

PROVIDENT FINANCIAL HOLDINGS INC  
Form 8-K  
January 20, 2005

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): **January 20, 2005**

**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 January 20, 2005, Provident Financial Holdings, Inc. issued its earnings release for the second quarter ended December 31, 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 January 20, 2005.

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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: January 20, 2005

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

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3756 Central Avenue  
Riverside, CA 92506

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

Contacts:

Donavon P. Ternes, CFO

PROVIDENT FINANCIAL HOLDINGS, INC.  
REPORTS RECORD QUARTERLY EARNINGS

Second Quarter Net Income Increases

63%

Second Quarter EPS of \$0.71, Up 65%

Second Quarter ROE of 17.60%

Community Banking Momentum Continues

Solid Mortgage Banking Results

Riverside, Calif. - January 20, 2005 - Provident Financial Holdings, Inc. ("Company"), Nasdaq: PROV, the holding company for Provident Savings Bank, F.S.B. ("Bank"), today announced record earnings (see Note 1) for the second quarter of its fiscal year ending June 30, 2005.

For the quarter ended December 31, 2004, the Company reported net income of \$5.03 million, or 71 cents per diluted share (on 7.11 million weighted-average shares outstanding), compared to net income of \$3.09 million, or 43 cents per diluted share (on 7.16 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 program.

"I am pleased that we have been able to grow our Bank commensurate with the growth of the Inland Empire. Through the hard work and dedication of our employees we are quickly becoming the community bank of choice in this region," said Craig G.

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Blunden, Chairman, President and Chief Executive Officer of the Company. "Moreover, I am encouraged by our future growth opportunities since the Inland Empire is expected to remain one of the fastest growing regions in the country."

Return on average assets for the second quarter of fiscal 2005 was 1.37 percent, compared to 0.99 percent for the same period of fiscal 2004. Return on average stockholders' equity for the second quarter of fiscal 2005 was 17.60 percent, compared to 11.90 percent for the comparable period of fiscal 2004.

On a sequential quarter basis, net income for the second quarter of fiscal 2005 increased by \$779,000 to \$5.03 million, or 18 percent, from \$4.26 million in the first quarter of fiscal 2005; and diluted earnings per share increased 11 cents to 71 cents, or 18 percent, from 60 cents in the first quarter of fiscal 2005. Return on average assets increased 13 basis points to 1.37 percent for the second quarter of fiscal 2005 from 1.24 percent in the first quarter of fiscal 2005, and return on average equity increased to 17.60 percent for the second quarter of fiscal 2005 from 15.35 percent in the first quarter of fiscal 2005.

For the six months ended December 31, 2004, net income was \$9.29 million, an increase of 39 percent from net income of \$6.67 million for the comparable period ended December 31, 2003; and diluted earnings per share for the

six months ended December 31, 2004 increased \$0.39, or 42 percent, to \$1.31 from \$0.92 for the comparable period last year. Return on average assets for the six months ended December 31, 2004 was 1.31 percent, compared to 1.07 percent for the six-month period a year earlier. Return on average stockholders' equity for the six months ended

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December 31, 2004 was 16.50 percent, compared to 12.87 percent for the six-month period a year earlier.

Net interest income after provision for loan losses increased \$1.6 million, or 19 percent, to \$10.12 million in the second quarter of fiscal 2005 from \$8.52 million for the same period in fiscal 2004. Non-interest income increased \$2.4 million, or 58 percent, to \$6.50 million in the second quarter of fiscal 2005 from \$4.11 million in the comparable period of fiscal 2004. Non-interest expense increased \$824,000, or 11 percent, to \$8.04 million in the second quarter of fiscal 2005 from \$7.22 million in the comparable period in fiscal 2004.

The average balance of loans outstanding increased by \$214.2 million to \$1.12 billion in the second quarter of fiscal 2005 from \$901.8 million in the same quarter of fiscal 2004, while the average yield decreased by 10 basis points to 5.65 percent in the second quarter of fiscal 2005 from an average yield of 5.75 percent in the same quarter of fiscal 2004. The decrease in the average loan yield is attributed 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 second quarter of fiscal 2005 were \$216.1 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 \$190.8 million in the second quarter of fiscal 2004. The outstanding balance of "preferred loans" (multi-family, commercial real estate, construction and commercial business loans) increased by \$62.6 million, or 28 percent, to \$283.2 million at December 31, 2004 from \$220.6 million at December 31, 2003. The ratio of preferred loans to total portfolio loans increased to 27 percent at

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December 31, 2004 from 25 percent at December 31, 2003. Loan prepayments in the second quarter of fiscal 2005 were \$125.9 million, compared to \$103.1 million in the same quarter of fiscal 2004.

The average balance of deposits increased by \$102.3 million to \$912.2 million and the average cost of deposits increased by 7 basis points to 1.72 percent in the second quarter of fiscal 2005, compared to an average balance of \$809.9 million and an average cost of 1.65 percent in the same quarter last year. Transaction account balances (core deposits) decreased by \$26.5 million, or five percent, to \$530.1 million at December 31, 2004 from \$556.6 million at December 31, 2003. Time deposits increased by \$127.9 million, or 50 percent, to \$381.3 million at December 31, 2004 as compared to \$253.4 million at December 31, 2003. The increase is primarily attributable to the Company's successful time deposit marketing campaigns designed to lock-in fixed rate deposits during a low rate environment.

The average balance of FHLB advances increased by \$113.9 million to \$413.9 million, and the average cost of advances decreased 32 basis points to 3.76 percent in the second quarter of fiscal 2005, compared to an average balance of \$300.0 million and an average cost of 4.08 percent in the same quarter of fiscal 2004. The decrease in the average cost of FHLB advances was primarily attributable to maturities of higher costing advances and a higher percentage of overnight advances to total advances, which have a significantly lower average cost.

The net interest margin during the second quarter of fiscal 2005 decreased 2 basis points to 2.93 percent, compared to 2.95 percent during the same quarter last year. For the six months ended December 31, 2004, the net interest margin increased to 2.98

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percent, compared to 2.92 percent during the same period last year. On a sequential quarter basis, the net interest margin in the second quarter of fiscal 2005 decreased by 10 basis points from 3.03 percent in the first quarter of fiscal 2005.

During the second quarter of fiscal 2005, the provision for loan losses was \$260,000 compared to \$269,000 during the same period of fiscal 2004. The decrease in the provision was attributable to specific valuation allowance recoveries on two classified commercial business loans partially offset by new provisions for loan losses as a result of loan portfolio growth.

The increase in non-interest income in the second quarter of fiscal 2005 compared to the same period of fiscal 2004 was primarily the result of an increase in the gain on sale of loans. The gain on sale of loans increased by \$2.3 million, or 86 percent, to \$5.1 million, which was primarily attributable to a higher volume of loans originated for sale. The mortgage banking loan sale margin was 151 basis points in the second quarter of fiscal 2005, down from 154 basis points in the prior year. The volume of loans originated for sale remained strong, \$310.9 million in the second quarter of fiscal 2005 as compared to \$193.4 million during the same period last year, the result of relatively low mortgage interest rates and continued strength in the Southern California real estate market. Total loan originations (including purchased loans) were \$527.0 million in the second quarter of fiscal 2005, up from \$384.2 million in the same quarter of fiscal 2004.

In the second 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 \$132,000, compared to an unfavorable adjustment of \$244,000 in the same period last year. The fair-value

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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 second quarter of fiscal 2005 increased \$824,000, or 11 percent, to \$8.0 million from \$7.2 million in the same quarter in fiscal 2004. The increase in non-interest expense was primarily the result of an increase in variable expenses related to loan production volume in the community banking business and the mortgage banking business. Although non-interest expense increased for the second quarter of fiscal 2005, the Company's efficiency ratio improved to 48 percent from 56 percent in the second quarter of fiscal 2004. For the six months ended December 31, 2004 the efficiency ratio improved to 48 percent from 55 percent during the same period in fiscal 2004.

Non-performing assets decreased to \$1.1 million, or 0.08 percent of total assets, at December 31, 2004, compared to \$2.5 million, or 0.19 percent of total assets, at December 31, 2003. The allowance for loan losses was \$8.5 million at December 31, 2004, or 0.81 percent of gross loans held for investment, compared to \$7.5 million, or 0.85 percent of gross loans held for investment, at December 31, 2003.

The effective income tax rate for the second quarter of fiscal 2005 was 41.3 percent as compared to 42.9 percent for the same quarter last year. The Company believes that the effective income tax rate applied in the second quarter of fiscal 2005 reflects its current income tax obligations but anticipates the effective income tax rate for the remainder of the fiscal year to be approximately 43.2 percent.

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During the quarter ended December 31, 2004, the Company did not repurchase any of its common stock. As of December 31, 2004, the Company has repurchased 31 percent of the shares authorized by the June 2004 Stock

Repurchase Program, leaving 244,585 shares available for future repurchase activity.

The Bank currently operates 12 retail/business banking offices in Riverside County and San Bernardino County (Inland Empire) along with 11 Provident Bank Mortgage loan production offices located throughout Southern California. The eleventh loan production office opened in January 2005 in Huntington Beach, California.

The Company will host a conference call for institutional investors and bank analysts on Friday, January 21, 2005 at 10:00 a.m. (Pacific Time Zone) to discuss its financial results. Access to the conference call can be gained by dialing (877) 209-0397 and requesting the Provident Financial Holdings Earnings Release Conference Call. An audio replay of the conference call will be available through Friday, January 28, 2005 by dialing (800) 475-6701 and referencing access code number 764991.

For more financial information about the Company please visit the website at [www.myprovident.com](http://www.myprovident.com) and click on the Investor Relations section.

Note 1: The record high earnings and the record high diluted earnings per share for the current quarter is determined by comparing current earnings to prior quarters' earnings, excluding the non-recurring property gain of \$3.57 million (net of taxes) reported in the fourth quarter of fiscal 1999.

#### 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

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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)

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|  | December 31,<br>2004 | June 30,<br>2004    |
|--|----------------------|---------------------|
| <b>Assets</b>  |                      |                     |
| Cash and cash equivalents  | \$ 17,467            | \$ 38,349           |
| Investment securities - held to maturity<br>(fair value \$54,399 and \$61,250, respectively)   | 55,227               | 62,200              |
| Investment securities - available for sale at fair value   | 207,738              | 190,380             |
| Loans held for investment, net of allowance for loan losses of<br>\$8,510 and \$7,614, respectively  | 1,039,248            | 862,535             |
| Loans held for sale, at lower of cost or market  | 9,884                | 20,127              |
| Receivable from sale of loans  | 122,274              | 86,480              |
| Accrued interest receivable  | 5,297                | 4,961               |
| Real estate held for investment, net   | 10,043               | 10,176              |
| Federal Home Loan Bank stock   | 33,598               | 27,883              |
| Premises and equipment, net  | 7,608                | 7,912               |
| Prepaid expenses and other assets  | 8,102                | 8,032               |
| <b>Total assets</b>  | <b>\$ 1,516,486</b>  | <b>\$ 1,319,035</b> |
| <b>Liabilities and Stockholders' Equity</b>  |                      |                     |
| <b>Liabilities:</b>  |                      |                     |
| Non-interest bearing deposits  | \$ 45,061            | \$ 41,551           |
| Interest bearing deposits  | 866,330              | 809,488             |
| Total deposits   | 911,391              | 851,039             |
| <br>Borrowings   | <br>463,361          | <br>324,877         |
| Accounts payable, accrued interest and other liabilities   | 25,302               | 33,137              |
| Total liabilities  | 1,400,054            | 1,209,053           |
| <b>Stockholders' equity:</b>   |                      |                     |
| Preferred stock, \$.01 par value; authorized 2,000,000 shares;<br>none issued and outstanding  | -                    | -                   |
| Common stock, \$.01 par value; authorized 15,000,000 shares;<br>issued 11,933,090 and 11,898,565 shares, respectively;<br>outstanding 7,011,935 and 7,091,719 shares, respectively | 119                  | 119                 |
| Additional paid-in capital   | 58,177               | 57,186              |
| Retained earnings  | 118,931              | 111,329             |
| Treasury stock at cost (4,921,155 and 4,806,846 shares,<br>respectively)   | (59,427)             | (56,753)            |
| Unearned stock compensation  | (1,581)              | (1,889)             |
| Accumulated other comprehensive income (loss), net of tax  | 213                  | (10)                |
| <b>Total stockholders' equity</b>  | <b>116,432</b>       | <b>109,982</b>      |
| <b>Total liabilities and stockholders' equity</b>  | <b>\$ 1,516,486</b>  | <b>\$ 1,319,035</b> |

PROVIDENT FINANCIAL HOLDINGS, INC.  
Consolidated Statement of Operations

(Unaudited - In Thousands, Except Earnings Per Share)

|   | Quarter Ended<br>December 31, |           | Six Months Ended<br>December 31, |           |
|---|-------------------------------|-----------|----------------------------------|-----------|
|   | 2004                          | 2003      | 2004                             | 2003      |
| Interest income:                                    |                               |           |                                  |           |
| Loans receivable, net                               | \$ 15,766                     | \$ 12,966 | \$ 30,449                        | \$ 25,806 |
| Investment securities                               | 2,171                         | 2,074     | 4,204                            | 3,861     |
| Federal Home Loan Bank stock                        | 303                           | 203       | 673                              | 433       |
| Interest earning deposits                           | 6                             | 6         | 11                               | 10        |
| Total interest income                               | 18,246                        | 15,249    | 35,337                           | 30,110    |
| Interest expense:                                   |                               |           |                                  |           |
| Checking and money market deposits                  | 294                           | 375       | 589                              | 740       |
| Savings deposits                                    | 1,172                         | 1,389     | 2,407                            | 2,630     |
| Time deposits                                       | 2,483                         | 1,609     | 4,487                            | 3,439     |
| Borrowings  | 3,922                         | 3,088     | 7,527                            | 6,130     |
| Total interest expense                              | 7,871                         | 6,461     | 15,010                           | 12,939    |
| Net interest income                                 | 10,375                        | 8,788     | 20,327                           | 17,171    |
| Provision for loan losses                           | 260                           | 269       | 902                              | 269       |
| Net interest income after provision for loan losses | 10,115                        | 8,519     | 19,425                           | 16,902    |
| Non-interest income:                                |                               |           |                                  |           |
| Loan servicing and other fees                       | 450                           | 543       | 849                              | 1,066     |
| Gain on sale of loans, net                          | 5,085                         | 2,739     | 9,461                            | 5,893     |
| Real estate operations, net                         | 151                           | 13        | 271                              | 203       |
| Deposit account fees                                | 420                           | 504       | 875                              | 984       |
| Gain on sale of investment securities               | -                             | -         | 384                              | -         |
| Other   | 391                           | 315       | 750                              | 694       |
| Total non-interest income                           | 6,497                         | 4,114     | 12,590                           | 8,840     |
| Non-interest expense:                               |                               |           |                                  |           |
| Salaries and employee benefits                      | 5,314                         | 4,666     | 10,391                           | 9,247     |
| Premises and occupancy                              | 633                           | 568       | 1,304                            | 1,223     |
| Equipment   | 387                           | 454       | 791                              | 849       |
| Professional expenses                               | 285                           | 229       | 505                              | 387       |
| Sales and marketing expenses                        | 269                           | 306       | 451                              | 536       |
| Other   | 1,151                         | 992       | 2,207                            | 1,938     |
| Total non-interest expense                          | 8,039                         | 7,215     | 15,649                           | 14,180    |
| Income before taxes                                 | 8,573                         | 5,418     | 16,366                           | 11,562    |
| Provision for income taxes                          | 3,539                         | 2,327     | 7,077                            | 4,890     |
| Net income  | \$ 5,034                      | \$ 3,091  | \$ 9,289                         | \$ 6,672  |
| Basic earnings per share                            | \$ 0.77                       | \$ 0.46   | \$ 1.41                          | \$ 0.99   |
| Diluted earnings per share                          | \$ 0.71                       | \$ 0.43   | \$ 1.31                          | \$ 0.92   |
| Cash dividends per share                            | \$ 0.14                       | \$ 0.07   | \$ 0.24                          | \$ 0.13   |



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

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

|   | Quarter Ended        |                       |
|---|----------------------|-----------------------|
|   | December 31,<br>2004 | September 30,<br>2004 |
| <b>Interest income:</b>                             |                      |                       |
| Loans receivable, net                               | \$ 15,766            | \$ 14,683             |
| Investment securities                               | 2,171                | 2,033                 |
| Federal Home Loan Bank stock                        | 303                  | 370                   |
| Interest-earning deposits                           | 6                    | 5                     |
| Total interest income                               | 18,246               | 17,091                |
| <b>Interest expense:</b>                            |                      |                       |
| Checking and money market deposits                  | 294                  | 295                   |
| Savings deposits                                    | 1,172                | 1,235                 |
| Time deposits                                       | 2,483                | 2,004                 |
| Borrowings  | 3,922                | 3,605                 |
| Total interest expense                              | 7,871                | 7,139                 |
| Net interest income                                 | 10,375               | 9,952                 |
| Provision for loan losses                           | 260                  | 642                   |
| Net interest income after provision for loan losses | 10,115               | 9,310                 |
| <b>Non-interest income:</b>                         |                      |                       |
| Loan servicing and other fees                       | 450                  | 399                   |
| Gain on sale of loans, net                          | 5,085                | 4,376                 |
| Real estate operations, net                         | 151                  | 120                   |
| Deposit account fees                                | 420                  | 455                   |
| Gain on sale of investment securities               | -                    | 384                   |
| Other   | 391                  | 359                   |
| Total non-interest income                           | 6,497                | 6,093                 |
| <b>Non-interest expense:</b>                        |                      |                       |
| Salaries and employee benefits                      | 5,314                | 5,077                 |
| Premises and occupancy                              | 633                  | 671                   |
| Equipment   | 387                  | 404                   |
| Professional expenses                               | 285                  | 220                   |
| Sales and marketing expenses                        | 269                  | 182                   |
| Other   | 1,151                | 1,056                 |
| Total non-interest expense                          | 8,039                | 7,610                 |
| Income before taxes                                 | 8,573                | 7,793                 |
| Provision for income taxes                          | 3,539                | 3,538                 |

|                            |          |          |
|----------------------------|----------|----------|
| Net income                 | \$ 5,034 | \$ 4,255 |
| Basic earnings per share   | \$ 0.77  | \$ 0.64  |
| Diluted earnings per share | \$ 0.71  | \$ 0.60  |
| Cash dividends per share   | \$ 0.14  | \$ 0.10  |

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PROVIDENT FINANCIAL HOLDINGS, INC.  
Financial Highlights

(Unaudited)

|   | Quarter Ended<br>December 31,<br>2004 | 2003      | Six Months Ended<br>December 31,<br>2004 | 2003      |
|---|---------------------------------------|-----------|--|-----------|
| <b>SELECTED FINANCIAL RATIOS:</b>   |                                       |           |  |           |
| Return on average assets  | 1.37%                                 | 0.99%     | 1.31%                                    | 1.07%     |
| Return on average stockholders' equity  | 17.60%                                | 11.90%    | 16.50%                                   | 12.87%    |
| Stockholders' equity to total assets  | 7.68%                                 | 8.10%     | 7.68%                                    | 8.10%     |
| Net interest spread   | 2.80%                                 | 2.81%     | 2.84%                                    | 2.78%     |
| Net interest margin   | 2.93%                                 | 2.95%     | 2.98%                                    | 2.92%     |
| Efficiency ratio  | 47.65%                                | 55.92%    | 47.54%                                   | 54.52%    |
| Average interest earning assets to<br>average<br>interest bearing liabilities | 106.91%                               | 107.25%   | 107.02%                                  | 107.17%   |
| <b>SELECTED FINANCIAL DATA:</b>   |                                       |           |  |           |
| Basic earnings per share  | \$ 0.77                               | \$ 0.46   | \$ 1.41                                  | \$ 0.99   |
| Diluted earnings per share  | \$ 0.71                               | \$ 0.43   | \$ 1.31                                  | \$ 0.92   |
| Book value per share  | \$ 16.60                              | \$ 14.55  | \$ 16.60                                 | \$ 14.55  |
| Shares used for basic EPS computation   | 6,576,530                             | 6,695,202 | 6,589,145                                | 6,741,154 |
| Shares used for diluted EPS computation                                       | 7,107,785                             | 7,163,052 | 7,090,564                                | 7,214,120 |
| Total shares issued and outstanding   | 7,011,935                             | 7,226,888 | 7,011,935                                | 7,226,888 |
| <b>ASSET QUALITY RATIOS:</b>  |                                       |           |  |           |
| Non-performing loans to loans held for<br>investment, net                     | 0.11%                                 | 0.29%     |  |           |
| Non-performing assets to total assets   | 0.08%                                 | 0.19%     |  |           |
| Allowance for loan losses to<br>non-performing loans                          | 742.58%                               | 299.56%   |  |           |
| Allowance for loan losses to gross loans<br>held for<br>investment            | 0.81%                                 | 0.85%     |  |           |
| <b>REGULATORY CAPITAL RATIOS:</b>   |                                       |           |  |           |
| Tangible equity ratio   | 6.31%                                 | 6.62%     |  |           |
| Tier 1 (core) capital ratio   | 6.31%                                 | 6.62%     |  |           |

|                                 |        |        |
|---------------------------------|--------|--------|
| Total risk-based capital ratio  | 11.18% | 12.09% |
| Tier 1 risk-based capital ratio | 10.24% | 11.14% |

## LOANS ORIGINATED FOR SALE (In Thousands):

|                                 |            |            |            |            |
|---------------------------------|------------|------------|------------|------------|
| Retail originations             | \$ 93,099  | \$ 77,591  | \$ 176,351 | \$ 245,016 |
| Wholesale originations          | 217,798    | 115,797    | 435,809    | 291,331    |
| Total loans originated for sale | \$ 310,897 | \$ 193,388 | \$ 612,160 | \$ 536,347 |

## LOANS SOLD AND SETTLED (In Thousands):

|                              |            |            |            |            |
|------------------------------|------------|------------|------------|------------|
| Servicing released           | \$ 289,872 | \$ 155,684 | \$ 548,715 | \$ 488,777 |
| Servicing retained           | 19,900     | 44,127     | 39,696     | 123,155    |
| Total loans sold and settled | \$ 309,772 | \$ 199,811 | \$ 588,411 | \$ 611,932 |

PROVIDENT FINANCIAL HOLDINGS, INC.  
Financial Highlights

(Unaudited - Dollars In Thousands)

|  | As of December 31, |       |   |            |       |   |
|--|--------------------|-------|---|------------|-------|---|
|  | 2004               |       |   | 2003       |       |   |
|  | Balance            | Rate  |   | Balance    | Rate  |   |
| <b>INVESTMENT SECURITIES:</b>                  |                    |       |   |            |       |   |
| Held to maturity:                              |                    |       |   |            |       |   |
| U.S. government agency securities              | \$ 54,030          | 2.78  | % | \$ 73,402  | 3.04  | % |
| U.S. government MBS                            | 4                  | 10.79 |   | 7          | 12.91 |   |
| Corporate bonds                                | 993                | 6.80  |   | 2,788      | 7.06  |   |
| Certificates of deposit                        | 200                | 1.38  |   | 200        | 1.05  |   |
| Total investment securities held to maturity   | 55,227             | 2.85  |   | 76,397     | 3.19  |   |
| Available for sale (at fair value):            |                    |       |   |            |       |   |
| U.S. government agency securities              | 24,441             | 2.86  |   | 36,296     | 2.86  |   |
| U.S. government MBS                            | 63,658             | 3.94  |   | -          | -     |   |
| U.S. government agency MBS                     | 110,568            | 3.72  |   | 162,316    | 3.81  |   |
| Private issue CMO                              | 8,601              | 3.66  |   | 15,367     | 3.68  |   |
| Freddie Mac common stock                       | 442                |       |   | 700        |       |   |
| Fannie Mae common stock                        | 28                 |       |   | 29         |       |   |
| Total investment securities available for sale | 207,738            | 3.68  |   | 214,708    | 3.63  |   |
| Total investment securities                    | \$ 262,965         | 3.50  | % | \$ 291,105 | 3.51  | % |
| <b>LOANS HELD FOR INVESTMENT:</b>              |                    |       |   |            |       |   |
| Single-family (1 to 4 units)                   | \$ 750,088         | 5.47  | % | \$ 647,836 | 5.47  | % |
| Multi-family (5 or more units)                 | 84,912             | 5.58  |   | 58,904     | 5.95  |   |
| Commercial real estate                         | 118,471            | 6.37  |   | 91,746     | 6.61  |   |
| Construction                                   | 143,705            | 6.19  |   | 126,005    | 5.50  |   |
| Commercial business                            | 15,895             | 6.99  |   | 18,027     | 6.85  |   |
| Consumer                                       | 738                | 8.80  |   | 932        | 8.16  |   |

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|   |             |      |   |            |        |
|---|-------------|------|---|------------|--------|
| Other   | 11,497      | 7.02 |   | 6,811      | 7.03   |
| Total loans held for investment                   | 1,125,306   | 5.70 | % | 950,261    | 5.65 % |
| Undisbursed loan funds                            | (79,777)    |      |   | (74,081)   |        |
| Deferred loan costs                               | 2,229       |      |   | 1,388      |        |
| Allowance for loan losses                         | (8,510)     |      |   | (7,480)    |        |
| Total loans held for investment, net              | \$1,039,248 |      |   | \$ 870,088 |        |
| Purchased loans serviced by others included above | \$ 40,889   | 5.98 | % | \$ 35,635  | 6.40 % |
| DEPOSITS :  |             |      |   |            |        |
| Checking accounts - non-interest bearing          | \$ 45,061   | -    | % | \$ 45,756  | - %    |
| Checking accounts - interest bearing              | 124,842     | 0.53 |   | 107,746    | 0.78   |
| Savings accounts                                  | 314,481     | 1.45 |   | 356,786    | 1.58   |
| Money market accounts                             | 45,713      | 1.08 |   | 46,307     | 1.39   |
| Time deposits                                     | 381,294     | 2.71 |   | 253,444    | 2.40   |
| Total deposits                                    | \$ 911,391  | 1.76 | % | \$ 810,039 | 1.63 % |

Note: The interest rate described in the rate column is the weighted-average interest rate 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 - Dollars In Thousands)

|                                  | As of December 31,            |                 |                                  |                 |
|----------------------------------|-------------------------------|-----------------|----------------------------------|-----------------|
|                                  | 2004                          |                 | 2003                             |                 |
|                                  | Balance                       | Rate            | Balance                          | Rate            |
| <b>BORROWINGS:</b>               |                               |                 |                                  |                 |
| Overnight                        | \$ 137,500                    | 2.28 %          | \$ 102,000                       | 0.94 %          |
| Six month or less                | 5,000                         | 6.50            | 4,000                            | 5.56            |
| Over six to twelve months        | 5,000                         | 2.61            | 25,000                           | 5.92            |
| Over one to two years            | 32,000                        | 3.38            | 10,000                           | 4.56            |
| Over two to three years          | 60,000                        | 3.48            | 32,000                           | 3.38            |
| Over three to four years         | 42,000                        | 3.85            | 40,000                           | 3.66            |
| Over four to five years          | 60,000                        | 3.83            | 47,000                           | 3.78            |
| Over five years                  | 121,861                       | 4.96            | 96,892                           | 5.15            |
| Total borrowings                 | \$ 463,361                    | 3.61 %          | \$ 356,892                       | 3.49 %          |
|                                  | Quarter Ended<br>December 31, |                 | Six Months Ended<br>December 31, |                 |
| SELECTED AVERAGE BALANCE SHEETS: | 2004<br>Balance               | 2003<br>Balance | 2004<br>Balance                  | 2003<br>Balance |
| Loans receivable, net (1)        | \$ 1,115,966                  | \$ 901,787      | \$ 1,070,697                     | \$ 887,366      |
| Investment securities            | 268,944                       | 264,273         | 264,214                          | 265,732         |
| FHLB stock                       | 31,382                        | 22,029          | 30,082                           | 21,554          |

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|                                    |              |             |              |             |
|------------------------------------|--------------|-------------|--------------|-------------|
| Interest earning deposits          | 1,328        | 2,185       | 1,397        | 1,664       |
| Total interest earning assets      | \$ 1,417,620 | \$1,190,274 | \$ 1,336,390 | \$1,176,316 |
| Deposits                           | \$ 912,184   | \$ 809,868  | \$ 891,688   | \$ 790,710  |
| Borrowings                         | 413,859      | 299,993     | 385,034      | 306,896     |
| Total interest bearing liabilities | \$1,326,043  | \$1,109,861 | \$1,276,722  | \$1,097,606 |

|                                    | Quarter Ended |            | Six Months Ended |            |
|------------------------------------|---------------|------------|------------------|------------|
|                                    | December 31,  |            | December 31,     |            |
|                                    | 2004          | 2003       | 2004             | 2003       |
|                                    | Yield/Cost    | Yield/Cost | Yield/Cost       | Yield/Cost |
| Loans receivable, net (1)          | 5.65%         | 5.75%      | 5.69%            | 5.82%      |
| Investment securities              | 3.23%         | 3.14%      | 3.18%            | 2.91%      |
| FHLB stock                         | 3.86%         | 3.69%      | 4.47%            | 4.02%      |
| Interest earning deposits          | 1.81%         | 1.10%      | 1.57%            | 1.20%      |
| Total interest earning assets      | 5.15%         | 5.12%      | 5.17%            | 5.12%      |
| Deposits                           | 1.72%         | 1.65%      | 1.66%            | 1.71%      |
| Borrowings                         | 3.76%         | 4.08%      | 3.88%            | 3.96%      |
| Total interest bearing liabilities | 2.35%         | 2.31%      | 2.33%            | 2.34%      |

(1) Includes loans held for investment, loans held for sale and receivable from sale of loans.

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.