

COMMERCIAL FEDERAL CORP
Form 10-Q
May 06, 2005
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UNITED STATES
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 March 31, 2005

OR

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

Commission file number 1-11515

COMMERCIAL FEDERAL CORPORATION

(Exact name of registrant as specified in its charter)

Nebraska

47-0658852

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(State or other jurisdiction of
incorporation or organization)

(I. R. S. Employer
Identification Number)

13220 California Street, Omaha, Nebraska
(Address of principal executive offices)

68154
(Zip Code)

(402) 554-9200

(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 NO

Indicate by check mark whether the registrant is an accelerated filer as defined in Rule 12b-2 of the Securities Exchange Act of 1934. YES NO

As of April 29, 2005, the registrant had 38,244,866 shares outstanding of its common stock, par value \$.01 per share.

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COMMERCIAL FEDERAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

(Unaudited)

<u>(Dollars in Thousands Except Par Value)</u>	<u>March 31,</u> <u>2005</u>	<u>December 31,</u> <u>2004</u>
ASSETS		
Cash (including short-term investments of \$2,592 and \$35,334)	\$ 163,793	\$ 189,179
Investment securities available for sale, at fair value	519,964	1,071,223
Mortgage-backed securities available for sale, at fair value	702,984	996,844
Loans held for sale, net	211,154	276,772
Loans receivable, net of allowances of \$90,000 and \$89,841	7,733,977	7,698,970
Federal Home Loan Bank stock	173,614	204,409
Foreclosed real estate	11,207	17,835
Premises and equipment, net	174,720	174,394
Bank owned life insurance	254,477	251,581
Other assets	268,701	395,099
Core value of deposits, net of accumulated amortization of \$69,596 and \$68,619	11,453	12,430
Goodwill	159,229	162,717
Total Assets	\$ 10,385,273	\$ 11,451,453
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Deposits	\$ 6,545,720	\$ 6,422,783
Advances from Federal Home Loan Bank	2,575,466	3,685,630
Other borrowings	327,587	310,958
Other liabilities	171,445	242,752
Total Liabilities	9,620,218	10,662,123
Commitments and Contingencies		
Stockholders Equity:		
Preferred stock, \$.01 par value; 10,000,000 shares authorized; none issued		
Common stock, \$.01 par value; 120,000,000 shares authorized; 39,019,557 and 39,254,139 shares issued and outstanding	390	393
Retained earnings	759,891	826,169
Accumulated other comprehensive income (loss), net	4,774	(37,232)
Total Stockholders Equity	765,055	789,330

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Total Liabilities and Stockholders	Equity	\$ 10,385,273	\$ 11,451,453
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See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents**COMMERCIAL FEDERAL CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS****(Unaudited)**

(Dollars in Thousands)	Three Months Ended March 31,	
	2005	2004
Interest Income:		
Loans receivable	\$ 114,539	\$ 120,111
Mortgage-backed securities	9,996	12,362
Investment securities	14,486	14,299
Total interest income	139,021	146,772
Interest Expense:		
Deposits	31,931	29,783
Advances from Federal Home Loan Bank	40,271	44,241
Other borrowings	10,562	1,777
Total interest expense	82,764	75,801
Net Interest Income	56,257	70,971
Provision for Loan Losses	(8,320)	(4,853)
Net Interest Income After Provision for Loan Losses	47,937	66,118
Other Income (Loss):		
Retail fees and charges	16,102	14,497
Loan servicing fees, net of mortgage servicing rights amortization	1,169	(1,177)
Mortgage servicing rights valuation adjustment, net	8,302	(18,893)
Gain (loss) on sales of securities	(18,359)	16,976
Changes in fair values of derivatives, net	(1,147)	1,406
Loss on termination of interest rate swap agreements	(42,457)	
Loss on early extinguishment of debt	(40,731)	
Gain on sale of mortgage servicing rights and wholesale mortgage origination network	5,412	
Gain on sales of loans	2,405	198
Bank owned life insurance	2,896	8,031
Other operating income	6,508	6,619
Total other income (loss)	(59,900)	27,657
Other Expense:		
General and administrative expenses -		
Compensation and benefits	33,130	32,886
Occupancy and equipment	9,566	10,164
Data processing	5,075	4,621
Advertising	2,688	3,555
Communication	2,954	3,146
Item processing	2,738	3,030
Outside services	3,414	3,872
Loan expenses	1,798	1,505

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Foreclosed real estate, net	1,434	1,925
Other operating expenses	3,379	3,955
Exit costs	2,792	
	<u> </u>	<u> </u>
Total general and administrative expenses	68,968	68,659
Amortization of core value of deposits	977	1,217
Impairment of goodwill	3,488	
	<u> </u>	<u> </u>
Total other expense	73,433	69,876
	<u> </u>	<u> </u>
Income (Loss) Before Income Taxes	(85,396)	23,899
Income Tax Provision (Benefit)	(32,184)	5,981
	<u> </u>	<u> </u>
Net Income (Loss)	\$ (53,212)	\$ 17,918
	<u> </u>	<u> </u>

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COMMERCIAL FEDERAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS (Continued)

(Unaudited)

	Three Months Ended	
	March 31,	
	2005	2004
Weighted Average Number of Common Shares Outstanding Used in Basic Earnings (Loss) Per Share Calculation	39,009,537	40,974,071
Add Assumed Exercise of Outstanding Stock Options as Adjustments for Dilutive Securities (1)		782,001
Weighted Average Number of Common Shares Outstanding Used in Diluted Earnings (Loss) Per Share Calculation	39,009,537	41,756,072
Basic Earnings (Loss) Per Common Share	\$ (1.36)	\$.44
Diluted Earnings (Loss) Per Common Share (1)	\$ (1.36)	\$.43
Dividends Declared Per Common Share	\$.135	\$.125

(1) The conversion of stock options for the three months ended March 31, 2005, is not assumed since the Corporation incurred a loss from operations. As a result, for the three months ended March 31, 2005, the diluted loss per share is computed the same as the basic loss per share.

See accompanying Notes to Condensed Consolidated Financial Statements.

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COMMERCIAL FEDERAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited)

(Dollars in Thousands)	Three Months Ended March 31,	
	2005	2004
Net Income (Loss)	\$ (53,212)	\$ 17,918
Other Comprehensive Income (Loss):		
Unrealized holding gains (losses) on securities available for sale	(35,694)	37,164
Fair value adjustment on interest rate swap agreements	32,408	(15,644)
Reclassification of net losses (gains) included in net income (loss) pertaining to:		
Securities sold	18,359	(16,976)
Termination of interest rate swap agreements	42,457	
Amortization of deferred loss on terminated interest rate swap agreements	7,085	4,877
	64,615	9,421
Other Comprehensive Income Before Income Taxes		
Income Tax Provision	22,609	3,303
	42,006	6,118
Other Comprehensive Income		
Comprehensive Income (Loss)	\$ (11,206)	\$ 24,036

See accompanying Notes to Condensed Consolidated Financial Statements.

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(Dollars in Thousands)	Three Months Ended March 31,	
	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (53,212)	\$ 17,918
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Amortization of core value of deposits	977	1,217
Impairment of goodwill	3,488	
Depreciation and amortization	4,217	4,473
Amortization of deferred discounts and fees, net of premiums	3,562	6,566
Amortization of mortgage servicing rights	8,829	12,385
Amortization of deferred loss on terminated interest rate swap agreements	7,085	4,877
Valuation adjustment of mortgage servicing rights, net	(8,302)	18,893
Provision for losses on loans	8,320	4,853
Loss on termination of interest rate swap agreements	42,457	