

COMMERCIAL FEDERAL CORP
Form 10-Q
November 09, 2005

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 September 30, 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
(State or other jurisdiction of

47-0658852
(I. R. S. Employer

Edgar Filing: COMMERCIAL FEDERAL CORP - Form 10-Q

incorporation or organization)

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

Indicate by check mark whether the registrant is a shell company as defined in Rule 12b-2 of the Securities Exchange

Act of 1934. YES NO

As of October 31, 2005, the registrant had 38,290,523 shares outstanding of its common stock, par value \$.01 per share.

COMMERCIAL FEDERAL CORPORATION

FORM 10-Q

INDEX

	Page Number
Part I. <u>Financial Information</u>	
Item 1. <u>Financial Statements:</u>	
<u>Condensed Consolidated Statement of Financial Condition as of September 30, 2005 and December 31, 2004</u>	3
<u>Condensed Consolidated Statement of Operations for the Three and Nine Months Ended September 30, 2005 and 2004</u>	4
<u>Condensed Consolidated Statement of Comprehensive Income for the Three and Nine Months Ended September 30, 2005 and 2004</u>	6
<u>Condensed Consolidated Statement of Cash Flows for the Nine Months Ended September 30, 2005 and 2004</u>	7
<u>Notes to Condensed Consolidated Financial Statements</u>	9
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	22
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	40
Item 4. <u>Controls and Procedures</u>	40
Part II. <u>Other Information</u>	
Item 1. <u>Legal Proceedings</u>	41
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	41
Item 5. <u>Other Information</u>	42
Item 6. <u>Exhibits</u>	42
<u>Signatures</u>	43

PART I. FINANCIAL INFORMATION**Item 1. FINANCIAL STATEMENTS****COMMERCIAL FEDERAL CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL CONDITION****(Unaudited)**

(Dollars in Thousands Except Par Value)	September 30, 2005	December 31, 2004
ASSETS		
Cash (including short-term investments of \$3,158 and \$35,334)	\$ 172,906	\$ 189,179
Investment securities available for sale, at fair value	510,420	1,071,223
Mortgage-backed securities available for sale, at fair value	610,705	996,844
Loans held for sale, net	49,744	276,772
Loans receivable, net of allowances of \$89,266 and \$89,841	7,850,988	7,698,970
Federal Home Loan Bank stock	169,166	204,409
Foreclosed real estate	13,710	17,835
Premises and equipment, net	183,560	174,394
Bank owned life insurance	253,687	251,581
Other assets	180,890	395,099
Core value of deposits, net of accumulated amortization of \$71,530 and \$68,619	9,519	12,430
Goodwill	159,229	162,717
Total Assets	\$ 10,164,524	\$ 11,451,453
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Deposits	\$ 6,066,243	\$ 6,422,783
Advances from Federal Home Loan Bank	2,810,225	3,685,630
Other borrowings	428,637	310,958
Other liabilities	86,935	242,752
Total Liabilities	9,392,040	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; 38,287,922 and 39,254,139 shares issued and outstanding	383	393
Retained earnings	766,453	826,169
Accumulated other comprehensive income (loss), net	5,648	(37,232)
Total Stockholders Equity	772,484	789,330
Total Liabilities and Stockholders Equity	\$ 10,164,524	\$ 11,451,453

See accompanying Notes to Condensed Consolidated Financial Statements.

COMMERCIAL FEDERAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(Unaudited)

(Dollars in Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Interest Income:				
Loans receivable	\$ 126,361	\$ 116,447	\$ 361,485	\$ 356,308
Mortgage-backed securities	7,029	10,930	24,736	34,943
Investment securities	8,440	14,628	31,125	42,543
Total interest income	141,830	142,005	417,346	433,794
Interest Expense:				
Deposits	33,807	28,765	99,097	85,449
Advances from Federal Home Loan Bank	33,717	45,191	104,023	132,816
Other borrowings	6,799	3,960	23,399	9,047
Total interest expense	74,323	77,916	226,519	227,312
Net Interest Income	67,507	64,089	190,827	206,482
Provision for Loan Losses	(7,878)	(2,869)	(20,277)	(10,828)
Net Interest Income After Provision for Loan Losses	59,629	61,220	170,550	195,654
Other Income (Loss):				
Retail fees and charges	21,151	17,625	56,106	49,003
Loan servicing fees, net of mortgage servicing rights amortization	793	138	4,361	(5,213)
Mortgage servicing rights valuation adjustment, net	(2)	(21,644)	7,598	(1,671)
Gain (loss) on sales of securities		12,588	(16,621)	(1,787)
Changes in fair values of derivatives, net	(766)	8,665	(2,052)	2,432
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	76		3,382	
Gain on sales of loans	2,637	1,393	5,927	4,107
Bank owned life insurance	2,812	2,900	8,684	13,946
Other operating income	10,252	7,926	22,385	21,690
Total other income	36,953	29,591	6,582	82,507
Other Expense:				
General and administrative expenses -				
Compensation and benefits	32,615	30,582	99,971	95,005
Occupancy and equipment	9,758	9,825	28,997	29,983
Data processing	5,478	4,698	15,656	13,962
Advertising	3,690	2,963	8,180	10,458
Communication	3,107	3,263	9,165	9,741
Item processing	2,872	3,195	8,650	9,381
Outside services	2,526	4,087	8,414	11,831
Loan expenses	588	1,494	3,407	5,444
Foreclosed real estate, net	415	643	2,359	1,351
Other operating expenses	3,309	2,266	8,157	11,724
Merger costs	558		8,136	

Edgar Filing: COMMERCIAL FEDERAL CORP - Form 10-Q

Exit costs	75		3,731	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total general and administrative expenses	64,991	63,016	204,823	198,880
Amortization of core value of deposits	964	984	2,911	3,419
Impairment of goodwill			3,488	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total other expense	65,955	64,000	211,222	202,299
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Income (Loss) Before Income Taxes	30,627	26,811	(34,090)	75,862
Income Tax Provision (Benefit)	7,590	6,578	(17,882)	19,009
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Income (Loss)	\$ 23,037	\$ 20,233		