

Edgar Filing: FIRSTFED FINANCIAL CORP - Form 8-K

FIRSTFED FINANCIAL CORP  
Form 8-K  
January 25, 2002

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) January 25, 2002

FirstFed Financial Corp.  
(Exact name of registrant as specified in its charter)

Delaware (State of Incorporation)	1-9566 (Commission File No.)	95-4087449 (IRS Employer Identification No.)
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401 Wilshire Boulevard, Santa Monica, California, (Address of principal executive offices)	90401-1490 (Zip Code)
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Registrant's telephone number, including area code (310) 319-6000

Total number of pages is 9.  
Index to Exhibit is on Page 3.

Item 5. Other Events.

On January 25, 2002, the registrant, FirstFed Financial Corp., issued two press releases. The press releases are attached and incorporated herein as Exhibits.

Item 7. Financial Statements and Exhibits

- a) Financial Statements of businesses acquired.

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Not applicable.

b) Pro forma financial information.

Not applicable.

c) Exhibits

i) Press Release dated January 25, 2002.

ii) Press Release dated January 25, 2002.

### S I G N A T U R E S

Pursuant to the requirements 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.

FIRSTFED FINANCIAL CORP.

Dated: January 25, 2002

By: /s/  
Babette E. Heimbuch  
Chief Executive Officer

2

### INDEX TO EXHIBITS

Item	Page
Press Release dated January 25, 2002.	4
Press Release dated January 25, 2002.	5

3

FIRSTFED FINANCIAL CORP. ANNOUNCES  
RETIREMENT OF WILLIAM S. MORTENSEN  
AS CHAIRMAN OF THE BOARD AND  
APPOINTMENT AS CHAIRMAN EMERITUS

January 25, 2002, Santa Monica, California. The Board of Directors of FirstFed Financial Corp. (NYSE-FED) today announced the retirement of

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William S. Mortensen as Chairman of the Board and as a Director of the Company and the Bank, and his appointment as Chairman Emeritus, all to be effective April 24, 2002. Babette E. Heimbuch, the Company's current President and Chief Executive Officer, who is also a Director of the Company and the Bank, has been appointed Chairman of the Board effective with Mr. Mortensen's retirement.

Mr. Mortensen has served First Federal Bank for over 45 years and was the Company's Chief Executive Officer for over 28 years. He is past Chairman of America's Community Bankers and the Western League of Financial Institutions. Mr. Mortensen will continue to serve as Chairman Emeritus following his retirement, as well as continuing to serve on the boards of a number of charitable and community organizations including the Los Angeles Metropolitan YMCA, Pepperdine University, St. John's Health Center and United Way.

Mr. Mortensen commented, "I am proud of the financial performance of our Company and the important role that it plays in our community. I believe the Company is well positioned for the future, and am confident that the ongoing leadership of the management team will continue to serve the interests of our stockholders, employees and community in the future."

Ms. Heimbuch has served as President of the Company and the Bank since 1989 and has served as Chief Executive Officer since 1997. She has been a Director of the Company since 1986. Ms. Heimbuch stated, "I cannot say enough about Bill Mortensen's contribution to the success of the Company and the Bank, as well as the significant leadership role he has played in the Santa Monica community for the past 45 years. The management team has learned a great deal from working with Bill, and we wish him the best for the years ahead."

FirstFed Financial Corp. is the parent holding company of First Federal Bank of California, a \$4.7 billion banking institution with 29 retail offices and 4 regional loan centers throughout Southern California.

4

Contact: Douglas Goddard, Executive Vice President  
(310) 319-6014

### FIRSTFED REPORTS RESULTS FOR THE FOURTH QUARTER OF 2001

Santa Monica, California, January 25, 2002 --FirstFed Financial Corp. (NYSE-FED), parent company of First Federal Bank of California, today announced net earnings of \$12.9 million or 73 cents per share of common stock for the fourth quarter of 2001, compared to \$10.8 million or 62 cents per share of common stock for the fourth quarter of 2000. Quarterly net earnings increased due to higher net interest income, which resulted from improved margins and growth in average interest-earning assets.

Net earnings for the twelve months of 2001 were \$50.3 million or \$2.85 per share, compared to \$38.5 million or \$2.20 per share for the twelve months of 2000. The increase in year-to-date earnings is also attributable to higher net interest income. All per-share earnings are presented on a diluted basis.

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On November 30, 2001, First Federal Bank of California completed the acquisition of Del Amo Savings Bank and Frontier Bancorp, former subsidiaries of City Holding Company of West Virginia. In this transaction, the Bank added four retail branches with deposits totaling \$174.8 million and mortgage and construction loans totaling \$150.0 million.

Average interest-earning assets increased 8% over the fourth quarter of last year and 10% over the twelve months of last year. The increase is attributable to \$271.7 million in loan originations for the fourth quarter of 2001 compared with \$226.1 million for the fourth quarter of the prior year. Loan originations of \$1.4 billion and purchases of \$132.6 million for the year 2001 compare with loan originations of \$941.5 million and purchases of \$139.5 million for the year 2000.

The interest rate spread improved to 2.82% for the fourth quarter of 2001 from 2.47% for the fourth quarter of the prior year. The Bank's cost of funds for the fourth quarter of 2001 decreased by 169 basis points compared to the fourth quarter of the prior year, while the yield on the loan portfolio decreased by only 128 basis points compared to the same period. In a decreasing interest rate environment, the Bank's cost of funds is impacted before the yield earned on its loan portfolio because of a three-month time lag before changes in the Federal Home Loan Bank 11th District Cost of Funds Index ("Index") can be implemented with respect to the Bank's loans. Due to the same factors, the interest rate spread improved to 2.71% for the twelve months of 2001 from 2.37% for the same period of the prior year.

The Company's general valuation allowance was \$73.3 million or 1.70% of loans and real estate owned as of December 31, 2001, compared with \$71.2 million or 1.81% as of December 31, 2000. Non-performing assets were 0.17% of total assets as of December 31, 2001 compared with 0.19% as of December 31, 2000.

The Company did not record a provision for loan losses during the twelve months of 2001 or the twelve months of 2000. Net loan loss recoveries of \$288 thousand and \$118 thousand were recorded during the fourth quarter and twelve months of 2001, respectively. For the comparable periods of the prior year, the Company recorded net loan charge-offs of \$555 thousand during the fourth quarter of 2000 and net loan loss recoveries of \$50 thousand during the twelve months of 2000.

At December 31, 2001, First Federal Bank of California met the capital requirements necessary to be deemed "well-capitalized" for regulatory capital purposes. It has 29 full-service retail banking offices and 4 retail loan offices.

### KEY FINANCIAL RESULTS FOLLOW

5

FIRSTFED FINANCIAL CORP.  
AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION  
(Dollars in thousands, except per share data)  
(Unaudited)

	December 31, 2001	December 31, 2000
ASSETS		

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Cash and cash equivalents	\$ 173,908	\$ 77,677
Investment securities, available-for-sale (at fair value)	110,444	136,537
Mortgage-backed securities, available-for-sale (at fair value)	284,079	374,405
Loans receivable, held-for-sale (fair value of \$5,246 and \$2,246)	5,246	2,246
Loans receivable, net	3,999,643	3,627,038
Accrued interest and dividends receivable	22,069	28,488
Real estate	1,515	2,189
Office properties and equipment, net	10,608	10,651
Investment in Federal Home Loan Bank (FHLB) stock, at cost	91,713	80,885
Other assets	27,157	25,126
	\$4,726,382	\$4,365,242

## LIABILITIES

Deposits	\$2,546,647	\$2,165,047
FHLB advances	1,597,000	1,579,000
Securities sold under agreements to repurchase	211,040	294,110
Accrued expenses and other liabilities	46,017	59,643
	4,400,704	4,097,800

## COMMITMENTS AND CONTINGENCIES

### STOCKHOLDERS' EQUITY

Common stock, par value \$.01 per share; authorized 100,000,000 shares; issued 23,362,196 and 23,299,707 shares, outstanding		
17,294,706 and 17,232,217 shares	234	233
Additional paid-in capital	34,483	32,540
Retained earnings - substantially restricted	363,713	313,411
Unreleased shares to employee stock ownership plan	-	(841)
Treasury stock, at cost, 6,067,490 shares	(75,743)	(75,743)
Accumulated other comprehensive earnings (loss), net of taxes	2,991	(2,158)
	325,678	267,442
	\$4,726,382	\$4,365,242

## FIRSTFED FINANCIAL CORP. AND SUBSIDIARY CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE EARNINGS (Dollars in thousands, except per share data) (Unaudited)

Three Months Ended		Twelve Months Ended	
December 31,		December 31,	
2001	2000	2001	2000

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Interest income:				
Interest on loans	\$69,614	\$75,140	\$298,942	\$274,720
Interest on mortgage-backed securities	3,717	6,146	19,803	24,448
Interest and dividends on investments	3,304	3,497	15,187	15,152
Total interest income	76,635	84,783	333,932	314,320
Interest expense:				
Interest on deposits	19,878	26,704	94,568	100,174
Interest on borrowings	22,733	29,101	107,186	106,331
Total interest expense	42,611	55,805	201,754	206,505
Net interest income	34,024	28,978	132,178	107,815
Provision for loan losses	-	-	-	-
Net interest income after provision for losses	34,024	28,978	132,178	107,815
Other income:				
Loan and other fees	841	386	3,319	2,804
Gain on sale of loans	155	42	656	64
Real estate operations, net	(79)	98	304	594
Other operating income	1,335	1,128	4,640	4,285
Total other income	2,252	1,654	8,919	7,747
Non-interest expense				
Compensation	7,357	6,230	29,682	26,444
Occupancy	2,122	2,032	8,302	8,031
Other expenses	4,229	2,912	15,190	13,790
Total non-interest expense	13,708	11,174	53,174	48,265
Earnings before income taxes	22,568	19,458	87,923	67,297
Income tax provision	9,658	8,676	37,621	28,832
Net earnings	\$ 12,910	\$10,782	\$50,302	\$38,465
Other comprehensive earnings, net of taxes	(561)	5,626	5,149	6,122
Comprehensive earnings	\$12,349	\$16,408	\$55,451	\$44,587
Earnings per share:				
Basic	\$ 0.75	\$ 0.63	\$ 2.92	\$ 2.23
Diluted	\$ 0.73	\$ 0.62	\$ 2.85	\$ 2.20
Weighted average shares outstanding:				
Basic	17,283,591	17,145,705	17,234,591	17,251,618
Diluted	17,619,704	17,525,944	17,645,647	17,456,895

7

KEY FINANCIAL RESULTS ARE HIGHLIGHTED BELOW

	Quarter Ended December 31,	
	2001	2000
	(Dollars in thousands, except per share data)	
End of period:		
Total assets	\$4,726,382	\$4,365,242

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Cash and securities	\$ 284,352	\$ 214,214
Mortgage-backed securities	\$ 284,079	\$ 374,405
Loans	\$4,004,889	\$3,629,284
Core deposit intangible asset	\$ 12,750	\$ 9,304
Deposits	\$2,546,647	\$2,165,047
Borrowings	\$1,808,040	\$1,873,110
Stockholders' equity	\$ 325,678	\$ 267,442
Book value per share	\$ 18.83	\$ 15.52
Tangible book value per share	\$ 18.09	\$ 14.98
Stock price (period-end)	\$ 25.63	\$ 32.31
Total loan servicing portfolio	\$4,436,112	\$4,390,168
Loans serviced for others	\$ 257,629	\$ 322,315
% of Adjustable mortgages	71.38%	92.07%

## Other data:

Employees (full-time equivalent)	506	451
Branches	29	25
Loan Offices	4	3

Quarter Ended December 31,  
2001 2000  
(Dollars in thousands)

## Asset quality:

Real estate (foreclosed)	\$ 1,485	\$ 2,157
Non-accrual loans	\$ 6,443	\$ 6,142
Non-performing assets	\$ 7,928	8,299
Non-performing assets to total assets	0.17%	0.19%
General valuation allowance (GVA)	\$ 73,269	\$ 71,159
GVA to assets with loss exposure *	1.70%	1.81%
Loans sold with recourse	\$ 126,432	\$ 146,537
GVA for loans sold with recourse	\$ 12,824	\$ 12,824
GVA to loans sold with recourse	10.14%	8.75%
Modified loans (not impaired)	\$ 927	\$ 809
Impaired loans, net	\$ 7,394	\$ 8,770
Allowance for impaired loans	\$ 1,850	\$ 1,792

## Capital ratios:

Tangible capital ratio	6.42%	5.84%
Core capital ratio	6.42%	5.84%
Risk-based capital ratio	12.51%	11.39%
Net worth to assets ratio	6.89%	6.13%

\* Primarily the Bank's loans receivable

Three Months Ended Twelve Months Ended  
December 31, December 31,  
2001 2000 2001 2000  
(Dollars in thousands)

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## Selected ratios:

### Expense ratios:

Efficiency ratio	37.95%	36.53%	37.86%	41.79%
Expense-to-average-assets ratio	1.18	1.04	1.17	1.17
Return on average assets	1.11	1.00	1.10	0.93
Return on average equity	16.19	16.69	16.93	15.85

## Yields earned and rates paid:

Average yield on loans and mortgage-backed securities	6.91%	8.19%	7.61%	7.85%
Average yield on investment portfolio **	3.96	5.87	5.16	6.11
Average yield on all interest-earning assets **	6.76	8.09	7.50	7.77
Average rate paid on deposits	3.24	4.90	4.08	4.70
Average rate paid on borrowings	4.85	6.50	5.67	6.29
Average rate paid on all interest-bearing liabilities	3.93	5.62	4.79	5.40
Interest rate spread	2.82	2.47	2.71	2.37
Effective net spread	2.99	2.68	2.90	2.57

Three Months Ended December 31,		Twelve Months Ended December 31,	
2001	2000	2001	2000
(Dollars in thousands)			

## Averages:

Average loans and mortgage-backed securities	\$4,225,715	\$3,950,534	\$4,181,554	\$3,793,351
Average investments ***	229,831	173,829	200,807	176,476
Average interest-earning assets ***	4,455,546	4,124,363	4,382,361	3,969,827
Average deposits	2,432,038	2,168,379	2,317,744	2,132,927
Average borrowings	1,831,462	1,796,797	1,885,426	1,688,738
Average interest-bearing liabilities	4,263,500	3,965,176	4,203,170	3,821,665
Excess of interest-earning assets over interest-bearing liabilities	\$ 192,046	\$ 159,187	\$ 179,191	\$148,162
Loan originations and purchases	\$ 271,738	\$ 226,126	\$1,502,335	\$1,081,010

\*\* Excludes FHLB stock dividends and other miscellaneous items.

\*\*\* Excludes FHLB stock.