SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
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FIRSTFED FINANCIAL CORP

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SIC: **6035** Savings institution, federally chartered

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1994

OR

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

For the Transition period from N/A to -------

Commission File No. 1-9566

FIRSTFED FINANCIAL CORP.
(Exact name of registrant as specified in its charter)

Delaware	95-4087449
(State or other jurisdiction of incorporation or organization)	(I.R.S. 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

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__

The number of shares of Registrant's $0.01 par value common stock outstanding as of May 1, 1994 was 10,533,186.

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FIRSTFED FINANCIAL CORP.
AND SUBSIDIARY
INDEX TO FORM 10-Q

<TABLE>

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Item 1. Financial Statements

FIRSTFED FINANCIAL CORP.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(In Thousands)

<TABLE>
<CAPTION>

	March 31, 1994 (Unaudited)	December 31, 1993
ASSETS		
<S>	<C>	<C>
Cash and cash equivalents	$ 15,900	$ 17,491
U.S. Government and other securities, at cost (market of $ 96,867 and $104,282)	98,371	103,836
Loans receivable	2,718,425	2,692,036
Mortgage-backed securities (market of $679,929 and $715,726)	698,557	708,283
Loans held for sale (market of $22,840 and $24,030)	22,630	23,627
Accrued interest and dividends receivable	21,065	21,018
Real estate	31,177	27,249
Office properties and equipment, net	8,938	8,923
Investment in Federal Home Loan Bank Stock, at cost	39,323	38,967
Other assets	20,083	19,687
	$3,674,469	$3,661,117
LIABILITIES		
Deposits	$2,282,129	$2,305,480
Federal Home Loan Bank advances and other borrowings	1,145,718	1,093,149
Income taxes payable	16,592	16,366
Accrued expenses and other liabilities	27,844	37,830
	3,472,283	3,452,825
CONTINGENT LIABILITIES		
STOCKHOLDERS' EQUITY		
Common stock, par value $.01		

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per share; authorized 25,000,000 shares; issued 11,329,706 and 11,326,191 shares, outstanding 10,533,186 and 10,529,671 shares	113	113
Additional capital	27,315	27,279
Retained earnings - substantially restricted	187,535	193,650
Loan to employee stock ownership plan	(2,945)	(2,918)
Treasury stock, at cost, 796,520shares	(9,832)	(9,832)
	202,186	208,292
	$3,674,469	$3,661,117

</TABLE>

See accompanying notes to consolidated financial statements.

FIRSTFED FINANCIAL CORP.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF
OPERATIONS
(Unaudited)
(Dollars in Thousands)

<TABLE>
<CAPTION>

	Three Months Ended March 31, 1994	Three Months Ended March 31, 1993
<S>	<C>	<C>
Interest Income:		
Interest on loans and mortgage-backed securities	$ 53,562	$ 56,361
Interest and dividends on investments	2,163	1,886
Total interest income	55,725	58,247

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Interest expense:		
Interest on deposits	20,274	19,168
Interest on borrowings	11,832	14,030
Total interest expense	32,106	33,198
Net interest income	23,619	25,049
Provision for loan losses	24,670	44,123
Net interest income (loss) after provision for losses	(1,051)	(19,074)
Other income:		
Loan and other fees	1,634	1,791
Gain on sale of loans	440	400
Real estate operations, net	382	143
Other operating income	354	384
Total other income	2,810	2,718
Non-interest expense	12,133	11,454
Loss before income taxes	(10,374)	(27,810)
Income tax benefit	(4,259)	(11,408)
Net loss	$ (6,115)	$ (16,402)
Loss per share	$ (0.58)	$ (1.57)

</TABLE>
See accompanying notes to consolidated financial statements.

FIRSTFED FINANCIAL CORP.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In Thousands)

<TABLE>
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	Three Months Ended March 31, 1994	Three Months Ended March 31, 1993
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (6,115)	$ (16,402)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Provision for loan losses	24,670	44,123
Amortization of fees and discounts	(289)	(214)
Net change to loans held for sale	9,533	(210)
Valuation adjustments on real estate sold	(2,038)	(2,520)
(Increase) decrease in interest and dividends receivable	(403)	660
Decrease in negative amortization	513	1,175
Decrease in interest payable	(5,356)	(1,374)
Other	(1,319)	3,805
Net cash provided by operating activities	19,196	29,043
CASH FLOWS FROM INVESTING ACTIVITIES:		
Loans made to customers and principal collections of loans	(62,492)	(80,221)
Loans repurchased	(2,908)	(24,239)
Proceeds from sales of real estate	14,943	10,708
Purchase of investment securities	(2,247)	(22,337)
Proceeds from maturities of investment securities	7,648	2,000
Other	10	(1,257)
Net cash used by operating activities	(45,046)	(115,346)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in savings deposits	(23,351)	16,445
Net increase in short term borrowings	52,569	183,670
Net decrease in long term borrowings	-	(40,000)
Other	(4,959)	(1,797)
Net cash provided by financing activities	24,259	158,318
Net increase (decrease) in cash and cash equivalents	(1,591)	72,015

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Cash and cash equivalents at beginning of quarter	17,491	23,985
Cash and cash equivalents at end of quarter	$ 15,900	$ 96,000

</TABLE>
See accompanying notes to consolidated financial statements.

FIRSTFED FINANCIAL CORP.
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The unaudited financial statements included herein have been prepared by the Registrant pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of the Registrant, all adjustments (which include only normal recurring adjustments) necessary to present fairly the results of operations for the periods covered have been made. Certain information and note disclosures normally included in financial statements presented in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Registrant believes that the disclosures are adequate to make the information presented not misleading.

   It is suggested that these condensed financial statements be read in conjunction With the financial statements and the notes thereto included in the Registrant's latest annual report on Form 10-K. The results for the periods covered hereby are not necessarily indicative of the operating results for a full year.

2. Earnings per share were computed by dividing net income by the weighted average number of shares of common stock outstanding for the period plus the effect of dilutive stock options. Weighted average shares outstanding for the primary earnings per share calculation were 10,531,702 for the three months ended March 31, 1994 and 10,417,143 for the three months ended March 31, 1993.

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3. For purposes of reporting cash flows on the "Consolidated Statement of Cash Flows", cash and cash equivalents include cash, overnight investments and securities purchased under agreements to resell.

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

Financial Condition

At March 31, 1994, FirstFed Financial Corp. (the "Company"), holding company for First Federal Bank of California and its subsidiaries (the "Bank"), had consolidated assets totaling $3.7 billion, consistent with the level at December 31, 1993 and slightly higher than $3.6 billion at March 31, 1993.

The Southern California area experienced a substantial earthquake on January 17, 1994. Of the Bank's $3.8 billion in loans and loans sold with recourse, $1.1 billion were collateralized by properties in areas directly affected by the earthquake. The Bank is still in the process of determining the extent of possible losses resulting from the earthquake and should know more about the extent of these possible losses by the end of the second quarter. The process for owners to obtain property inspections, receive estimates of repair, and decide on a course of action can take several months. Also, some borrowers may have alternative sources of funds or other remedies available to help offset potential loss exposure to the Bank.

Multi-family and commercial properties above certain dollar amounts and located in earthquake-impacted areas have been or are being inspected. Inspections to date show that 56 properties representing $35 million in loans have sustained significant cosmetic damage, and 62 properties on loans totaling $39 million have sustained significant structural damage.

As of March 31, 1994, the Bank, for earthquake-related reasons, had modified 147 multi-family loans totaling $108 million, 136 single family loans totaling $28 million, and 11 commercial loans totaling $9 million. A typical earthquake-related modification

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involves the deferral of payments for three months.

The Bank's portfolio of loans, including mortgage-backed securities, was comparable to the December 31, 1993 level and 4% greater than at March 31, 1993. Loan originations during the first quarter of 1994 were $155 million, a 17% decrease from the first quarter of 1993 and a 25% decrease from the fourth quarter of 1993. The earthquake and weak real estate market in Southern California have contributed to a drop in real estate activity and, therefore, the demand for loans. Also, the increasing interest rate trend adversely impacted refinance activity during the first quarter.

The Bank continues to focus on the origination and retention of adjustable rate mortgages for its own portfolio. In this quarter, 83% of the new loan volume was originated for the Bank's portfolio and the remainder was originated for sale under the Bank's new mortgage banking program. At March 31, 1994, the percentage of adjustable rate mortgages in the Bank's loan portfolio was 98.6%.

The one year GAP ratio (the difference between rate-sensitive assets and liabilities repricing in one year or less as a percentage of total assets) was a positive $524 million or 14.3% of total assets at March 31, 1994. In comparison, the one year GAP ratio was a positive $458 million or 12.8% of total assets as of March 31, 1993 and a positive $542 million or 14.8% of total assets at December 31, 1993. Since the majority of the Bank's loans are monthly adjustable loans, the Bank's one year GAP position varies based primarily on the remaining terms of its savings and borrowings. The longer the borrowing term, the more positive the one year GAP. A positive GAP normally benefits a financial institution in times of increasing interest rates. However, due to the three month time lag before changes in the Bank's cost of funds can be passed on to its loan customers, the Bank's net interest income initially decreases when interest rates increase.

Deposits grew by 14% at March 31, 1994 compared to the level one year ago due to $113 million in deposits acquired from the Resolution Trust Corporation in December of 1993. Deposits decreased by $23 million from the December 31, 1993 level due to

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deposit outflows when interest rates on the acquired deposits were modified to market rates.

The Bank's regulatory risk-based capital ratio was 9.9% of risk-weighted assets as of March 31, 1994 and its core and tangible capital ratios were both 5.3% of total assets. Capital ratios mandated by the Bank's primary regulator, the Office of Thrift Supervision ("OTS"), at March 31, 1994 were a risk-based capital ratio of 8% of risk-weighted assets, a core capital ratio of 3% of total assets and a tangible capital ratio of 1.5% of total assets.

A regulation adding an interest rate risk component to the risk-based capital requirement was finalized by the OTS in September of 1993. The regulation, which became effective January 1, 1994, requires a financial institution to hold additional capital to the extent that its net portfolio value deteriorates greater than 2%, based on a 200 basis point increase or decrease in interest rates. The amount of additional capital required to be held is equal to one-half the difference between an institution's measured exposure to interest rate risk and a "normal" level of exposure to interest rate risk. A normal level of interest rate risk is defined as two percent of the estimated economic value of an institution's assets. The initial calculation of the new interest rate risk requirement will be made as of July 1, 1994, based on data as of December 31, 1993. It is not expected that the Bank will be required to hold additional capital as a result of this new regulation.

Results of Operations

The Company reported a consolidated net loss of $6.1 million or $0.58 per share of common stock during the first quarter of 1994 compared to a net loss of $16.4 million or $1.57 per share for the first quarter of 1993 and net earnings of $2.4 million or $0.23 per share for the fourth quarter of 1993. The net loss during the first quarter of 1994 was due to provisions for loan losses totaling $24.7 million. The provisions resulted primarily from write-downs taken on multi-family loans.

Multi-family loans have been particularly affected by the economic recession in Southern California and comprise 38% of the Bank's loan portfolio. Multi-family property values have been reduced by decreased rental income resulting from increased vacancies and a general lowering of market rents. Upon foreclosure, or when a loan becomes seriously delinquent, the

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properties securitizing the loans are recorded at fair value less the estimated costs to sell. As a result of the decrease in multi-family property values, larger writedowns on non-performing multi-family loans and multi-family properties acquired by foreclosure were required.

Listed below is a summary of the activity in general loan loss allowances applicable to the Bank's portfolio of loans with loss exposure during the periods indicated (in thousands):

<TABLE>
<CAPTION>

	Three Months ended March 31,	
	1994	1993
Beginning balance	$ 46,900	$ 27,854
Provision for loan losses	24,670	44,124
Charge-offs, net of recoveries	(24,670)	(12,460)
Ending balance	$ 46,900	$ 59,518

</TABLE>

As a result of charge-offs taken in the first quarter, the Bank recorded a $24.7 million loan loss provision during the quarter to maintain general loss allowances at desired levels as of March 31, 1994. The ratio of general loss allowances to loans with loss exposure was 1.48% at the end of the first quarter of 1994, consistent with the ratio as of December 31, 1993. The $44.1 million provision for losses in the first quarter of 1993 was recorded to increase the overall level of general loan loss allowances to loans with loss exposure at that time. Included in the $24.7 million provision for loan losses during the first quarter of 1994 was $7.5 million provided for properties damaged by the earthquake on January 17, 1994.

Non-interest expense increased 6% during the first quarter of 1994 compared to the first quarter of 1993 due to normal salary adjustments, inflation and one savings branch added since last

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year. Expenses increased 13% compared to the fourth quarter of 1993 due to lower expenses recorded in the fourth quarter for annual discretionary compensation expenses due to reduced earnings.

Real estate operations resulted in a net gain of $382 thousand in the first quarter of 1994, a net gain of $143 thousand in the first quarter of 1993, and a net gain of $20 thousand in the fourth quarter of 1993. The gains resulted primarily from excess valuation allowances recovered upon the sale of foreclosed properties. Gains from real estate operations increased in 1994 due to an increase in the percentage of appraised value recovered upon the sale of foreclosed properties. Also, net operating expenses on foreclosed properties decreased in the first quarter of 1994 compared to the 1993 periods.

Net interest income was $24 million for the first quarter of 1994, 6% less than the first quarter of 1993 and 3% greater than the fourth quarter of 1993. Due to Federal Reserve actions, interest rates started to increase in the first quarter of 1994. During periods of increasing interest rates, the Bank's net interest income initially decreases due to upward pressure on savings and borrowing costs while the loan portfolio yield continues to decline. The increase in net interest income compared to the fourth quarter of 1993 was the result of growth in average interest-earning assets which offset lower interest rate margins.

The following table sets forth: (i) the average dollar amounts of and average yields earned on loans, mortgage-backed securities and investment securities,(ii) the average dollar amounts of and average rates paid on savings and borrowings,(iii) the average dollar differences, (iv) the interest rate spreads, and (v) the effective net spreads during the periods indicated.

<TABLE>
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	During the Three Months Ended March 31, (1)	
	1994	1993

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(Dollars in Thousands)

<S> <C> <C> <C> <C>

Average dollar amount of and average yield earned on:				
Loans and mortgage-backed securities	$3,433,733	6.24%	$3,266,187	6.90%
Investment securities (2)	137,432	4.77	129,978	4.47
Interest-earning assets	3,571,165	6.18	3,396,165	6.81
Average dollar amount of and average rate paid on:				
Savings deposits	2,293,140	3.59	1,979,918	3.93
Borrowings	1,175,657	4.06	1,336,135	4.25
Interest-bearing liabilities	3,468,797	3.75	3,316,053	4.06
Average dollar difference between interest-earning assets and interest-bearing liabilities	$ 102,368		$80,112	
Interest rate margin		2.43%		2.75%
Effective net margin (3)		2.54%		2.85%

</TABLE>

[FN]
(1) Average balances and weighted average rates for the period are computed based on daily balances.
(2) Does not include Federal Home Loan Bank stock.
(3) The effective net margin is a fraction, the denominator of which is the average dollar amount of interest-earning assets, and the numerator of which is net interest income (excluding stock dividends and miscellaneous interest income).

Non-accrual, Past Due and Restructured Loans

The Bank accrues interest earned but uncollected for every loan without regard to its contractual delinquency status but establishes a specific interest reserve for each loan which becomes 90 days or more past due or in foreclosure. Loans on which delinquent interest reserves had been established totaled

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$107 million at March 31, 1994 compared to $66 million at December 31, 1993 and $57 million at March 31, 1993. The additional amount of interest that would have been earned had

there been no loans 90 days or more delinquent or in foreclosure at March 31, 1994 was $5.8 million which was comparable to the amounts at December 31, 1993 and March 31, 1993.

Non-performing Assets

The Bank defines non-performing assets as loans delinquent over 90 days (non-accrual loans), loans in foreclosure, real estate acquired in settlement of loans and other loans whose collectibility is questionable.

An analysis of non-performing assets as of March 31, 1994 and December 31, 1993 follows:

<TABLE>
<CAPTION>

	March 31, 1994	December 31, 1993
	(Dollars in Thousands)	
<S>	<C>	<C>
Foreclosed real estate owned:		
Single family	$ 11,984	$ 10,432
Multi-family	17,856	15,622
Commercial real estate	485	328
Other	476	483
Total foreclosed real estate owned	30,801	26,865
Delinquent loans over 90 days past due:		
Single family	23,542	25,317
Multi-family	69,705	70,207

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Commercial real estate	13,298	10,307
Other	364	245
Specific valuation allowances	(25,579)	(14,732)
Total delinquent loans	81,330	91,344
Total non-performing assets	$112,131	$118,209
Ratio of general loan loss allowance to total non-performing assets	41.8%	20.7%

</TABLE>

Total non-performing assets were 3.05% of total assets at March 31, 1994 compared with 3.23% of total assets at December 31, 1993 and 3.72% of total assets at March 31, 1993.

Real estate owned by the Bank increased 18% from the level one year ago and 15% from the level at December 31, 1993. The amount of real estate owned by the Bank varies depending on foreclosure activity and the Bank's ability to sell the foreclosed properties. Both single family and multi-family foreclosures have increased in the current economic environment due to recessionary factors such as layoffs, reduced incomes and declining real estate values. Multi-family property values have also been affected by increased vacancy rates and lower rents collected. Management remains committed to selling foreclosed properties as quickly as possible. Sales of foreclosed real estate totaled $18.8 million for the first quarter of 1994 compared to $12.4 million for the first quarter of 1993 and $35.7 million for the fourth quarter of 1993.

Non-accrual loans at March 31, 1994 decreased 25% from the level one year ago and 11% from the level at December 31, 1993. The decrease in non-accrual loans resulted from specific valuation allowances to record non-performing loans at the fair value of the underlying properties less the estimated costs of selling the properties.

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The Bank's non-performing assets may increase further depending on the length and severity of the economic recession and the impact of the earthquake on the real estate market in Southern California.

Sources of Funds

External sources of funds include savings deposits, advances from the Federal Home Loan Bank of San Francisco ("FHLB") and securitized borrowings. For purposes of funding asset growth, the source or sources of funds with the lowest cost for the desired term are selected.

Savings deposits are accepted from several sources: retail savings branches, the telemarketing department, and national deposit brokers. Not considering $16 million in interest credited during the first quarter of 1994, total savings decreased by $39 million.

Retail deposits decreased by 18 million during the first quarter of 1994 due to a $23 million outflow of deposits acquired from the Resolution Trust Corporation in December of 1993. Retail deposits comprised 65% of total deposits at the end of the first quarter.

Telemarketing deposits increased by $27 million during the first quarter of 1994. These deposits, which are normally large deposits from pension plans and other managed trusts, comprised 14% of total deposits at the end of the first quarter.

Deposits acquired from national brokerage firms decreased by $44 million during the first quarter of 1994. These deposits, which comprised 21% of total deposits at the end of the first quarter, are accepted pursuant to a waiver from the Federal Deposit Insurance Corporation.

Total borrowing increased by $53 million during the first quarter of 1994 due primarily to a $51 million increase in borrowings under reverse repurchase agreements. Borrowings under reverse repurchase agreements, which are often the most cost effective for the Bank, vary depending on the amount of collateral available. Advances from the Federal Home Loan Bank Board remained at $515 million during the first quarter of 1994.

Internal sources of funds are principal payments on loans, payoffs of loans and positive cash flows from operations.

Principal payments include both amortization and prepayments and are a function of real estate activity and general levels of interest rates. Total principal payments were $74 million during

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the first quarter, down from $102 million during the comparable period of last year. Due to increasing interest rates during the first quarter of 1994, loan prepayments decreased due to a drop in refinance activity compared to the prior year.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K (Unaudited)

a) Exhibits

<TABLE>

<C>	<S>
1)	Computation of earnings per share. Part I hereof is hereby incorporated herein by reference.
2)	Report furnished to security holders. The first quarter report to shareholders for the period ending March 31, 1994. Pages 15 to 20.

</TABLE>

b) Reports on Form 8-K

No reports on Form 8-K were filed by the Registrant during the quarter ended March 31, 1994.

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SIGNATURES

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.
(Registrant)

Date: May 12, 1994

By /s/WILLIAM MORTENSEN

William S. Mortensen
Chairman of the Board
and Chief Executive Officer

By /s/ JAMES GIRALDIN

James P. Giraldin
Executive Vice President
and Chief Financial Officer

FIRSTFED FINANCIAL CORP.
AND SUBSIDIARY

FIRST QUARTER REPORT TO STOCKHOLDERS
FOR THE PERIOD ENDED MARCH 31, 1994

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FIRSTFED FINANCIAL CORP. AND SUBSIDIARY
FINANCIAL HIGHLIGHTS

<TABLE>
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	Quarter Ended	
	March 31, 1994	March 31, 1993
	(Dollars in Thousands, Except Per Share)	
<S>	<C>	<C>
At, Or For The Three Months Ended		
Net Loss	$ (6,115)	$ (16,402)
Net Loss Per Share	$ (0.58)	$ (1.57)
Common Shares Outstanding	10,533,186	10,432,882
Weighted Average Shares for Earnings Per Share Calculation	10,531,702	10,417,143
Book Value Per Common Share	$ 19.20	$ 18.33
Total Loan Volume	$ 154,703	$ 186,455
Total Assets	$3,674,469	$3,591,073
Total Loans	$3,439,612	$3,314,880
Total Deposits	$2,282,129	$1,999,190
Total Borrowings	$1,145,718	$1,339,911
Net Worth	$ 202,186	$ 191,214
Net Interest Income	$ 23,619	$ 25,049
Interest Rate Spread During the Period	2.43%	2.75%
Net Worth to Assets Ratio	5.50%	5.32%
Tangible Capital Ratio	5.32%	5.18%
Core Capital Ratio	5.32%	5.18%
Risk-Based Capital Ratio	9.94%	9.26%
Return on Average Assets	(0.67%)	(1.86%)
Return on Average Equity	(11.92%)	(32.91%)
Expense Ratio as a % of Average Assets	1.32%	1.30%
Non-performing Assets to Total Assets Ratio	3.05%	3.72%
Adjustable Loans as a % of		

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Total Loans	98.60%	97.80%

</TABLE>

FIRSTFED FINANCIAL CORP. AND SUBSIDIARY
MESSAGE TO STOCKHOLDERS

Dear Stockholder:

The Los Angeles Business Journal recently ran a feature story on the situation in Southern California as it affected First Federal Bank. In that story, a leading financial analyst was quoted, saying, "They have been hit by riots, fires, and the earthquake... it's like reading the Book of Job." Truer words were never spoken. The Bank incurred a first quarter loss of $6.1 million based on despair generated among property owners, the general economic conditions and specific earthquake damage to mortgaged properties. At year end 1993 it began to appear that the real estate delinquency problems were improving. Then the January 17th earthquake hit the San Fernando Valley and Western portions of Los Angeles. The earthquake presents special problems for First Federal since a significant portion of our loans are located in these areas. As we fully assess the impact of the earthquake on the general Southern California economy, we expect to see further charge-offs adversely affecting second quarter earnings.

The bank's core earnings remain strong. That's good news. Although the interest rate spread is somewhat below last year's spread based on changes in money market rates, core earnings for the first quarter totaled $14.3 million. At the same time, the bank's expense-to-assets ratio continues to be well below that of virtually all of our major thrift competitors. In the long run, our ability to be both a strong marketing company and a low cost producer positions First Federal very favorably in the competitive financial environment we face.

Another favorable factor is that over 98% of our loans have adjustable interest rate provisions. Thus, while there may be some initial downward pressure on our net interest income because of rising interest rates, our loan portfolio will eventually adjust to any upward swing in future money market

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rates.

Looking to the remainder of 1994, we face several major challenges. First, we must further expand our efforts in loan originations. The first steps in that process were taken late in 1993 with the introduction of programs which enable us to offer our customers both mortgage banking and portfolio products. Also, market conditions now appear more favorable for the adjustable rate loans which have been traditionally strong for our company.

Our program of selling foreclosed properties quickly and at or near the appraised value must continue. During the first quarter of 1994, properties in excess of $18.8 million were sold at an

average price which was 99% of the appraised value. If the real estate market in Southern California improves somewhat in subsequent months, benefits could accrue to the bank with even quicker real estate sales and greater yields.

Other areas of the country with much less to offer than Southern California have demonstrated their ability to recover from economic troubles. It was not long ago that such cities as Denver, Phoenix, Dallas and Houston were considered places to avoid. Today they are considered the places to be. Southern California has the resources and the diversity to fully recover from this recession. We believe it is only a question of time.

William S. Mortensen
Chairman and CEO

Babette E. Heimbuch
President and COO

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FIRSTFED FINANCIAL CORP.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(In Thousands)

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	March 31, 1994 (Unaudited)	December 31, 1993
ASSETS		
<S>	<C>	<C>
Cash and cash equivalents	$ 15,900	$ 17,491
U.S. Government and other securities, at cost (market of $ 96,867 and $104,282)	98,371	103,836
Loans receivable	2,718,425	2,692,036
Mortgage-backed securities (market of $679,929 and $715,726)	698,557	708,283
Loans held for sale (market of $22,840 and $24,030)	22,630	23,627
Accrued interest and dividends receivable	21,065	21,018
Real estate	31,177	27,249
Office properties and equipment, net	8,938	8,923
Investment in Federal Home Loan Bank Stock, at cost	39,323	38,967
Other assets	20,083	19,687
	$3,674,469	$3,661,117
LIABILITIES		
Deposits	$2,282,129	$2,305,480

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Federal Home Loan Bank advances and other borrowings	1,145,718	1,093,149
Income taxes payable	16,592	16,366
Accrued expenses and other liabilities	27,844	37,830
	----------	----------
	3,472,283	3,452,825
	----------	----------
CONTINGENT LIABILITIES		
STOCKHOLDERS' EQUITY		
Common stock, par value $.01 per share; authorized 25,000,000 shares; issued 11,329,706 and 11,326,191 shares, outstanding 10,533,186 and 10,529,671 shares	113	113
Additional capital	27,315	27,279
Retained earnings - substantially restricted	187,535	193,650
Loan to employee stock ownership plan	(2,945)	(2,918)
Treasury stock, at cost, 796,520shares	(9,832)	(9,832)
	----------	----------
	202,186	208,292
	----------	----------
	$3,674,469	$3,661,117
	==========	==========

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FIRSTFED FINANCIAL CORP.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(Dollars in Thousands)

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Three Months Ended

March 31,

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	1994	1993
Interest Income:		
Interest on loans and mortgage-backed securities	$ 53,562	$ 56,361
Interest and dividends on investments	2,163	1,886
Total interest income	55,725	58,247
Interest expense:		
Interest on deposits	20,274	19,168
Interest on borrowings	11,832	14,030
Total interest expense	32,106	33,198
Net interest income	23,619	25,049
Provision for loan losses	24,670	44,123
Net interest income (loss) after provision for losses	(1,051)	(19,074)
Other income:		
Loan and other fees	1,634	1,791
Gain on sale of loans	440	400
Real estate operations, net	382	143
Other operating income	354	384
Total other income	2,810	2,718
Non-interest expense	12,133	11,454
Loss before income taxes	(10,374)	(27,810)
Income tax benefit	(4,259)	(11,408)
Net loss	$ (6,115)	$ (16,402)
Loss per share	$ (0.58)	$ (1.57)

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