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FIRSTFED FINANCIAL CORP
Form 8-K
July 25, 2002

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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) July 25, 2002

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

Delaware	1-9566	95-4087449
(State of Incorporation)	(Commission File No.)	(IRS Employer Identification No.)

401 Wilshire Boulevard, Santa Monica, California,	90401-1490
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code	(310) 319-6000
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ITEM 5. Other Events.

On July 25, 2002, the registrant, FirstFed Financial Corp., issued a press release. A copy of this press release is attached and incorporated herein as Exhibit 99.

Item 99. Press release dated July 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.

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FIRSTFED FINANCIAL CORP.

Dated: July 25, 2002

By:/s/ Douglas J. Goddard
Douglas J. Goddard
Chief Financial Officer

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

FIRSTFED REPORTS RESULTS FOR THE SECOND QUARTER OF 2002

Santa Monica, California, July 25, 2002 -- FirstFed Financial Corp. (NYSE-FED), parent company of First Federal Bank of California, today announced net earnings of \$12.3 million or \$0.70 per diluted common share for the second quarter of 2002, compared to net earnings of \$12.4 million or \$0.70 per diluted common share for the first quarter of 2002 and \$12.6 million or \$0.71 per diluted common share for the second quarter of June 2001. Net earnings for the first six months of 2002 were \$24.7 million or \$1.40 per diluted common share, compared to \$25.0 million or \$1.42 per diluted common share for the first six months of 2001.

Net earnings decreased during the second quarter of 2002 compared to the second quarter of 2001 primarily as a result of increased operating costs associated with two financial institutions acquired in November of 2001. Growth in earning assets and net interest income associated with the acquisition of those institutions was offset by declining earning assets due to loan payoffs. Net earnings decreased during the first six months of 2002 compared to the first six months of 2001 primarily as a result of increased loan compensation costs, legal expenses and increased retail branch operating costs. These added costs were partially offset by increases in loan prepayment charges and retail deposit fees.

Net interest income decreased during the second quarter of 2002 compared to the second quarter of 2001 primarily as a result of a reduction in average interest-earning assets. Average interest-earning assets decreased to \$4.3 billion during the second quarter of 2002 from \$4.4 billion for the same period of last year due to continued high levels of loan payoffs. These payoffs were offset by \$287.8 million of loan originations during the second quarter. The interest rate spread increased to 2.81% and 2.77% for the second quarter and first six months of 2002 from 2.72% and 2.66% during the same periods last year as the cost of interest-bearing liabilities re-priced at reduced rates more quickly than the yield on interest-earning assets during the period.

The Company's general valuation allowance was \$74.1 million or 1.83% of loans and real estate owned as of June 30, 2002, compared

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to \$73.3 million or 1.70% as of December 31, 2001 and \$70.9 million or 1.65% at June 30, 2001. Non-performing assets were 0.11% of total assets as of June 30, 2002 compared to 0.17% as of December 31, 2001 and 0.22% as of June 30, 2001.

The Company did not record a provision for loan losses during the first six months of 2002 or for any period during 2001. Net loan recoveries totaled \$1.4 million and \$1.2 million during the second quarter and first six months of 2002, respectively. For the comparable periods last year, the Company recorded net loan charge-offs of \$160 thousand and \$225 thousand for the second quarter and first six months of 2001, respectively.

The Company had \$4.4 billion in total assets as of June 30, 2002 and operates 29 full-service retail banking offices and 4 loan production offices in Southern California. At June 30, 2002, the consolidated stockholders' equity of the Company was \$350.3 million. As of July 25, 2002, there remain 889,016 shares eligible for repurchase under the Company's stock repurchase program. No shares were repurchased during 2001 or 2002. The Company intends to recommence its stock repurchase program when market conditions warrant such activity in management's view. At June 30, 2002, First Federal Bank of California met the capital requirements necessary to be deemed "well-capitalized" for regulatory capital purposes.

KEY FINANCIAL RESULTS FOLLOW

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

	June 30, 2002	December 31, 2001	June 30, 2001
	-----	-----	-----
ASSETS			
Cash and cash equivalents	\$ 58,747	\$ 174,171	\$ 69,851
Investment securities, available-for-sale (at fair value)	115,441	110,444	130,019
Mortgage-backed securities, available-for-sale (at fair value)	235,148	284,079	338,269
Loans receivable, held-for-sale (fair value of \$250, \$5,246 and 6,766)	250	5,246	6,766
Loans receivable, net	3,856,073	3,999,643	3,876,950
Accrued interest and dividends receivable	19,389	22,076	27,162
Real estate	606	1,515	2,002
Office properties and equipment, net	10,399	10,822	9,932
Investment in Federal Home Loan Bank (FHLB) stock, at cost	85,634	91,713	87,615
Other assets	26,585	26,580	23,418
	-----	-----	-----
	\$4,408,272	\$4,726,289	\$4,571,984
	=====	=====	=====

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LIABILITIES

Deposits	\$2,493,389	\$2,546,647	\$2,275,544
FHLB advances	1,342,000	1,597,000	1,674,000
Securities sold under agreements to repurchase	176,131	211,040	264,640
Accrued expenses and other liabilities	46,486	45,924	61,422
	-----	-----	-----
	4,058,006	4,400,611	4,275,606
	-----	-----	-----

COMMITMENTS AND CONTINGENCIES

STOCKHOLDERS' EQUITY

Common stock, par value \$.01 per share;

Authorized 100,000,000 shares;
issued 23,381,165, 23,362,196
and 23,335,788 shares outstanding
17,270,269, 17,251,300 and
17,268,298 shares

	234	234	233
Additional paid-in capital	34,858	34,670	33,207
Retained earnings - substantially restricted	388,368	363,713	338,376
Unreleased shares to employee stock ownership plan	--	--	(421)
Treasury stock, at cost, 6,110,896 shares	(75,930)	(75,930)	(75,743)
Accumulated other comprehensive gain, net of taxes	2,736	2,991	726
	-----	-----	-----
	350,266	325,678	296,378
	-----	-----	-----
	\$4,408,272	\$4,726,289	\$4,571,984
	=====	=====	=====

FIRSTFED FINANCIAL CORP.

AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE EARNINGS

(Dollars in thousands, except per share data)

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2002	2001	2002	2001
Interest income:				
Interest on loans	\$ 60,701	\$ 77,891	\$ 125,664	\$ 155,871
Interest on mortgage- backed securities	2,267	5,542	5,237	11,501
Interest and dividends on investments	2,955	4,010	5,799	8,088
	-----	-----	-----	-----
Total interest income	65,923	87,443	136,700	175,460
	-----	-----	-----	-----
Interest expense:				
Interest on deposits	15,638	25,185	32,997	51,801

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Interest on borrowings	17,305	28,696	36,734	57,945
	-----	-----	-----	-----
Total interest expense	32,943	53,881	69,731	109,746
	-----	-----	-----	-----
Net interest income	32,980	33,562	66,969	65,714
Provision for loan losses	--	--	--	--
	-----	-----	-----	-----
Net interest income after provision for loan losses	32,980	33,562	66,969	65,714
	-----	-----	-----	-----
Other income:				
Loan servicing and other fees	838	624	1,890	1,475
Retail office fees	1,135	815	2,176	1,688
Gain on sale of loans	184	108	369	210
Real estate operations, net	31	(268)	192	(226)
Other operating income	306	362	566	501
	-----	-----	-----	-----
Total other income	2,494	1,641	5,193	3,648
	-----	-----	-----	-----
Non-interest expense:				
Compensation	8,269	7,435	16,466	14,730
Occupancy	2,099	2,098	4,150	3,979
Amortization of core deposit intangible	464	372	965	744
Other expenses	3,401	3,290	7,963	6,275
	-----	-----	-----	-----
Total non-interest expense	14,233	13,195	29,544	25,728
	-----	-----	-----	-----
Earnings before income taxes	21,241	22,008	42,618	43,634
Income tax provision	8,954	9,416	17,963	18,669
	-----	-----	-----	-----
Net earnings	\$ 12,287	\$ 12,592	\$ 24,655	\$ 24,965
	=====	=====	=====	=====
Other comprehensive earnings (loss) net of taxes	533	(187)	(255)	2,884
	-----	-----	-----	-----
Comprehensive earnings	\$ 12,820	\$ 12,405	\$ 24,400	\$ 27,849
	=====	=====	=====	=====
Earnings per share:				
Basic	\$ 0.71	\$ 0.73	\$ 1.43	\$ 1.45
	=====	=====	=====	=====
Diluted	\$ 0.70	\$ 0.71	\$ 1.40	\$ 1.42
	=====	=====	=====	=====
Weighted average shares outstanding:				
Basic	17,264,461	17,218,464	17,259,638	17,200,593
	=====	=====	=====	=====
Diluted	17,644,145	17,650,751	17,625,541	17,638,569
	=====	=====	=====	=====

FIRSTFED FINANCIAL CORP. AND SUBSIDIARY KEY FINANCIAL HIGHLIGHTS

Quarter ended June 30,
2002 2001

(Dollars in thousands,

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except per share data)

End of period:

Total assets	\$ 4,408,272	\$ 4,571,984
Cash and securities	\$ 174,188	\$ 199,870
Mortgage-backed securities	\$ 235,148	\$ 338,269
Loans	\$ 3,856,323	\$ 3,883,716
Core deposit intangible asset	\$ 10,322	\$ 8,559
Deposits	\$ 2,493,389	\$ 2,275,544
Borrowings	\$ 1,518,131	\$ 1,938,640
Stockholders' equity	\$ 350,266	\$ 296,378
Book value per share	\$ 20.28	\$ 17.16
Tangible book value per share	\$ 19.68	\$ 16.67
Stock price (period-end)	\$ 29.00	\$ 29.80
Total loan servicing portfolio	\$ 4,262,297	\$ 4,432,287
Loans serviced for others	\$ 229,141	\$ 284,169
% of Adjustable mortgages	69.47%	81.87%

Other data:

Employees (full-time equivalent)	508	473
Branches	29	25
Loan production offices	4	3

Asset quality:

Real estate (foreclosed)	\$ 577	\$ 1,971
Non-accrual loans	\$ 4,186	\$ 8,007
Non-performing assets	\$ 4,763	\$ 9,978
Non-performing assets to total assets	0.11%	0.22%
General valuation allowance (GVA)	\$ 74,136	\$ 70,877
GVA to assets with loss exposure *	1.83%	1.65%
Loans sold with recourse	\$ 112,468	\$ 137,713
GVA for loans sold with recourse	\$ 12,824	\$ 12,824
GVA to loans sold with recourse	11.40%	9.31%
Modified loans (not impaired)	\$ 2,362	\$ 798
Impaired loans, net	\$ 3,111	\$ 7,380
Allowance for impaired loans	\$ 2,154	\$ 1,850

Capital ratios:

Tangible capital ratio	7.51 %	6.14%
Core capital ratio	7.51	6.14
Risk-based capital ratio	13.77	12.28
Net worth to assets ratio	7.95	6.48

* Primarily the Bank's loans receivable

FIRSTFED FINANCIAL CORP. AND SUBSIDIARY KEY FINANCIAL HIGHLIGHTS (continued)

Three months ended June 30,		Six months ended June 30,	
2002	2001	2002	2001
(Dollars in thousands)			

Selected ratios:

Expense ratios:

Efficiency ratio	40.33%	37.60%	41.15%	37.20%
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Expense-to-average-assets ratio	1.27	1.16	1.29	1.15
Return on average assets	1.10	1.11	1.08	1.11
Return on average equity	14.30	17.37	14.60	17.68

Yields earned and rates paid:

Average yield on loans and mortgage-backed securities	6.13%	7.96%	6.29%	8.09%
Average yield on investment portfolio**	4.35	5.30	3.30	5.56
Average yield on all interest-earning assets**	6.06	7.84	6.15	7.97
Average rate paid on deposits	2.50	4.43	2.64	4.64
Average rate paid on borrowings	4.48	5.93	4.54	6.11
Average rate paid on all interest-bearing liabilities	3.25	5.12	3.39	5.31
Interest rate spread	2.81	2.72	2.77	2.66
Effective net spread	2.98	2.92	2.93	2.87

Average balances:

Average loans and mortgage-backed securities	\$4,118,647	\$4,184,565	\$4,169,092	\$4,131,442
Average investments ***	161,045	200,924	194,340	199,566
	-----	-----	-----	-----
Average interest-earning assets ***	4,279,692	4,385,489	4,363,432	4,331,008
	-----	-----	-----	-----
Average deposits	2,513,306	2,279,483	2,519,687	2,251,907
Average borrowings	1,546,013	1,935,997	1,630,550	1,907,509
	-----	-----	-----	-----
Average interest-bearing liabilities	4,059,319	4,215,480	4,150,237	4,159,416
	-----	-----	-----	-----
Excess of interest-earning assets over interest-bearing liabilities	\$ 220,373	\$ 170,009	\$ 213,195	\$ 171,592
	=====	=====	=====	=====

Loan originations and purchases	\$ 287,793	\$ 452,522	\$ 587,564	\$ 814,735
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** Excludes FHLB stock dividends and other miscellaneous items.

*** Excludes FHLB stock.