

PROVIDENT FINANCIAL HOLDINGS INC
Form 8-K
October 21, 2004

UNITED STATES
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): **October 21, 2004**

PROVIDENT FINANCIAL HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

000-28304
(Commission
File Number)

33-0704889
(IRS Employer
Identification No.)

3756 Central Avenue, Riverside, California
(Address of principal executive offices)

92506
(Zip Code)

Registrant's telephone number (including area code): **(951) 686-6060**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions.

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 2.02 Results of Operations and Financial Condition

On October 21, 2004, Provident Financial Holdings, Inc. issued its earnings release for the first quarter ended September 30, 2004. A copy of the earnings release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits

(c) Exhibits

99.1 Press Release of Provident Financial Holdings, Inc. dated October 21, 2004.

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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 hereunto duly authorized.

Date: October 21, 2004

PROVIDENT FINANCIAL HOLDINGS, INC.

/s/ Craig G. Blunden

Craig G. Blunden
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

/s/ Donavon P. Ternes

Donavon P. Ternes
Chief Financial Officer
(Principal Financial and Accounting Officer)

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EXHIBIT 99.1

<PAGE>

3756 Central Avenue
Riverside, CA 92506

Craig G. Blunden, CEO
(951) 686 - 6060

Contacts:

Donavon P. Ternes, CFO

PROVIDENT FINANCIAL HOLDINGS, INC.
REPORTS FIRST QUARTER EARNINGS

First Quarter Net Income

Increases 19%

First Quarter EPS of \$0.60, Up 22%

Community Banking Momentum Continues

Solid Mortgage Banking Results

Riverside, Calif. - October 21, 2004 - Provident Financial Holdings, Inc. ("Company"), Nasdaq: PROV, the holding company for Provident Savings Bank, F.S.B. ("Bank"), today announced earnings for the first quarter of its fiscal year ending June 30, 2005.

For the quarter ended September 30, 2004, the Company reported net income of \$4.26 million, or 60 cents per diluted share (on 7.07 million weighted-average shares outstanding), compared to net income of \$3.58 million, or 49 cents per diluted share (on 7.26 million weighted-average shares outstanding), in the comparable period a year ago. The decrease in weighted-average shares outstanding reflects the activity in the Company's stock buyback programs that included the repurchase of 110,000 shares of common stock in the quarter just ended.

"Our efforts to improve the results in our community banking business continue to pay off. I am very pleased with the progress that we are making," said Craig B. Blunden, Chairman, President and Chief Executive Officer of the Company. "Moreover,

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the transition strategies that we have deployed to buffer our mortgage banking results from the end of a long-running refinance cycle have been successful to date."

Return on average assets for the first quarter of fiscal 2005 was 1.24 percent, compared to 1.18 percent for the same period of fiscal 2004. Return on average stockholders' equity for the first quarter of fiscal 2005 was 15.35 percent, compared to 13.84 percent for the comparable period of fiscal 2004.

On a sequential quarter basis, net income for the first quarter of fiscal 2005 decreased by \$28,000 to \$4.26 million, or one percent, from \$4.28 million in the fourth quarter of fiscal 2004; and diluted earnings per share remained unchanged at 60 cents compared to the fourth quarter of fiscal 2004 results. Return on average assets decreased five basis points to 1.24 percent for the first quarter of fiscal 2005 from 1.29 percent in the fourth quarter of fiscal 2004, and return on average equity decreased 12 basis points to 15.35 percent for the first quarter of fiscal 2005 from 15.47 percent in the fourth quarter of fiscal 2004.

Net interest income after provision for loan losses increased \$927,000, or 11 percent, to \$9.31 million in the first quarter of fiscal 2005 from \$8.38 million for the same period in fiscal 2004. Non-interest income increased \$1.36 million, or 29 percent, to \$6.09 million in the first quarter of fiscal 2005 from \$4.73 million in the comparable period of fiscal 2004. Non-interest expense increased \$645,000, or nine percent, to \$7.61 million in the first quarter of fiscal 2005 from \$6.97 million in the comparable period in fiscal 2004.

The average balance of loans outstanding increased by \$152.5 million to \$1.03 billion in the first quarter of fiscal 2005 from \$872.9 million in the same quarter of fiscal

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2004, while the average yield decreased by 15 basis points to 5.73 percent in the first quarter of fiscal 2005 from an average yield of 5.88 percent in the same quarter of fiscal 2004. The decrease in the average loan yield was primarily attributable to higher yielding loans prepaying and new loans funded at an average yield below the existing loan portfolio yield. Total portfolio loan originations (including purchased loans) in the first quarter of fiscal 2005 were \$221.9 million, which consisted primarily of single-family, multi-family, commercial real estate and construction loans. This compares to total portfolio loan originations (including purchased loans) of \$176.3 million in the first quarter of fiscal 2004. The outstanding balance of "preferred loans" (multi-family, construction, commercial real estate and commercial business loans) increased by \$60.5 million, or 29 percent, to \$272.0 million at September 30, 2004 from \$211.5 million at September 30, 2003. The ratio of preferred loans to total portfolio loans increased to 28 percent at September 30, 2004 from 27 percent at September 30, 2003. Loan prepayments in the first quarter of fiscal 2005 were \$129.5 million, compared to \$119.0 million in the same quarter of fiscal 2004.

The average balance of deposits increased by \$98.8 million to \$871.2 million and the average cost of deposits decreased by 15 basis points to 1.61 percent in the first quarter of fiscal 2005, compared to an average balance of \$772.4 million and an average cost of 1.76 percent in the same quarter last year. Transaction account balances (core deposits) increased by \$26.0 million, or five percent, to \$543.5 million at September 30, 2004 from \$517.5 million at September 30, 2003. Time deposits increased by \$57.8 million, or 21 percent, to \$331.2 million at September 30, 2004 as compared to \$273.4 million at September 30, 2003.

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The average balance of FHLB advances increased by \$42.4 million to \$356.2 million, and the average cost of advances increased 17 basis points to 4.02 percent in the first quarter of fiscal 2005, compared to an average balance of \$313.8 million and an average cost of 3.85 percent in the same quarter of fiscal 2004. The increase in the average cost of FHLB advances was primarily the result of a lower percentage of overnight advances to total advances, which have a significantly lower average cost.

The net interest margin during the first quarter of fiscal 2005 increased 15 basis points to 3.03 percent, compared to 2.88 percent during the same quarter last year. On a sequential quarter basis, the net interest margin in the first quarter of fiscal 2005 increased eight basis points from 2.95 percent in the fourth quarter of fiscal 2004.

During the first quarter of fiscal 2005, the provision for loan losses was \$642,000, compared to no provision during the same period of fiscal 2004. The increase in the provision was primarily attributable to the growth in the loan portfolio during the quarter.

The increase in non-interest income in the first quarter of fiscal 2005 compared to the same period of fiscal 2004 was primarily the result of a gain on sale of investment securities and an increase in the gain on sale of loans. During the first quarter of fiscal 2005, the Company sold a portion of its investment in Freddie Mac common stock for a gain of \$384,000. The gain on sale of loans increased by \$1.2 million, or 38 percent, to \$4.4 million, which was primarily attributable to a higher average loan sale margin, partly offset by a lower volume of loans originated for sale. The loan sale margin was 153 basis points in the first quarter of fiscal 2005, up from 119 basis points in the prior year. The volume of loans originated for sale remained relatively strong, totaling \$299.3 million in

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the first quarter of fiscal 2005 as compared to \$343.0 million during the same period last year, as a result of relatively low mortgage interest rates and continued strength in the Southern California real estate market. Total loan originations (including purchased loans) was \$521.2 million in the first quarter of fiscal 2005, up from \$519.2 million in the same quarter of fiscal 2004.

In the first quarter of fiscal 2005, the fair-value adjustment of derivative financial instruments (Statement of Financial Accounting Standards ("SFAS") No. 133) on the consolidated statement of operations was a favorable \$69,000, compared to an unfavorable adjustment of \$17,000 in the same period last year. The fair-value adjustment for SFAS No. 133 is derived from changes in the market value of commitments to extend credit on loans to be held for sale, forward loan sale agreements and option contracts. The SFAS No. 133 adjustment is relatively volatile and may have an adverse impact on future earnings.

Non-interest expense for the first quarter of fiscal 2005 increased \$645,000, or nine percent, to \$7.6 million from \$7.0 million in the same quarter in fiscal 2004. The increase in non-interest expense was primarily the result of an increase in variable compensation expense related to loan production volume in the community banking business and the mortgage banking business. Although non-interest expense increased for the first quarter of fiscal 2005, the Company's efficiency ratio improved to 47 percent from 53 percent in the first quarter of fiscal 2004.

Non-performing assets decreased to \$1.1 million, or 0.07 percent of total assets, at September 30, 2004, compared to \$1.4 million, or 0.12 percent of total assets, at September 30, 2003. The allowance for loan losses was \$8.3 million at September 30,

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2004, or 0.86 percent of gross loans held for investment, compared to \$7.2 million, or 0.91 percent of gross loans held for investment, at September 30, 2003.

The effective income tax rate for the first quarter of fiscal 2005 was 45.4 percent as compared to 41.7 percent for the same quarter last year. The Company believes that the effective income tax rate applied in the first quarter of fiscal 2005 reflects its current income tax obligations.

The Company repurchased 110,000 shares of its common stock during the quarter ended September 30, 2004 at an average cost of \$23.23 per share. As of September 30, 2004, the Company has repurchased 31 percent of the shares authorized by the June 2004 Stock Repurchase Program, leaving 244,585 shares available for repurchase activity.

The Bank currently operates 12 retail/business banking offices in Riverside County and San Bernardino County (Inland Empire) along with 10 Provident Bank Mortgage loan production offices located throughout Southern California.

The Company will host a conference call for institutional investors and bank analysts on Friday, October 22, 2004 at 10:00 a.m. (Pacific Time) to discuss its financial results. The conference call can be accessed by dialing (888) 273-9885 and requesting the Provident Financial Holdings Earnings Release Conference Call. An audio replay of the conference call will be available through Friday, October 29, 2004 by dialing (800) 475-6701 and referencing access code number 749900.

For more financial information about the Company please visit the website at www.myprovident.com and click on the Investor Relations section.

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Safe-Harbor Statement

Certain matters in this News Release and the conference call noted above may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements may relate to, among others, expectations of the business environment in which the Company operates, projections of future performance, perceived opportunities in the market, potential future credit experience, and statements regarding the Company's mission and vision. These forward-looking statements are based upon current management expectations, and may, therefore, involve risks and uncertainties. The Company's actual results, performance, or achievements may differ materially from those suggested, expressed, or implied by forward-looking statements as a result of a wide range of factors including, but not limited to, the general business environment, interest rates, the California real estate market, competitive conditions between banks and non-bank financial services providers, regulatory changes, and other risks detailed in the Company's reports filed with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the fiscal year ended June 30, 2004.

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PROVIDENT FINANCIAL HOLDINGS, INC.
Consolidated Statements of Financial Condition

(Unaudited - In Thousands)

| | September 30, 2004 | June 30, 2004 |
|---|-----------------------|---------------------|
| Assets | | |
| Cash | \$ 35,323 | \$ 38,349 |
| Investment securities - held to maturity (fair value \$56,726 and \$61,250, respectively) | 57,035 | 62,200 |
| Investment securities - available for sale at fair value | 212,339 | 190,380 |
| Loans held for investment, net of allowance for loan losses of \$8,253 and \$7,614, respectively | 956,546 | 862,535 |
| Loans held for sale, at lower of cost or market | 12,371 | 20,127 |
| Receivable from sale of loans | 110,978 | 86,480 |
| Accrued interest receivable | 5,353 | 4,961 |
| Real estate held for investment, net | 10,195 | 10,176 |
| Federal Home Loan Bank stock | 30,823 | 27,883 |
| Premises and equipment, net | 7,749 | 7,912 |
| Prepaid expenses and other assets | 7,666 | 8,032 |
| Total assets | \$ 1,446,378 | \$ 1,319,035 |
| Liabilities and Stockholders' Equity | | |
| Liabilities: | | |
| Non-interest bearing deposits | \$ 44,975 | \$ 41,551 |
| Interest bearing deposits | 829,787 | 809,488 |
| Total deposits | 874,762 | 851,039 |
| Borrowings | 426,369 | 324,877 |
| Accounts payable, accrued interest and other liabilities | 33,169 | 33,137 |
| Total liabilities | 1,334,300 | 1,209,053 |
| Stockholders' equity: | | |

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| | | |
|--|------------------|------------------|
| Preferred stock, \$.01 par value; authorized 2,000,000 shares; none issued and outstanding | - | - |
| Common stock, \$.01 par value; authorized 15,000,000 shares; issued 11,910,565 and 11,898,565 shares, respectively; outstanding 6,993,029 and 7,091,719 shares, respectively | 119 | 119 |
| Additional paid-in capital | 57,573 | 57,186 |
| Retained earnings | 114,876 | 111,329 |
| Treasury stock at cost (4,917,536 and 4,806,846 shares, respectively) | (59,324) | (56,753) |
| Unearned stock compensation | (1,744) | (1,889) |
| Accumulated other comprehensive income (loss), net of tax | 578 | (10) |
| Total stockholders' equity | 112,078 | 109,982 |
| Total liabilities and stockholders' equity | \$ 1,446,378 | \$ 1,319,035 |

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PROVIDENT FINANCIAL HOLDINGS, INC.
Consolidated Statements of Operations

(Dollars in Thousands, Except Earnings Per Share) (Unaudited)

| | Quarter Ended September 30, | |
|---|--------------------------------|-----------|
| | 2004 | 2003 |
| Interest income | | |
| Loans receivable, net | \$ 14,683 | \$ 12,840 |
| Investment securities | 2,033 | 1,787 |
| FHLB stock | 370 | 230 |
| Interest-earning deposits | 5 | 4 |
| Total interest income | 17,091 | 14,861 |
| Interest expense | | |
| Checking and money market accounts | 295 | 365 |
| Savings accounts | 1,235 | 1,241 |
| Time deposits | 2,004 | 1,830 |
| Borrowings | 3,605 | 3,042 |
| Total interest expense | 7,139 | 6,478 |
| Net interest income | 9,952 | 8,383 |
| Provision for loan losses | 642 | - |
| Net interest income after provision for loan losses | 9,310 | 8,383 |
| Non-interest income | | |
| Loan servicing and other fees | 399 | 523 |
| Gain on sale of loans, net | 4,376 | 3,154 |
| Real estate operations, net | 120 | 190 |

| | | |
|---------------------------------------|----------|----------|
| Deposit account fees | 455 | 480 |
| Gain on sale of investment securities | 384 | - |
| Other | 359 | 379 |
| Total non-interest income | 6,093 | 4,726 |
| Non-interest expense | | |
| Salaries and employee benefits | 5,077 | 4,581 |
| Premises and occupancy | 671 | 655 |
| Equipment | 404 | 395 |
| Professional expenses | 220 | 158 |
| Sales and marketing expenses | 182 | 230 |
| Other | 1,056 | 946 |
| Total non-interest expense | 7,610 | 6,965 |
| Income before taxes | 7,793 | 6,144 |
| Provision for income taxes | 3,538 | 2,563 |
| Net income | \$ 4,255 | \$ 3,581 |
| Basic earnings per share | \$ 0.64 | \$ 0.53 |
| Diluted earnings per share | \$ 0.60 | \$ 0.49 |
| Cash dividends per share | \$ 0.10 | \$ 0.07 |

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PROVIDENT FINANCIAL HOLDINGS, INC.
Consolidated Statement of Operations - Sequential Quarter

(Dollars in Thousands, Except Earnings Per Share) (Unaudited)

| | Quarter Ended | |
|------------------------------------|-----------------------|------------------|
| | September 30, 2004 | June 30, 2004 |
| Interest income: | | |
| Loans receivable, net | \$ 14,683 | \$ 13,767 |
| Investment securities | 2,033 | 1,913 |
| FHLB stock | 370 | 268 |
| Interest-earning deposits | 5 | 8 |
| Total interest income | 17,091 | 15,956 |
| Interest expense: | | |
| Checking and money market accounts | 295 | 290 |
| Savings accounts | 1,235 | 1,278 |
| Time deposits | 2,004 | 1,687 |
| Borrowings | 3,605 | 3,282 |
| Total interest expense | 7,139 | 6,537 |
| Net interest income | 9,952 | 9,419 |
| Provision for loan losses | 642 | 130 |

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| | | |
|---|----------|----------|
| Net interest income after provision for loan losses | 9,310 | 9,289 |
| Non-interest income: | | |
| Loan servicing and other fees | 399 | 671 |
| Gain on sale of loans, net | 4,376 | 4,849 |
| Real estate operations, net | 120 | 30 |
| Deposit account fees | 455 | 454 |
| Gain on sale of investment securities | 384 | - |
| Other | 359 | 403 |
| Total non-interest income | 6,093 | 6,407 |
| Non-interest expense: | | |
| Salaries and employee benefits | 5,077 | 5,036 |
| Premises and occupancy | 671 | 631 |
| Equipment | 404 | 440 |
| Professional expenses | 220 | 222 |
| Sales and marketing expenses | 182 | 205 |
| Other | 1,056 | 1,066 |
| Total non-interest expense | 7,610 | 7,600 |
| Income before taxes | 7,793 | 8,096 |
| Provision for income taxes | 3,538 | 3,813 |
| Net income | \$ 4,255 | \$ 4,283 |
| Basic earnings per share | \$ 0.64 | \$ 0.64 |
| Diluted earnings per share | \$ 0.60 | \$ 0.60 |
| Cash dividends per share | \$ 0.10 | \$ 0.10 |

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PROVIDENT FINANCIAL HOLDINGS, INC.
Financial Highlights

(Unaudited)

| | 2004 | Quarter Ended September 30, 2003 |
|--|--------|--|
| SELECTED FINANCIAL RATIOS: | | |
| Return on average assets | 1.24% | 1.18% |
| Return on average stockholders' equity | 15.35% | 13.84% |
| Stockholders' equity to total assets | 7.75% | 8.81% |
| Net interest spread | 2.89% | 2.74% |
| Net interest margin | 3.03% | 2.88% |

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| | | |
|---|---------|---------|
| Efficiency ratio | 47.43% | 53.13% |
| Average interest-earning assets to average interest-bearing liabilities | 107.15% | 107.01% |

SELECTED FINANCIAL DATA:

| | | |
|---|-----------|-----------|
| Basic earnings per share | \$ 0.64 | \$ 0.53 |
| Diluted earnings per share | \$ 0.60 | \$ 0.49 |
| Book value per share | \$ 16.03 | \$ 14.31 |
| Shares used for basic EPS computation | 6,601,760 | 6,787,106 |
| Shares used for diluted EPS computation | 7,073,244 | 7,264,613 |
| Total shares issued and outstanding | 6,993,029 | 7,157,195 |

ASSET QUALITY RATIOS:

| | | |
|---|---------|---------|
| Non-performing loans to loans held for investment, net | 0.11% | 0.18% |
| Non-performing assets to total assets | 0.07% | 0.12% |
| Allowance for loan losses to non-performing loans | 768.44% | 509.75% |
| Allowance for loan losses to gross loans held for investments | 0.86% | 0.91% |

REGULATORY CAPITAL RATIOS:

| | | |
|---------------------------------|--------|--------|
| Tangible equity ratio | 6.43% | 7.24% |
| Tier 1 (core) capital ratio | 6.43% | 7.24% |
| Total risk-based capital ratio | 11.24% | 13.02% |
| Tier 1 risk-based capital ratio | 10.31% | 12.02% |

LOANS ORIGINATED FOR SALE (In Thousands):

| | | |
|---------------------------------|------------|------------|
| Retail originations | \$ 79,878 | \$ 167,425 |
| Wholesale originations | 219,392 | 175,534 |
| Total loans originated for sale | \$ 299,270 | \$ 342,959 |

LOANS SOLD AND SETTLED (In Thousands):

| | | |
|------------------------------|------------|------------|
| Servicing released | \$ 258,843 | \$ 333,094 |
| Servicing retained | 19,796 | 79,027 |
| Total loans sold and settled | \$ 278,639 | \$ 412,121 |

PROVIDENT FINANCIAL HOLDINGS, INC.
Financial Highlights

(Unaudited)

| INVESTMENT SECURITIES: | Balance | As of September 30, | | Balance | Rate |
|------------------------|---------|---------------------|------|---------|------|
| | | 2004 | 2003 | | |

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| | | | | |
|--|------------|-------|------------|-------|
| Held to maturity: | | | | |
| U.S. government agency securities | \$ 54,031 | 2.78% | \$ 50,546 | 2.79% |
| U.S. government MBS | 5 | 11.12 | 7 | 13.57 |
| Corporate bonds | 2,799 | 7.04 | 2,783 | 7.07 |
| Certificates of deposit | 200 | 1.23 | 200 | 1.13 |
| Total investment securities held to maturity | 57,035 | 2.98 | 53,536 | 3.02 |
| Available for sale (at fair value): | | | | |
| U.S. government agency securities | 24,622 | 2.86 | 26,445 | 2.67 |
| U.S. government MBS | 54,933 | 3.86 | - | - |
| U.S. government agency MBS | 122,835 | 3.72 | 138,084 | 4.09 |
| Private issue CMO | 9,533 | 3.66 | 17,407 | 3.68 |
| Freddie Mac common stock | 391 | | 628 | |
| Fannie Mae common stock | 25 | | 28 | |
| Total investment securities available for sale | 212,339 | 3.65 | 182,592 | 3.83 |
| Total investment securities | \$ 269,374 | 3.51% | \$ 236,128 | 3.64% |

| | As of September 30, | | | |
|---|---------------------|-------|------------|-------|
| | 2004 | | 2003 | |
| | Balance | Rate | Balance | Rate |
| LOANS HELD FOR INVESTMENT : | | | | |
| Single-family (1 to 4 units) | \$ 678,481 | 5.48% | \$ 575,728 | 5.53% |
| Multi-family (5 or more units) | 85,254 | 5.59 | 50,901 | 5.96 |
| Commercial real estate | 106,335 | 6.36 | 88,752 | 6.67 |
| Construction | 143,549 | 5.70 | 123,865 | 5.86 |
| Commercial business | 15,904 | 6.64 | 19,645 | 6.78 |
| Consumer | 881 | 8.22 | 921 | 8.33 |
| Other | 11,730 | 6.84 | 6,046 | 7.28 |
| Total loans held for investment | \$1,042,134 | 5.64% | \$ 865,858 | 5.76% |
| Undisbursed loan funds | (79,090) | | (71,647) | |
| Deferred loan costs | 1,755 | | 998 | |
| Allowance for loan losses | (8,253) | | (7,213) | |
| Total loans held for investment, net. | \$ 956,546 | | \$ 787,996 | |
| Purchased loans serviced by others included above | \$ 47,949 | 5.82% | \$ 48,319 | 6.51% |
| DEPOSITS : | | | | |
| Checking accounts - non-interest bearing | \$ 44,975 | -% | \$ 46,690 | -% |
| Checking accounts - interest bearing | 120,571 | 0.52 | 100,230 | 0.77 |
| Savings accounts | 331,146 | 1.46 | 325,243 | 1.60 |
| Money market accounts | 46,846 | 1.08 | 45,354 | 1.38 |

| | | | | |
|----------------|------------|-------|------------|-------|
| Time deposits | 331,224 | 2.64 | 273,424 | 2.51 |
| Total deposits | \$ 874,762 | 1.68% | \$ 790,941 | 1.70% |

Note: The interest rate or yield/cost described in the rate or yield/cost column is the weighted-average interest rate or yield/cost of all instruments, which are included in the balance of the respective line item.

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PROVIDENT FINANCIAL HOLDINGS, INC.
Financial Highlights

(Unaudited)

| | As of September 30, | | 2003 | |
|--------------------------------|---------------------|-------|------------|-------|
| | 2004 | Rate | Balance | Rate |
| BORROWINGS: | Balance | | Balance | Rate |
| Overnight | \$ 110,500 | 1.94% | \$ - | -% |
| Six month or less | 10,000 | 5.79 | 18,031 | 5.78 |
| Over six months to one year | 5,000 | 6.50 | 15,000 | 6.01 |
| Over one year to two years | 32,000 | 3.37 | 15,000 | 6.03 |
| Over two years to three years | 55,000 | 3.43 | 37,000 | 3.41 |
| Over three years to four years | 42,000 | 3.80 | 35,000 | 3.69 |
| Over four years to five years | 50,000 | 3.74 | 37,000 | 3.82 |
| Over five years | 121,869 | 4.95 | 86,900 | 5.26 |
| Total borrowings | \$ 426,369 | 3.64% | \$ 243,931 | 4.67% |

| SELECTED AVERAGE BALANCE SHEETS: | Quarter Ended | |
|------------------------------------|--------------------|--------------------|
| | September 30, 2004 | September 30, 2003 |
| | Balance | Balance |
| Loans receivable, net (1) | \$1,025,428 | \$ 872,944 |
| Investment securities | 259,483 | 267,192 |
| FHLB stock | 28,783 | 21,079 |
| Interest earning deposits | 1,467 | 1,144 |
| Total interest earning assets | \$1,315,161 | \$1,162,359 |
| Deposits | \$ 871,193 | \$ 772,405 |
| Borrowings | 356,209 | 313,797 |
| Total interest bearing liabilities | \$1,227,402 | \$1,086,202 |

Quarter Ended
September 30,
2004 2003

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| | Yield/Cost | Yield/Cost |
|------------------------------------|------------|------------|
| Loans receivable, net (1) | 5.73% | 5.88% |
| Investment securities | 3.13% | 2.68% |
| FHLB stock | 5.14% | 4.36% |
| Interest earning deposits | 1.36% | 1.40% |
| Total interest earning assets | 5.20% | 5.11% |
| Deposits | 1.61% | 1.76% |
| Borrowings | 4.02% | 3.85% |
| Total interest bearing liabilities | 2.31% | 2.37% |

(1) Includes loans held for sale.

Note: Note: The interest rate or yield/cost described in the rate or yield/cost column is the weighted-average interest rate or yield/cost of all instruments, which are included in the balance of the respective line item.