PROVIDENT FINANCIAL HOLDINGS INC
Form 10-K/A
October 14, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark one) FORM 10-K/A
AMENDMENT NO 1

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

For the fiscal year ended June 30, 2005

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

Commission File Number: 000-28304

PROVIDENT FINANCIAL HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware	33-0704889
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

3756 Central Avenue, Riverside, California 92506
(Address of principal executive offices) (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value $.01 per share
(Title of Class)

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 ___.

Indicate by check mark whether disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or other information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. [ ]

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).
YES _X_ NO ___ .

Indicate by check mark whether the Registrant is a shell company (as defined in Exchange Act Rule 12b-2).
YES ___ NO _X_ .

As of September 2, 2005, there were 6,959,612 shares of the Registrant's common stock issued and outstanding. The Registrant's common stock is listed on the National Market System of the Nasdaq Stock Market under the symbol "PROV." The aggregate market value of the common stock held by nonaffiliates of the Registrant, based on the closing sales price of the Registrant's common stock as quoted on the Nasdaq Stock Market on September 2, 2005, was $206.2 million.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the fiscal 2005 Annual Meeting of Shareholders ("Proxy Statement") are incorporated by reference into Part III.

<PAGE>

EXPLANATORY NOTE

This Annual Report on Form 10-K/A amends our previously filed Annual Report on Form 10-K for the year ended June 30, 2005. All references in this amendment to this "Annual Report on Form 10-K" or the "Annual Report on Form 10-K for the year ended June 30, 2005" shall refer to this amendment. Readers should note that the only change made in this amendment was to correct a clerical error that appeared on page 83 of the original filing (which is contained on page 23 of this amendment). A correction was made on this page to the balance, as of June 30, 2004, of the fair value of "U.S. government sponsored enterprise MBS -Fannie Mae" under the column heading "Unrealized Holding Losses 12 Months or More" to change it from $376 to $5,376 (in thousands). All other information contained in the original filing remains unchanged.

Item 8. Financial Statements and Supplementary Data

Please refer to the index on page 5 for Consolidated Financial Statements and Notes to Consolidated Financial Statements.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) 1. Financial Statements

See the Index to Consolidated Financial Statements on page 5.

2. Financial Statement Schedules

Schedules to the Consolidated Financial Statements have been omitted as the required information is inapplicable.

(b) Exhibits

Exhibits are available from the Corporation by written request

3.1 Certificate of Incorporation of Provident Financial Holdings, Inc.
(Incorporated by reference to Exhibit 3.1 to the Corporation's Registration Statement on Form S-1 (File No. 333-2230))

3.2 Bylaws of Provident Financial Holdings, Inc.
(Incorporated by reference to Exhibit 3.2 to the Corporation's Registration Statement on Form S-1 (File No. 333-2230))

10.1 Employment Agreement with Craig G. Blunden
(Incorporated by reference to Exhibit 10.1 to the Corporation's Annual Report on Form 10-K for the Year Ended June 30, 1997)

10.2 Post-Retirement Compensation Agreement with Craig G. Blunden
(Incorporated by reference to Exhibit 10.2 to the Corporation's Annual Report on Form 10-K for the Year Ended June 30, 1997)

10.4 1996 Stock Option Plan (incorporated by reference to Exhibit A to the Corporation's proxy statement dated December 12, 1996)

10.5 1996 Management Recognition Plan (incorporated by reference to Exhibit B to the Corporation's proxy statement dated December 12, 1996)

10.6 Severance Agreement with Richard L. Gale (incorporated by reference to Exhibit 10.6 in the Corporation's Annual Report on Form 10-K for the year ended June 30, 1998)

2

<PAGE>

10.9 Severance Agreement with Donavon P. Ternes (incorporated by reference to Exhibit 10.9 in the Corporation's Annual Report on Form 10-K for the year ended June 30, 2003)

10.10 Severance Agreement with Lilian Brunner (incorporated by reference to Exhibit 10.10 in the Corporation's Annual Report on Form 10-K for the year ended June 30, 2003)

10.11 Severance Agreement with Thomas "Lee" Fenn (incorporated by reference to Exhibit 10.9 in the Corporation's Annual Report on Form 10-K for the year ended June 30, 2001)

10.12 2003 Stock Option Plan (incorporated by reference to Exhibit A to the Corporation's proxy statement dated October 21, 2003)

10.13 Form of Incentive Stock Option Agreement for options granted under the 2003 Stock Option Plan (incorporated by reference to the Corporation's Annual Report on Form 10-K for the year ended June 30, 2005).

10.14 Form of Non-Qualified Stock Option Agreement for options granted under the 2003 Stock Option Plan (incorporated by reference to the Corporation's Annual Report on Form 10-K for the year ended June 30, 2005).

10.15 Severance Agreement with Milton J. Knox (incorporated by reference to the Corporation's Annual Report on Form 10-K for the year ended June 30, 2005)

13 2005 Annual Report to Stockholders (incorporated by reference to the Corporation's Annual Report on Form 10-K for the year ended June 30, 2005)

14 Code of Ethics for the Corporation's directors, officers and employees (incorporated by reference to Exhibit 14 in the Corporation's Annual Report on Form 10-K for the year ended June 30, 2004)

21.1 Subsidiaries of Registrant (incorporated by reference to the Corporation's Annual Report on Form 10-K for the year ended June 30, 2005)

23.1 Consent of Independent Registered Public Accounting Firm

31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32 Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

3

<PAGE>

SIGNATURES

Pursuant to the requirements of section 13 or 15(d) 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.

Provident Financial Holdings, Inc.

/s/ Craig G. Blunden

Date: October 14, 2005

Craig G. Blunden
Chairman, President and Chief Executive

Officer

(Principal Executive Officer)

Date: October 14, 2005

/s/ Donavon P. Ternes

Donavon P. Ternes

Chief Financial Officer

(Principal Financial and Accounting Officer)

4

<PAGE>

Consolidated Financial Statements of Provident Financial Holdings, Inc.

Index

5

<PAGE>

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Provident Financial Holdings, Inc.
Riverside, California

We have audited the accompanying consolidated statements of financial condition of Provident Financial Holdings, Inc. and subsidiary (the "Corporation") as of June 30, 2005 and 2004, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended June 30, 2005. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Provident Financial Holdings, Inc. and subsidiary as of June 30, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2005, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Corporation's internal control over financial reporting as of June 30, 2005, based on the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report, dated September 12, 2005, expressed an unqualified opinion on management's assessment of the effectiveness of the Corporation's internal control over financial reporting and an unqualified opinion on the effectiveness of the Corporation's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Los Angeles, California
September 12, 2005

6

<PAGE>

Consolidated Statements of Financial Condition

(In Thousands, Except Share Information)

	June 30,	
	2005	2004
Assets		
Cash and cash equivalents	$ 25,902	$ 38,349
Investment securities - held to maturity (fair value $51,327 and $61,250, respectively)	52,228	62,200
Investment securities - available for sale, at fair value	180,204	190,380
Loans held for investment, net of allowance for loan losses of $9,215 and $7,614, respectively	1,131,905	862,535
Loans held for sale, at lower of cost or market	5,691	20,127
Receivable from sale of loans	167,813	86,480
Accrued interest receivable	6,294	4,961
Real estate held for investment, net	9,853	10,176
Federal Home Loan Bank ("FHLB") - San Francisco stock	37,130	27,883
Premises and equipment, net	7,443	7,912
Prepaid expenses and other assets	7,659	8,032
Total assets	$ 1,632,122	$ 1,319,035

Liabilities and Stockholders' Equity

Liabilities:		
Non-interest-bearing deposits	$ 48,173	$ 41,551
Interest-bearing deposits	870,458	809,488
Total deposits	918,631	851,039
Borrowings	560,845	324,877
Accounts payable, accrued interest and other liabilities	29,657	33,137
Total liabilities	1,509,133	1,209,053
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Preferred stock, $0.01 par value; (2,000,000 shares authorized; none issued and outstanding)	-	-
Common stock, $0.01 par value; (15,000,000 shares authorized; 11,973,340 and 11,898,565 shares issued, respectively; 6,956,815 and 7,091,719 shares outstanding, respectively)	120	119
Additional paid-in capital	59,497	57,186
Retained earnings	126,381	111,329
Treasury stock at cost (5,016,525 and 4,806,846 shares, respectively)	(62,046)	(56,753)
Unearned stock compensation	(1,272)	(1,889)
Accumulated other comprehensive income (loss), net of tax	309	(10)
Total stockholders' equity	122,989	109,982
Total liabilities and stockholders' equity	$ 1,632,122	$ 1,319,035

The accompanying notes are an integral part of these consolidated financial statements.

7

<PAGE>

Consolidated Statements of Operations

(Dollars in Thousands, Except Per Share Information)

	Year Ended June 30,
	2005

	2004
	2003
Interest income:	
Loans receivable, net	
	$ 65,734
	$ 53,216
	$ 49,328
Investment securities	
	8,268
	7,978
	9,668
FHLB - San Francisco stock	
	1,445
	938

	843
Interest-earning deposits	
	48
	19
	17
Total interest income	
	75,495
	62,151
	59,856
Interest expense:	
Deposits	
	16,162
	13,320
	16,252

Borrowings	
	16,820
	12,599
	12,161
Total interest expense	
	32,982
	25,919
	28,413
Net interest income, before provision for loan losses	
	42,513
	36,232
	31,443
Provision for loan losses	
	1,641
	819

	1,055
Net interest income, after provision for loan losses	
	40,872
	35,413
	30,388
Non-interest income:	
Loan servicing and other fees	
	1,675
	2,292
	1,845
Gain on sale of loans, net	
	18,706
	14,346
	19,200
Real estate operations, net	
	400

	251
	731
Deposit account fees	
	1,789
	1,986
	1,734
Net gain on sale of investment securities	
	384
	-
	694
Other	
	1,464
	1,278
	1,567

Total non-interest income	24,418	20,153	25,771
Non-interest expense:			
Salaries and employee benefits	21,633	19,063	17,965
Premises and occupancy	2,735	2,461	2,480
Equipment expense	1,523	1,719	

	1,972
Professional expense	
	1,225
	826
	714
Sales and marketing expense	
	895
	912
	900
Other	
	4,503
	3,799
	3,882
Total non-interest expense	
	32,514

	28,780
	27,913
Income before income taxes	32,776
	26,786
	28,246
Provision for income taxes	14,077
	11,717
	11,357
Net income	$ 18,699
	$ 15,069
	$ 16,889

Basic earnings per share	
	$ 2.84
	$ 2.24
	$ 2.37
Diluted earnings per share	
	$ 2.64
	$ 2.09
	$ 2.20
Cash dividends per share	
	$ 0.52
	$ 0.33
	$ 0.13

The accompanying notes are an integral part of these consolidated financial statements.

8

<PAGE>

Consolidated Statements of Stockholders' Equity

(In Thousands, Except Share Information)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Unearned Stock Compensation	Accumulated Other Comprehensive Income (Loss), Net of Tax	Total
Balance at June 30, 2002	8,194,691	$ 117	$ 52,138	$ 82,805	$ (30,027)	$ (2,866)	$ 864	$ 103,031
Comprehensive income:								
Net income				16,889				16,889
Unrealized holding gain on securities available for sale, net of tax							796	796
Total comprehensive income								17,685
Purchase of treasury stock	(935,082)				(16,031)			(16,031)
Exercise of stock options	201,225	1	1,422					1,423
Amortization and awards for Management Recognition Plan ("MRP")	18,837				257	74		331
Tax benefit from non-qualified equity compensation			308					308
Allocation of contributions to Employee Stock Ownership Plan ("ESOP")			823			270		1,093
Prepayment of ESOP loan						72		72
Cash dividends				(1,034)				(1,034)
Balance at June 30, 2003	7,479,671	118	54,691	98,660	(45,801)	(2,450)	1,660	106,878
Comprehensive income:								
Net income				15,069				15,069
Unrealized holding loss on securities available for sale, net of tax							(1,670)	(1,670)
Total comprehensive income								13,399
Purchase of treasury stock	(516,627)				(10,952)			(10,952)
Exercise of stock options	128,675	1	1,041					1,042
Amortization for MRP						135		135
Tax benefit from non-qualified equity compensation			349					349

Allocation of contributions to ESOP			1,105			271		1,376
Prepayment of ESOP loan						155		155
Cash dividends				(2,400)				(2,400)
Balance at June 30, 2004	7,091,719	119	57,186	111,329	(56,753)	(1,889)	(10)	109,982
Comprehensive income:								
Net income				18,699				18,699
Unrealized holding gain on securities available for sale, net of tax							319	319
Total comprehensive income								19,018
Purchase of treasury stock	(209,679)				(5,293)			(5,293)
Exercise of stock options	74,775	1	594					595
Amortization for MRP						135		135
Tax benefit from non-qualified equity compensation			322					322
Allocation of contributions to ESOP			1,395			270		1,665
Prepayment of ESOP loan						212		212
Cash dividends				(3,647)				(3,647)
Balance at June 30, 2005	6,956,815	$ 120	$ 59,497	$ 126,381	$ (62,046)	$ (1,272)	$ 309	$ 122,989

The accompanying notes are an integral part of these consolidated financial statements.

<PAGE>

Consolidated Statements of Cash Flows

(In Thousands)

	Year Ended June 30,		
	2005	2004	2003
Cash flows from operating activities:			
Net income	$ 18,699	$ 15,069	$ 16,889
Adjustments to reconcile net income to net cash (used for) provided by operating activities:			
Depreciation and amortization	2,999	4,111	5,973
Amortization of servicing assets	510	307	31
Valuation allowance for impairment of servicing assets	82	-	-
Provision for loan losses	1,641	819	1,055

Gain on sale of loans	(18,706)	(14,346)	(19,200)
Net gain on sale of investment securities	(384)	-	(694)
Stock compensation	2,120	1,511	1,424
FHLB - San Francisco stock dividend	(1,263)	(905)	(781)
Addition to servicing assets	(597)	(1,640)	(301)
Deferred income taxes	1,089	617	550
Tax benefit from non-qualified equity compensation	322	349	308
(Decrease) increase in accounts payable, accrued interest and other liabilities	(4,907)	1,252	9,180
(Increase) decrease in prepaid expenses and other assets	(1,003)	524	(1,175)
Loans originated for sale	(1,285,837)	(1,111,399)	(1,270,292)
Proceeds from sale of loans and net change in receivable from sale of loans	1,232,021	1,138,287	1,239,331
Net cash (used for) provided by operating activities	(53,214)	34,556	(17,702)
Cash flows from investing activities:			
Net increase in loans held for investment	(265,192)	(118,522)	(152,305)
Maturity and call of investment securities held to maturity	9,975	93,885	232,562
Maturity and call of investment securities available for sale	-	54,955	51,403
Principal payments from mortgage backed securities	58,660	95,141	67,933
Purchase of investment securities held to maturity	-	(79,375)	(154,174)
Purchase of investment securities available for sale	(49,345)	(126,025)	(251,502)
Proceeds from sale of investment securities available for sale	390	-	26,112
Net purchase of FHLB - San Francisco stock	(7,984)	(6,004)	(7,193)
Net (additions) sales of real estate	(294)	423	912
Purchase of premises and equipment	(658)	(1,098)	(1,383)
Net cash used for investing activities	$ (254,448)	$ (86,620)	$ (187,635)

(continued)

The accompanying notes are an integral part of these consolidated financial statements.

<PAGE>

Consolidated Statements of Cash Flows

(In Thousands)

	Year Ended June 30,		
	2005	2004	2003

Cash flows from financing activities:			
Net increase in deposits	$ 67,592	$ 96,933	$ 76,658
Proceeds from (repayment of) borrowings, net	235,968	(43,061)	165,472
Treasury stock purchases	(5,293)	(10,952)	(16,031)
Exercise of stock options	595	1,042	1,423
Cash dividends	(3,647)	(2,400)	(1,034)
Net cash provided by financing activities	295,215	41,562	226,488
Net (decrease) increase in cash and cash equivalents	(12,447)	(10,502)	21,151
Cash and cash equivalents at beginning of year	38,349	48,851	27,700
Cash and cash equivalents at end of year	$ 25,902	$ 38,349	$ 48,851
Supplemental information:			
Cash paid for interest	$ 31,983	$ 25,687	$ 28,886
Cash paid for income taxes	$ 14,900	$ 9,320	$ 10,410
Transfer of loans held for investment to loans held for sale	$ 5,625	$ -	$ -
Real estate acquired in settlement of loans	$ -	$ -	$ 1,172

The accompanying notes are an integral part of these consolidated financial statements.

11

<PAGE>

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies:

Provident Savings Bank, F.S.B. (the "Bank") converted from a federally chartered mutual savings bank to a federally chartered stock bank effective June 27, 1996. Provident Financial Holdings, Inc., a Delaware corporation organized by the Bank, acquired all of the capital stock of the Bank issued in the conversion; the transaction was recorded on a book value basis.

The consolidated financial statements include the accounts of Provident Financial Holdings Inc., and its wholly owned subsidiary, Provident Savings Bank, F.S.B. (collectively, the "Corporation"). All inter-company balances and transactions have been eliminated.

The Corporation operates in two business segments: community banking (Provident Bank) and mortgage banking (Provident Bank Mortgage, a division of Provident Bank). Provident Bank activities include attracting deposits, offering banking services and originating multi-family, commercial real estate, construction, commercial business and consumer loans. Deposits are collected primarily from 12 banking locations located in Riverside and San Bernardino counties in California. Provident Bank Mortgage activities include originating single-family loans (one-to-four units) and consumer loans (second mortgages and equity lines of credit) for sale to investors and for investment. Loans are primarily originated in Southern California by loan agents employed by the Bank, as well as from the banking locations and freestanding lending offices. Provident Bank Mortgage originates loans from ten freestanding lending offices in Southern California, as well as from the banking locations.

The accounting and reporting policies of the Corporation conform to accounting principles generally accepted in the United States of America and to prevailing practices within the banking industry. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses and the valuation of deferred tax assets and derivative financial instruments.

The following accounting policies, together with those disclosed elsewhere in the consolidated financial statements, represent the significant accounting policies of Provident Financial Holdings, Inc. and the Bank.

Reclassifications

Certain reclassifications of prior year financial data have been made to conform to the current reporting practices of the Corporation.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and due from banks, as well as overnight deposits placed at correspondent banks.

Investment securities

The Corporation classifies its qualifying investments as available for sale or held to maturity. The Corporation's policy of classifying investments as held to maturity is based upon its ability and management's positive intent to hold such securities to maturity. Securities expected to be held to maturity are carried at amortized historical cost. All other securities are classified as available for sale and are carried at fair value. Fair value is determined based upon quoted market prices. Unrealized holding gains and losses on securities available for sale are included in

12

<PAGE>

Notes to Consolidated Financial Statements

accumulated other comprehensive income, net of tax. Gains and losses on dispositions of investment securities are included in non-interest income and are determined using the specific identification method. Purchase premiums and discounts are amortized over the expected average life of the securities using the interest method. Declines in the fair value of held to maturity and available for sale securities below their amortized historical cost that are deemed to be other than temporary are reflected in earnings as realized losses.

Loans

Loans held for investment consist primarily of long-term loans secured by first trust deeds on single-family residences, other residential property, commercial property and land. The single-family adjustable-rate mortgage ("ARM") is the Corporation's primary loan investment. In addition to the single-family ARMs, multi-family, commercial real estate, construction, commercial business and consumer loans are becoming a substantial part of the loans held for investment. These loans are generally offered to customers and businesses located in Southern California, primarily in Riverside and San Bernardino counties, commonly known as the Inland Empire, and to a lesser extent in Orange, Los Angeles, San Diego and other counties. A deterioration in the economic conditions of these markets could adversely affect the Corporation's business, financial condition and profitability. Such deterioration could give rise to increased loan delinquencies, an increase in problem assets and foreclosures, decreased loan demand and a decline in real estate values.

Loan origination fees and certain direct origination expenses are deferred and amortized to interest income on loans over the contractual life of the loan using the effective interest method. The amortization is discontinued for non-performing loans. Interest receivable represents, for the most part, the current month's interest, which will be included as a part of the borrower's next monthly loan payment. Interest receivable is accrued only if deemed collectible. Loans generally are deemed to be in non-accrual status when they become 90 days past due. When a loan is placed on non-accrual status, interest accrued but not received is reversed against income.

Receivable from sale of loans

Receivable from sale of loans represents expected settlement proceeds from the sale of loans, which have closed but have not settled. The duration of the loan sale settlement generally ranges from three to 30 days.

Provident Bank Mortgage activities

Loans are originated for both investment and sale in the secondary market. Since the Corporation is primarily an adjustable-rate mortgage and consumer lender for its own portfolio, most fixed-rate loans are originated for sale to institutional investors.

Loans held for sale are carried at the lower of cost or fair value. Fair value is generally determined by outstanding commitments from investors or investors' current yield requirements as calculated on the aggregate loan basis. Loans are generally sold without recourse, other than standard representations and warranties, except those loans sold to the FHLB - San Francisco under the Mortgage Partnership Finance ("MPF") program and to the Freddie Mac under a commitment which has a recourse provision. Most loans are sold on a servicing released basis. But in some transactions, primarily loans sold under the MPF program, the Corporation may retain the servicing rights in order to generate servicing income. Where the Corporation continues to service loans after sale, investors are paid their share of the principal collections together with interest at an agreed-upon rate, which generally differs from the loan's contractual interest rate.

Loans sold to Freddie Mac under the recourse commitment require the Bank to be responsible for all losses on these loans. As of June 30, 2005, there was one loan sold under this commitment with an outstanding balance of $167,000 as compared to seven loans under this commitment with an outstanding balance of $1.4 million at June 30, 2004. As

<PAGE>

of June 30, 2005 and 2004, the Bank has established a recourse liability of $1,000 and $4,000, respectively, for potential losses on these loans. To date, no losses have been experienced in this program.

Loans sold to the FHLB - San Francisco under the MPF program also have a recourse liability. The FHLB - San Francisco absorbs the first four basis points of loss and a credit scoring process is used to calculate the maximum recourse amount for the Bank. All losses above this amount are the responsibility of the FHLB - San Francisco. In consideration of the obligation of the Bank to accept the recourse liability, the FHLB - San Francisco pays the Bank a credit enhancement fee on a monthly basis. As of June 30, 2005, the Bank has $226.8 million outstanding under this program and has established a recourse liability of $260,000 as compared to $214.9 million outstanding under this program and a recourse liability of $255,000 at June 30, 2004. To date, no losses have been experienced in this program.

Occasionally, the Bank is required to repurchase loans sold to Freddie Mac, Fannie Mae, FHLB - San Francisco or other institutional investors if it is determined that such loans do not meet the credit requirements of the investor, or if one of the parties involved in the loan misrepresented pertinent facts, committed fraud, or if such loans were 90-days past due within 120 days of the loan funding date. During the year ended June 30, 2005, the Bank repurchased $962,000 of single-family mortgage loans as compared to $79,000 in fiscal 2004 and $835,000 in fiscal 2003.

Activity in the recourse liability for the years ended June 30, 2005, 2004 and 2003 was as follows:

(In Thousands)	2005	2004	2003
Balance, beginning of year	$ 259	$ 44	$ -
Provision	2	215	44
Charge-offs, net	-	-	-
Balance, end of the year	$ 261	$ 259	$ 44

The Bank is obligated to refund loan sale premiums to investors when loans pay off within a specific time period following the loan sale; the time period ranges from three months to six months, depending upon the sale agreement. Total loan sale premium refunds in fiscal 2005, 2004 and 2003 were $1.2 million, $652,000 and $681,000, respectively. As of June 30, 2005 and 2004, the Bank has accrued $236,000 and $70,000, respectively, for future loan sale premium refunds.

Gains or losses on the sale of loans, including fees received or paid, are recognized at the time of sale and are determined by the difference between the net sales proceeds and the allocated book value of the loans sold. When loans are sold with servicing retained, the carrying value of the loans is allocated between the portion sold and the portion retained (i.e., servicing assets and interest-only strips), based on estimates of their relative fair values.

Servicing assets are amortized in proportion to and over the period of the estimated net servicing income and are carried at the lower of cost or fair value. The fair value of servicing assets is determined based on the present value of estimated net future cash flows related to contractually specified servicing fees. The Corporation periodically evaluates servicing assets for impairment, which is measured as the excess of cost over fair value. This review is performed on a disaggregated basis, based on loan type and interest rate. In estimating fair values at June 30, 2005 and 2004, the Corporation used a weighted-average prepayment speed of 10.37% and 6.82%, respectively, and a weighted-average discount rate of 9.01% and 9.09%, respectively. Servicing assets, which are included in Other Assets in the accompanying Consolidated Statements of Financial Condition, had a carrying value of $1.7 million and a fair value of $2.0 million at June 30, 2005. A valuation allowance for impairment of servicing assets of $82,000 was outstanding as of June 30, 2005. Servicing assets at June 30, 2004 had a carrying value of $1.6 million

<PAGE>

and a fair value of $2.6 million. No valuation allowance for impairment of servicing assets was outstanding as of June 30, 2004.

Rights to future income from serviced loans that exceed contractually specified servicing fees are recorded as interest-only strips. Interest-only strips are carried at fair value, utilizing the same assumptions as used to value the related servicing assets, with any unrealized gain or loss, net of tax, recorded as a component of accumulated other comprehensive income (loss). Interest-only strips are included in other assets in the accompanying Consolidated Statements of Financial Condition and had a fair value of $526,000, gross unrealized gains of $146,000 and an unamortized cost of $381,000 at June 30, 2005. Interest-only strips at June 30, 2004 had a fair value of $500,000, gross unrealized gains of $193,000 and an unamortized cost of $307,000.

During the years ended June 30, 2005 and 2004, the Corporation sold 29% and 35%, respectively, of its loans originated for sale to a single primary investor. If the Corporation is unable to sell loans to the primary investor, management believes the availability of other qualified investors would mitigate any significant risk to the Corporation's operations.

Allowance for loan losses

It is the policy of the Corporation to provide an allowance for loan losses inherent in the loans held for investment as of the balance sheet date when any significant and permanent decline in the borrower's ability to pay has occurred or when a decline in the value of the underlying collateral occurs. Periodic reviews are made in an attempt to identify potential problems at an early stage. Individual loans are periodically reviewed and are classified according to their inherent risk. The internal asset review policy used by the Corporation is the primary basis by which the Corporation evaluates the probable loss exposure. Management's determination of the adequacy of the allowance for loan losses is based on an evaluation of the loans held for investment, past experience, prevailing market conditions, and other relevant factors. The determination of the allowance for loan losses is based on estimates that are particularly susceptible to changes in the economic environment and market conditions. The allowance is increased by the provision for losses charged against income and reduced by charge-offs, net of recoveries.

Impaired loans

The Corporation assesses loans individually and identifies impairment when the accrual of interest has been discontinued, loans have been restructured or management has serious doubts about the future collectibility of principal and interest, even though the loans are currently performing. Factors considered in determining impairment include, but are not limited to, expected future cash flows, the financial condition of the borrower and current economic conditions. The Corporation measures each impaired loan based on the fair value of its collateral and charges off those loans or portions of loans deemed uncollectible.

Real estate

Real estate acquired through foreclosure is initially recorded at the lesser of the loan balance at the time of foreclosure or the fair value of the real estate acquired, less estimated selling costs. All real estate is carried at the lower of cost or fair value, less estimated selling costs. Real estate loss provisions are recorded when the carrying value of the property exceeds the fair value. Costs relating to improvement of the property are capitalized. Other costs are expensed as incurred.

Impairment of long-lived assets

The Corporation reviews its long-lived assets for impairment annually or when events or circumstances indicate that the carrying amount of these assets may not be recoverable. An asset is considered impaired when the expected

<PAGE>

undiscounted cash flows over the remaining useful life are less than the net book value. When impairment is indicated for an asset, the amount of impairment loss is the excess of the net book value over its fair value.

Premises and equipment

Premises and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation is computed primarily on a straight-line basis over the estimated useful lives as follows:

Buildings	10 to 40 years
Furniture and fixtures	3 to 10 years
Automobiles	3 years
Computer equipment	3 to 5 years

Leasehold improvements are amortized over the shorter of the respective lease terms or the lives of the improvements. Maintenance and repair costs are charged to operations as incurred.

Income taxes

Taxes are provided for on substantially all income and expense items included in earnings, regardless of the period in which such items are recognized for tax purposes. Taxes on income are determined by using the liability method. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Corporation's financial statements or tax returns. In estimating future tax consequences, all expected future events other than enactment of changes in the tax law or rates are considered.

Risks and uncertainties

In the normal course of business, the Corporation encounters two significant types of risk: economic and regulatory. There are three main components to economic risk: interest rate risk, credit risk and market risk. The Corporation is subject to interest rate risk to the degree that its interest-bearing liabilities mature or reprice at different frequencies, or on a different basis, than its interest-earning assets. Credit risk is the risk of default on the Corporation's loans held for investment that results from the borrowers' inability or unwillingness to make contractually required payments. Market risk results from changes in the value of assets and liabilities, which may impact, favorably or unfavorably, the value that can be recognized of those assets and liabilities held by the Corporation.

The Corporation is subject to the regulations of various government agencies. These regulations can and do change significantly from period to period. The Corporation also undergoes periodic examinations by the regulatory agencies, which may subject it to further changes with respect to asset valuations, amounts of required loss allowances and operating restrictions resulting from the regulators' judgments based on information available to them at the time of their examination.

Cash dividend

Since July 24, 2002, the Corporation has distributed a quarterly cash dividend on the Corporation's outstanding shares of common stock. Future declarations or payments of dividends will be subject to the consideration of the Corporation's Board of Directors, which will take into account the Corporation's financial condition, results of operations, tax considerations, capital requirements, industry standards, economic conditions and other factors, including the regulatory restrictions which affect the payment of dividends by the Bank to the Corporation. Under Delaware law, dividends may be paid either out of surplus or, if there is no surplus, out of net profits for the current fiscal year and/or the preceding fiscal year in which the dividend is declared.

<PAGE>

Stock split

The most recent stock split was the three-for-two stock split distributed in the form of a 50% stock dividend, which was declared on December 19, 2003 with a distribution date of February 2, 2004 to shareholders of record on January 15, 2004. All share and per share information in the accompanying consolidated financial statements for periods prior to December 19, 2003 have been restated to reflect the stock split.

Stock repurchase

The Corporation continues to repurchase its common stock consistent with Board approved stock repurchase plans. On June 24, 2005, the Corporation announced a plan regarding the repurchase of 5% of its common stock or approximately 347,840 shares, all of which are still available for repurchase. The June 2005 stock repurchase program was the result of the expiration of the June 2004 stock repurchase program, which expired on June 23, 2005. A total of 205,370 shares were repurchased under the June 2004 stock repurchase program, at an average cost of $25.20 per share.

Earnings per common share (EPS)

Basic EPS represents net income divided by the weighted average common shares outstanding during the period excluding any potential dilutive effects. Diluted EPS gives effect to all potential issuance of common stock that would have caused basic EPS to be lower as if the issuance had already occurred. Accordingly, diluted EPS reflects an increase in the weighted average shares outstanding due to the assumed exercise of stock options and the vesting of restricted stock.

Stock-based compensation

Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," encourages, but does not require, companies to record compensation cost for stock-based employee compensation plans at fair value. The Corporation has been accounting for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Accordingly, compensation cost for stock options is measured as the excess, if any, of the fair value of the Corporation's stock at the date of grant over the grant price.

<PAGE>

Notes to Consolidated Financial Statements

The Corporation has adopted the disclosure-only provisions of SFAS No. 123. Had compensation cost for the Corporation's stock-based compensation plans been determined based on the fair value at the grant date for awards consistent with the provisions of SFAS No. 123, the Corporation's net income and earnings per share would have been reduced to the pro forma amounts as follows:

	Year Ended June 30,		
(In Thousands, Except Per Share Amounts)	2005	2004	2003
Net income, as reported	$ 18,699	$ 15,069	$ 16,889
Add:			
Stock-based compensation expense included in the reported net income, net of tax	263	78	206
Deduct:			
Total stock-based compensation expense, determined using the fair value method, net of tax	(951)	(325)	(362)
Pro forma net income	$ 18,011	$ 14,822	$ 16,733
Earnings per share:			
Basic - as reported	$ 2.84	$ 2.24	$ 2.37
Basic - pro forma	$ 2.73	$ 2.20	$ 2.35
Diluted - as reported	$ 2.64	$ 2.09	$ 2.20
Diluted - pro forma	$ 2.54	$ 2.06	$ 2.18

The Corporation uses the Black-Scholes option-pricing model to calculate the fair value of stock option grants with the following assumptions: An average 10-year expected life, stock volatility for the prior 30 months (an average of 16% for grants in fiscal 2005, 15% for grants in fiscal 2004 and 26% for grants in fiscal 2003), a risk-free discount rate (4.33% for grants in fiscal 2005, 4.36% for grants in fiscal 2004 and 4.50% for grants in fiscal 2003) and cash dividend payments ($0.41 for grants in fiscal 2005, $0.33 for grants in fiscal 2004 and $0.13 for grants in fiscal 2003). In fiscal 2005, 68,000 stock options were granted; in fiscal 2004, 384,250 stock options were granted; and in fiscal 2003, 7,500 stock options were granted. The Corporation calculates the fair value of the stock options at the time of grant and no additional computations are performed during the life of the options. Forfeitures are recognized as they occur.

Employee Stock Ownership Plan ("ESOP")

The Corporation recognizes compensation expense when shares are committed to be released to employees in an amount equal to the fair value of the shares so committed. The difference between the amount of compensation expense and the cost of the shares released is recorded as additional paid-in capital. Cash dividends received on the unallocated ESOP shares are applied as a prepayment to the ESOP loan and reduce the amount of unearned compensation.

Management Recognition Plan ("MRP")

The Corporation recognizes compensation expense over the vesting period of the shares awarded, equal to the fair value of the shares at the date of the award.

18

<PAGE>

Notes to Consolidated Financial Statements

Postretirement benefits

The estimated obligation for postretirement health care and life insurance benefits is determined based on an actuarial computation of the cost of current and future benefits for the eligible (grandfathered) retirees and employees as of June 30, 2005. The post retirement benefit liability is included in other liabilities in the accompanying consolidated financial statements. Effective July 1, 2003, the Corporation discontinued the postretirement health care and life insurance benefits to any employee not previously qualified (grandfathered) for these benefits.

Comprehensive income

Accounting principles generally require that realized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains or losses on available for sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with income, are components of comprehensive income.

The components of other comprehensive income and their related tax effects are as follows:

	For the Year Ended June 30,		
(In Thousands)	2005	2004	2003
Unrealized holding gains (losses) on securities available for sale, net	$ 934	$ (2,831)	$ 2,043
Reclassification adjustment for gains realized in income	(384)	-	(694)
Net unrealized gains (losses)	550	(2,831)	1,349
Tax effect	(231)	1,161	(553)
Net-of-tax amount	$ 319	$ (1,670)	$ 796

Recent accounting pronouncements

SFAS No. 154:

In May 2005, the Financial Accounting Standards Board ("FASB") issued SFAS No. 154, "Accounting Changes and Error Corrections," that addresses accounting for changes in accounting principle, changes in accounting estimates, changes required by an accounting pronouncement in the instance that the pronouncement does not include specific transition provisions and error correction. SFAS No. 154 requires retrospective application to prior periods' financial statements of changes in accounting principle and error correction unless impracticable to do so. SFAS No. 154 states an exception to retrospective application when a change in accounting principle, or the method of applying it, may be inseparable from the effect of a change in accounting estimate. When a change in principle is inseparable from a change in estimate, such as depreciation, amortization or depletion, the change to the financial statements is to be presented in a prospective manner. SFAS No. 154 and the required disclosures are effective for accounting changes and error corrections in fiscal years beginning after December 15, 2005.

SFAS No. 123R:

In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment." This Statement supersedes Accounting Principles Board ("APB") Opinion No. 25 and its related implementation guidance and is a revision of SFAS No. 123. This Statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that

<PAGE>

may be settled by the issuance of those equity instruments. This Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. This Statement requires a public entity to measure the cost of employee services received in exchange for award of equity instruments based on the grant-date fair value of the award. That cost will be recognized over the period during which an employee is required to provide service in exchange for the award - the requisite service period (usually the vesting period). No compensation cost is recognized for equity instruments for which employees do not render the requisite service. The grant-date fair value of employee share options and similar instruments will be estimated using option-pricing models adjusted for unique characteristics of those instruments (unless observable market prices for the same or similar instruments are available). If an equity award is modified after the grant date, incremental compensation cost will be recognized in an amount equal to the excess of the fair value of the modified award over the fair value of the original award immediately before the modification. The revised accounting for stock-based compensation requirements must be adopted by the Corporation on July 1, 2005. SFAS No. 123R allows for two alternative transition methods. The Corporation intends to follow the modified prospective method, which requires application of the new statement to new awards and to awards modified, repurchased, or cancelled after the required effective date. Additionally, compensation cost for the portion of awards for which the requisite service has not been rendered that are outstanding as of the required effective date shall be recognized as the requisite services are rendered on or after the effective date. The compensation cost of that portion of awards shall be based on the grant-date fair value of those awards as calculated for pro-forma disclosures under the original SFAS No. 123. Had the Corporation adopted SFAS No. 123R in prior periods, the impact on net income and earnings per share would have been approximately similar to the pro forma net income and earnings per share as disclosed above. Stock option expense for fiscal 2006 is estimated to be $204,000, net of tax, which may change as a result of future stock option grants, forfeitures and/or other items.

SOP 03-3:

In December 2003, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position No. 03-3 ("SOP 03-3"), "Accounting for Certain Loans or Debt Securities Acquired in a Transfer." SOP 03-3 addresses the accounting for differences between contractual cash flows and the cash flows expected to be collected from purchased loans or debt securities if those differences are attributable, in part, to credit quality. SOP 03-3 requires purchased loans and debt securities to be recorded initially at fair value based on the present value of the cash flows expected to be collected with no carryover of any valuation allowance previously recognized by the seller. Interest income should be recognized based on the effective yield from the cash flows expected to be collected. To the extent that the purchased loans or debt securities experience subsequent deterioration in credit quality, a valuation allowance would be established for any additional cash flows that are not expected to be received. However, if more cash flows were subsequently expected to be received than originally estimated, the effective yield would be adjusted on a prospective basis. SOP 03-3 was applied for loans and debt securities acquired after December 31, 2004. The adoption of this Statement did not have a material impact on the Corporation's financial position, results of operations, or cash flows.

EITF No. 03-1:

In June 2005, the FASB decided not to provide additional guidance on the meaning of other-than-temporary impairment, and directed the staff to issue proposed FASB Staff Position ("FSP") Emerging Issues Task Force ("EITF") 03-1-a, "Implementation Guidance for the Application of Paragraph 16 of EITF Issue No. 03-1," as final. The final FSP will supersede EITF Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments," and EITF Topic No. D-44, "Recognition of Other-Than-Temporary Impairment upon the Planned Sale of a Security Whose Cost Exceeds Fair Value." The final FSP (retitled FSP FAS 115-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments") will replace the guidance set forth in paragraphs 10-18 of EITF Issue 03-1 with references to existing other-than-temporary impairment guidance, such as SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," the Securities Exchange Commission's ("SEC") Staff Accounting Bulletin No. 59, "Accounting for Non-current

<PAGE>

Marketable Equity Securities," and APB Opinion No. 18, "The Equity Method of Accounting for Investments in Common Stock." FSP FAS 115-1 will codify the guidance set forth in EITF Topic D-44 and clarify that an investor should recognize an impairment loss no later than when the impairment is deemed other than temporary, even if a decision to sell has not been made.

2. Investment Securities:

The amortized cost and estimated fair value of investment securities as of June 30, 2005 and 2004 were as follows:

June 30, 2005	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value	Carrying Value
(In Thousands)					
Held to maturity					
U.S. government sponsored enterprise debt securities	$ 51,028	$ -	$ (911)	$ 50,117	$ 51,028
U.S. government agency MBS (1)	4	-	-	4	4
Corporate bonds	996	10	-	1,006	996
Certificates of deposit	200	-	-	200	200
Total held to maturity	52,228	10	(911)	51,327	52,228
Available for sale					
U.S. government sponsored enterprise debt securities	24,838	-	(439)	24,399	24,399

U.S. government agency MBS	56,517	73	(213)	56,377	56,377
U.S. government sponsored enterprise MBS	91,144	798	(194)	91,748	91,748
Private issue CMO (2)	7,312	-	(46)	7,266	7,266
Freddie Mac common stock	6	385	-	391	391
Fannie Mae common stock	1	22	-	23	23
Total available for sale	179,818	1,278	(892)	180,204	180,204
Total investment securities	$ 232,046	$ 1,288	$ (1,803)	$ 231,531	$ 232,432

21

<PAGE>

Notes to Consolidated Financial Statements

June 30, 2004	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value	Carrying Value
(In Thousands)					
Held to maturity					
U.S. government sponsored enterprise debt securities	$ 59,199	$ 13	$ (1,001)	$ 58,211	$ 59,199
U.S. government agency MBS	5	2	-	7	5
Corporate bonds	2,796	36	-	2,832	2,796
Certificates of deposit	200	-	-	200	200
Total held to maturity	62,200	51	(1,001)	61,250	62,200
Available for sale					
U.S. government sponsored enterprise debt securities	24,831	-	(516)	24,315	24,315
U.S. government agency MBS	17,723	-	(190)	17,533	17,533
U.S. government sponsored enterprise MBS	137,517	530	(718)	137,329	137,329
Private issue CMO	10,507	-	(91)	10,416	10,416
Freddie Mac common stock	12	747	-	759	759
Fannie Mae common stock	1	27	-	28	28
Total available for sale	190,591	1,304	(1,515)	190,380	190,380
Total investment securities	$ 252,791	$ 1,355	$ (2,516)	$ 251,630	$ 252,580

(1) Mortgage Backed Securities ("MBS").
(2) Collateralized Mortgage Obligations ("CMO").

The gross realized gain on sale of investment securities based on identified securities during the years ended June 30, 2005, 2004 and 2003 was $384,000, $0 and $694,000, respectively. The tax expense on the sale of investment securities for June 30, 2005, 2004 and 2003 was $161,000, $0, and $292,000, respectively. There were no realized losses during the years ended June 30, 2005, 2004 and 2003.

During fiscal 2005, issuers called $8.2 million of investment securities and MBS principal payments were $58.1 million. In fiscal 2004, issuers called $148.8 million of investment securities and MBS principal payments were $94.9 million. The high volume of called securities in fiscal 2004 was the result of the significant decline in interest rates during fiscal 2004 and the callable government sponsored enterprise securities which were purchased during fiscal 2004 with higher coupon rates than market rates at the time of purchase. Total called securities, which had coupon rates higher than market at the time of purchase in fiscal 2005 and 2004 were $0 and $80.4 million, respectively. The securities called were callable at the option of the issuer and were primarily issued by FHLB, Fannie Mae or Freddie Mac. During fiscal 2005, the decrease in MBS principal payments was primarily attributable to the increase in interest rates during the period. As of June 30, 2005, MBS and CMO investments represented 67% of investment securities as compared to 65% at June 30, 2004.

<PAGE>

As of June 30, 2005 and 2004, the Corporation held investments in a continuous unrealized loss position totaling $1.8 million and $2.5 million, respectively, consisting of the following:

As of June 30, 2005

(In Thousands)	Unrealized Holding Losses	Unrealized Holding Losses	Unrealized Holding Losses
	Less Than 12 Months	12 Months or More	Total

Fair

Unrealized

Fair

Unrealized

Fair

Unrealized

Description of Securities		
	Value	Losses
	Value	Losses
	Value	Losses
U.S. government sponsored enterprise securities:		
Fannie Mae		
	$ -	$ -
	$ 6,840	

	$ 153
	$ 6,840
	$ 153
Freddie Mac	
	6,935
	67
	6,789
	210
	13,724
	277
FHLB	
	14,682
	165
	33,398
	627
	48,080
	792
FFCB (1)	

	-
	-
	5,872
	128
	5,872
	128
U.S. government agency MBS:	
GNMA (2)	
	29,159
	152
	6,418
	61
	35,577
	213
U.S. government sponsored enterprise MBS:	
Fannie Mae	
	5,559
	34

	13,229
	160
	18,788
	194
Private issue CMO:	
Washington Mutual, Inc.	
	2,095
	6
	5,171
	40
	7,266
	46
Total	
	$ 58,430
	$ 424
	$ 77,717
	$ 1,379
	$ 136,147
	$ 1,803

As of June 30, 2004 (In Thousands)	Unrealized Holding Losses Less Than 12 Months		Unrealized Holding Losses 12 Months or More		Unrealized Holding Losses Total	
Description of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government sponsored enterprise securities:						
Fannie Mae	$ 6,833	$ 156	$ -	$ -	$ 6,833	$ 156
Freddie Mac	9,911	97	3,809	189	13,720	286
FHLB	48,040	828	2,881	119	50,921	947
FFCB	5,872	128	-	-	5,872	128
U.S. government agency MBS:						
GNMA	17,533	190	-	-	17,533	190
U.S. government sponsored enterprise MBS:						
Fannie Mae	42,455	308	5,376	220	47,831	528
Freddie Mac	16,530	190	-	-	16,530	190
Private issue CMO:						
Washington Mutual, Inc.	10,416	91	-	-	10,416	91
Total	$ 157,590	$ 1,988	$ 12,066	$ 528	$ 169,656	$ 2,516

(1) Federal Farm Credit Banks ("FFCB")
(2) Government National Mortgage Association ("GNMA")

23

<PAGE>

Notes to Consolidated Financial Statements

As of June 30, 2005, the unrealized holding losses relate to a total of 41 investment securities, which consist of nine adjustable rate MBS, three adjustable rate CMO and 29 fixed rate government sponsored enterprise debt obligations, which have been in an unrealized loss position (ranging from

a deminimus percentage to 3.5% of cost) for not more than 25 months. Such unrealized holding losses are the result of an increase in market interest rates during fiscal 2005 and are not the result of credit or principal risk. Based on the nature of the investments and other considerations discussed above, management concluded that such unrealized losses were not other than temporary as of June 30, 2005.

Contractual maturities of investment securities as of June 30, 2005 and 2004 were as follows:

(In Thousands)	June 30, 2005	June 30, 2004

	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Held to maturity				
Due in one year or less	$ 3,198	$ 3,191	$ 7,174	$ 7,204
Due after one through five years	49,030	48,136	55,026	54,046
Due after five years	-	-	-	-
	52,228	51,327	62,200	61,250
Available for sale				
Due in one year or less	3,274	3,250	802	802
Due after one through five years	24,239	23,856	29,068	28,650
Due after five through ten years	-	-	-	-
Due after ten years	152,298	152,684	160,708	160,141
No stated maturity (common stock)	7	414	13	787
	179,818	180,204	190,591	190,380
Total investment securities	$ 232,046	$ 231,531	$ 252,791	$ 251,630

24

<PAGE>

Notes to Consolidated Financial Statements

3. Loans Held for Investment:

Loans held for investment consisted of the following:

		June 30,	
(In Thousands)		2005	2004
Mortgage loans:			
	Single-family	$ 808,732	$ 620,087
	Multi-family	119,715	68,804
	Commercial real estate	122,354	99,919
	Construction	155,975	136,265
Commercial business loans		15,268	13,770
Consumer loans		778	730
Other		10,767	7,371
		1,233,589	946,946
Less:			
	Undisbursed loan funds	(95,162)	(78,137)

Deferred loan costs	2,693	1,340
Allowance for loan losses	(9,215)	(7,614)
Total loans held for investment	$ 1,131,905	$ 862,535

Fixed-rate loans comprised 3% and 4% of loans held for investment at June 30, 2005 and 2004, respectively. As of June 30, 2005, the Bank had $105.7 million in mortgage loans that may be subject to negative amortization, compared to $107.1 million at June 30, 2004. Negative amortization involves a greater risk to the Bank, because during a period of high interest rates, the loan principal balance may increase by up to 115% of the original loan amount. Also, the Bank has interest-only ARM loans, which typically have a fixed interest rate for the first two to five years coupled with an interest only payment followed by a periodic adjustable interest rate and a fully amortizing loan payment for the remaining term. As of June 30, 2005 and 2004, the interest-only ARM loans were $613.9 million and $399.2 million, or 54.2% and 42.2% of the loans held for investment, respectively.

The following summarizes the components of the net change in the allowance for loan losses:

	Year Ended June 30,		
(In Thousands)	2005	2004	2003
Balance, beginning of period	$ 7,614	$ 7,218	$ 6,579
Provision for losses	1,641	819	1,055
Recoveries	2	1	45
Charge-offs	(42)	(424)	(461)
Balance, end of period	$ 9,215	$ 7,614	$ 7,218

<PAGE>

Notes to Consolidated Financial Statements

The total non-accrual loans were $590,000 and $1.1 million at June 30, 2005 and 2004, respectively. The effect of non-accrual and restructured loans on interest income for the years ended June 30, 2005, 2004 and 2003 is presented below:

	Year Ended June 30,		
(In Thousands)	2005	2004	2003
Contractual interest due	$ 1	$ 101	$ 113
Interest recognized	-	(58)	(10)
Net interest foregone	$ 1	$ 43	$ 103

The following table identifies the Corporation's total recorded investment in impaired loans, net of specific allowances, by type at June 30, 2005 and 2004:

(In Thousands)	June 30, 2005 Recorded Investment	Allowance For Loan Losses	Net Investment
Mortgage loans:			
Single-family:			
With a related allowance	$ 110	$ (65)	$ 45
Without a related allowance	545	-	545
Total single-family loans	655	(65)	590
Commercial business loans:			
With a related allowance	116	(116)	-
Total commercial business loans	116	(116)	-
Total impaired loans	$ 771	$ (181)	$ 590

At June 30, 2005 and 2004, there were no commitments to lend additional funds to those borrowers whose loans were classified as impaired.

26

<PAGE>

Notes to Consolidated Financial Statements

(In Thousands)	June 30, 2004 Recorded Investment	Allowance For Loan Losses	Net Investment
Mortgage loans:			
Single-family:			
Without a related allowance	$ 1,044	$ -	$ 1,044
Total single-family loans	1,044	-	1,044
Commercial business loans:			

With a related allowance	1,285	(365)	920
Without a related allowance	155	-	155
Total commercial business loans	1,440	(365)	1,075
Total impaired loans	$ 2,484	$ (365)	$ 2,119

During the years ended June 30, 2005, 2004 and 2003, the Corporation's average investment in impaired loans was $1.4 million, $2.9 million and $2.4 million, respectively. Interest income of $328,000, $292,000 and $327,000 was recognized, based on cash receipts, on impaired loans during the years ended June 30, 2005, 2004 and 2003, respectively. The Corporation records interest on non-accrual loans utilizing the cash basis method of accounting during the periods when the loans are on non-accrual status.

In the ordinary course of business, the Bank makes loans to its directors, officers and employees at substantially the same terms prevailing at the time of origination for comparable transactions with unaffiliated borrowers. The following is a summary of related-party loan activity:

	Year Ended June 30,		
(In Thousands)	2005	2004	2003
Balance, beginning of period	$ 4,398	$ 5,556	$ 917
Originations	13,896	13,135	18,222
Sales/payments	(12,877)	(14,293)	(13,583)
Balance, end of period	$ 5,417	$ 4,398	$ 5,556

Related-party loan originations increased $761,000, or 6%, to $13.9 million in fiscal 2005 from $13.1 million in fiscal 2004. The total sales/payments decreased $1.4 million, or 10%, to $12.9 million in fiscal 2005 from $14.3 million in fiscal 2004.

27

<PAGE>

Notes to Consolidated Financial Statements

4. Mortgage Loan Servicing and Loans Originated for Sale

The following summarizes the unpaid principal balance of loans serviced for others by the Corporation:

	Year Ended June 30,		
(In Thousands)	2005	2004	2003

Loans serviced for Freddie Mac	$ 12,667	$ 19,995	$ 33,281
Loans serviced for Fannie Mae	27,789	19,419	34,979
Loans serviced for FHLB - San Francisco	227,112	215,057	32,763
Loans serviced for other institutional investors	7,562	14,914	13,123
Total loans serviced for others	$ 275,130	$ 269,385	$ 114,146

Servicing loans for others generally consists of collecting mortgage payments, maintaining escrow accounts, disbursing payments to investors and processing foreclosures. Loan servicing income includes servicing fees from investors and certain charges collected from borrowers, such as late payment fees. The Corporation held borrowers' escrow balances related to loans serviced for others of $643,000, $615,000 and $279,000 as of June 30, 2005, 2004 and 2003, respectively. These escrow balances are included in deposits in the accompanying Consolidated Statements of Financial Condition. Included in Non-interest bearing deposits at June 30, 2005 and 2004 were $2.5 million and $1.9 million, respectively, of custodial accounts held for investors.

The following table summarizes the estimated aggregate amortization expense for servicing assets as of June 30, 2005:

Year Ended June 30,	Amount
	(In Thousands)
2006	$ 443
2007	378
2008	309
2009	249
2010	

	120
Thereafter	
	128
Total estimated amortization expense	
	$ 1,627

Loans sold consisted of the following:

(In Thousands)	Year Ended June 30, 2005	2004	2003
Loans sold:			
Servicing - released	$ 1,232,682	$ 905,532	$ 1,231,331
Servicing - retained	81,711	221,279	59,505
Total loans sold	$ 1,314,393	$ 1,126,811	$ 1,290,836

28

<PAGE>

Notes to Consolidated Financial Statements

Loans held for sale consisted of the following:

(In Thousands)	June 30, 2005	2004	2003
Fixed rate	$ 1,600	$ 18,797	$ 3,475
Adjustable rate	4,091	1,330	772
Total loans held for sale	$ 5,691	$ 20,127	$ 4,247

5. Real Estate Held for Investment:

Real estate held for investment consisted of the following:

	June 30,	
(In Thousands)	2005	2004
Real estate held for investment	$ 12,923	$ 12,629
Less accumulated depreciation	(3,070)	(2,453)
Total real estate held for investment, net	$ 9,853	$ 10,176

There was no other real estate owned at June 30, 2005 and at June 30, 2004.

The following summarizes the components of the net change in the allowance for losses on real estate:

	Year Ended June 30,		
(In Thousands)	2005	2004	2003
Balance, beginning of period	$ -	$ -	$ 23
Provisions for losses	-	-	-
Charge-offs	-	-	(23)
Balance, end of period	$ -	$ -	$ -

<PAGE>

Notes to Consolidated Financial Statements

6. Premises and Equipment:

Premises and equipment consisted of the following:

	June 30,	
(In Thousands)	2005	2004
Land	$ 3,051	$ 3,051
Buildings	8,197	8,063
Leasehold improvements	1,235	1,233
Furniture and equipment	9,203	9,685
Automobiles	77	96
	21,763	22,128
Less accumulated depreciation and amortization	(14,320)	(14,216)

Total premises and equipment, net	$ 7,443	$ 7,912

Depreciation and amortization expense for the years ended June 30, 2005, 2004 and 2003 amounted to $1.1 million, $1.8 million and $1.9 million, respectively.

7. Deposits:

	June 30, 2005		June 30, 2004	
(Dollars in Thousands)	Interest Rate	Amount	Interest Rate	Amount
Checking accounts - non-interest bearing	-	$ 48,173	-	$ 41,551
Checking accounts - interest bearing (1)	0% - 1.00%	127,883	0% - 1.00%	123,621
Savings accounts (1)	0% - 2.24%	267,207	0% - 1.98%	348,911
Money market accounts (1)	0% - 1.49%	41,058	0% - 1.49%	46,858
Time deposits				
Under $100	0.40% - 6.80%	225,725	0.50% - 7.23%	181,436
$100 and over	0.80% - 6.77%	208,585	0.70% - 6.81%	108,662
Total deposits		$ 918,631		$ 851,039
Weighted average interest rate on deposits		2.02%		1.58%

(1) Certain interest-bearing checking, savings and money market accounts require a minimum balance to earn interest.

30

<PAGE>

Notes to Consolidated Financial Statements

The aggregate annual maturities of time deposits are as follows:

	June 30,	
(In Thousands)	2005	2004
One year or less	$ 232,309	$ 128,517
Over one to two years	67,154	85,570
Over two to three years	103,527	31,757
Over three to four years	18,893	25,023
Over four to five years	12,427	19,131
Over five years	-	100

Total time deposits	$ 434,310	$ 290,098

Interest expense on deposits is summarized as follows:

	Year Ended June 30,		
(In Thousands)	2005	2004	2003
Checking accounts - interest bearing	$ 680	$ 665	$ 801
Savings accounts	4,484	5,267	4,161
Money market accounts	490	700	759
Time deposits	10,508	6,688	10,531
Total interest expense on deposits	$ 16,162	$ 13,320	$ 16,252

The Corporation is required to maintain cash and reserve balances with the Federal Reserve Bank. Such reserves are calculated based on deposit balances and are offset by the cash balances maintained by the Bank. The cash balances maintained by the Bank at June 30, 2005 and 2004 were sufficient to cover the reserve requirements.

8. Borrowings:

Advances from the FHLB - San Francisco, which mature at various dates through 2021, were collateralized by pledges of certain real estate loans with an aggregate principal balance at June 30, 2005 and 2004 of $515.4 million and $345.2 million, respectively. In addition, the Bank pledged investment securities totaling $128.5 million at June 30, 2005 to collateralize its FHLB - San Francisco advances under the Securities-Backed Credit ("SBC") program as compared to $206.9 million at June 30, 2004. At June 30, 2005, the Bank's FHLB - San Francisco borrowing capacity, which is limited to 40% of total assets reported on the Bank's quarterly thrift financial report, was approximately $649.7 million as compared to $550.1 million at June 30, 2004. In addition, the Bank has a borrowing arrangement in the form of a federal funds facility with its correspondent bank for $45.0 million which matures on November 30, 2005. As of June 30, 2005 and 2004, the borrowings under this facility were $10.0 million and $0, respectively.

<PAGE>

Borrowings consisted of the following:

	June 30,	
(In Thousands)	2005	2004
Regular FHLB - San Francisco advances	$ 427,845	$ 306,877
SBC FHLB - San Francisco advances	123,000	18,000
Correspondent bank advances	10,000	-
Total borrowings	$ 560,845	$ 324,877

As a member of the FHLB - San Francisco system, the Bank is required to maintain a minimum investment in FHLB - San Francisco stock. The Bank held the required investment of $37.1 million and no excess investment amount at June 30, 2005, as compared to the required investment of $27.0 million and an excess investment amount of $883,000 at June 30, 2004. Any excess may be redeemed by the Bank or called by FHLB - San Francisco at par.

The following tables set forth certain information regarding borrowings by the Bank at the dates and for the periods indicated:

	At or For the Year Ended June 30,		
(Dollars in Thousands)	2005	2004	2003
Balance outstanding at the end of period:			
FHLB - San Francisco advances	$ 550,845	$ 324,877	$ 367,938
Correspondent bank advances	$ 10,000	-	-
Weighted average rate at the end of period:			
FHLB - San Francisco advances	3.95%	4.01%	3.50%
Correspondent bank advances	3.39%	-	-
Maximum amount of borrowings outstanding at any month end:			
FHLB - San Francisco advances	$ 550,845	$ 385,385	$ 367,938
Correspondent bank advances	$ 10,000	-	-
Average short-term borrowings (1) with respect to:			
FHLB - San Francisco advances	$ 135,708	$ 97,638	$ 124,226
Correspondent bank advances	$ 334	-	-
Weighted average short-term borrowing rate during the period with respect to:			
FHLB - San Francisco advances	2.84%	2.42%	2.49%
Correspondent bank advances	2.05%	-	-

(1) Borrowings with a remaining term of 12 months or less.

32

<PAGE>

Notes to Consolidated Financial Statements

The aggregate annual contractual maturities of borrowings are as follows:

	June 30,	
(Dollars in Thousands)	2005	2004

Within one year	$ 177,000	$ 69,000
Over one to two years	20,000	27,000
Over two to three years	107,000	15,000
Over three to four years	30,000	72,000
Over four to five years	72,000	30,000
Over five years	154,845	111,877
Total borrowings	$ 560,845	$ 324,877
Weighted average interest rate	3.94%	4.01%

9. Income Taxes:

The provision for income taxes consisted of the following:

		Year Ended June 30,		
(In Thousands)		2005	2004	2003
Current:				
	Federal	$ 9,670	$ 8,180	$ 7,948
	State	3,318	2,920	2,859
		12,988	11,100	10,807
Deferred:				
	Federal	792	487	360
	State	297	130	190
		1,089	617	550
Provision for income taxes		$ 14,077	$ 11,717	$ 11,357

The Corporation's tax benefit from non-qualified equity compensation in fiscal 2005 and fiscal 2004 was approximately $322,000 and $349,000, respectively.

The provision for income taxes differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to pre-tax income from continuing operations as a result of the following differences:

	Year Ended June 30,		
	2005	2004	2003
Federal statutory income tax rate	35.0%	35.0%	35.0%
State taxes, net of federal tax effect	7.1	7.4	7.0
Other	0.8	1.3	(1.8)
Effective income tax rate	42.9%	43.7%	40.2%

33

<PAGE>

Notes to Consolidated Financial Statements

Deferred tax liabilities by jurisdiction were as follows:

	June 30,	
(In Thousands)	2005	2004
Deferred taxes - federal	$ 1,298	$ 302
Deferred taxes - state	432	109
Total deferred tax liability	$ 1,730	$ 411

Deferred tax liabilities (assets) were comprised of the following:

	June 30,	
(In Thousands)	2005	2004
Depreciation	$ 3,036	$ 3,156
FHLB - San Francisco dividends	3,409	2,747
Unrealized gain on investment securities	162	-
Unrealized gain on interest-only strips	61	78
Deferred loan costs	2,285	564
Total deferred tax liabilities	8,953	6,545
State taxes	(1,335)	(1,070)
Market value adjustments - loans held for sale	-	(193)
Loss reserves	(4,141)	(3,323)
Deferred compensation	(1,447)	(1,162)
Reserve for loans sold with recourse	(120)	(120)
Accrued vacation	(115)	(97)
Unrealized loss on investment securities	-	(86)
Other	(65)	(83)
Total deferred tax assets	(7,223)	(6,134)
Net deferred tax liability	$ 1,730	$ 411

The net deferred tax liability is included in other liabilities in the accompanying Consolidated Statements of Financial Condition.

Retained earnings at June 30, 2005 included approximately $9.0 million for which federal income tax of $3.1 million had not been provided. If the amounts that qualify as deductions for federal income tax purposes are later used for purposes other than for bad debt losses, including distribution in liquidation, they will be subject to federal income tax at the then-current corporate tax rate. If those amounts are not so used, they will not be subject to tax even in the event the Bank were to convert its charter its charter from a thrift to a bank.

34

<PAGE>

Notes to Consolidated Financial Statements

10. Capital:

Federal regulations require that institutions with investments in subsidiaries conducting real estate investments and joint venture activities maintain sufficient capital over the minimum regulatory requirements. The Bank maintains capital in excess of the minimum requirements.

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on the Corporation's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of Total and Tier 1 Capital (as defined in the regulations) to Risk-Weighted Assets (as defined), and of Core Capital (as defined) to Adjusted Tangible Assets (as defined). Management believes, as of June 30, 2005 and 2004, that the Bank meets all capital adequacy requirements to which it is subject.

Various adjustments are required to be made to retained earnings and total assets for computing these capital ratios, depending on an institution's capital and asset structure. The adjustment presently applicable to the Bank is for equity investments in real estate. In addition, in calculating risk-based capital, general loss allowances are included as capital on a limited basis.

As of June 30, 2005 and 2004, the most recent notification from the Office of Thrift Supervision categorized the Bank as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized" the Bank must maintain minimum Total Risk-Based, Core Capital and Tier 1 Risk-Based Capital ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

The Bank may not declare or pay cash dividends on or repurchase any of its shares of common stock, if the effect would cause stockholders' equity to be reduced below applicable regulatory capital maintenance requirements or if such declaration and payment would otherwise violate regulatory requirements. In fiscal 2005 and 2004, the Bank declared and paid cash dividends of $8.3 million and $8.0 million, respectively, to its parent.

35

<PAGE>

The Bank's actual capital amounts and ratios as of June 30, 2005 and 2004 are as follows:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
(Dollars in Thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of June 30, 2005						
Total Capital to Risk-Weighted Assets	$ 112,387	11.21%	$ 80,186	≥ 8.0%	$ 100,232	≥ 10.0%
Core Capital to Adjusted Tangible Assets	106,459	6.56%	64,933	≥ 4.0%	81,166	≥ 5.0%
Tier 1 Capital to Risk-Weighted Assets	103,169	10.29%	N/A	N/A	60,139	≥ 6.0%
Tangible Capital	106,459	6.56%	24,350	≥ 1.5%	N/A	N/A
As of June 30, 2004						
Total Capital to Risk-Weighted Assets	$ 94,983	12.39%	$ 61,342	≥ 8.0%	$ 76,677	≥ 10.0%
Core Capital to Adjusted Tangible Assets	90,402	6.90%	52,388	≥ 4.0%	65,485	≥ 5.0%
Tier 1 Capital to Risk-Weighted Assets	87,385	11.40%	N/A	N/A	46,006	≥ 6.0%
Tangible Capital	90,402	6.90%	19,646	≥ 1.5%	N/A	N/A

11. Benefit Plans:

The Corporation has a 401(k) defined-contribution plan covering all employees meeting specific age and service requirements. Under the plan, employees may contribute to the plan from their pretax compensation up to the limits set by the Internal Revenue Service. The Corporation makes matching contributions up to 3% of participants' pretax compensation. Participants vest immediately in their own contributions with 100% vesting in the Corporation's contributions occurring after six years of credited service. The Corporation's expense for the plan was approximately $379,000, $335,000 and $333,000 for the years ended June 30, 2005, 2004 and 2003, respectively.

The Corporation has a multi-year employment agreement with one executive officer, which requires payments of certain benefits upon retirement. The obligation was fully funded at June 30, 2005 and actuarially determined retirement costs are being accrued and expensed annually.

ESOP (Employee Stock Ownership Plan)

An ESOP was established for all employees who are age 21 or older and have completed one year of service with the Corporation during which they have served a minimum of 1,000 hours. The ESOP Trust borrowed $4.1 million from the Corporation to purchase 922,538 shares of the common stock issued in the conversion. The loan is principally repaid from the Corporation's contributions to the ESOP over a period of 15 years. In addition to the

36

<PAGE>

Notes to Consolidated Financial Statements

scheduled principal loan payments, the ESOP Trust has paid additional principal amounts, which came from cash dividends received on the unallocated ESOP shares. The additional principal payment (loan prepayment) in fiscal 2005 and 2004 was $212,000 and $155,000, respectively. At June 30, 2005 and 2004, the outstanding balance on the loan was $1.6 million and $2.1 million, respectively. Shares purchased with the loan proceeds are held in an unearned ESOP account and released on a pro rata basis based on the distribution schedule. Contributions to the ESOP and shares released from the unearned ESOP account are allocated among participants on the basis of compensation, as described in the plan, in the year of allocation. Benefits generally become 100% vested after six years of credited service. Vesting accelerates upon retirement, death or disability of the participant or in the event of a change in control of the Corporation. Forfeitures are reallocated among remaining participating employees in the same proportion as contributions. Benefits are payable upon death, retirement, early retirement, disability or separation from service. Since the annual contributions are discretionary, the benefits payable under the ESOP cannot be estimated. The expense related to the ESOP was $1.7 million, $1.4 million and $1.1 million for the years ended June 30, 2005, 2004 and 2003, respectively. At June 30, 2005 and 2004, the unearned ESOP account of $1.1 million and $1.6 million, respectively, was reported as a reduction to stockholders' equity.

The table below reflects ESOP activity for the period indicated (in number of shares):

	June 30,		
	2005	2004	2003
Unallocated shares at beginning of period	410,852	471,719	532,586
Allocated	(60,867)	(60,867)	(60,867)

Unallocated shares at end of period	349,985	410,852	471,719

The fair value of unallocated ESOP shares was $9.8 million, $9.7 million and $9.2 million at June 30, 2005, 2004 and 2003, respectively.

12. Incentive Plans:

MRP (Management Recognition Plan)

The Corporation established the MRP to provide key employees and eligible directors with a proprietary interest in the growth, development and financial success of the Corporation through the award of restricted stock. The Corporation acquired 461,250 shares of its common stock in the open market to fund the MRP in 1997. All of the MRP shares have been awarded. Awarded shares vest over a five-year period as long as the employee or director remains an employee or director of the Corporation. The Corporation recognizes compensation expense for the MRP based on the fair value of the shares at the award date. MRP compensation expense was $135,000, $135,000 and $331,000 for the years ended June 30, 2005, 2004 and 2003, respectively. At June 30, 2005 and 2004, the value of the unearned MRP account was $155,000 and $290,000, respectively, and reported as a reduction to stockholders' equity.

Stock Option Plans

The Corporation established the 1996 Stock Option Plan and the 2003 Stock Option Plan (collectively, the "Stock Option Plans") for certain of its directors and key employees under which options to acquire up to 1.15 million shares and 352,500 shares of common stock, respectively, may be granted. Under the Stock Option Plans, options may not be granted at a price less than the fair market value at the date of grant. Options vest over a five-year period as long as the employee or director remains an employee or director of the Corporation. The options are exercisable

<PAGE>

after vesting for up to the remaining term of the original grant. The maximum term of the options granted is 10 years.

On April 28, 2005, the Board of Directors accelerated the vesting of certain unvested stock options, totaling 136,950 options, which were previously granted to directors, officers and key employees who had three or more continuous years of service with the Corporation or an affiliate of the Corporation.

The Board believes that it is in the best interest of the shareholders to accelerate the vesting of these options which were granted prior to January 1, 2004, since it will have a positive impact on the future earnings of the Corporation. This action has been taken as a result of SFAS No. 123R which the Corporation must adopt on July 1, 2005.

As a result of accelerating the vesting of these options, the Corporation recorded a charge to compensation expense of $320,000 during the quarter ended June 30, 2005. This charge represents a new measurement of compensation cost for these options as of the modification date. The modification introduced the potential for an effective renewal of the awards as some of these options may have been forfeited by the employees. This charge will require adjustment in future periods for actual forfeiture experience. The Corporation estimates that compensation expense related to these options that would have been recognized over their remaining vesting periods pursuant to the transition provisions of SFAS No. 123R is $1.7 million. Because these options are now fully vested, they are not subject to the provisions of SFAS No. 123R.

In fiscal 2005, the total options (under both plans) granted, exercised and forfeited were 68,000 shares, 74,775 shares and 43,450 shares, respectively. As of June 30, 2005, the number of options available for future grants under the Stock Option Plans were 89,200 shares.

The following is a summary of changes in options outstanding:

	Number of Shares	Weighted Average Strike Price
Outstanding at June 30, 2002	974,250	$ 7.65
Granted (fair value of $5.45/share)	7,500	13.67
Exercised	(201,225)	7.07
Outstanding at June 30, 2003	780,525	$ 7.85
Granted (fair value of $6.19/share)	384,250	23.16
Exercised	(128,675)	8.10
Forfeited	(11,250)	13.89
Outstanding at June 30, 2004	1,024,850	$ 13.49
Granted (fair value of $7.24/share)	68,000	26.91
Exercised	(74,775)	7.96
Forfeited	(43,450)	18.81
Outstanding at June 30, 2005	974,625	$ 14.62

<PAGE>

Notes to Consolidated Financial Statements

The following table summarizes the outstanding stock options and the exercisable portion of the stock options as of June 30, 2005, 2004 and 2003:

	Options Outstanding			Options Exercisable	
Exercise Prices	Number Of Options	Weighted Average Remaining Option Life	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
At June 30, 2005					
$ 29.74	20,000	9.73 Years	$ 29.74	-	$ -
27.80	25,000	9.23	27.80	-	-
27.53	2,500	9.83	27.53	-	-
24.80	213,000	8.82	24.80	42,600	24.80
23.35	15,000	8.57	23.35	3,000	23.35
23.00	19,000	9.07	23.00	-	-

20.33	52,500	8.09	20.33	16,500	20.33
20.23	72,000	8.24	20.23	68,400	20.23
13.67	7,500	7.07	13.67	7,500	13.67
9.67	115,625	6.34	9.67	115,625	9.67
9.15	18,750	2.56	9.15	18,750	9.15
8.28	67,500	5.34	8.28	67,500	8.28
6.78	346,250	1.57	6.78	346,250	6.78
$ 6.78 to $ 29.74	974,625	5.52 Years	$ 14.62	686,125	$ 10.41
At June 30, 2004					
$ 24.80	235,000	9.82 Years	$ 24.80	-	$ -
23.35	15,000	9.57	23.35	-	-
20.33	53,250	9.09	20.33	-	-
20.23	76,500	9.24	20.23	-	-
13.67	7,500	8.07	13.67	1,500	13.67
9.67	144,625	7.34	9.67	35,950	9.67
9.15	33,750	3.56	9.15	33,750	9.15
8.28	67,500	6.34	8.28	40,500	8.28
6.78	391,725	2.57	6.78	391,725	6.78
$ 6.78 to $ 24.80	1,024,850	6.17 Years	$ 13.49	503,425	$ 7.29
At June 30, 2003					
$ 13.67	7,500	9.07 Years	$ 13.67	-	$ -
9.67	172,125	8.34	9.67	18,225	9.67
9.15	79,875	4.56	9.15	79,875	9.15
8.28	67,500	7.34	8.28	27,000	8.28
6.78	453,525	3.57	6.78	453,525	6.78
$ 6.78 to $ 13.67	780,525	5.10 Years	$ 7.85	578,625	$ 7.27

39

<PAGE>

Notes to Consolidated Financial Statements

13. Earnings Per Share:

Basic EPS excludes dilution and is computed by dividing income available to common stockholders by the weighted average number of shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that would then share in the earnings of the entity. No shares have been excluded from the diluted EPS computations.

	For the Year Ended June 30, 2005
(Dollars in Thousands, Except Share Amount)	

	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS	$ 18,699	6,592,652	$ 2.84
Effect of dilutive shares:			
Stock options		489,510	
Restricted stock awards (MRP)		12,842	
Diluted EPS	$ 18,699	7,095,004	$ 2.64

	For the Year Ended June 30, 2004		
(Dollars in Thousands, Except Share Amount)	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS	$ 15,069	6,732,954	$ 2.24
Effect of dilutive shares:			
Stock options		458,952	
Restricted stock awards (MRP)		16,937	
Diluted EPS	$ 15,069	7,208,843	$ 2.09

	For the Year Ended June 30, 2003		
(Dollars in Thousands, Except Share Amount)	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS	$ 16,889	7,122,440	$ 2.37
Effect of dilutive shares:			
Stock options		506,615	
Restricted stock awards (MRP)		39,099	
Diluted EPS	$ 16,889	7,668,154	$ 2.20

14. Commitments and Contingencies:

The Corporation is involved in various legal matters associated with its normal operations. In the opinion of management, these matters will be resolved without material effect on the Corporation's financial position, results of operations or cash flows.

<PAGE>

Notes to Consolidated Financial Statements

The Corporation conducts a portion of its operations in leased facilities under non-cancelable agreements classified as operating leases. The following is a schedule of minimum rental payments under such operating leases, which expire at various years:

Year Ended June 30,	Amount
	(In Thousands)
2006	$ 704
2007	606
2008	535
2009	402
2010	249

Thereafter	154
Total minimum payments required	$ 2,650

Lease expense under operating leases was approximately $797,000, $705,000 and $622,000 for the years ended June 30, 2005, 2004 and 2003, respectively.

15. Derivatives and Other Financial Instruments with Off-Balance Sheet Risks:

The Corporation is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, in the form of originating loans or providing funds under existing lines of credit, and forward loan sale agreements to third parties. These instruments involve, to varying degrees, elements of credit and interest-rate risk in excess of the amount recognized in the accompanying Consolidated Statements of Financial Condition. The Corporation's exposure to credit loss, in the event of non-performance by the counter party to these financial instruments, is represented by the contractual amount of these instruments. The Corporation uses the same credit policies in making commitments to extend credit as it does for on-balance sheet instruments.

	June 30,	
Commitments	2005	2004
(In Thousands)		
Undisbursed loan funds - Construction loans	$ 95,162	$ 78,137
Undisbursed lines of credit - Single-family loans	7,823	7,342
Undisbursed lines of credit - Commercial business loans	9,052	9,625
Undisbursed lines of credit - Consumer loans	1,631	1,794
Commitments to extend credit on loans held for investment	13,312	23,170
	$ 126,980	$ 120,068

Commitments to extend credit are agreements to lend money to a customer at some future date as long as all conditions have been met in the agreement. These commitments generally have expiration dates within 60 days of the commitment date and may require the payment of a fee. Since some of these commitments are expected to expire, the total commitment amount outstanding does not necessarily represent future cash requirements. The Corporation evaluates each customer's creditworthiness on a case-by-case basis prior to issuing a commitment. At

Notes to Consolidated Financial Statements

June 30, 2005 and 2004, interest rates on commitments to extend credit ranged from 1.00% (teaser rate, generally for the first month only) to 12.13% and 4.50% to 10.75%, respectively.

In an effort to minimize its exposure to interest rate fluctuations on commitments to extend credit where the underlying loan will be sold, the Corporation enters into forward loan sale agreements to sell certain dollar amounts of fixed rate and adjustable rate loans to third parties. These agreements specify the minimum maturity of the loans, the yield to the purchaser, the servicing spread to the Corporation (if servicing is retained), the maximum principal amount of all loans to be delivered and the maximum principal amount of individual loans to be delivered. The Corporation typically satisfies these forward loan sale agreements with its current loan production; at June 30, 2005 and 2004 the aggregate amount of loans held for sale and of commitments to extend credit on loans to be held for sale exceeded the Corporation's forward loan sale agreements. At June 30, 2005 and 2004, interest rates on forward loan sale agreements ranged from 4.50% to 6.00% and 5.00% to 6.00%, respectively.

In addition to the instruments described above, the Corporation also purchases over-the-counter put option contracts (with expiration dates that generally coincide with the terms of the commitments to extend credit) which mitigates the interest rate risk inherent in commitments to extend credit. The contract amounts of these instruments reflect the extent of involvement the Corporation has in this particular class of financial instruments. The Corporation's exposure to loss on these financial instruments is limited to the premiums paid for the put option contracts. Put options are adjusted to market in accordance with SFAS No. 133. As of June 30, 2005 and 2004, total nominal put option contracts were $20.0 million and $10.0 million, respectively; and the fair value was $50,000 and $41,000, respectively.

In accordance with SFAS No. 133 and interpretations of the FASB's Derivative Implementation Group, the fair value of the commitments to extend credit on loans to be held for sale, forward loan sale agreements and put option contracts are recorded at fair value on the balance sheet, and are included in other assets or other liabilities. The Corporation does not apply hedge accounting to its derivative financial instruments; therefore, all changes in fair value are recorded in earnings. The net impact of derivative financial instruments on the consolidated statements of operations during the year ended June 30, 2005, 2004 and 2003 was a loss of $264,000, a loss of $859,000 and a gain of $360,000, respectively.

	June 30, 2005	June 30, 2004

Fair

Fair

Derivative Financial Instruments

Amount

Value

Amount

Value
(In Thousands)
Commitments to extend credit on loans to be held
for sale (1)
$ 84,037
$ (56
)
$ 63,750
$ 167
Forward loan sale agreements
48,000
(85
)
37,500
(317
)
Put option contracts
20,000
50
10,000
41

Total	
	$ 152,037
	$ (91
)	
	$ 111,250
	$ (109
)	

(1) Net of an estimated 25.0% of commitments at June 30, 2005 and 26.6% of commitments at June 30, 2004, which may not fund.

During the third quarter of fiscal 2004, the Corporation adopted the SEC guidance regarding loan commitments that are recognized as derivatives pursuant to SFAS No. 133. As a result of implementing the SEC Staff Accounting Bulletin No. 105, "Application of Accounting Principles to Loan Commitments," the Corporation excluded the recognition of servicing released premiums in the valuation of commitments to extend credit on loans to be held for sale. The Corporation's previous practice had been to recognize, at the inception of the rate lock, the anticipated servicing released premiums on the underlying loans. The Corporation elected to prospectively apply this guidance

42

<PAGE>

Notes to Consolidated Financial Statements

to new loan commitments initiated after January 1, 2004. This action results in the delay in the recognition of servicing released premiums, which are now recognized when the underlying loans are funded and sold.

16. Fair Values of Financial Instruments:

The reported fair values of financial instruments are based on various factors. In some cases, fair values represent quoted market prices for identical or comparable instruments. In other cases, fair values have been estimated based on assumptions concerning the amount and timing of estimated future cash flows, assumed discount rates and other factors reflecting varying degrees of risk. The estimates are subjective in nature and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates. Accordingly, the reported fair values may not represent actual values of the financial instruments that could have been realized as of year-end or that will be realized in the future. The following methods and assumptions were used to estimate fair value of each class of significant financial instrument:

Cash and due from banks, federal funds sold, interest bearing deposits with banks: The carrying amount of these financial assets approximates the fair value.

Investment securities: The fair value of investment securities is based on quoted market prices or dealer quotes.

Loans held for investment: For loans that reprice frequently at market rates, the carrying amount approximates the fair value. For fixed-rate loans, the fair value is determined by either (i) discounting the estimated future cash flows of such loans over their estimated remaining contractual maturities using a current interest rate at which such loans would be made to borrowers, or (ii) quoted market prices. The allowance for loan losses is subtracted as an estimate of the underlying credit risk.

Loans held for sale: Fair values for loans are based on quoted market prices. Forward loan sale agreements have been considered in the determination of the estimated fair value of loans held for sale.

Receivable from sale of loans: The carrying value for the receivable from sale of loans approximates fair value because of the short-term nature of the financial instruments.

Accrued interest receivable/payable: The carrying value for accrued interest receivable/payable approximates fair value because of the short-term nature of the financial instruments.

FHLB - San Francisco stock: The carrying amount reported for FHLB - San Francisco stock approximates fair value. If redeemed, the Corporation will receive an amount equal to the par value of the stock.

Deposits: The fair value of the deposits is estimated using a discounted cash flow calculation. The discount rate on such deposits is based upon rates currently offered for borrowings of similar remaining maturities.

Borrowings: The fair value of borrowings has been estimated using a discounted cash flow calculation. The discount rate on such borrowings is based upon rates currently offered for borrowings of similar remaining maturities.

Commitments: Commitments to extend credit on existing obligations are discounted in a manner similar to loans held for investment.

Derivative Financial Instruments: The fair value of the derivative financial instruments are based upon quoted market prices, current market bids, outstanding forward loan sale commitments and estimates from independent pricing sources.

<PAGE>

The carrying amount and fair values of the Corporation's financial instruments were as follows:

	June 30, 2005		June 30, 2004	
(In Thousands)	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets:				

Cash and cash equivalents	$ 25,902	$ 25,902	$ 38,349	$ 38,349
Investment securities	232,432	231,531	252,580	251,630
Loans held for investment	1,131,905	1,128,535	862,535	870,457
Loans held for sale	5,691	5,846	20,127	20,464
Receivable from sale of loans	167,813	167,813	86,480	86,480
Accrued interest receivable	6,294	6,294	4,961	4,961
FHLB - San Francisco stock	37,130	37,130	27,883	27,883
Financial liabilities:				
Deposits	918,631	867,974	851,039	810,724
Borrowings	560,845	566,969	324,877	328,493
Accrued interest payable	1,882	1,882	884	884
Derivative Financial Instruments:				
Commitments to extend credit on loans to be held for sale	(56)	(56)	167	167
Forward loan sale agreements	(85)	(85)	(317)	(317)
Put option contracts	50	50	41	41

44

<PAGE>

Notes to Consolidated Financial Statements

17. Operating Segments:

The following tables illustrate the Corporation's operating segments for the years ended June 30, 2005, 2004 and 2003, respectively.

	Year Ended June 30, 2005		
(In Thousands)	Provident Bank	Provident Bank Mortgage	Consolidated Total
Net interest income, after provisions for loan losses	$ 37,132	$ 3,740	$ 40,872
Non-interest income:			
Loan servicing and other fees	(4,705)	6,380	1,675
Gain on sale of loans, net	579	18,127	18,706
Real estate operations, net	400	-	400
Deposit account fees	1,789	-	1,789
Net gain on sale of investment securities	384	-	384
Other	1,460	4	1,464
Total non-interest (loss) income	(93)	24,511	24,418
Non-interest expense:			
Salaries and employee benefits	13,667	7,966	21,633

Premises and occupancy	1,972	763	2,735
Operating and administrative expenses	4,540	3,606	8,146
Total non-interest expenses	20,179	12,335	32,514
Income before income taxes	16,860	15,916	32,776
Provision for income taxes	7,219	6,858	14,077
Net income	$ 9,641	$ 9,058	$ 18,699
Total assets, end of period	$ 1,460,533	$ 171,589	$ 1,632,122

<PAGE>

Notes to Consolidated Financial Statements

	Year Ended June 30, 2004		
(In Thousands)	Provident Bank	Provident Bank Mortgage	Consolidated Total
Net interest income, after provisions for loan losses	$ 32,518	$ 2,895	$ 35,413
Non-interest income:			
Loan servicing and other fees	(2,990)	5,282	2,292
Gain on sale of loans, net	41	14,305	14,346
Real estate operations, net	178	73	251
Deposit account fees	1,986	-	1,986
Other	1,256	22	1,278
Total non-interest income	471	19,682	20,153
Non-interest expense:			
Salaries and employee benefits	12,756	6,307	19,063
Premises and occupancy	1,840	621	2,461
Operating and administrative expenses	4,350	2,906	7,256
Total non-interest expenses	18,946	9,834	28,780
Income before income taxes	14,043	12,743	26,786
Provision for income taxes	6,409	5,308	11,717
Net income	$ 7,634	$ 7,435	$ 15,069

Total assets, end of period	$ 1,212,073	$ 106,962	$ 1,319,035

	Year Ended June 30, 2003		
(In Thousands)	Provident Bank	Provident Bank Mortgage	Consolidated Total
Net interest income, after provisions for loan losses	$ 27,293	$ 3,095	$ 30,388
Non-interest income:			
Loan servicing and other fees	(2,789)	4,634	1,845
(Loss) gain on sale of loans, net	(89)	19,289	19,200
Real estate operations, net	716	15	731
Deposit account fees	1,734	-	1,734
Net gain on sale of investment securities	694	-	694
Other	1,564	3	1,567
Total non-interest income	1,830	23,941	25,771
Non-interest expense:			
Salaries and employee benefits	11,804	6,161	17,965
Premises and occupancy	1,897	583	2,480
Operating and administrative expenses	4,568	2,900	7,468
Total non-interest expenses	18,269	9,644	27,913
Income before income taxes	10,854	17,392	28,246
Provision for income taxes	4,112	7,245	11,357
Net income	$ 6,742	$ 10,147	$ 16,889
Total assets, end of period	$ 1,174,955	$ 86,551	$ 1,261,506

<PAGE>

Notes to Consolidated Financial Statements

The information above was derived from the internal management reporting system used by management to measure performance of the segments.

The Corporation's internal transfer pricing arrangements determined by management primarily consist of the following:

1. Borrowings for Provident Bank Mortgage ("PBM") are indexed monthly to the higher of the three-month FHLB - San Francisco advance rate on the first Friday of the month plus 50 basis points or the Bank's cost of funds for the prior month.

2. PBM receives servicing released premiums for new loans transferred to the Bank's loans held for investment. The servicing released premiums in the years ended June 30, 2005, 2004 and 2003 were $5.1 million, $3.9 million and $3.6 million, respectively.

3. PBM receives a premium (gain on sale of loans) for the loans transferred to the Bank's loans held for investment. The gain on sale of loans in the years ended June 30, 2005, 2004 and 2003 was $489,000, $444,000 and $365,000, respectively.

4. PBM receives fees for loans sold on a servicing retained basis from the Bank. The fees in the year ended June 30, 2005, 2004 and 2003 were $517,000, $1.9 million and $425,000, respectively.

5. Loan servicing costs are charged to PBM by the Bank based on the number of loans held for sale multiplied by a fixed fee which is subject to management's review. The loan servicing costs in the years ended June 30, 2005, 2004 and 2003 were $104,000, $103,000 and $125,000, respectively.

6. The Bank allocates quality assurance costs to PBM for its loan production, subject to management's review. Quality assurance costs allocated to PBM in the years ended June 30, 2005, 2004 and 2003 were $148,000, $115,000 and $93,000, respectively.

7. The Bank allocates loan vault service costs to PBM for its loan production, subject to management's review. The loan vault service costs allocated to PBM in the years ended June 30, 2005, 2004 and 2003 were $78,000, $105,000 and $109,000, respectively.

8. The Bank allocated marketing costs to PBM in the years ended June 30, 2005, 2004 and 2003 for $0, $14,000 and $26,000, respectively.

9. Office rents for PBM offices, which are located at the Bank offices, are internally charged based on the square footage used. Office rents allocated to PBM in the years ended June 30, 2005, 2004 and 2003 were $142,000, $142,000 and $142,000, respectively.

10. A management fee, which is subject to regular review, is charged to PBM for services provided by the Bank. The management fee in the years ended June 30, 2005, 2004 and 2003 was $771,000, $480,000 and $480,000, respectively.

18. Holding Company Condensed Financial Information:

This information should be read in conjunction with the other notes to the consolidated financial statements. The following is the condensed balance sheet for Provident Financial Holdings, Inc. (Holding Company only) as of June 30, 2005 and 2004 and condensed statements of operations and cash flows for each of the three years in the period ended June 30, 2005.

47

<PAGE>

Notes to Consolidated Financial Statements

Condensed Balance Sheets

	June 30,	
(In Thousands)	2005	2004

Assets		
Cash and cash equivalents	$ 4,274	$ 7,036
Investment in subsidiary	115,267	99,292
Other assets	3,452	3,698
	$ 122,993	$ 110,026
Liabilities and Stockholders' Equity		
Other liabilities	$ 4	

	$ 44
Stockholders' equity	
	122,989
	109,982
	$ 122,993
	$ 110,026

Condensed Statements of Operations

(In Thousands)	Year Ended June 30, 2005	2004	2003
Interest and other income	$ 238	$ 298	$ 356
General and administrative expenses	574	537	505
Loss before equity in net earnings of the subsidiary	(336)	(239)	(149)
Equity in net earnings of the subsidiary	18,894	15,286	17,056
Income before income taxes	18,558	15,047	16,907
Income taxes	(141)	(22)	18
Net income	$ 18,699	$ 15,069	$ 16,889

48

<PAGE>

Notes to Consolidated Financial Statements

Condensed Statements of Cash Flows

	Year Ended June 30,		
(In Thousands)	2005	2004	2003
Cash flows from operating activities			
Net income	$ 18,699	$ 15,069	$ 16,889
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in net earnings of the subsidiary	(18,894)	(15,286)	(17,056)
Tax benefit from non-qualified equity compensation	322	349	308
Decrease in other assets	246	5	24
(Decrease) increase in other liabilities	(40)	2	27
Net cash provided by operating activities	333	139	192
Cash flow from investing activities:			
Cash dividend received from the Bank	8,250	8,000	26,400
Capital contribution to the Bank	(3,000)	-	-
Net cash provided by investing activities	5,250	8,000	26,400
Cash flow from financing activities:			
Exercise of stock options	595	1,042	1,423
Treasury stock purchases	(5,293)	(10,952)	(16,031)
Cash dividends	(3,647)	(2,400)	(1,034)
Net cash used for financing activities	(8,345)	(12,310)	(15,642)
Net (decrease) increase in cash and cash equivalents	(2,762)	(4,171)	10,950
Cash and cash equivalents at beginning of year	7,036	11,207	257
Cash and cash equivalents at end of year	$ 4,274	$ 7,036	$ 11,207

49

<PAGE>

Notes to Consolidated Financial Statements

19. Quarterly Results of Operations (Unaudited):

The following tables set forth the quarterly financial data, which was derived from the consolidated financial statements presented in the quarter reports on Form 10-Q, for the fiscal years ended June 30, 2005 and 2004.

For Fiscal Year 2005

For the

Year Ended

June 30,

Fourth

Third

Second

First

2005

Quarter

Quarter

Quarter

Quarter

(Dollars in Thousands, except per Share amount)

Interest income

	$ 75,495
	$ 20,638
	$ 19,520
	$ 18,246
	$ 17,091
Interest expense	
	32,982
	9,483
	8,489
	7,871
	7,139
Net interest income	
	42,513
	11,155
	11,031

10,375

9,952

Provision for loan losses

1,641

335

404

260

642

Net interest income, after provision for

loan losses

40,872

10,820

10,627

10,115

9,310

Non-interest income	
	24,418
	6,458
	5,370
	6,497
	6,093
Non-interest expense	
	32,514
	8,918
	7,947
	8,039
	7,610
Income before income taxes	
	32,776
	8,360

	8,050
	8,573
	7,793
Provision for income taxes	
	14,077
	3,530
	3,470
	3,539
	3,538
Net income	
	$ 18,699
	$ 4,830
	$ 4,580
	$ 5,034

	$ 4,255
Basic earnings per share	
	$ 2.84
	$ 0.73
	$ 0.69
	$ 0.77
	$ 0.64
Diluted earnings per share	
	$ 2.64
	$ 0.68
	$ 0.64
	$ 0.71
	$ 0.60

50

<PAGE>

Notes to Consolidated Financial Statements

	For Fiscal Year 2004				
	For the Year Ended June 30, 2004	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
(Dollars in Thousands, except per Share amount)					
Interest income	$ 62,151	$ 15,956	$ 16,085	$ 15,249	$ 14,861
Interest expense	25,919	6,537	6,443	6,461	6,478
Net interest income	36,232	9,419	9,642	8,788	8,383
Provision for loan losses	819	130	420	269	-
Net interest income, after provision for loan losses	35,413	9,289	9,222	8,519	8,383
Non-interest income	20,153	6,407	4,906	4,114	4,726
Non-interest expense	28,780	7,600	7,000	7,215	6,965
Income before income taxes	26,786	8,096	7,128	5,418	6,144
Provision for income taxes	11,717	3,813	3,014	2,327	2,563
Net income	$ 15,069	$ 4,283	$ 4,114	$ 3,091	$ 3,581
Basic earnings per share	$ 2.24	$ 0.64	$ 0.61	$ 0.46	$ 0.53
Diluted earnings per share	$ 2.09	$ 0.60	$ 0.57	$ 0.43	$ 0.49

20. Subsequent Events:

Cash Dividend

On July 26, 2005, the Corporation announced a cash dividend of $0.14 per share on the Corporation's outstanding shares of common stock for shareholders of record at the close of business on August 17, 2005, payable on September 8, 2005.

<PAGE>

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

<PAGE>

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-30935 and 333-112700 on Form S-8 of our report dated September 12, 2005, relating to the financial statements of Provident Financial Holdings, Inc., appearing in this Annual Report on Form 10-K/A of Provident Financial Holdings, Inc. for the year ended June 30, 2005.

/s/ DELOITTE & TOUCHE LLP

Los Angeles, California
October 13, 2005

<PAGE>

EXHIBIT 31.1

Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

<PAGE>

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Craig G. Blunden, certify that:

1. I have reviewed this Amended Annual Report on Form 10-K/A of Provident Financial Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15-(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 14, 2005

/s/ Craig G. Blunden
Craig G. Blunden

Chairman, President and Chief Executive Officer

<PAGE>

EXHIBIT 31.2

Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

<PAGE>

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Donavon P. Ternes, certify that:

1. I have reviewed this Amended Annual Report on Form 10-K/A of Provident Financial Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15-(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 14, 2005 /s/ Donavon P. Ternes

Donavon P. Ternes
Chief Financial Officer

<PAGE>

EXHIBIT 32

Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

<PAGE>

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Amended Annual Report on Form 10-K/A of Provident Financial Holdings, Inc. (the "Corporation") for the year ending June 30, 2005 (the "Report"), I, Craig G. Blunden, Chairman, President and Chief Executive Officer of the Corporation, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: October 14, 2005 /s/ Craig G. Blunden

Craig G. Blunden

Chairman, President and Chief Executive Officer

<PAGE>

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Amended Annual Report on Form 10-K/A of Provident Financial Holdings, Inc. (the "Corporation") for the year ending June 30, 2005 (the "Report"), I, Donavon P. Ternes, Chief Financial Officer of the Corporation, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: October 14, 2005 /s/ Donavon P. Ternes

Donavon P. Ternes
Chief Financial Officer

<PAGE>