LOCAL FINANCIAL CORP /NV
Form 10-Q
November 14, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2002

OR

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

For the transition period from _________________ to _________________

Commission File Number:
001-13949

LOCAL FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	65-0424192
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3601 N.W. 63RD, OKLAHOMA CITY, OK	73116
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (405) 841-2298

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 [ ]

Number of shares outstanding of the registrant's $0.01 par value common stock as of October 29, 2002 were as follows:

NUMBER OF SHARES

18,753,323

LOCAL FINANCIAL CORPORATION

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PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

LOCAL FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(dollars in thousands, except share data)

	SEPTEMBER 30, 2002
	(unaudited)

ASSETS

Cash and due from banks	$ 49,145
Interest bearing deposits with other banks	5,100
Securities:	
Available for sale	170,189
Held to maturity	449,636
Total securities	619,825
Loans receivable, net of allowance for loan losses of $28,474 at September 30, 2002 and $27,621 at December 31, 2001	1,958,333
Federal Home Loan Bank of Topeka and Federal Reserve Bank stock, at cost	34,866
Premises and equipment, net	41,026
Assets acquired through foreclosure and repossession, net	882
Intangible assets, net	15,548
Current and deferred taxes, net	8,229
Other assets	59,294
Total assets	$ 2,792,248

LIABILITIES AND STOCKHOLDERS' EQUITY

Deposits:	
Demand	$ 711,798
Savings	78,338
Time	1,073,476
Total deposits	1,863,612
Advances from the Federal Home Loan Bank of Topeka	608,143
Securities sold under agreements to repurchase	48,134
Senior Notes	21,545
Other liabilities	24,268
Mandatorily redeemable trust preferred securities	50,250
Commitments and contingencies	
Stockholders' equity:	
Common stock, $0.01 par value, 25,000,000 shares authorized; 20,749,967 shares issued and 18,873,323 shares outstanding at September 30, 2002 and 20,539,269 shares issued and 19,199,925 shares outstanding at December 31, 2001	207
Preferred stock, $0.01 par value, 5,000,000 shares authorized; none issued or outstanding	-
Additional paid-in capital	207,156
Retained earnings	144,394
Treasury stock, 1,876,644 shares at September 30, 2002 and 1,339,344 shares at December 31, 2001, at cost	(176,915)
Accumulated other comprehensive income, net of tax	1,454
Total stockholders' equity	176,296
Total liabilities and stockholders' equity	$ 2,792,248

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

LOCAL FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(dollars in thousands, except share data)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE SEP
	2002	2001	2002
		(unaudited)	
Interest income:			
Loans	$ 34,745	$ 37,725	$ 104,22
Securities available for sale	2,437	8,956	7,72
Securities held to maturity	6,759	-	19,74
Federal Home Loan Bank of Topeka and Federal Reserve Bank stock	430	524	1,39
Other investments	171	687	62
Total interest income	44,542	47,892	133,70
Interest expense:			
Deposit accounts	12,573	18,152	39,49
Advances from the Federal Home Loan Bank of Topeka	6,353	5,620	19,13
Securities sold under agreements to repurchase and other borrowings	129	419	37
Senior Notes	636	1,212	1,90
Trust preferred securities	1,020	97	2,86
Total interest expense	20,711	25,500	63,78
Net interest income	23,831	22,392	69,92
Provision for loan losses	(1,500)	(1,775)	(5,10
Net interest income after provision for loan losses	22,331	20,617	64,82
Noninterest income:			
Deposit related income	4,996	3,802	14,11
Loan fees and loan service charges	489	458	1,64
Net gains on sale of assets	97	222	77
Other	908	815	2,78
Total noninterest income	6,490	5,297	19,31
Noninterest expense:			
Compensation and employee benefits	10,316	8,357	30,31
Equipment and data processing	1,516	1,633	4,73
Occupancy	1,242	999	3,50
Advertising	182	125	50
Professional fees	339	329	91
Other	3,748	3,638	10,94
Total noninterest expense	17,343	15,081	50,90

Income before provision for income taxes and extraordinary item	11,478	10,833	33,23
Provision for income taxes	4,108	3,639	11,32
Income before extraordinary item	7,370	7,194	21,91
Extraordinary item - purchase and retirement of Senior Notes, net of tax	-	-	
Net income	$ 7,370	$ 7,194	$ 21,91
Earnings per share:			
Income before extraordinary item:			
Basic	$ 0.39	$ 0.35	$ 1.1
Diluted	$ 0.37	$ 0.34	$ 1.1
Net income:			
Basic	$ 0.39	$ 0.35	$ 1.1
Diluted	$ 0.37	$ 0.34	$ 1.1
Average shares outstanding:			
Basic	18,991,744	20,539,209	19,111,41
Diluted	19,681,824	21,349,796	19,859,76

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

LOCAL FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)

	NINE MONTHS SEPTEMBER
	2002
	(unaudit
Cash provided (absorbed) by operating activities:	
Net income	$ 21,914
Adjustments to reconcile net income to net cash provided by operating activities:	
Provision for loan losses	5,100

Deferred income tax expense (benefit)	(249)
Accretion of discounts and amortization of deferred fees on loans acquired and securities, net	(2,193)
Depreciation and amortization	3,111
Net change in loans held for sale	262
Net gains on sale of assets	(771)
Change in other assets	(1,885)
Change in other liabilities	5,809
Net cash provided by operating activities	31,098
Cash provided (absorbed) by investing activities:	
Proceeds from sales of securities available for sale	54,239
Proceeds from principal collections on securities	215,060
Purchases of securities	(266,112)
Purchases of Federal Home Loan Bank and Federal Reserve Bank stock	(932)
Proceeds from the sale of Federal Home Loan Bank stock	8,279
Change in loans receivable, net	8,264
Proceeds from disposal of assets acquired through foreclosure and repossession	2,330
Purchases of premises and equipment	(5,449)
Proceeds from sales of premises and equipment	63
Net cash provided (absorbed) by investing activities	15,742
Cash provided (absorbed) by financing activities:	
Change in transaction accounts	82,889
Change in time deposits	(28,639)
Change in securities sold under agreements to repurchase	9,440
Proceeds from advances from the Federal Home Loan Bank	888,195
Repayments of advances from the Federal Home Loan Bank	(1,008,257)
Proceeds from the issuance of common stock	2,106
Proceeds from the issuance of trust preferred securities	10,000
Payment of trust preferred securities issuance costs	(215)
Purchase of Senior Notes	-
Purchase of treasury stock	(7,884)
Purchase of stock warrants and options	(721)
Net cash provided (absorbed) by financing activities	(53,086)
Net change in cash and cash equivalents	(6,246)
Cash and cash equivalents at beginning of period	60,491
Cash and cash equivalents at end of period	$ 54,245
Supplemental disclosures of cash flow information:	
Cash paid during the period for:	
Interest	$ 63,719
Income taxes	$ 10,750

Supplemental schedule of noncash investing and financing activities:

Transfer of loans to assets acquired through foreclosure and repossession	$ 1,302

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

LOCAL FINANCIAL CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2002 and December 31, 2001

(1) BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements were prepared in accordance with the instructions for Form 10-Q and, therefore, do not include all disclosures necessary for a complete presentation of financial condition, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. All adjustments (consisting of only normal recurring adjustments) that are necessary, in the opinion of management, for a fair presentation of the interim financial statements have been included. The interim financial information should be read in conjunction with the audited Consolidated Financial Statements and Notes included in the Local Financial Corporation (the "Company") Form 10-K for the year ended December 31, 2001 as filed with the Securities and Exchange Commission (the "SEC").

(2) LOANS RECEIVABLE

Loans receivable are summarized below at amortized cost (dollars in thousands):

	SEPTEMBER 30, 2002	DECEMBER 31, 2001
Residential real estate	$ 212,766	$ 215,408
Commercial	1,571,574	1,593,432
Held for sale	6,001	6,263
Consumer	196,466	184,663
Total loans	1,986,807	1,999,766
Less:		
Allowance for loan losses	(28,474)	(27,621
Loans receivable, net	$ 1,958,333	$ 1,972,145

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(3) ADVANCES FROM THE FEDERAL HOME LOAN BANK OF TOPEKA ("FHLB")

Advances from the FHLB are summarized as follows (dollars in thousands):

	SEPTEMBER 30, 2002		DECEMBER 31,	
	BALANCE	WEIGHTED AVERAGE CONTRACTUAL RATE	BALANCE	CO
Fixed rate	$ 608,143	4.12%	$ 728,205	

Additionally, the Company had outstanding letters of credit with the FHLB of approximately $103.6 million and $77.1 million at September 30, 2002 and December 31, 2001, respectively. The letters of credit have terms of one year or less and were pledged to secure certain deposits.

The FHLB requires the Company to hold eligible assets with a lending value, as defined, at least equal to FHLB advances and letters of credit issued. Eligible assets can include such items as first and second mortgage loans, multifamily mortgage loans, commercial and construction real estate loans, small business loans and investment securities, which are not already pledged or otherwise encumbered. At September 30, 2002, the Company had approximately $730.6 million in eligible assets pledged against FHLB advances.

At September 30, 2002, the Company had additional borrowing capacity of approximately $424.8 million under the FHLB credit policy.

Scheduled principal repayments to the FHLB at September 30, 2002 are as follows (dollars in thousands):

YEAR ENDING DECEMBER 31,	AMOUNT	WEIGH AVER CONTRACTU
2002	$ 8,120	
2006 and thereafter	600,023	

	$ 608,143	

(4) SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Periodically, the Company provides securities sold under agreements to repurchase to customers as a part of the commercial banking operations. The securities underlying the agreements were under the Company's control at September 30, 2002 and December 31, 2001 and are summarized as follows (dollars in thousands):

	SEPTEMBER 30, 2002
Average outstanding balance	$ 38,633
Weighted average interest rate during the period	1.30%
Maximum month-end balance	$ 49,093
Outstanding balance at end of period	$ 48,134
Weighted average interest rate at end of period	1.30%
Mortgage-backed securities securing the agreements at period-end:	
Carrying value	$ 49,804
Estimated market value	$ 50,847
Accrued interest payable at the end of the period	$ --

(5) MANDATORILY REDEEMABLE TRUST PREFERRED SECURITIES

On July 30, 2002, Local Financial Capital Trust II (the "Trust II"), a newly formed Delaware business trust and wholly-owned finance subsidiary of the Company, joined in a pooled issuance of trust preferred securities. Trust II issued 10,000 shares of its trust preferred securities ("Trust

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II Preferred Securities") at $1,000 per share for an aggregate price of approximately $10.0 million, all of which was outstanding at September 30, 2002. The Trust II Preferred Securities will mature on July 30, 2032. The proceeds from the sale of the Trust II Preferred Securities and the issuance of $310,000 in Trust II's common securities to the Company were used by the Trust II to purchase approximately $10.3 million of floating rate junior subordinated debentures (the "Trust II Debentures") of the Company which have the same payment terms as the Trust II Preferred Securities. Distributions on the Trust II Preferred Securities and on the common securities issued to the Company are payable on January 30 and July 30 of each year beginning January 30, 2003. Interest on the Trust II Debentures and the Trust II Preferred Securities will be paid at a rate equal to LIBOR plus 3.625% per annum, provided that the applicable interest rate shall not exceed 12% through the interest payment date in July 2007.

The Trust II Preferred Securities are included in Tier 1 capital, to the extent permitted, for regulatory capital adequacy determination purposes. The obligations of the Company with respect to the issuance of the Trust II Preferred Securities constitute a full and unconditional guarantee by the Company of the Trust II's obligation with respect to the Trust II Preferred Securities subject to certain limitations.

On October 29, 2002, the Company formed Local Financial Capital Trust III (the "Trust III") and joined in an issue of a pooled offering based on trust preferred securities issuing an additional $10 million. The securities were issued at a rate of 3.45% over three- month LIBOR and mature in October 2032.

(6) STOCKHOLDERS' EQUITY

In connection with the Company's private placement in 1997, warrants to buy 591,000 shares of common stock of the Company at $10 per share were issued to the placement agent. During the nine months ended September 30, 2002, 128,333 warrants were exercised for proceeds of $1.3 million. During the third quarter of 2002, the Company purchased the remaining 125,000 warrants at a cost of $615,000, which represented the intrinsic value of the warrants.

During the nine months ended September 30, 2002, the Company repurchased 537,300 shares of the Company's common stock at market price of approximately $7.9 million. Of those shares repurchased, 150,000 shares were from an officer of the Company.

(7) COMPREHENSIVE INCOME

Comprehensive income for the three and nine-month periods ended September 30, 2002 and 2001 consists of (dollars in thousands):

	THREE MONTHS ENDED SEPTEMBER 30,		NI
	2002	2001	2002
Net income	$ 7,370	$ 7,194	$ 21
Other comprehensive income (loss), net of tax:			
Unrealized gains (losses) on securities, net of reclassification adjustment	(803)	4,001	(2
Comprehensive income	$ 6,567	$ 11,195	$ 19

(8) NET INCOME PER SHARE

Stock options to purchase 2,005,640 shares of common stock were outstanding as of September 30, 2002 and were included in the computation of diluted net income per share for 2002. Stock options and warrants to purchase 2,689,005 shares of common stock were outstanding as of September 30, 2001 and were included in the computation of diluted net income per share for 2001.

(9) SEGMENTS

The Company operates as one segment. The operating information used by the Company's chief operating decision-maker for purposes of assessing performance and making operating decisions about the Company is the consolidated financial statements presented herein. The Company has one active operating subsidiary, namely, Local Oklahoma Bank, National Association, (the "Bank") a national banking association. The Bank, in turn, has one active operating subsidiary, Local Securities Corporation ("Local Securities"), which is a registered broker-dealer under the Securities Exchange Act of 1934 and provides retail investment products to customers of the Bank. While Local Securities qualifies as a separate operating segment, it is not considered material to the consolidated financial statements for the purposes of making operating decisions and does not meet the 10% threshold for disclosure under Statement of Financial Accounting Standards ("SFAS") No. 131, Disclosure About Segments of an Enterprise and Related Information.

In September 2001 and July 2002, the Company formed Local Financial Capital Trust I (the "Trust") and Local Financial Capital Trust II, respectively, both wholly-owned finance subsidiaries. The trust subsidiaries do not qualify as operating segments under SFAS No. 131 and have no independent operations and no other functions other than the issuance of their securities and the related purchase of junior subordinated debentures from the Company and to distribute payments received thereon to the holders of their securities.

(10) NEW ACCOUNTING PRONOUNCEMENTS

The Company adopted Statement No. 142, Goodwill and Other Intangible Assets, as of January 1, 2002 and no longer amortizes goodwill. As of the date of adoption, the Company had unamortized goodwill in the amount of approximately $15.5 million, which was subject to the transition provisions of Statement No. 142. The Company has determined there was no transitional impairment loss at January 1, 2002. There was no amortization expense for the three and nine months ended September 30, 2002, whereas this expense amounted to $335,000 and $1.0 million for the three and nine months ended September 30, 2001, respectively. The Company's net income for the three and nine months ended September 30, 2001, excluding the effects of goodwill amortization, would have been $7.5 million and $22.0 million, respectively, compared to $7.4 million and $21.9 million for the three and nine months ended September 30, 2002, respectively. Excluding the effects of goodwill amortization, the earnings per share for the three and nine months ended September 30, 2001 would have been $.37 basic and $.35 diluted, and $1.07 basic and $1.04 diluted, respectively.

In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, which supersedes SFAS No. 121 and portions of APB Opinion No. 30. This statement addresses the recognition of an impairment loss for long-lived assets to be held and used or disposed of by sale or otherwise. This statement is effective for financial statements

issued for fiscal years beginning after December 15, 2001 and interim periods within those fiscal years. The adoption of this statement as of January 1, 2002 had no effect on the Company's consolidated financial position or results of operations.

In April 2002, the FASB issued Statement No. 145, Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections. The Statement updates, clarifies and simplifies existing accounting pronouncements. As it relates to the Company, the statement eliminates the extraordinary loss classification on early debt extinguishments. Instead, the premiums and other costs associated with the early extinguishment of debt would be reflected in pre-tax results similar to other debt-related expenses, such as interest expense and amortization of issuance costs. The statement will be effective for fiscal years beginning after May 15, 2002 (January 1, 2003 for the Company). Upon adoption, the Company must reclassify the extraordinary losses incurred in prior periods (including 2001 and 2000) as pre-tax items. The result of the adoption of this statement will not modify or adjust net income for any period and does not impact the Company's compliance with its various debt covenants.

In July 2002, the FASB issued Statement No. 146, Accounting for Costs Associated with Exit or Disposal Activities, which nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Incurred in a Restructuring)." This statement requires that a liability be recognized for costs associated with an exit or disposal activity only when the liability is incurred. This statement is effective for exit or disposal activities that are initiated after December 31, 2002. Management has determined the impact of this statement will not have a material impact on the Company's consolidated financial position or results of operations.

In October 2002, the FASB issued Statement No. 147, Acquisitions of Certain Financial Institutions. This statement requires affected institutions to reclassify their goodwill governed by SFAS Statement No. 72, Accounting for Certain Acquisitions of Banking and Thrift Institutions, as SFAS No. 142 goodwill as of the date that SFAS No. 142 is adopted. As of January 1 and September 30, 2002, the Company had no goodwill governed by SFAS No. 72. This statement also requires that long-term customer relationship intangible assets be reviewed for impairment in accordance with SFAS No. 144. Management anticipates the adoption of this statement will have no material impact on the consolidated financial position or results of operations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

In this Form 10-Q, the Company, when discussing the future, may use words like "anticipate", "believe", "estimate", "expect", "intend", "should" and similar expressions, or the negative thereof. These words represent forward-looking statements. In addition, any analysis of the adequacy of the allowance for loan losses or the interest rate sensitivity of the Bank's assets and liabilities represent attempts to predict future events and circumstances and also represent forward-looking statements.

Many factors could cause future results to differ from what is anticipated in the forward-looking statements. For example, future financial results could be affected by (i) deterioration in local, regional, national or global economic conditions which could cause an increase in loan delinquencies or a decrease in collateral values; (ii) changes in market interest rates or changes in the speed at which market interest rates change; (iii) changes in laws and regulations affecting the financial service industry; (iv) changes in competition and (v) changes in consumer preferences.

A reader should not place unjustified or excessive reliance on any forward-looking statements. They speak only as of the date made and are not guarantees, promises or assurances of what will happen in the future. Various factors, including those described above and those described in the Company's Form 10-K for the year ended December 31, 2001, could affect the Company's financial performance and could cause the Company's actual results or circumstances for future periods to be materially different from what has been anticipated or projected.

CHANGES IN FINANCIAL CONDITION FROM DECEMBER 31, 2001 TO SEPTEMBER 30, 2002

During the nine months ended September 30, 2002, total assets declined slightly to $2.79 billion from $2.82 billion at December 31, 2001. The Company's total net loan portfolio remained relatively unchanged, declining $13.8 million or .7% as the weakened economy has resulted in slower loan demand and increased prepayments. The Company's outstanding balance of securities also remained relatively unchanged, declining $4.9 million or .8% as of September 30, 2002 when compared to December 31, 2001, as securities maturing during the periods were replaced with similar instruments.

Total deposits rose $54.3 million or 3.0% during the nine months ended September 30, 2002 with the majority of this growth occurring in demand deposits. At September 30, 2002, advances from the FHLB of Topeka had declined to $608.1 million from $728.2 million at December 31, 2002 as the Company replaced maturing advances with other lower cost sources of funding.

On July 30, 2002, the Company through Local Financial Capital Trust II issued in a private placement $10.0 million of trust preferred securities. The securities bear interest at a rate of 3.625% over six-month LIBOR, mature in 2032 and are included in the Company's consolidated statement of financial condition under the caption "Mandatorily Redeemable Trust Preferred Securities". Subsequent to quarter end, the Company through Local Financial Capital Trust III participated in a pooled issuance of an additional $10 million in trust preferred securities bearing an interest rate of 3.45% over three-month LIBOR and also maturing in 2032. See Note 5 to the Notes to Consolidated Financial Statements included herein.

Total stockholders' equity increased $12.8 million or 7.8% during the nine months ended September 30, 2002. This increase came primarily as a result of earnings during the period, which was

partially offset by an increase in treasury shares and a decline in other accumulated comprehensive income. During the period, the Company repurchased 537,300 of its shares at market price for $7.9 million as part of a stock repurchase program, which began last year. Subsequent to quarter-end, the Company completed the repurchase program begun last year and announced a new repurchase program under which the Company is authorized to repurchase up to two million additional shares of its stock. The shares repurchased by the Company under the stock repurchase program are held as treasury shares. The increase in additional paid-in capital of $1.4 million was the result of an exercise of 128,333 warrants, which were part of the original 591,000 warrants issued in conjunction with the Company's 1997 private placement, and the exercise of 82,365 stock options issued under the Company's 1998 Stock Option Plan, less warrants purchased. See Note 6 of the Notes to Consolidated Financial Statements. At September 30, 2002, the Company and the Bank exceeded all regulatory requirements to be considered well capitalized. See "-- Liquidity and Capital Resources".

Subsequent to quarter-end, the Company's application to acquire U.S. National Bank located in Midwest City, Oklahoma was approved by the Office of the Comptroller of the Currency. With total assets of $34.9 million, deposits of $30.8 million, liabilities of $31.0 million and stockholders' equity of $3.9 million, the acquisition will not have a material impact on the consolidated financial condition of the Company. The transaction closed on November 5, 2002.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001 AND THE NINE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001

Net Income. Net income for the three and nine months ended September 30, 2002 was $7.4 million and $21.9 million, respectively, up from $7.2 million and $21.0 million for the same periods last year. Diluted earnings per share for the quarter were $.37, up 8.8% from the same quarter in the prior year. Diluted earnings per share for the nine months ended September 30, 2002 were $1.10, up 11.1% from the same period last year. Earnings per share data gives effect to the Company's purchase of 1.9 million of its outstanding shares in 2001 and 2002 as well as the elimination of goodwill in 2002. The Company discontinued its amortization of goodwill following its January 1, 2002 adoption of Statement No.

142, Goodwill and Other Intangible Assets. See Note 10 of the Notes to Consolidated Financial Statements. There was no amortization expense for the three and nine months ended September 30, 2002, whereas this expense amounted to $335,000 and $1.0 million for the three and nine months ended September 30, 2001, respectively. The Company's reported net income for the three months ended September 30, 2001, excluding the effects of goodwill amortization, would have been $7.5 million compared with $7.2 million as reported. Additionally, net income for the nine months ended September 30, 2001, excluding the effects of goodwill amortization, would have been $22.0 million compared with $21.0 million as reported.

Net Interest Income. Net interest income totaled $23.8 million in the three months ended September 30, 2002 versus $22.4 million for the same period in 2001. Net interest income in the nine-month comparative period ended September 30, 2002 and 2001 totaled $69.9 million and $64.3 million, respectively. In both comparative periods, the increase was primarily attributable to increasing spreads. Net interest margin declined slightly in the three-month comparative periods from 3.61% to 3.58% and held stable during the nine-month comparative period at 3.50%. Looking forward, the Company anticipates lower spreads and further margin compression as yields on interest-earning assets decline more rapidly than rates paid on interest-bearing liabilities. Low interest rates, over a prolonged period of time, as well as soft loan demand, will impact profitability adversely.

Interest Income. Total interest income declined 7.0% during the three months ended September 30, 2002 from $47.9 million at September 30, 2001 to $44.5 million. A decline was also seen in the nine-month comparative period where interest income dropped 7.6% from $144.7 million to $133.7

million. The decline in interest income during the three and nine-month comparative periods was due primarily to declines in the average yield on the Company's loan portfolio, which dropped from 7.85% to 6.97% in the three-month comparative period and from 8.14% to 6.97% in the nine-month comparative period. Total interest income resulting from these rate declines was offset to a certain extent by increases in the average balance of loans in both comparative periods.

Interest Expense. Total interest expense decreased $4.8 million or 18.8% in the three months ended September 30, 2002 as compared to the same period in the prior year. Similarly, interest expense declined $16.6 million or 20.7% in the nine-month comparative period. The declines in both comparative periods were primarily the result of the declining cost of deposits. The Company's average cost of deposits in the three months ended September 30, 2002 was 2.91% as compared with 4.39% in the same period in the prior year. Likewise, the average cost of deposits in the nine months ended September 30, 2002 was 3.10% versus 4.80% during the same period in the prior year. Declines in the average cost of deposits in both periods offset modest increases in the average balance of total deposits in those periods. Interest expense on FHLB advances increased in the comparative three and nine-month periods primarily due to increases in the average balance of borrowings during those periods, which offset the decline in rates paid on those borrowings. During the periods presented, interest expense on Senior Notes consisted of interest accrued with respect to the Senior Notes issued in connection with the 1997 purchase and recapitalization of the Company. During the past three years, the Company has successfully purchased and retired $58.5 million of the original $80 million 11%

Senior Notes, resulting in the continued decrease in interest expense. Additionally, during the three and nine-month periods ended September 2002, the Company paid $1.0 million and $2.9 million, respectively, in interest expense on its trust preferred securities.

Provision for Loan Losses. The Company's provision for loan losses was $1.5 million during the third quarter compared to $1.8 million during the same quarter last year, increasing the year-to-date provision to $5.1 million versus $3.7 million at this date last year. Charge-offs (net of recoveries) in the three and nine-month periods ended September 30, 2002 were $1.4 million and $4.2 million, respectively. The Company's basis for provision was a function of management's credit risk monitoring process that considers several factors, including among other things, current economic conditions affecting the Company's customers, the payment performance of individual large loans and pools of homogeneous small loans, portfolio seasoning, change in collateral values, and detailed review of specific large loan relationships.

Noninterest Income. The components of noninterest income are deposit-related income, loan fees and loan service charges, net gains on sale of assets and other income. Total noninterest income increased $1.2 million or 22.5% during the three months ended September 30, 2002 and $3.9 million or 25.3% during the nine months ended September 30, 2002 when compared to the same period in the prior year. The increase in both comparative periods was due to increases in deposit-related income, primarily attributable to the success of our High Performance Checking campaign.

Noninterest Expense. Total noninterest expense increased $2.3 million or 15.0% during the three months ended September 30, 2002 and $6.2 million or 13.9% during the nine months ended September 30, 2002. The increases in noninterest expense were primarily attributable to compensation and employee benefits expense, including the cost of fully accruing the tax-offsetting bonus feature of stock options issued to selected officers, as well as additional lending and support staff considered necessary to support long-term strategic and marketing initiatives.

ASSET AND LIABILITY MANAGEMENT

Asset and liability management is concerned with the timing and magnitude of the repricing of assets and liabilities. It is the objective of the Company to attempt to control risks associated with interest rate movements. In general, management's strategy is to evaluate asset and liability balances within maturity categories to control the Company's exposure to earnings variations and variations in the value of assets and liabilities as interest rates change over time.

Management's methods for evaluating interest rate risk include an analysis of the Company's interest rate sensitivity "gap", which is defined as the difference between interest-earning assets and interest-bearing liabilities maturing or repricing within a given time period. A gap is considered positive when the amount of interest-rate sensitive assets exceeds the amount of interest-rate sensitive liabilities. A gap is considered negative when the amount of interest-rate sensitive liabilities exceeds interest-rate sensitive assets. During a period of falling interest rates, a negative gap would tend to result in an increase in net interest income, while a positive gap would tend to affect net interest income adversely. Because different types of assets and liabilities with the same or similar maturities may react differently to changes in overall market rates or conditions, changes in interest rates may affect net interest income positively or negatively even if an institution were perfectly matched in each maturity category.

The following table summarizes the anticipated maturities or repricing of the Company's interest-earning assets and interest-bearing liabilities as of September 30, 2002, based on the information and assumptions set forth in the notes below (dollars in thousands):

	WITHIN THREE MONTHS	THREE TO TWELVE MONTHS	MORE THAN ONE YEAR TO THREE YEARS	MORE THAN THREE YEARS TO FIVE YEARS	OVER F YEAR
Interest-earning assets(1):					
Loans receivable(2)	$ 854,436	$ 308,333	$ 420,379	$ 204,815	$ 188,
Securities:					
Available for sale(3)	31,478	47,459	42,412	24,219	22,
Held to maturity	67,221	135,048	162,391	70,601	14,
Other interest-earning assets(4)	89,111	-	-	-	
Total	$1,042,246	$ 490,840	$ 625,182	$ 299,635	$ 225,
Interest-bearing liabilities:					
Deposits(5):					
Money market and NOW accounts	$ 231,075	$ 27,136	$ 57,832	$ 43,695	$ 170,
Passbook accounts	3,220	9,659	19,754	13,793	31,
Certificates of deposit	421,210	409,951	159,076	79,778	3,
FHLB advances	8,120	-	-	100,000	500,
Securities sold under agreements to repurchase	48,134	-	-	-	
Senior Notes	-	-	21,545	-	
Mandatorily redeemable trust preferred securities(6)	-	10,000	-	-	40,
Total	$ 711,759	$ 456,746	$ 258,207	$ 237,266	$ 746,
Excess (deficiency) of interest-earning assets over interest-bearing liabilities	$ 330,487	$ 34,094	$ 366,975	$ 62,369	$(520,
Cumulative excess of interest-earning assets over interest-bearing liabilities	$ 330,487	$ 364,581	$ 731,556	$ 793,925	$ 272,

Cumulative excess of interest-earning assets over interest-bearing liabilities as a percent of total assets	11.84%	13.06%	26.20%	28.43%	

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(1) Adjustable-rate loans and securities are included in the period in which interest rates are next scheduled to adjust rather than in the period in which they mature and fixed-rate loans and securities are included in the periods in which they are scheduled to be repaid, based on scheduled amortization, in each case as adjusted to take into account estimated prepayments based on, among other things, historical performance.

(2) Balances have been reduced for nonaccrual loans.

(3) Does not include unrealized gain on securities classified as available for sale.

(4) Comprised of cash and due from banks, deposits with other banks, Federal Home Loan Bank stock and Federal Reserve Bank stock.

(5) Adjusted to take into account assumed annual decay rates, which were applied against money market, NOW and passbook accounts.

(6) Additionally, adjustable-rate trust preferred securities are included in the period in which interest rates are next scheduled to adjust rather than in the period in which they mature, while fixed rate trust preferred securities are included in the period in which they are scheduled to mature.

AVERAGE BALANCES, NET INTEREST INCOME, YIELDS EARNED AND RATES PAID

The following table sets forth, for the periods indicated, information regarding (i) the total dollar amount of interest income of the Company from interest-earning assets and the resultant average yields, (ii) the total dollar amount of interest expense on interest-bearing liabilities and the resultant average rates, (iii) net interest income, (iv) interest rate spread, and (v) net interest margin. Information is based on average daily balances during the indicated periods (dollars in thousands):

THREE MONTHS ENDED SEPTEMBER 30,

	2002			2001	
	AVERAGE BALANCE	INTEREST	AVERAGE YIELD/ COST	AVERAGE BALANCE	INTERE
ASSETS					
Loans receivable(1)	$ 1,993,483	$ 34,745	6.97%	$ 1,921,171	$ 37,7
Securities:					
Available for sale(2)	116,880	2,437	8.34	511,849	8,9
Held to maturity	475,589	6,759	5.68	-	
Total securities	592,469	9,196	6.21	511,849	8,9
Other earning assets(3)	78,090	601	3.08	49,734	1,2
Total interest-earning assets	2,664,042	44,542	6.69%	2,482,754	47,8
Noninterest-earning assets	128,944			116,367	
Total assets	$ 2,792,986			$ 2,599,121	
LIABILITIES AND STOCKHOLDERS' EQUITY					
Deposits:					
Transaction accounts(4)	$ 607,515	2,700	1.76%	$ 515,993	3,6
Term certificates of deposit	1,105,393	9,873	3.54	1,124,768	14,5
Total deposits	1,712,908	12,573	2.91	1,640,761	18,1
FHLB advances	600,111	6,353	4.14	513,933	5,6
Securities sold under agreements to repurchase and other borrowings	39,181	129	1.31	48,787	4
Senior Notes	21,545	636	11.81	41,010	1,2
Mandatorily redeemable trust preferred Securities	47,098	1,020	8.82	4,185	
Total interest-bearing	2,420,843	20,711	3.39%	2,248,676	25,5
Noninterest-bearing liabilities	197,766			174,887	
Stockholders' equity	174,377			175,558	
Total liabilities and stockholders' equity	$2,792,986			$2,599,121	
Net interest-earning assets	$ 243,199			$ 234,078	
Net interest income/interest rate spread		$ 23,831	3.30%		$ 22,3
Net interest margin			3.58%		
Ratio of average interest-earning to average interest-bearing			110.05%		

NINE MONTHS ENDED SEPTEMBER 30,

	2002			2001	
	AVERAGE BALANCE	INTEREST	AVERAGE YIELD/ COST	AVERAGE BALANCE	INTERES
ASSETS					
Loans receivable(1)	$1,995,062	$ 104,224	6.97%	$1,894,335	$ 115,03
Securities:					
Available for sale(2)	130,163	7,722	7.91	482,925	26,19
Held to maturity	446,100	19,743	5.90	-	
Total securities	576,263	27,465	6.35	482,925	26,19
Other earning assets(3)	89,162	2,016	3.01	70,281	3,50
Total interest-earning assets	2,660,487	133,705	6.71%	2,447,541	144,73
Noninterest-earning assets	127,072			117,309	
Total assets	$2,787,559			$2,564,850	
LIABILITIES AND STOCKHOLDERS' EQUITY					
Deposits:					
Transaction accounts(4)	$ 587,756	7,997	1.82%	$ 516,447	11,88
Term certificates of deposit	1,115,241	31,500	3.78	1,154,737	48,14
Total deposits	1,702,997	39,497	3.10	1,671,184	60,03
FHLB advances	621,066	19,137	4.06	462,862	15,18
Securities sold under agreements to repurchase and other borrowings	38,675	377	1.30	46,612	1,43
Senior Notes	21,545	1,909	11.81	41,036	3,63
Mandatorily redeemable trust preferred Securities	42,558	2,863	8.82	1,410	9
Total interest-bearing	2,426,841	63,783	3.51%	2,223,104	80,38
Noninterest-bearing liabilities	190,939			174,545	
Stockholders' equity	169,779			167,201	
Total liabilities and stockholders' equity	$2,787,559			$2,564,850	
Net interest-earning assets	$ 233,646			$ 224,437	
Net interest income/interest rate spread		$ 69,922	3.20%		$ 64,34
Net interest margin			3.50%		
Ratio of average interest-earning to average interest-bearing			109.63%		

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(1) The average balance of loans receivable includes nonperforming loans, interest on which is recognized on a cash basis, and excludes the allowance for loan losses which is included in noninterest-earning assets.

(2) Includes the market valuation accounts.

(3) Includes interest-bearing deposits, Federal Home Loan Bank of Topeka stock and Federal Reserve Bank stock.

(4) Includes passbook, NOW and money market accounts.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity. Liquidity refers to the Company's ability to generate sufficient cash to meet the funding needs of current loan demand, savings deposit withdrawals, principal and interest payments with respect to outstanding borrowings and to pay operating expenses. It is management's policy to maintain greater liquidity than required in order to be in a position to fund loan originations, to meet withdrawals from deposit accounts, to make principal and interest payments with respect to outstanding borrowings and to make investments that take advantage of interest rate spreads. The Company monitors its liquidity in accordance with guidelines established by the Company and applicable regulatory requirements. The Company's need for liquidity is affected by loan demand, net changes in deposit levels and the scheduled maturities of its borrowings. The Company can minimize the cash required during the times of heavy loan demand by modifying its credit policies or reducing its marketing effort. Liquidity demand caused by net reductions in deposits is usually caused by factors over which the Company has limited control. The Company derives its liquidity from both its assets and liabilities. Liquidity is derived from assets by receipt of interest and principal payments and prepayments, by the ability to sell assets at market prices and by utilizing unpledged assets as collateral for borrowings. Liquidity is derived from liabilities by maintaining a variety of funding sources, including deposits, advances from the FHLB, securities sold under agreements to repurchase and other short and long-term borrowings.

The Company's liquidity management is both a daily and long-term function of funds management. Liquid assets are generally placed in short-term investments such as overnight money funds and short-term government agency securities. If the Company requires funds beyond its ability to generate them internally, various forms of both short and long-term borrowings provide an additional source of funds. At September 30, 2002, the Company had $424.8 million in available borrowing capacity with the FHLB.

At September 30, 2002, the Company had approximately $331.8 million of outstanding loan commitments (including unused lines of credit) for home equity, commercial real estate and commercial business loans and an additional $7.9 million in performance standby letters of credit. Certificates of deposit, which are scheduled to mature or reprice within one year, totaled $831.2 million at September 30, 2002, and borrowings, including trust preferred securities, which are scheduled to mature or reprice within the same period, amounted to $66.3

million. The Company anticipates that sufficient funds will be available to meet its current loan commitments and that, based upon past experience and current pricing policies, it can adjust the rates of certificates of deposit to retain a substantial portion of its maturing certificates and also, to the extent deemed necessary, refinance the maturing borrowings.

In September 1997, in connection with the Company's recapitalization, the Company issued $80.0 million of Senior Notes. As of September 30, 2002, the Company has purchased and retired $58.5 million of those outstanding Senior Notes. These transactions reduced future interest costs associated with those notes. The remaining $21.5 million of Senior Notes have an annual debt service requirement of $2.4 million (or $1.2 million for each semi-annual period).

Capital Resources. In September 2001, the Company, through a wholly owned trust, issued $35 million in Trust Preferred Securities with an additional issuance of $5.3 million in October 2001. In July 2002 and again in October 2002, the Company participated in pooled issuances of additional trust preferred securities, through wholly owned trusts, in the amount of $10 million each, bringing the Company's total issued and outstanding trust preferred securities to $60.3 million as of November 2002. These securities increase the Company's regulatory capital, which facilitates continued growth of its banking franchise. The ability to treat these securities as regulatory capital under Federal Reserve

guidelines, coupled with the Federal income tax deductibility of the related expense, provides the Company with a cost-effective form of capital.

Bank holding companies are required to maintain capital ratios in accordance with guidelines adopted by the Federal Reserve Bank. The guidelines are commonly known as Risk-Based Capital Guidelines. On September 30, 2002, the Company exceeded all applicable capital requirements pursuant to the Risk-Based Capital Guidelines and was considered "well capitalized" by having a total risk-based capital ratio of 12.06%, a tier I risk-based capital ratio of 10.81% and a leverage ratio of 7.53%.

INFLATION AND CHANGING PRICES

The Consolidated Financial Statements and related data presented herein have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the measurement of financial position and operating results in terms of historical dollars (except with respect to available for sale securities which are carried at market value), without considering changes in the relative purchasing power of money over time due to inflation. Unlike most industrial companies, substantially all of the assets and liabilities of the Company are monetary in nature. As a result, interest rates have a more significant impact on the Company's performance than the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or in the same magnitude as the prices of goods and services.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

The following tables present contractual cash obligations and commercial commitments of the Company as of September 30, 2002. See Notes 3, 4 and 5 of the Notes to the Consolidated Financial Statements and "-- Liquidity and Capital Resources" (dollars in thousands):

	PAYMENTS DUE BY PERIOD			
CONTRACTUAL CASH OBLIGATIONS	TOTAL	LESS THAN ONE YEAR	ONE TO THREE YEARS	MORE T THREE Y TO FIVE
FHLB advances	$ 608,143	$ 8,120	$ -	$ 10
Securities sold under agreements to repurchase	48,134	48,134	-	
Senior Notes	21,545	-	21,545	
Mandatorily redeemable trust preferred securities	50,250	-	-	
Operating leases	7,052	967	1,225	
Data processing maintenance obligation	1,060	265	530	
Total contractual cash obligations	$ 736,184	$ 57,486	$ 23,300	$ 10

In order to support strategic objectives, management initiated a project to return its mainframe operations to an internally supported function. The Company's mainframe processing had been operated in a data center operated by a third-party servicer. During the first quarter of 2002, the Company brought its mainframe processing in-house. The Company does not anticipate this action will have a material impact on its consolidated financial condition and the contractual obligations are reflected above.

		AMOUNT OF COMMITMENT EXPIRATI		
COMMITMENTS	UNFUNDED COMMITMENTS	LESS THAN ONE YEAR	ONE TO THREE YEARS	MORE T THREE Y TO FIVE
Lines of credit	$ 247,775	$ 138,106	$ 91,660	$ 1
Standby letters of credit	7,870	6,421	1,449	
Other commitments	84,023	10,904	8,715	1
Total commitments	$ 339,668	$ 155,431	$ 101,824	$ 3

RECENT LEGISLATION

On July 30, 2002, President Bush signed into law the Sarbanes-Oxley Act of 2002 (the "SOA"). The stated goals of the SOA are to increase corporate responsibility, to provide for enhanced penalties for accounting and auditing improprieties at publicly traded companies and to protect investors by improving the accuracy and reliability of corporate disclosures pursuant to the securities laws.

The SOA is the most far-reaching U.S. securities legislation enacted in some time. The SOA generally applies to all companies, both U.S. and non-U.S., that file or are required to file periodic reports with the SEC under the Securities Exchange Act of 1934 (the "Exchange Act"). Given the extensive SEC role in implementing rules relating to many of the SOA's new requirements, the final scope of these requirements remains to be determined.

The SOA includes very specific additional disclosure requirements and new corporate governance rules, requires the SEC and securities exchanges to adopt extensive additional disclosure, corporate governance and other related rules and mandates further studies of certain issues by the SEC and the Comptroller General. The SOA represents significant federal involvement in matters traditionally left to state regulatory systems, such as the regulation of the accounting profession, and to state corporate law, such as the relationship between a board of directors and management and between a board of directors and its committees.

The SOA addresses, among other matters: audit committees; certification of financial statements by the chief executive office and the chief financial officer; the forfeiture of bonuses and profits made by directors and senior officers in the twelve month period covered by restated financial statements; a prohibition on insider trading during pension plan back out periods; disclosure of off-balance sheet transactions; a prohibition on personal loans to directors and officers (excluding Federally insured financial institutions); expedited filing requirements for stock transaction reports by officers and directors; disclosure of a code of ethics and filing a Form 8-K for a change or waiver of such code; "real time" filing of periodic reports; the formation of a public accounting oversight board; auditor independence; and various increased criminal penalties for violations of securities laws.

The SOA contains provisions that became effective upon enactment on July 30, 2002 and provisions that will become effective from within 30 days to one year from enactment. The SEC has been delegated the task of enacting rules to implement various of the provisions with respect to, among other matters, disclosure in periodic filings pursuant to the Exchange Act.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Asset and Liability Management" included in the Company's Form 10-K for the year ended December 31, 2001 for Quantitative and Qualitative Disclosures about Market Risk.

ITEM 4. CONTROLS AND PROCEDURES

Within the 90 days prior to the date of this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer along with the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to the Exchange Act Rule 13a-14. Based upon that evaluation, the Company's Chief Executive Officer along with the Company's Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in

timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic SEC filings. There have been no significant changes in the Company's internal controls or in other factors, which could significantly affect these controls subsequent to the date the Company carried out its evaluation.

Disclosure controls and procedures are the Company's controls and other procedures that are designed to ensure that information required to be disclosed by the Company in the reports that the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that the Company files under the Exchange Act is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The registrant is involved in routine legal proceedings occurring in the ordinary course of business, which, in the aggregate, are believed by management to be immaterial to the financial condition and results of operations of the registrant.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits

b. Reports on Form 8-K

The Company filed the following Form 8-Ks during the quarter ended September 30, 2002:

1. A Form 8-K dated July 18, 2002 was filed pursuant to the release of earnings for the second quarter of 2002.

2. On July 31, 2002, Local Financial Corporation issued a press release announcing the July 30, 2002 private placement of $10 million of trust preferred securities.

3. On July 31, 2002, Local Financial Corporation issued a press release

announcing the Chairman of Local Financial Corporation's plan to sell a portion of his shares and exercise stock options on a periodic basis over the course of the next twelve months.

SIGNATURES

Pursuant to the requirement 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.

LOCAL FINANCIAL CORPORATION

Date: November 14, 2002

By/s/ Edward A. Townsend
Edward A. Townsend
Chairman of the Board
Chief Executive Officer

LOCAL FINANCIAL CORPORATION

Date: November 14, 2002

By/s/ Richard L. Park
Richard L. Park
Chief Financial Officer

CERTIFICATION
PURSUANT TO RULE 13A-14
AS ADOPTED PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

1. I have reviewed the report being filed;

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

3. Based on my knowledge, the consolidated financial statements, and other

financial information included in the report, fairly present in all material respects the consolidated financial condition and results of operations and cash flows of the issuer as of, and for, the periods presented in the report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the issuer and have:

   (a) Designed such disclosure controls and procedures to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the periodic report is being prepared;

   (b) Evaluated the effectiveness of the issuer's disclosure controls and procedures within 90 days of the date of the report (the "Evaluation Date"); and

   (c) Presented in the report their conclusions about the effectiveness of the disclosure controls and procedures based on their evaluation as of the Evaluation Date.

5. The registrant's other certifying officers and I have disclosed, based on their most recent evaluation, to the issuer's auditors and to the audit committee of the board of directors (or persons performing the equivalent function):

   (a) All significant deficiencies in the design or operation of internal controls which could adversely affect the issuer's ability to record, process, summarize and report financial data and have identified for the issuer's auditors any material weaknesses in internal controls; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal controls.

6. The registrant's other certifying officers and I have indicated in the report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated this 14th day of November 2002.

LOCAL FINANCIAL CORPORATION
("Company")

/s/Edward A. Townsend

Edward A. Townsend
Chief Executive Officer

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CERTIFICATION
PURSUANT TO RULE 13A-14
AS ADOPTED PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

1. I have reviewed the report being filed;

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

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the issuer and have:

   (a) Designed such disclosure controls and procedures to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the periodic report is being prepared;

   (b) Evaluated the effectiveness of the issuer's disclosure controls and procedures within 90 days of the date of the report (the "Evaluation Date"); and

   (c) Presented in the report their conclusions about the effectiveness of the disclosure controls and procedures based on their evaluation as of the Evaluation Date.

5. The registrant's other certifying officers and I have disclosed, based on their most recent evaluation, to the issuer's auditors and to the audit committee of the board of directors (or persons performing the equivalent function):

   (a) All significant deficiencies in the design or operation of internal controls which could adversely affect the issuer's ability to record, process, summarize and report financial data and have identified for the issuer's auditors any material weaknesses in internal controls; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal controls.

6. The registrant's other certifying officers and I have indicated in the report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated this 14th day of November 2002.

LOCAL FINANCIAL CORPORATION
("Company")

/s/Richard L. Park

Richard L. Park
Chief Financial Officer