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FIRSTFED FINANCIAL CORP
Form 8-K
January 29, 2003

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) January 29, 2003

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 January 29, 2003, 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 January 29, 2003.

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: January 29, 2003

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

FIRSTFED REPORTS RESULTS FOR THE FOURTH QUARTER OF 2002

Santa Monica, California, January 29, 2003 -- FirstFed Financial Corp. (NYSE-FED), parent company of First Federal Bank of California, today announced net earnings of \$14.3 million or \$0.83 per diluted common share for the fourth quarter of 2002, compared to net earnings of \$16.2 million or \$0.92 per diluted common share for the third quarter of 2002 and \$12.9 million or \$0.73 per diluted common share for the fourth quarter of December 2001. Net earnings for the quarter ended December 31, 2002 include a \$1.1 million recovery of interest income on charged-off and non-accrual loans and other adjustments to loan income. Net earnings for the third quarter of 2002 include income of \$5.9 million resulting from a revised estimate of the Bank's repurchase liability for loans sold with recourse.

Net earnings for the twelve months of 2002 were \$55.2 million or \$3.15 per diluted common share, compared to \$50.3 million or \$2.85 per diluted common share for the twelve months of 2001. Net earnings for the twelve months of 2002 include the aforementioned income resulting from the Bank's repurchase liability for loans sold with recourse. After tax, year-to-date earnings were increased by \$3.4 million or \$0.19 per diluted common share during 2002 due to this revised estimate.

Net interest income increased by 3% and 2% during the fourth quarter and twelve months of 2002, respectively, compared to the prior year periods due to increased interest rate spreads. The interest rate spreads increased to 3.21% and 2.92% for the fourth quarter and twelve months of 2002 from 2.83% and 2.71% for the same periods last year as the cost of interest-bearing liabilities declined faster than the yield on interest-earning assets. The increased spreads compensated for declines in average earning assets.

Due to continued high levels of loan payoffs, average interest-earning assets decreased to \$4.1 billion for the fourth quarter and \$4.3 billion for the twelve months of 2002 compared to \$4.5 billion for the fourth quarter and \$4.4 billion for the twelve months of the prior year. Loan originations were \$417.7 million and \$1.3 billion for the fourth quarter and twelve months of 2002 compared to \$271.7 million and \$1.5 billion for the same periods last year.

Allowances for loan losses (including general valuation allowances and valuation allowances for impaired loans) totaled \$75.7 million or 1.96% of the loan portfolio as of December 31, 2002

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compared to \$74.8 million or 1.83% as of December 31, 2001. Non-performing assets were 0.17% of total assets as of December 31, 2002, the same as December 31, 2001.

The Bank did not record a provision for loan losses during 2002 or 2001. Net loan recoveries of \$50 thousand and \$950 thousand were recorded for the fourth quarter and twelve months of 2002, respectively, compared to net loan recoveries of \$288 thousand and \$118 thousand for the fourth quarter and twelve months of 2001, respectively.

As of December 31, 2002, the Company had assets totaling \$4.3 billion and consolidated stockholders' equity of \$371.6 million. During the fourth quarter of 2002, the Company repurchased 119,600 shares of common stock at an average market price of \$25.74. During 2002, the Company repurchased 353,000 shares of common stock at an average market price of \$25.74. There remain 1,382,477 shares eligible for repurchase under the Company's stock repurchase program as of January 28, 2003. First Federal Bank of California operates 29 full-service retail banking offices and 4 loan production offices in Southern California.

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This news release contains certain forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Act of 1995. These forward-looking statements are subject to various factors, many of which are beyond the Company's control, which could cause actual results to differ materially from such statements. Such factors include, but are not limited to, the general business environment, interest rate fluctuations that may affect operating margin, the California real estate market, branch openings, competitive conditions in the business and geographic areas in which the Company conducts its business and regulatory actions. In addition, these forward-looking statements are subject to assumptions as to future business strategies and decisions that are subject to change. The Company makes no guarantee or promises regarding future results and assumes no responsibility to update such forward-looking statements.

KEY FINANCIAL RESULTS FOLLOW

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

	December 31, 2002	December 31, 2001
	-----	-----
ASSETS		
Cash and cash equivalents	\$ 45,199	\$ 174,171
Investment securities, available-for-sale (at fair value)	103,055	110,444
Mortgage-backed securities, available-for-sale (at fair		

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value)	200,585	284,079
Loans receivable, held-for-sale (fair value of \$2,300 and \$5,250)	2,293	5,246
Loans receivable, net	3,766,942	3,999,643
Accrued interest and dividends receivable	17,752	22,076
Real estate	347	1,515
Office properties and equipment, net	10,342	10,822
Investment in Federal Home Loan Bank (FHLB) stock, at cost	78,728	91,713
Other assets	28,486	26,580
	-----	-----
\$	4,253,729	\$ 4,726,289
	=====	=====

LIABILITIES

Deposits	\$ 2,527,026	\$ 2,546,647
FHLB advances	1,167,000	1,597,000
Securities sold under agreements to repurchase	155,273	211,040
Accrued expenses and other liabilities	32,789	45,924
	-----	-----
	3,882,088	4,400,611
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COMMITMENTS AND CONTINGENCIES

STOCKHOLDERS' EQUITY

Common stock, par value \$.01 per share;		
Authorized 100,000,000 shares; issued 23,395,202 and 23,362,196 shares, outstanding 16,931,306, and 17,251,300 shares	234	234
Additional paid-in capital	35,680	34,670
Retained earnings - substantially restricted	418,885	363,713
Unreleased shares to employee stock ownership plan	(597)	--
Treasury stock, at cost, 6,463,896, and 6,110,896 shares	(84,762)	(75,930)
Accumulated other comprehensive earnings, net of taxes	2,201	2,991
	-----	-----
	371,641	325,678
	-----	-----
\$	4,253,729	\$ 4,726,289
	=====	=====

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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

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	December 31,		December 31,	
	2002	2001	2002	2001
Interest income:				
Interest on loans	\$ 58,112	\$ 69,614	\$ 243,716	\$ 298,942
Interest on mortgage -backed securities	1,891	3,717	9,154	19,803
Interest and dividends on investments	2,435	3,304	11,008	15,187
Total interest income	62,438	76,635	263,878	333,932
Interest expense:				
Interest on deposits	13,166	19,878	60,808	94,568
Interest on borrowings	14,210	22,733	67,611	107,186
Total interest expense	27,376	42,611	128,419	201,754
Net interest income	35,062	34,024	135,459	132,178
Provision for loan losses	--	--	--	--
Net interest income after provision for loan losses	35,062	34,024	135,459	132,178
Other income:				
Loan servicing and other fees	1,263	841	4,325	3,319
Retail office fees	1,256	1,151	4,604	3,791
Gain on sale of loans	1,242	155	7,806	656
Real estate operations, net	206	(79)	339	304
Other operating income	203	184	1,000	849
Total other income	4,170	2,252	18,074	8,919
Non-interest expense:				
Compensation	8,152	7,357	32,627	29,682
Occupancy	2,158	2,122	8,557	8,302
Amortization of core deposit intangible	498	448	1,962	1,564
Other expenses	3,753	3,781	15,066	13,626
Total non-interest expense	14,561	13,708	58,212	53,174
Earnings before income taxes	24,671	22,568	95,321	87,923
Income tax provision	10,380	9,658	40,149	37,621
Net earnings	\$ 14,291	\$ 12,910	\$ 55,172	\$ 50,302
Other comprehensive earnings (loss), net of taxes	(390)	(561)	(790)	5,149
Comprehensive earnings	\$ 13,901	\$ 12,349	\$ 54,382	\$ 55,451
Earnings per share:				
Basic	\$ 0.85	\$ 0.75	\$ 3.22	\$ 2.92
Diluted	\$ 0.83	\$ 0.73	\$ 3.15	\$ 2.85

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Weighted average shares
outstanding:

Basic	16,888,883	17,283,591	17,149,712	17,234,591
	=====	=====	=====	=====
Diluted	17,236,018	17,619,704	17,506,129	17,645,647
	=====	=====	=====	=====

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FIRSTFED FINANCIAL CORP. AND SUBSIDIARY KEY FINANCIAL HIGHLIGHTS

	Quarter ended December 31,	
	2002	2001
	-----	-----
	(Dollars in thousands, except per share data)	
End of period:		
Total assets	\$ 4,253,729	\$ 4,726,382
Cash and securities	\$ 148,254	\$ 284,615
Mortgage-backed securities	\$ 200,585	\$ 284,079
Loans	\$ 3,769,235	\$ 4,004,889
Core deposit intangible asset	\$ 9,323	\$ 12,750
Deposits	\$ 2,527,026	\$ 2,546,647
Borrowings	\$ 1,322,273	\$ 1,808,040
Stockholders' equity	\$ 371,641	\$ 325,678
Book value per share	\$ 21.95	\$ 18.88
Tangible book value per share	\$ 21.40	\$ 18.14
Stock price (period-end)	\$ 28.95	\$ 25.63
Total loan servicing portfolio	\$ 4,123,602	\$ 4,436,112
Loans serviced for others	\$ 197,250	\$ 257,629
% of Adjustable mortgages	71.46%	71.38%
Other data:		
Employees (full-time equivalent)	497	506
Branches	29	29
Loan production offices	4	4
Asset quality:		
Real estate (foreclosed)	\$ 319	\$ 1,485
Non-accrual loans	\$ 6,722	\$ 6,443
Non-performing assets	\$ 7,041	\$ 7,928
Non-performing assets as a percent of total assets	0.17%	0.17%
General valuation allowance (GVA)	\$ 75,223	\$ 72,919
Allowance for impaired loans	\$ 496	\$ 1,850
	-----	-----
Allowances for loan losses	\$ 75,719	\$ 74,769
Allowances for loan losses as a percent of gross loans receivable	1.96%	1.83%
Loans sold with recourse	\$ 108,606	\$ 137,204
GVA for loans sold with recourse	\$ 6,900	\$ 12,824
GVA as a percent of loans sold with recourse	6.35%	9.35%
Modified loans (not impaired)	\$ 2,299	\$ 927
Impaired loans, net	\$ 1,071	\$ 7,394
Capital ratios:		
Tangible capital ratio	8.05%	6.42%

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Core capital ratio	8.05	6.42
Risk-based capital ratio	14.53	12.51
Net worth to assets ratio	8.74	6.89

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

	Three months ended December 31,		Twelve months ended December 31,	
	2002	2001	2002	2001
(Dollars in thousands)				
Selected ratios:				
Expense ratios:				
Efficiency ratio	38.71%	37.95%	39.95%	37.86%
Expense-to-average-assets ratio	1.36	1.18	1.31	1.17
Return on average assets	1.33	1.11	1.24	1.10
Return on average equity	15.65	16.19	15.82	16.93
Yields earned and rates paid:				
Average yield on loans and mortgage-backed securities	6.05%	6.91%	6.18%	7.61%
Average yield on investment portfolio (1)	3.86	3.96	3.65	5.16
Average yield on all interest-earning assets (1)	5.97	6.76	6.08	7.50
Average rate paid on deposits	2.08	3.24	2.42	4.08
Average rate paid on borrowings	4.02	4.85	4.39	5.67
Average rate paid on all interest-bearing liabilities	2.76	3.93	3.16	4.79
Interest rate spread	3.21	2.83	2.92	2.71
Effective net spread	3.38	2.99	3.09	2.90
Average balances:				
Average loans and mortgage-backed securities	\$ 3,961,612	\$ 4,225,715	\$ 4,091,852	\$4,181,554
Average investments (2)	150,729	229,831	172,996	200,807
Average interest-earning assets (2)	4,112,341	4,455,546	4,264,848	4,382,361
Average deposits	2,515,045	2,432,038	2,517,366	2,317,744
Average borrowings (3)	1,350,902	1,831,462	1,518,283	1,885,426
Average interest-bearing liabilities	3,865,947	4,263,500	4,035,649	4,203,170
Excess of interest-earning assets over interest-bearing liabilities	\$ 246,394	\$ 192,046	\$ 229,199	\$ 179,191

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Loan originations and purchases \$ 417,713 \$ 271,738 \$ 1,288,772 \$1,502,335

- (1) Excludes FHLB stock dividends and other miscellaneous items.
- (2) Excludes FHLB stock.
- (3) Excludes accrued interest on tax assessment.