point decrease in the weighted average yield earned on the portfolio. The decline in the yield during the six months ended June 30, 1997 was primarily due to $2.1 million of additional interest earned during the first quarter of 1996 in connection with the repayment of hotel loans.

Interest income on loans available for sale decreased $914,000 million or 19% during the second quarter of 1997 as compared to 1996 primarily as a result of a $82.9 million decrease in the average balance offset in part by a 276 basis point increase in the weighted average yield earned. For the first six months of 1997, interest income on loans available for sale decreased $4.7 million or 41% during the first six months 1997 as compared to 1996 due to a decrease in the average balance of loans available for sale of $112.2 million or 47% which was offset in part by a 111 basis point increase in the weighted average yield earned. The increase in weighted average yields for the three and six months ended June 30, 1997, as compared to comparable periods in 1996, is primarily due to significant resolutions of non-performing sub-prime single-family loans during the second quarter of 1997.

INTEREST EXPENSE. The increases in interest expense during the three and six months ended June 30, 1997, as compared to the same periods in 1996, reflect the Company's continued use of certificates of deposit to fund its asset growth and the issuance of $125.0 million of 11.875% notes in September 1996. The average amount of the Company's certificates of deposit increased from $1.44 billion and $1.45 billion during the three and six months ended June 30, 1996, respectively, to $2.0 billion during the three and six months ended June 30, 1997.

PROVISIONS FOR LOAN LOSSES. Provisions for losses on loans are charged to operations to maintain an allowance for losses on each of the loan portfolio and the discount loan portfolio at a level which management considers adequate based upon an evaluation of known and inherent risks in such loan portfolios. Management's periodic evaluation is based upon an analysis of each of the discount loan portfolio and the loan portfolio, historical loss experience, current economic conditions and other relevant factors.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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The following table sets forth the components of the Company's provision for loan losses for the periods indicated.

| For the periods ended June 30- | Three Months | | Six Months | |
|---|---|---|---|---|
| (Dollars in thousands) | 1997 | 1996 | 1997 | 1996 |
| Discount loans................ | $ 7,769 | $ 4,545 | $ 16,165 | $ 13,238 |
| Loan portfolio................ | 140 | 419 | 1,486 | 1,132 |
| Total.................... | $ 7,909 | $ 4,964 | $ 17,651 | $ 14,370 |

The amount provided for discount loans during the first six months of 1997 included $2.0 million established during the first quarter on single-family residential loans acquired from HUD in 1995 and 1996 which were not included in the March 1997 securitization.

Although management utilizes its best judgment in providing for possible loan losses, there can be no assurance that the Company will not change its provisions for possible loan losses in subsequent periods to a higher level from that recorded to date in 1997. Changing economic and business conditions, fluctuations in local markets for real estate, future changes in nonperforming asset trends, large upward movements in market interest rates or other reasons could affect the Company's future provisions for loan losses. In addition, the OTS, as an integral part of its examination process, periodically reviews the adequacy of the Company's allowances for losses on loans and discount loans. Such agency may require the Company to recognize changes to such allowances for losses based on its judgment about information available to it at the time of examination. For further discussion and analysis regarding the provisions for loan losses, see "Changes in Financial Condition - Allowances for Losses."

NON-INTEREST INCOME. The following table sets forth the principal components of the Company's non-interest income during the periods indicated.

| For the periods ended June 30 - | Three months | | Six months | |
|---|---|---|---|---|
| (Dollars in thousands) | 1997 | 1996 | 1997 | 1996 |
| Servicing fees and other charges.......... | $ 4,845 | $ 1,468 | $ 10,081 | $ 787 |
| Gains on sales of interest-earning assets, net................................. | 23,365 | 4,584 | 40,143 | 9,601 |
| Income (loss) on real estate owned, net... | 4,629 | 887 | 3,835 | (1,028) |
| Other income............................ | 450 | 1,129 | 581 | 2,001 |
| Total............................... | $ 33,289 | $ 8,068 | $ 54,640 | $ 11,361 |

The increase in servicing fees and other charges during 1997 was due to an increase in loan servicing and related fees as a result of the Company's increase in loans (primarily non-performing) serviced for others. The average unpaid principal balance of loans serviced for others amounted to $2.50 billion and $2.27 billion during the three and six months ended June 30, 1997, respectively, as compared to $561.8 million and $450.3 million during the three and six months ended June 30, 1996. Included in servicing fees and other charges during the first six months of 1997 was $1.1 million of fees earned during the first quarter in connection with the setup of loans transferred to the Company for servicing during the quarter. In addition, servicing fees and other charges earned during the first six months of 1996 included a $928,000 valuation adjustment recorded during the first quarter to mortgage servicing rights due to a significant increase in prepayments of the underlying loans serviced resulting primarily from refinancings.

Net gains on sales of interest-earning assets in the second quarter of 1997 were primarily comprised of a $17.2 million gain in connection with the securitization of 1,783 single-family residential loans with an aggregate unpaid principal balance of $170.6 million (of which 1,751 loans with an unpaid principal balance of $168.3 million were discount loans and 32 loans with an unpaid principal balance of $2.3 million were from the loan portfolio), a $3.8 million net gain in connection with the securitization of 896 single-family residential mortgage loans with an aggregate unpaid principal balance of $104.8 million and a $2.6 million gain on the sale of mortgage-related securities to OAIC. Net gains on sales of interest-earning assets in the second quarter of 1996 were primarily comprised of a $5.9 million of gain from the sale of sub-prime single-family residential loans with an aggregate unpaid principal balance of $223.1 million.

The following table sets forth the results of the Company's investment in real estate owned, which was primarily related to the discount loan portfolio, during the periods indicated:

| For the periods ended June 30 - (Dollars in thousands) | Three months 1997 | Three months 1996 | Six months 1997 | Six months 1996 |
|---|---|---|---|---|
| Gains on sales | $ 6,568 | $ 3,878 | $ 10,466 | $ 7,778 |
| Provision for loss in fair value | 90 | (3,410) | (2,247) | (9,788) |
| Rental income (carrying costs), net | (2,029) | 419 | (4,384) | 982 |
| Income (loss) on real estate owned, net | $ 4,629 | $ 887 | $ 3,835 | $ (1,028) |

Included in gains on sales of real estate owned for the six months ended June 30, 1997 was a gain of $430,000 on a bulk sale of 228 properties for $21.2 million.

NON-INTEREST EXPENSE. The following table sets forth the principal components of the Company's non-interest expense during the periods indicated.

| For the periods ended June 30 - (Dollars in thousands) | Three months 1997 | Three months 1996 | Six months 1997 | Six months 1996 |
|---|---|---|---|---|
| Compensation and employee benefits | $ 19,676 | $ 8,570 | $ 34,599 | $ 14,739 |
| Occupancy and equipment | 3,960 | 2,181 | 6,789 | 4,227 |
| Net operating loss (income) on investments in real estate and certain low-income housing tax credit interests | 104 | (399) | 1,197 | 62 |
| Other operating expenses | 7,340 | 3,518 | 11,192 | 6,526 |
| Total | $ 31,080 | $ 13,870 | $ 53,777 | $ 25,554 |

The increases in compensation and employee benefits during the three and six months ended June 30, 1997 reflect increases in the average number of full-time equivalent employees as well as increases in profit sharing expense. The average number of full-time equivalent employees was 664 and 638 during the three and six months ended June 30, 1997, respectively, and 368 and 344 during the three and six months ended June 30, 1996, respectively. Profit sharing expenses accounted for $3.3 million of the $11.1 million increase in compensation and benefits during the second quarter of 1997 as compared to the same period in 1996, and $6.9 million of the $19.9 million increase during the first six months of 1997 as compared to the same period in 1996.

The increases in occupancy and equipment expenses during the three and six months ended June 30, 1997, as compared to the same periods in the prior year, were primarily due to increases in data processing costs and general office expenses.

Net operating losses on investments in real estate and certain low-income housing tax credit interests, which includes hotel operations, increased $503,000 and $1.1 million during the three and six months ended June 30, 1997, respectively, primarily as a result of net operating losses and depreciation expense on low-income housing tax credit interests placed in service since the second quarter of 1996. The associated tax credits on such projects are reported as a reduction of income tax expense. See "Income Tax Expense" below.

Other operating expenses increased $3.8 million during the three months ended June 30, 1997, as compared to the comparable period in the prior year primarily due to a $1.3 million write-off of a receivable, $1.2 million of certain other one-time charges and a $719,000 increase in loan related expenses.

EQUITY IN EARNINGS OF INVESTMENT IN JOINT VENTURES. Equity in earnings of investment in joint ventures of $1.3 million and $1.1 million for the three months ended June 30, 1997 and 1996, respectively, and $15.7 million and $1.1

million for the six months ended June 30, 1997 and 1996, respectively, relates to the LLC, the joint venture formed in March 1996 to acquire discount single-family residential loans from HUD. The Company's earnings from this joint venture consist of 50% of the net income of the LLC before deduction of the Company's 50% share of loan servicing fees, which are paid 100% to the Company. Net income of the joint venture is primarily attributable to interest income on discount loans and gains on the sale of discount loans, including the securitization of HUD loans in March 1997. Equity in earnings for the six months ended June 30, 1997 includes the recapture of $2.6 million of valuation allowances established in 1996 by the Company on its equity investment in the LLC as a result of the resolution and securitization of loans during the first quarter. See Note 3 to the Interim Consolidated Financial Statements included in Item 1 hereof.

INCOME TAX EXPENSE. Income tax expense amounted to $5.1 million and $2.9 million during the three months ended June 30, 1997 and 1996, respectively, and $8.7 million and $1.9 million during the six months ended June 30, 1997 and 1996, respectively. The Company's effective tax rate was 21.65% and 19.52% during the three months ended June 30, 1997 and 1996, respectively, and 19.70% and 11.28% during the six months ended June 30, 1997 and 1996, respectively. The Company's income tax expense is reported net of tax credits of $2.9 million and $2.5 million during the second quarter of 1997 and 1996, respectively, and $6.5 million and $4.9 million during the first six months of 1997 and 1996, respectively, resulting from the Company's investment in certain low-income housing tax credit interests. Exclusive of such amounts, the Company's effective tax rate amounted to 34.02% and 36.08% during the three months ended June 30, 1997 and 1996, respectively, and 34.35% and 40.30% during the six months ended June 30, 1997 and 1996, respectively. See "Changes in Financial Condition-Investments in Low Income Housing Tax Credit Interests" for additional information regarding tax credits.

MINORITY INTEREST. Minority interest in net loss of consolidated subsidiary represents the loss attributable to the 20% interest in OFS owned by Admiral.

CHANGES IN FINANCIAL CONDITION

GENERAL. From December 31, 1996 to June 30, 1997 total assets increased by $303.2 million or 12%. This increase was primarily due to a $234.2 million increase in discount loans, a $31.1 million increase in the loan portfolio and a $174.5 million increase in cash and cash equivalents, offset in part by a $90.6 million decrease in securities available for sale, a $75.6 million decrease in securities held for trading, a $22.7 million decrease in loans available for sale and a $40.3 million decrease in investment in joint ventures. Total liabilities increased by $261.4 million from December 31, 1996 to June 30, 1997 and was primarily due to a $278.9 million increase in deposits, $61.4 million increase in notes, debentures and other interest bearing obligations offset by a $74.5 million decrease in securities sold under agreements to repurchase.

SECURITIES HELD FOR TRADING. The Company held a $75.6 million single-family CMO for trading at December 31, 1996. This security, which was acquired from the LLC in connection with the LLC's securitization in October 1996, was sold in January 1997.

SECURITIES AVAILABLE FOR SALE. At June 30, 1997, an aggregate of $7.1 million of net unrealized gains, net of related deferred taxes of $4.1 million on securities classified as available for sale, were included in stockholders' equity, as compared to $3.5 million of net unrealized gains at December 31, 1996, net of related deferred taxes of $2.0 million.

The following table sets forth the carrying value of the Company's securities available for sale at the dates indicated.

| | June 30, 1997 | December 31, 1996 |
|---|---|---|
| | (Dollars in thousands) | |
| Mortgage-related securities: | | |
| Single-family residential: | | |
| AAA-rated CMOs | $ 100,800 | $ 73,935 |
| FHLMC interest only | 53,415 | 47,571 |
| FNMA interest only | 30,782 | 49,380 |
| AAA-rated interest only | 2,018 | 1,173 |
| Subordinates | 29,863 | 19,164 |
| REMIC residuals | 25,478 | 20,560 |
| Futures contracts | 23 | (1,921) |
| | 242,379 | 209,862 |
| Multi-family residential and commercial: | | |
| AAA-rated interest only | 9,563 | 83,590 |
| Non-investment grade interest only | 2,058 | 3,799 |
| Subordinates | 9,423 | 57,534 |
| Futures contracts | (11) | (780) |
| | 21,033 | 144,143 |
| Total | $ 263,412 | $ 354,005 |

The Company's securities available for sale of $263.4 million at June 30, 1997 decreased by $90.6 million or 26% from December 31, 1996 due primarily to $157.3 million of sales and $37.3 million of principal repayments and net premium amortization, offset in part by $107.4 million of purchases.

The Company does not intend to purchase subordinate classes of mortgage-related securities created by unaffiliated parties. The Company held five such securities with a carrying value of $32.0 million at March 31, 1997, which subsequently were sold to OAIC on May 19, 1997. The Company may retain subordinate classes or REMIC residuals resulting from the securitization of assets held by it directly or indirectly through the Bank and investments in joint ventures, although any such securities held by the Bank will be distributed to Ocwen as a dividend, subject to the Bank's ability to declare such dividends under applicable limitations. Two such securities with an aggregate book value of $19.5 million were distributed to Ocwen in the form of a dividend during June 1997. At June 30, 1997, the Bank held five subordinate securities and one residual security with an aggregate carrying value and book value of $39.1 million and $38.1 million, respectively, which are anticipated to be dividended to Ocwen in the future.

LOANS AVAILABLE FOR SALE. The Company's loans available for sale at June 30, 1997, which are carried at the lower of cost or fair value, decreased by $22.7 million or 18% from December 31, 1996 and consist primarily of single-family residential loans to sub-prime borrowers. The Company generally intends to sell or securitize its single-family residential loans to sub-prime borrowers and, as a result, all of such loans were classified as available for sale at June 30, 1997 and December 31, 1996. Based upon recent discussions with the OTS, the Bank has determined to transfer its single-family residential lending activities to sub-prime borrowers to OFS. See Note 5 to the Interim Consolidated Financial Statements included in Item 1 hereof.

The following table sets forth the composition of the Company's loans available for sale by type of loan at the dates indicated.

| | June 30, 1997 | December 31, 1996 |
|---|---|---|
| | (Dollars in thousands) | |
| Single-family residential loans | $ 103,024 | $ 111,980 |
| Multi-family residential loans | - | 13,657 |
| Consumer loans | 603 | 729 |
| | $ 103,627 | $ 126,366 |

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following table sets forth the activity in the Company's net loans available for sale during the periods indicated.

| For the periods ended June 30 - (Dollars in thousands) | Three months 1997 | Three months 1996 | Six months 1997 | Six months 1996 |
|---|---|---|---|---|
| Balance at beginning of period | $ 88,511 | $ 253,583 | $126,366 | $ 251,790 |
| Purchases: | | | | |
| Single-family residential | 24,837 | 61,502 | 62,504 | 131,694 |
| Multi-family residential | -- | -- | -- | 10,456 |
| | 24,837 | 61,502 | 62,504 | 142,150 |
| Originations: | | | | |
| Single-family residential | 98,338 | 720 | 126,502 | 720 |
| Sales | (102,362) | (223,135) | (187,848) | (285,173) |
| Lower of cost or market reserve | (600) | (452) | (442) | (1,790) |
| Loans transferred to loan portfolio | -- | (1,973) | (13,694) | (9) |
| Principal repayments, net of capitalized interest | (3,292) | (5,495) | (6,251) | (22,443) |
| Transfer to real estate owned | (1,805) | (672) | (3,510) | (1,167) |
| Net increase (decrease) in loans | 15,116 | (169,505) | (22,739) | (167,712) |
| Balance at end of period | $ 103,627 | $ 84,078 | $103,627 | $ 84,078 |

During the first six months of 1997 and 1996 the Company purchased and originated $186.4 million and $132.4 million, respectively, of single-family residential loans to sub-prime borrowers. The Company also sold $183.4 million of sub-prime loans during the first six months of 1997 for a gain of $7.3 million. Of the $183.4 million and $285.2 million of sub-prime loans sold during the first six months of 1997 and 1996, respectively, $104.8 million and $134.8 million, respectively, were the result of the Company's securitization of such loans.

The following table presents a summary of the Company's non-performing loans (loans which were past due 90 days or more) in the loans available for sale portfolio at the dates indicated:

| | June 30, 1997 | December 31, 1996 |
|---|---|---|
| | (Dollars in thousands) | |
| Non-performing loans: | | |
| Single-family | $ 14,626 | $ 14,410 |
| Consumer | 41 | 36 |
| | $ 14,667 | $ 14,446 |
| Non-performing loans as a percentage of: | | |
| Total loans available for sale | 14.15% | 11.43% |
| Total assets | 0.53% | 0.58% |

Non-performing loans available for sale consist primarily of sub-prime single-family residential loans, reflecting the higher risks of default associated with such loans. Although sub-prime loans generally have higher levels of default than prime loans, the Company believes that the borrower's equity in the secured property and its expertise in the area of resolution of non-performing loans will continue to make its sub-prime residential loan program a profitable one notwithstanding such defaults and any resulting losses.

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INVESTMENT SECURITIES. Investment securities increased by $29.9 million from December 31, 1996 to June 30, 1997 as a result of the Company's $27.9 million investment in 9.8% of the outstanding common stock of OAIC during the second quarter of 1997 and a $2.0 million increase in the required holdings of FHLB stock.

DISCOUNT LOAN PORTFOLIO. The following table sets forth the composition of the Company's discount loan portfolio by type of loan at the dates indicated.

| | June 30, 1997 | December 31, 1996 |
|---|---|---|
| | (Dollars in thousands) | |
| Single-family residential loans (1)... | $ 730,188 | $ 504,049 |
| Multi-family residential loans........ | 298,788 | 341,796 |
| Commercial real estate loans.......... | 559,599 | 465,801 |
| Other loans........................... | 1,852 | 2,753 |
| Total discount loans............... | 1,590,427 | 1,314,399 |
| Unaccreted discount................... | (275,456) | (241,908) |
| Allowance for loan losses............. | (19,851) | (11,538) |
| Discount loans, net................ | $ 1,295,120 | $ 1,060,953 |

(1) Does not include the Company's 50% ownership interest in the LLC, which held $36.9 million and $110.7 million of discount single-family residential loans at June 30, 1997 and December 31, 1996, respectively. See "Changes in Financial Condition - Investment in Joint Ventures" below. Inclusive of the Company's pro rata interest in such loans, the Company's discount loans, net amounted to $1.31 billion and $1.12 billion at June 30, 1997 and December 31, 1996, respectively.

The following tables set forth the activity in the Company's gross discount loan portfolio during the periods indicated.

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 1997 | | 1996 | |
| | Balance | No. of Loans | Balance | No. of Loans |
| | (Dollars in thousands) | | | |
| Balance at beginning of period .......... | $ 1,562,385 | 12,202 | $ 854,383 | 3,816 |
| Acquisitions ........................... | 399,473 | 1,543 | 126,893 | 137 |
| Resolutions and repayments ............. | (134,224) | (532) | (116,748) | (357) |
| Loans transferred to real estate owned .. | (68,912) | (352) | (34,080) | (251) |
| Sales .................................. | (168,295) | (1,751) | (127) | (1) |
| Balance at end of period ............... | $ 1,590,427 | 11,110 | $ 830,321 | 3,344 |

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 1997 | | 1996 | |
| | Balance | No. of Loans | Balance | No. of Loans |
| | (Dollars in thousands) | | | |
| Balance at beginning of period.......... | $ 1,314,399 | 5,460 | $ 943,529 | 4,543 |
| Acquisitions............................ | 842,351 | 9,754 | 161,811 | 144 |
| Resolutions and repayments.............. | (197,777) | (726) | (188,780) | (642) |
| Loans transferred to real estate owned... | (120,498) | (744) | (59,613) | (444) |
| Sales................................... | (248,048) | (2,634) | (26,626) | (257) |
| Balance at end of period................ | $ 1,590,427 | 11,110 | $ 830,321 | 3,344 |

(1) During the first six months of 1997, acquisitions consisted of $563.5 million of single-family residential loans, $23.3 million of multi-family residential loans and $255.6 million of commercial real estate and land loans. Included in acquisitions for the first six months of 1997 are the Bank's approximate one-half allocated share of

13,781 single-family residential loans acquired by the Company and its co-investor at an auction by HUD during the first quarter with an aggregate unpaid principal balance of $855.7 million for a purchase price of $757.4 million.

The following table sets forth certain information relating to the payment status of loans in the Company's discount loan portfolio at the dates indicated.

| | June 30, 1997 | | December 31, 1996 | |
|---|---|---|---|---|
| | Principal Amount | % of Loans | Principal Amount | % of Loans |
| Loans without Forbearance Agreements: | | | | |
| Current | $ 542,451 | 34.10% | $ 572,043 | 43.52% |
| Past due 31 to 89 days | 11,235 | 0.71 | 19,458 | 1.48 |
| Past due 90 days or more | 557,552 | 35.06 | 506,113 | 38.51 |
| Acquired and servicing not yet transferred | 126,047 | 7.93 | 149,564 | 11.38 |
| Subtotal | 1,237,285 | 77.80 | 1,247,178 | 94.89 |
| Loans with Forbearance Agreements: | | | | |
| Current | 7,831 | 0.49 | 7,554 | 0.57 |
| Past due 31 to 89 days | 1,930 | 0.12 | 2,703 | 0.21 |
| Past due 90 days or more (1) | 343,381 | 21.59 | 56,964 | 4.33 |
| Subtotal | 353,142 | 22.20 | 67,221 | 5.11 |
| Total | $1,590,427 | 100.00% | $1,314,399 | 100.00% |

(1) Includes $172.9 million of loans which were less than 90 days past due under forbearance agreements at June 30, 1997, of which $153.6 million were current and $19.3 million were past due 31 to 89 days.

For discussion and analysis regarding the allowance for loan losses on discount loans, see "Changes in Financial Condition - Allowance for Losses" below.

LOAN PORTFOLIO. The following table sets forth the composition of the Company's loan portfolio by type of loan at the dates indicated.

| | June 30, 1997 | December 31, 1996 |
|---|---|---|
| | (Dollars in thousands) | |
| Single-family residential loans | $ 52,195 | $ 73,186 |
| Multi-family residential loans | 88,894 | 67,842 |
| Commercial real estate and land loans: | | |
| Hotel | 189,053 | 200,311 |
| Office buildings | 153,268 | 128,782 |
| Land | 1,575 | 2,332 |
| Other | 21,990 | 25,623 |
| Total | 365,886 | 357,048 |
| Commercial non-mortgage | - | 2,614 |
| Consumer | 325 | 424 |
| Total loans | 507,300 | 501,114 |
| Undisbursed loan funds | (63,645) | (89,840) |
| Unaccreted discount | (5,018) | (5,169) |
| Allowance for loan losses | (4,974) | (3,523) |
| Loans, net | $ 433,663 | $ 402,582 |

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following table sets forth the activity in the Company's gross loan portfolio during the periods indicated.

| For the periods ended June 30 - (Dollars in thousands) | Three months 1997 | Three months 1996 | Six months 1997 | Six months 1996 |
|---|---|---|---|---|
| Balance at beginning of period............... | $ 512,494 | $ 330,066 | $ 501,114 | $ 342,649 |
| Originations: | | | | |
| Single-family residential loans............ | -- | 3,377 | 1,769 | 7,556 |
| Multi-family residential loans............. | 57 | 37,839 | 12,737 | 45,249 |
| Commercial real estate loans and land loans | 47,200 | 31,916 | 47,200 | 52,916 |
| Commercial non-mortgage and consumer loans. | -- | -- | 1,134 | -- |
| Total loans originated.................. | 47,257 | 73,132 | 62,840 | 105,721 |
| Purchases.................................. | 78 | -- | 78 | -- |
| Sales...................................... | (2,346) | -- | (2,346) | -- |
| Loans transferred from available for sale..... | -- | 2,006 | 13,802 | 6 |
| Principal repayments, net of capitalized interest.................................. | (50,183) | (15,765) | (67,835) | (58,694) |
| Transfer to real estate owned................. | -- | (315) | (353) | (558) |
| Net (decrease) increase in loans......... | (5,194) | 59,058 | 6,186 | 46,475 |
| Balance at end of period.................... | $ 507,300 | $ 389,124 | $ 507,300 | $ 389,124 |

The following table presents a summary of the Company's non-performing loans (loans which are past due 90 days or more) in the loan portfolio and significant ratios at the dates indicated:

| | June 30, 1997 | December 31, 1996 |
|---|---|---|
| | (Dollars in thousands) | |
| Non-performing loans (1): | | |
| Single-family residential loans........................... | $ 1,593 | $ 2,123 |
| Multi-family residential loans............................ | 7,517 | 106 |
| Consumer and other loans.................................. | 33 | 55 |
| | $ 9,143 | $ 2,284 |
| Non-performing loans as a percentage of: | | |
| Total loans (2)........................................... | 2.06% | 0.56% |
| Total assets.............................................. | 0.33% | 0.09% |

(1) The Company did not have any loans which were accuring interest but past due 90 days or more at the dates indicated.

(2) Total loans is net of undisbursed loan proceeds.

ALLOWANCES FOR LOSSES. The Company maintains an allowance for loan losses for each of its loan portfolio and discount loan portfolio at a level which management considers adequate to provide for potential losses in each portfolio based upon an evaluation of known and inherent risks in such portfolios. When an impaired loan is either sold, transferred to real estate owned or charged off, only the excess or unused portion of any related specific valuation allowance is credited to the provision for loan losses.

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The following table sets forth the allocation of the Company's allowance for loan losses at June 30, 1997 and December 31, 1996 by loan category and the percentage of loans in each category to total loans in the respective portfolios at the dates indicated:

| | June 30, 1997 | | | December 31, 1996 | | |
|---|---|---|---|---|---|---|
| | Allowance | Gross Loan Balance | Percent | Allowance | Gross Loan Balance | Percent |
| Loan Portfolio: | | | | | | |
| Single-family................ | $ 385 | $ 52,195 | 10.3% | $ 520 | $ 73,186 | 14.6% |
| Multi-family................. | 1,798 | 88,894 | 17.5% | 673 | 67,842 | 13.5% |
| Commercial real estate....... | 2,773 | 365,886 | 72.1% | 2,299 | 357,048 | 71.3% |
| Commercial non-mortgage...... | -- | -- | --% | 11 | 2,614 | 0.5% |
| Consumer..................... | 18 | 325 | 0.1% | 20 | 424 | 0.1% |
| | $ 4,974 | $ 507,300 | 100.0% | $ 3,523 | $ 501,114 | 100.0% |
| Discount loan portfolio: | | | | | | |
| Single-family................ | $ 10,204 | $ 730,188 | 45.9% | $ 3,528 | $ 504,049 | 38.4% |
| Multi-family................. | 4,184 | 298,788 | 18.8% | 3,124 | 341,796 | 26.0% |
| Commercial real estate....... | 5,463 | 559,599 | 35.2% | 4,886 | 465,801 | 35.4% |
| Other........................ | -- | 1,852 | 0.1% | -- | 2,753 | 0.2% |
| | $ 19,851 | $1,590,427 | 100.0% | $ 11,538 | $1,314,399 | 100.0% |

The allocation of the allowance to each category is not necessarily indicative of future losses and does not restrict the use of the allowance to absorb losses in any other category.

The following table summarizes activity in the allowance for loan losses by portfolio and property type during the six months ended June 30, 1997.

| | Balance December 31, 1996 | Additions | Charge-offs | Recoveries | Balance June 30, 1997 |
|---|---|---|---|---|---|
| Loan Portfolio: | | | | | |
| Single-family.................. | $ 520 | $ (100) | $ (35) | $ -- | $ 385 |
| Multi-family................... | 673 | 1,125 | -- | -- | 1,798 |
| Commercial real estate......... | 2,299 | 474 | -- | -- | 2,773 |
| Commercial non-mortgage........ | 11 | (11) | -- | -- | -- |
| Consumer....................... | 20 | (2) | -- | -- | 18 |
| | $ 3,523 | $ 1,486 | $ (35) | $ -- | $ 4,974 |
| Discount loans: | | | | | |
| Single-family.................. | $ 3,528 | $ 11,324 | $ (4,743) | 95 | $ 10,204 |
| Multi-family................... | 3,124 | 1,774 | (714) | -- | 4,184 |
| Commercial..................... | 4,886 | 3,067 | (2,490) | -- | 5,463 |
| | $ 11,538 | $ 16,165 | $ (7,947) | $ 95 | $ 19,851 |

INVESTMENTS IN LOW-INCOME HOUSING TAX CREDIT INTERESTS. In 1993, the Company commenced a program to invest in multi-family residential projects which have been allocated low income housing tax credits under Section 42 of the Internal Revenue Code by a state tax credit allocating agency. At June 30, 1997 the Company had $101.2 million of investments in low-income housing tax credit interests as compared to $93.3 million at December 31, 1996, an increase of $7.9 million or 8%.

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Investments by the Company in low-income housing tax credit interests made on or after May 18, 1995 in which the Company invests solely as a limited partner, which amounted to $26.2 million at June 30, 1997, are accounted for using the equity method in accordance with the consensus of the Emerging Issues Task Force through Issue Number 94-1. Limited partnership investments made prior to May 18, 1995, which amounted to $47.8 million at June 30, 1997, are accounted for under the effective yield method as a reduction of income tax expense. Low-income housing tax credit partnerships in which the Company invests as both a limited and, through a subsidiary, general partner amounted to $27.2 million at June 30, 1997 and are presented on a consolidated basis.

INVESTMENT IN JOINT VENTURES. The Company's investment in joint ventures decreased 59% from $67.9 million at December 31, 1996 to $27.6 million at June 30, 1997. The decrease in investment in joint ventures is primarily due to the sale of loans and real estate owned by the LLC, including the $51.7 million securitization of loans in March 1997, offset in part by the Company's $1.1 million investment in BCFL in January 1997. The Company's investment in the LLC amounted to $26.5 million and $67.9 million at June 30, 1997 and December 31, 1996, respectively, and is net of valuation allowances of $2.0 million and $5.1 million, respectively. See Note 3 to the Interim Consolidated Financial Statements included in Item 1 hereof.

In connection with the LLC's acquisition of the loans from HUD ("HUD Loans"), the Company entered into an agreement with the LLC to service the HUD Loans in accordance with its loan servicing and loan default resolution procedures. In return for such servicing, the Company receives specified fees which are payable on a monthly basis. The Company did not pay any additional amount to acquire these servicing rights and, as a result, the acquisition of the right to service the HUD Loans for the LLC did not result in the Company's recording capitalized mortgage servicing rights for financial reporting purposes. All of the HUD Loans are secured by second mortgage liens on single-family residential properties. In addition, all intercompany transactions between the Company and the LLC are eliminated for financial reporting purposes to the extent of the Company's ownership in the LLC.

The following table sets forth information relating to the payment status of the HUD Loans (gross principal amount) at the dates indicated.

| | June 30, 1997 | | December 31, 1996 | |
|---|---|---|---|---|
| | Principal Amount | % of HUD Loans | Principal Amount | % of HUD Loans |
| HUD Loans without Forbearance Agreements: | | | | |
| Current | $ 2,551 | 4.66% | $ 6,709 | 4.21% |
| Past due 31 to 89 days | 260 | 0.47 | 3,011 | 1.89 |
| Past due 90 days or more | 27,150 | 49.59 | 84,509 | 53.02 |
| Subtotal | 29,961 | 54.72 | 94,229 | 59.12 |
| HUD Loans with Forbearance Agreements: | | | | |
| Current | 2,589 | 4.73 | 4,867 | 3.05 |
| Past due 31 to 89 days | 1,131 | 2.07 | 5,168 | 3.24 |
| Past due 90 days or more (1) | 21,069 | 38.48 | 55,141 | 34.59 |
| Subtotal | 24,789 | 45.28 | 65,176 | 40.88 |
| Total | $ 54,750 | 100.00% | $ 159,405 | 100.00% |

(1) Includes $19.5 million of loans which were less than 90 days past due under forbearance agreements at June 30, 1997, of which $17.6 million were current and $1.9 million were past due 31 to 89 days.

REAL ESTATE OWNED. Properties acquired through foreclosure are valued at the lower of the adjusted cost basis of the loan or fair value less estimated costs of disposal of the property at the date of foreclosure. Properties included in the Company's real estate owned are periodically re-evaluated to determine that they are being carried at the lower of cost or fair value less estimated costs to dispose. Rental income related to properties is reported as earned. Holding and maintenance costs related to properties are recorded as period costs as incurred. Decreases in market value of foreclosed real estate subsequent to foreclosure are recognized as a valuation allowance on a property specific basis. Subsequent increases in the market value of the foreclosed real estate are reflected as reductions in the valuation allowance, but not below zero. Such changes in the valuation allowance are charged or credited to income.

The following table sets forth certain information relating to the Company's real estate owned at the dates indicated:

| | June 30, 1997 | December 31, 1996 |
|---|---|---|
| | (Dollars in thousands) | |
| Discount loan portfolio: | | |
| Single-family residential................ | $ 53,700 | $ 49,728 |
| Multi-family residential................. | 15,341 | 14,046 |
| Commercial real estate................... | 45,400 | 36,264 |
| Total.................................. | 114,441 | 100,038 |
| Loan portfolio........................... | 483 | 592 |
| Loans available for sale portfolio....... | 2,779 | 3,074 |
| | $ 117,703 | $ 103,704 |

The following schedule sets forth the activity in the valuation allowance on real estate owned for the periods indicated.

| For the period ended June 30 - | Three Months | | Six Months | |
|---|---|---|---|---|
| (Dollars in thousands) | 1997 | 1996 | 1997 | 1996 |
| Balance at beginning of period.... | $ 7,591 | $ 8,590 | $ 11,493 | $ 4,606 |
| Provision for loss in fair value.. | (90) | 3,410 | 2,246 | 9,788 |
| Charge-offs and sales............ | (1,868) | (2,264) | (8,106) | (4,658) |
| Balance at end of period......... | $ 5,633 | $ 9,736 | $ 5,633 | $ 9,736 |

The decline in the valuation allowance on real estate owned is primarily due to increased valuation allowance on discount loans and the reversal of valuation allowance in connection with sales of real estate owned.

The following table sets forth the activity in the real estate owned during the periods indicated.

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 1997 | | 1996 | |
| | Amount | No. of Properties | Amount | No. of Properties |
| | (Dollars in thousands) | | | |
| Balance at beginning of period ..... | $ 98,466 | 702 | $ 151,256 | 1,034 |
| Properties acquired through foreclosure or deed-in-lieu thereof ....................... | 52,605 | 370 | 27,039 | 263 |
| Acquired in connection with acquisitions of discount loans . | 1,070 | 17 | 443 | 0 |
| Sales ............................. | (36,396) | (223) | (43,988) | (273) |
| Change in allowance ............... | 1,958 | -- | (1,146) | -- |
| Balance at end of period .......... | $ 117,703 | 866 | $ 133,604 | 1,024 |

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| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 1997 | | 1996 | |
| | Amount | No. of Properties | Amount | No. of Properties |
| | (Dollars in thousands) | | | |
| Balance at beginning of period ..... | $ 103,704 | 825 | $ 166,556 | 1,070 |
| Properties acquired through foreclosure or deed-in-lieu thereof ........................ | 90,258 | 777 | 43,259 | 463 |
| Acquired in connection with acquisitions of discount loans . | 1,140 | 20 | 1,640 | 3 |
| Sales .............................. | (83,259) | (756) | (72,721) | (512) |
| Change in allowance ................ | 5,860 | -- | (5,130) | -- |
| Balance at end of period ........... | $ 117,703 | 866 | $ 133,604 | 1,024 |

The following table sets forth the amount of time that the Company had held its real estate owned at the dates indicated.

| | June 30, 1997 | December 31, 1996 |
|---|---|---|
| | (Dollars in thousands) | |
| One to two months.............................................. | $ 39,270 | $ 17,695 |
| Three to four months........................................... | 21,466 | 15,291 |
| Five to six months............................................. | 18,502 | 14,348 |
| Seven to twelve months......................................... | 12,210 | 13,004 |
| Over twelve months............................................. | 26,255 | 43,366 |
| | $ 117,703 | $ 103,704 |

INVESTMENT IN REAL ESTATE. In conjunction with its multi-family and commercial real estate lending business activities, the Company has made certain acquisition, development and construction loans in which the Company participates in the expected residual profits of the underlying real estate and the borrower has not made an equity contribution substantial to the overall project. As such, the Company accounts for these loans under the equity method of accounting as though it has made an investment in a real estate limited partnership. The Company's investment in such loans increased to $48.1 million at June 30, 1997, as compared to $24.9 million at December 31, 1996 primarily as a result of additional funding under existing commitments. Currently, the Company does not intend, except for commitments outstanding, to originate new loans in which it participates in the residual profits in underlying real estate.

The Company also has invested in the Westin Hotel, Columbus, located in Columbus, Ohio. The Company's investment in such property decreased to $15.6 million at June 30, 1997 from $16.1 million at December 31, 1996 as a result of depreciation recorded against the asset. On July 15, 1997, the Company sold a 69% partnership interest in the Westin Hotel for a minimal gain.

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DEFERRED TAX ASSET. At June 30, 1997 the deferred tax asset, net of deferred tax liabilities, amounted to $10.7 million, an increase of $4.8 million from the $5.9 million deferred tax asset at December 31, 1996. At June 30, 1997, the gross deferred tax asset amounted to $23.0 million and consisted primarily of $1.5 million of mark-to-market adjustments and reserves on real estate owned, $4.0 million of deferred interest expense on the discount loan portfolio, $7.4 million of valuation allowance reserves, $2.5 million of profit sharing expense and $1.8 million of contingency reserves, and the gross deferred tax liability amounted to $12.3 million and consisted of primarily of $3.6 million of deferred interest income on the discount loan portfolio, $1.8 million related to hedging transactions and $3.9 million of mark-to-market adjustments on securities available for sale. At December 31, 1996, the gross deferred tax asset amounted to $15.1 million and consisted primarily of $3.7 million related to tax residuals, $3.5 million of mark-to-market adjustments and reserves on real estate owned and $3.9 million of deferred interest expense on the discount loan portfolio, and the gross deferred tax liability amounted to $9.2 million and consisted primarily of $4.6 million of deferred interest income on the discount loan portfolio and $2.1 million of mark-to-market adjustments on certain securities available for sale.

As a result of the Company's earnings history, current tax position and taxable income projections, management believes that the Company will generate sufficient taxable income in future years to realize the deferred tax asset which existed at June 30, 1997. In evaluating the expectation of sufficient future taxable income, management considered future reversals of temporary differences and available tax planning strategies that could be implemented, if required. A valuation allowance was not required at June 30, 1997 because it was management's assessment that, based on available information, it is more likely than not that all of the deferred tax asset will be realized. A valuation allowance will be established in the future to the extent of a change in management's assessment of the amount of the net deferred tax asset that is expected to be realized.

GOODWILL. During the second quarter of 1997, the Company consolidated its sub-prime single-family lending operations within OFS in connection with its acquisition of substantially all of the assets of Admiral. Goodwill related to this transaction amounted to $11.0 million at June 30, 1997 and is being amortized on a straight-line basis over a period of 15 years.

DEPOSITS. Deposits increased $278.9 million from December 31, 1996. The increase in deposits during 1997 was primarily the result of brokered deposits obtained through national investment banking firms which solicit deposits from their customers, which amounted to $1.50 billion at June 30, 1997, as compared to $1.22 billion at December 31, 1996. The Company also obtains deposits through direct solicitation and marketing efforts to regional and local investment banking firms, institutional investors and high net worth individuals. Deposits obtained in this manner amounted to $511.4 million at June 30, 1997, as compared to $540.6 million at December 31, 1996. At June 30, 1997 the Company had $206.7 million of certificates of deposit in amounts of $100,000 or more, including $87.3 million of deposits of states and political subdivisions in the U.S. which are secured or collateralized as required under state law. For additional information, see "- Liquidity, Commitments and Off-Balance Sheet Risks" below.

SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE. Securities sold under agreements to repurchase decreased $74.5 million to $0 from December 31, 1996 to June 30, 1997. From time to time, the Company utilizes such collateralized borrowings as additional sources of liquidity.

NOTES, DEBENTURES AND OTHER INTEREST-BEARING OBLIGATIONS. Notes, debentures and other interest-bearing obligations increased by $61.4 million from December 31, 1996 to June 30, 1997 primarily as a result of $46.2 million in borrowings under two new lines of credits established at OFS (see "Liquidity, Commitments and Off-Balance Sheet Risks") and the issuance of $15.2 million in short-term notes payable of which $12.4 million was repaid in July 1997. Notes, debentures and other interest-bearing obligations also consist of $100 million of 12% Debentures issued in June 1995 and due June 2005, and $125.0 of 11.875% notes issued in September 1996 and due September 2003.

STOCKHOLDERS' EQUITY. Stockholders' equity increased by $40.3 million or 20% from December 31, 1996 to June 30, 1997. The increase in stockholders' equity during this period was primarily attributable to net income of $35.8 million and an increase of $3.6 million in the unrealized gain on securities available for sale. See the Consolidated Statements of Changes in Stockholders' Equity in the Interim Consolidated Financial Statements included in Item 1 hereof.

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ASSET AND LIABILITY MANAGEMENT

Asset and liability management is concerned with the timing and magnitude of the repricing of assets and liabilities. It is the objective of the Company to attempt to control risks associated with interest rate movements. In general, management's strategy is to match asset and liability balances within maturity categories to limit the Company's exposure to earnings variations and variations in the value of assets and liabilities as interest rates change over time. The Company's asset and liability management strategy is formulated and monitored by the Asset/Liability Committee, which is composed of directors and officers of the Company, in accordance with policies approved by the Board of Directors of the Company. The Asset/Liability Committee meets regularly to review, among other things, the sensitivity of the Company's assets and liabilities to interest rate changes, the book and market values of assets and liabilities, unrealized gains and losses, including those attributable to hedging transactions, purchase and sale activity, and maturities of investments and borrowings. The Asset/Liability Committee also approves and establishes pricing and funding decisions with respect to overall asset and liability composition.

The Asset/Liability Committee is authorized to utilize a wide variety of off-balance sheet financial techniques to assist it in the management of interest rate risk. These techniques include interest rate exchange agreements, pursuant to which the parties exchange the difference between fixed-rate and floating-rate interest payments on a specified principal amount (referred to as the "notional amount") for a specified period without the exchange of the underlying principal amount. Interest rate exchange agreements are utilized by the Company to protect against the decrease in value of a fixed-rate asset or the increase in borrowing cost from a short-term, fixed-rate liability, such as reverse repurchase agreements, in an increasing interest-rate environment. At June 30, 1997, the Company had entered into interest rate exchange agreements with an aggregate notional amount of $41.5 million. Interest rate exchange agreements had the effect of decreasing the Bank's net interest income by $41,000 and $0 during the three months ended June 30, 1997 and 1996, respectively, and $115,000 and $0 during the six months ended June 30, 1997 and 1996, respectively.

The Company also enters into interest rate futures contracts, which are commitments to either purchase or sell designated financial instruments at a future date for a specified price and may be settled in cash or through delivery. Eurodollar futures contracts have been sold by the Company to hedge the repricing or maturity risk of certain short duration mortgage-related securities, and U.S. Treasury futures contracts have been sold by the Company to offset declines in the market value of its fixed-rate loans and certain fixed-rate mortgage-backed and related securities available for sale in the event of an increasing interest rate environment. At June 30, 1997, the Company had entered into U.S. Treasury futures (short) contracts with an aggregate notional amount of $197.9 million. The Company had no outstanding Eurodollar futures contracts at June 30, 1997. Futures contracts had the effect of decreasing the Bank's net interest income by $205,000 and $161,000 during the three months ended June 30, 1997 and 1996, respectively, and $1.1 million and $401,000 during the six months ended June 30, 1997 and 1996, respectively. See Note 4 to the Interim Consolidated Financial Statements included in Item 1 hereof.

The Asset/Liability Committee's methods for evaluating interest rate risk include an analysis of the Company's interest rate sensitivity "gap", which is defined as the difference between interest-earning assets and interest-bearing liabilities maturing or repricing within a given time period. A gap is considered positive when the amount of interest-rate sensitive assets exceeds the amount of interest-rate sensitive liabilities. A gap is considered negative when the amount of interest-rate sensitive liabilities exceeds interest-rate sensitive assets. During a period of rising interest rates, a negative gap would tend to adversely affect net interest income, while a positive gap would tend to result in an increase in net interest income. During a period of falling interest rates, a negative gap would tend to result in an increase in net interest income, while a positive gap would tend to affect net interest income adversely. Because different types of assets and liabilities with the same or similar maturities may react differently to changes in overall market rates or conditions, changes in interest rates may affect net interest income positively or negatively even if an institution were perfectly matched in each maturity category.

The following table sets forth the estimated maturity or repricing of the Company's interest-earning assets and interest-bearing liabilities at June 30, 1997. The amounts of assets and liabilities shown within a particular period were determined in accordance with the contractual terms of the assets and liabilities, except (i) adjustable-rate loans, performing discount loans, securities and FHLB advances are included in the period in which they are second scheduled to adjust and not in the period in which they mature, (ii) fixed-rate mortgage-related securities reflect estimated prepayments, which were estimated based on analyses of broker estimates, the results of a prepayment model utilized by the Company and empirical data, (iii) non-performing discount loans reflect the estimated timing of resolutions which result in repayment to the Company, (iv) fixed-rate loans reflect scheduled contractual amortization, with no estimated prepayments, (v) NOW and money market checking deposits and savings deposits, which do not have contractual maturities, reflect estimated levels of attrition, which are based on detailed studies of each such category of deposit by the Company, and (vi) escrow deposits and other non-interest bearing checking accounts, which amounted to $102.3 million at June 30, 1997, are excluded. Management believes that these assumptions approximate actual experience and considers them reasonable; however, the interest rate sensitivity of the Company's assets and liabilities in the table could vary substantially if different assumptions were used or actual experience differs from the historical experience on which the assumptions are based.

| | June 30, 1997 | | | | |
|---|---|---|---|---|---|
| | Within 3 Months | 4 to 12 Months | More than 1 Year to 3 Years | 3 Years and Over | Total |
| | (Dollars in thousands) | | | | |
| Rate-Sensitive Assets: | | | | | |
| Interest-earning cash, federal funds sold and repurchase agreements | $219,836 | $ -- | $ -- | $ -- | $ 219,836 |
| Securities available for sale | 31,197 | 60,506 | 91,621 | 80,088 | 263,412 |
| Loans available for sale (1) | 10,622 | 35,014 | 50,030 | 7,961 | 103,627 |
| Investment securities, net | -- | -- | -- | 38,821 | 38,821 |
| Loan portfolio, net (1) | 130,769 | 65,611 | 74,894 | 162,389 | 433,663 |
| Discount loan portfolio, net | 113,282 | 415,174 | 366,719 | 399,945 | 1,295,120 |
| Total rate-sensitive assets | 505,706 | 576,305 | 583,264 | 689,204 | 2,354,479 |
| Rate-Sensitive Liabilities: | | | | | |
| NOW and money market checking deposits | 22,261 | 1,052 | 2,110 | 4,097 | 29,520 |
| Savings deposits | 196 | 260 | 515 | 915 | 1,886 |
| Certificates of deposit | 251,959 | 593,825 | 753,861 | 465,284 | 2,064,929 |
| Total interest-bearing deposits | 274,416 | 595,137 | 756,486 | 470,296 | 2,096,335 |
| Notes, debentures and other interest bearing obligations | 61,400 | -- | -- | 225,572 | 286,972 |
| Total rate-sensitive liabilities | 335,816 | 595,137 | 756,486 | 695,868 | 2,383,307 |
| Interest rate sensitivity gap before off-balance sheet financial instruments | 169,890 | (18,832) | (173,222) | (6,664) | (28,828) |
| Off-Balance Sheet Financial Instruments: | | | | | |
| Futures contracts and interest rate swap | 195,159 | (14,948) | (32,091) | (148,120) | -- |
| Interest rate sensitivity gap | $365,049 | $ (33,780) | $(205,313) | $(154,784) | $ (28,828) |
| Cumulative interest rate sensitivity gap | $365,049 | $ 331,269 | $ 125,956 | $ (28,828) | |
| Cumulative interest rate sensitivity gap as a percentage of total rate-sensitive assets | 15.50% | 14.07% | 5.35% | (1.22)% | |

(1) Balances have not been reduced for non-performing loans.

Although interest rate sensitivity gap is a useful measurement and contributes toward effective asset and liability management, it is difficult to predict the effect of changing interest rates based solely on that measure. As a result, and as required by OTS regulations, the Asset/Liability Committee also regularly reviews interest rate risk by forecasting the impact of alternative interest rate environments on net interest income and market value of portfolio equity ("MVPE"), which is defined as the net present value of an institution's existing assets, liabilities and off-balance sheet instruments, and evaluating such impacts against the maximum potential changes in net interest income and MVPE that is authorized by the Board of Directors of the Company.

The following table sets forth at June 30, 1997 the estimated percentage change in the Company's net interest income over a four-quarter period and MVPE based upon the indicated changes in interest rates, assuming an instantaneous and sustained uniform change in interest rates at all maturities.

| Change (in Basis Points) in Interest Rates | Estimated Change in Net Interest Income | Estimated Change in MVPE |
|---|---|---|
| +400 | 13.96% | (17.78)% |
| +300 | 7.59 | (11.22) |
| +200 | 1.22 | (4.53) |
| +100 | 3.01 | 0.35 |
| 0 | -- | -- |
| -100 | (3.37) | (10.37) |
| -200 | (6.72) | (21.99) |
| -300 | (16.81) | (25.82) |
| -400 | (26.90) | (25.98) |

The negative estimated changes in MVPE for -100 to -400 changes in interest rates is attributable to the Company's sensitivity to decreases in interest rates. Such sensitivity stems from the Company's investments in IO stripped mortgage-backed securities. IO strips exhibit considerably more price volatility than mortgage or ordinary mortgage pass-through securities, due in part to the uncertain cash flows that result from changes in the prepayment rates of the underlying mortgages. In the case of IO strips, increased prepayments of the underlying mortgages as a result of a decrease in market interest rates or other factors can result in a loss of all or part of the purchase price of such security. The Company generally attempts to offset the interest rate risk associated with a particular IO strip by purchasing other securities which reduce such risk.

Management of the Company believes that the assumptions used by it to evaluate the vulnerability of the Company's operations to changes in interest rates approximate actual experience and considers them reasonable; however, the interest rate sensitivity of the Company's assets and liabilities and the estimated effects of changes in interest rates on the Company's net interest income and MVPE could vary substantially if different assumptions were used or actual experience differs from the historical experience on which they are based.

## LIQUIDITY, COMMITMENTS AND OFF-BALANCE SHEET RISKS

Liquidity is a measurement of the Company's ability to meet potential cash requirements, including ongoing commitments to fund deposit withdrawals, repay borrowings, fund investment, loan acquisition and lending activities and for other general business purposes. The primary sources of funds for liquidity consist of deposits, FHLB advances, reverse repurchase agreements and maturities and principal payments on loans and securities and proceeds from sales thereof.

Sources of liquidity include certificates of deposit obtained primarily from wholesale sources. At June 30, 1997 the Company had $2.06 billion of

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certificates of deposit, including $1.50 billion of brokered certificates of deposit obtained through national investment banking firms, all of which are non-cancelable. At the same date scheduled maturities of certificates of deposit during the 12 months ending June 30, 1998 and 1999 and thereafter amounted to $845.8 million, $491.7 million and $727.4 million, respectively. Brokered and other wholesale deposits generally are more responsive to changes in interest rates than core deposits and, thus, are more likely to be withdrawn from the Company upon maturity as changes in interest rates and other factors are perceived by investors to make other investments more attractive. Management of the Company believes that it can adjust the rates paid on certificates of deposit to retain deposits in changing interest rate environments, and that brokered and other wholesale deposits can be both a relatively cost-effective and stable source of funds. There can be no assurance that this will continue to be the case in the future, however.

Sources of borrowings include FHLB advances, which are required to be secured by single-family and/or multi-family residential loans or other acceptable collateral, and reverse repurchase agreements. Although at June 30, 1997, the Company had FHLB advances outstanding, it was eligible to borrow up to an aggregate of $170.6 million from the FHLB of New York (subject to the availability of acceptable collateral) and had $127.2 million of single-family residential loans, $10.4 million of multi-family residential loans and $33.0 million of loans secured by hotel properties which could be pledged as security for such advances. At the same date, the Company had contractual relationships with 12 brokerage firms and the FHLB of New York pursuant to which it could obtain funds from reverse repurchase agreements and had $148.8 million of unencumbered mortgage-related securities which could be used to secure such borrowings.

The liquidity of the Company includes lines of credit obtained by OFS subsequent to its acquisition of substantially all of the assets of Admiral in a transaction which closed on may 1, 1997, as follows: (1) a $200.0 million secured line of credit from Morgan Stanley Mortgage Capital Inc. and (ii) a $50.0 million secured line of credit from Texas Commerce National Association. An aggregate of $46.2 million was outstanding to OFS under these lines of credit at June 30, 1997, which have interest rates which float in accordance with a designated prime rate.

Additionally, the Company is currently exploring obtaining an approximately $20.0 million line of credit to the Company and an approximately $500.0 million line of credit to the Bank. If obtained, these lines of credit will enhance the Company's ability to manage its liquidity and sources of funds to utilize those which are the most cost effective.

The Company's operating activities provided cash flows of $128.4 million and $193.1 million during the six months ended June 30, 1997 and 1996, respectively. During the foregoing periods cash resources were provided primarily by net income, sale of securities held for trading and proceeds from sales of loans available for sale, and cash resources were used primarily to purchase and originate loans available for sale.

The Company's investing activities used cash flows totaling $220.1 million and provided cash flows totaling $89.1 million during the six months ended June 30, 1997 and 1996, respectively. During the foregoing periods, cash flows from investing activities were provided primarily by principal payments on and sales of discount loans and loans held for investment, proceeds from sales of securities available for sale and real estate owned, and cash flows from investing activities were primarily utilized to purchase and originate discount loans and loans held for investment and purchase securities available for sale.

The Company's financing activities provided $266.2 million and used $85.8 million during the six months ended June 30, 1997 and 1996, respectively. Cash flows from financing activities primarily relate to changes in the Company's deposits and reverse repurchase agreements.

The Bank is required under applicable federal regulations to maintain specified levels of "liquid" investments in qualifying types of U.S. Government, federal agency and other investments having maturities of five years or less. Current OTS regulations require that a savings association maintain liquid assets of not less than 5% of its average daily balance of net withdrawable deposit accounts and borrowings payable in one year or less (which has been proposed to be reduced to 4%), of which short-term liquid assets must consist of not less than 1%. Monetary penalties may be imposed for failure to meet applicable liquidity requirements. The Bank's liquidity, as measured for regulatory purposes, averaged 5.91% during the six months ended June 30, 1997 and amounted to 8.48% at June 30, 1997.

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At June 30, 1997, the Company had $141.9 million of unfunded commitments related to purchase and originations of loans. Management of the Company believes that the Company has adequate resources to fund all of its commitments to the extent required and that substantially all of such commitments will be funded during 1997. For additional information relating to commitments and contingencies at June 30, 1997, see Note 6 to the Interim Consolidated Financial Statements included in Item 1 hereof.

In addition to commitments to extend credit, the Company is party to various off-balance sheet financial instruments in the normal course of business to manage its interest rate risk. See "Asset and Liability Management" above and Note 4 to the Interim Consolidated Financial Statements included in Item 1 hereof.

The Company conducts business with a variety of financial institutions and other companies in the normal course of business, including counterparties to its off-balance sheet financial instruments. The Company is subject to potential financial loss if the counterparty is unable to complete an agreed upon transaction. The Company seeks to limit counterparty risk through financial analysis, dollar limits and other monitoring procedures.

## REGULATORY CAPITAL REQUIREMENTS

Federally-insured savings associations such as the Bank are required to maintain minimum levels of regulatory capital. These standards generally must be as stringent as the comparable capital requirements imposed on national banks. The OTS also is authorized to impose capital requirements in excess of these standards on individual associations on a case-by-case basis. Based upon recent discussions with the OTS, the Bank has determined to maintain a core capital ratio of at least 9% and a total risk-based capital ratio of no less than 13%. The Bank believes at this time that it will continue to be a "well-capitalized institution" under OTS regulations. See Note 5 to the Interim Consolidated Financial Statements included in Item 1 hereof.

In August 1993, the OTS promulgated regulations which incorporate an interest rate risk component into the OTS risk-based capital requirements, and in August 1995 the OTS postponed the effectiveness of this regulation after having previously deferred the effective date several times. Because only institutions whose measured interest rate risk exceeds certain parameters will be subject to the interest rate risk capital requirement, management of the Bank does not believe that this regulation will increase the Bank's risk-based regulatory capital requirement if it becomes effective in its current form. For additional information relating to regulatory capital requirements and the Bank's capital ratios, see Note 5 to the Interim Consolidated Financial Statements included in Item 1 hereof.

## FORWARD-LOOKING STATEMENTS

Certain statements contained herein are not, and certain statements contained in future filings by the Company with the SEC, in the Company's press releases or in the Company's other public or shareholder communications may not be, based on historical facts and are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements which are based on various assumptions (some of which are beyond the Company's control), may be identified by reference to a future period or periods, or by the use of forward-looking terminology, such as "may," "will," "believe," "expect," "anticipate," "continue," or similar terms or variations on those terms, or the negative of those terms. Actual results could differ materially from those set forth in forward-looking statements due to a variety of factors, including, but not limited to, those related to the economic environment, particularly in the market areas in which the Company operates, competitive products and pricing, fiscal and monetary policies of the U.S. Government, changes in government regulations affecting financial institutions, including regulatory fees and capital requirements, changes in prevailing interest rates, acquisitions and the integration of acquired businesses, credit risk management, asset/liability management, the financial and securities markets and the availability of and costs associated with sources of liquidity. The Company does not undertake, and specifically disclaims any obligation, to publicly release the results of any revisions which may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is involved in various legal proceedings occurring in the ordinary course of business which management of the Company believes will not have a material adverse effect on the financial condition or operations of the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Company's Annual Meeting of Shareholders held on Tuesday, May 27, 1997 the following individuals were elected to the Board of Directors:

| | Votes for | Votes Withheld |
|---|---|---|
| William C. Erbey | 21,425,765 | 30,480 |
| W. C. Martin | 21,456,245 | 0 |
| Howard H. Simon | 21,425,765 | 30,480 |
| Barry N. Wish | 21,425,765 | 30,480 |
| Thomas F. Lewis | 21,456,244 | 1 |

The following proposal was approved at the Company's Annual Meeting:

| | | Votes for | Votes against | Abstentions |
|---|---|---|---|---|
| 1. | Ratify the appointment of Price Waterhouse LLP as independent auditors for the fiscal year ending December 31, 1997 | 21,455,145 | 100 | 1,000 |

There were no broker non-votes recorded with respect to such matters.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

The following exhibits are filed with or incorporated by reference in this report on Form 10-Q:

4.3 Certificate of Trust of of Ocwen Capital Trust I (i)

4.4 Amended and Restated Declaration of Trust of Ocwen Capital Trust I (i)

4.5 Form of Capital Security of Ocwen Capital Trust 1 (included as Exhibit A to Exhibit 4.4)

4.6 Form of Indenture relating to 10 7/8% Junior Subordinated Debentures due 2027 of the Company (i)

4.7 Form of 10 7/8% Junior Subordinated Debenture due 2027 of the Company (included as Exhibit A to Exhibit 4.6)

4.8 Form of Guarantee of the Company relating to the Capital Securites of Ocwen Capital Trust I (i)

4.9 Form of Indenture relating to the 12% Subordinated Debentures due 2005 of Ocwen Federal Bank F.S.B. (ii)

4.10 Form of 12% Subordinated Debentures due 2005 of Ocwen Federal Bank F.S.B. (ii)

27 Financial Data Schedule

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(i) Incorporated by reference to the similarly identified exhibit filed in connection with the Company's Registration Statement on Form S-1 (File No. 333-28889), as amended, declared effective by the Commission on August 6, 1997.

(ii) To be provided to the Commission on request.

(b) Reports on Form 8-K.

1. A Form 8-K was filed by the Company on May 1, 1997 which contained a news release announcing the Company's financial results for the quarter ended March 31, 1997.

2. A Form 8-K was filed by the Company on July 28, 1997 which contained a news release announcing the Company's financial results for the three and six month periods ended June 30, 1997

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Ocwen Financial Corporation

By: /s/ Mark S. Zeidman

Mark S. Zeidman,
Senior Vice President and
Chief Financial Officer
(On behalf of the Registrant and
as its principal financial officer)

Date: August 14, 1997

WARNING: THE EDGAR SYSTEM ENCOUNTERED ERROR(S) WHILE PROCESSING THIS SCHEDULE.



THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION FROM OCWEN FINANCIAL CORPORATION'S CONSOLIDATED STATEMENT OF FINANCIAL CONDITION AND STATEMENT OF OPERATIONS.

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Ocwen Financial Corporation
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6-MOS
DEC-31-1997
JAN-01-1997
JUN-30-1997
6,911
29,992
189,844
0
263,412
38,821
0
1,832,410
24,825
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286,972
0
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268
243,596
2,786,879
102,660
16,356
2,453
121,469
61,264
76,032
45,437
17,651
29,593
53,777
44,323
44,323
0
0
35,833
1.32
1.32
10.79
847,655
0
0
0
15,061
7,982
95
24,825
24,825
0
0

Tag 17 includes loans available for sale of $103,627, loan portfolio of $433,663, and discount loan portfolio of $1,295,120.

Tag 18 includes allowance for loan losses on loan portfolio of $4,974, and on discount loan portfolio of $19,851.