

PROVIDENT FINANCIAL SERVICES INC  
Form 10-Q  
August 09, 2010  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2010

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: 001-31566

**PROVIDENT FINANCIAL SERVICES, INC.**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**  
(State or Other Jurisdiction of

Incorporation or Organization)

**830 Bergen Avenue, Jersey City, New Jersey**  
(Address of Principal Executive Offices)

**(201) 333-1000**

(Registrant's Telephone Number, Including Area Code)

**42-1547151**  
(I.R.S. Employer

Identification No.)

**07306-4599**  
(Zip Code)

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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 twelve months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES  NO

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding twelve months (or for such shorter period that the Registrant was required to submit and post such files). YES  NO

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer  Accelerated Filer   
Non-Accelerated Filer  Smaller Reporting Company

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

As of August 1, 2010 there were 83,209,293 shares issued and 60,354,241 shares outstanding of the Registrant's Common Stock, par value \$0.01 per share, including 429,323 shares held by the First Savings Bank Directors' Deferred Fee Plan not otherwise considered outstanding under U.S. generally accepted accounting principles.

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Consolidated Statements of Financial Condition

June 30, 2010 (Unaudited) and December 31, 2009

(Dollars in thousands, except share data)

	June 30, 2010	December 31, 2009
<b>ASSETS</b>		
Cash and due from banks	\$ 269,625	\$ 120,823
Short-term investments	2,365	2,920
Total cash and cash equivalents	271,990	123,743
Investment securities held to maturity (fair value of \$344,009 and \$344,385 at June 30, 2010 and December 31, 2009, respectively)	332,023	335,074
Securities available for sale, at fair value	1,261,767	1,333,163
Federal Home Loan Bank ( FHLB-NY ) stock, at cost	35,878	34,276
Loans	4,327,175	4,384,194
Less allowance for loan losses	61,490	60,744
Net loans	4,265,685	4,323,450
Foreclosed assets, net	4,725	6,384
Banking premises and equipment, net	73,326	76,280
Accrued interest receivable	24,910	25,797
Intangible assets	355,855	358,058
Bank-owned life insurance ( BOLI )	134,049	132,346
Other assets	63,279	87,601
Total assets	\$ 6,823,487	\$ 6,836,172
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Deposits:		
Demand deposits	\$ 2,636,055	\$ 2,522,732
Savings deposits	893,287	868,835
Certificates of deposit of \$100,000 or more	427,785	469,313
Other time deposits	949,289	1,038,297
Total deposits	4,906,416	4,899,177
Mortgage escrow deposits	21,203	18,713
Borrowed funds	955,293	999,233

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Other liabilities	29,616	34,494
Total liabilities	5,912,528	5,951,617
<b>Stockholders' Equity:</b>		
Preferred stock, \$0.01 par value, 50,000,000 shares authorized, none issued		
Common stock, \$0.01 par value, 200,000,000 shares authorized, 83,209,293 shares issued and 59,923,598 shares outstanding at June 30, 2010, and 59,821,850 shares outstanding at December 31, 2009	832	832
Additional paid-in capital	1,016,032	1,014,856
Retained earnings	318,585	307,751
Accumulated other comprehensive income	20,865	7,731
Treasury stock, at cost	(385,096)	(384,973)
Unallocated common stock held by Employee Stock Ownership Plan ( ESOP )	(60,259)	(61,642)
Common stock acquired by the Directors' Deferred Fee Plan ( DDFP )	(7,528)	(7,575)
Deferred compensation - DDFP	7,528	7,575
Total stockholders' equity	910,959	884,555
Total liabilities and stockholders' equity	\$ 6,823,487	\$ 6,836,172

See accompanying notes to unaudited consolidated financial statements.

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## Consolidated Statements of Operations

Three and six months ended June 30, 2010 and 2009 (Unaudited)

(Dollars in thousands, except per share data)

	Three months ended		Six months ended	
	2010	2009	2010	2009
<b>Interest income:</b>				
Real estate secured loans	\$ 40,220	\$ 39,675	\$ 79,934	\$ 80,280
Commercial loans	10,170	10,570	20,507	21,068
Consumer loans	7,126	7,923	14,402	16,097
Investment securities	3,218	3,343	6,467	6,792
Securities available for sale and FHLB-NY stock	11,205	10,668	22,966	21,379
Deposits, Federal funds sold and other short-term investments	72	133	142	153
Total interest income	72,011	72,312	144,418	145,769
<b>Interest expense:</b>				
Deposits	12,264	19,759	25,770	39,329
Borrowed funds	7,606	9,388	15,739	19,344
Total interest expense	19,870	29,147	41,509	58,673
Net interest income	52,141	43,165	102,909	87,096
Provision for loan losses	9,000	5,800	18,000	11,600
Net interest income after provision for loan losses	43,141	37,365	84,909	75,496
<b>Non-interest income:</b>				
Fees	5,918	6,466	11,620	11,695
BOLI	1,828	1,350	3,226	2,519
Net gain on securities transactions		992	817	1,179
Other-than-temporary impairment losses on securities	(3,116)	(5,466)	(3,116)	(5,466)
Portion of loss recognized in other comprehensive income (before taxes)	2,946	4,665	2,946	4,665
Net impairment losses on securities recognized in earnings	(170)	(801)	(170)	(801)
Other income	397	858	489	1,239
Total non-interest income	7,973	8,865	15,982	15,831
<b>Non-interest expense:</b>				
Goodwill impairment				152,502
Compensation and employee benefits	17,286	16,784	34,825	34,261
Net occupancy expense	4,918	4,912	10,058	10,304
Data processing expense	2,241	2,300	4,525	4,656

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FDIC insurance	1,735	4,934	3,834	5,360
Advertising and promotion expense	1,216	1,356	1,886	2,030
Amortization of intangibles	1,021	1,311	2,124	2,905
Other operating expenses	5,514	6,555	11,441	11,931
Total non-interest expense	33,931	38,152	68,693	223,949
Income (loss) before income tax expense	17,183	8,078	32,198	(132,622)
Income tax expense	4,243	1,733	8,071	4,652
<b>Net income (loss)</b>	<b>\$ 12,940</b>	<b>\$ 6,345</b>	<b>\$ 24,127</b>	<b>\$ (137,274)</b>
Basic earnings (loss) per share	\$ 0.23	\$ 0.11	\$ 0.43	\$ (2.44)
Average basic shares outstanding	56,531,596	56,240,798	56,494,570	56,205,182
Diluted earnings (loss) per share	\$ 0.23	\$ 0.11	\$ 0.43	\$ (2.44)
Average diluted shares outstanding	56,531,596	56,240,798	56,494,570	56,205,182

See accompanying notes to unaudited consolidated financial statements.

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Consolidated Statements of Changes in Stockholders' Equity for the Six Months Ended June 30, 2010 and 2009 (Unaudited)

(Dollars in thousands)

	ADDITIONAL COMMON PAID-IN STOCK CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME	TREASURY STOCK	UNALLOCATED ESOP SHARES	COMMON STOCK ACQUIRED BY COMPENSATION DDFP	DEFERRED DDFP	TOTAL STOCKHOLDERS' EQUITY	
Balance at December 31, 2008	\$ 832	\$ 1,013,293	\$ 454,444	\$ (485)	\$ (384,854)	\$ (64,640)	\$ (7,667)	\$ 7,667	\$ 1,018,590
Comprehensive loss:									
Net loss		(137,274)							(137,274)
Other comprehensive loss:									
Other-than temporary impairment on debt securities available for sale (net of tax of \$1,906)			(2,759)						(2,759)
Unrealized holding gain on securities arising during the period (net of tax of \$4,033)			4,888						4,888
Reclassification adjustment for gains included in net income (net of tax of \$177)			(201)						(201)
Amortization related to post-retirement obligations (net of tax of \$299)			432						432
Total comprehensive loss									\$ (134,914)
Cash dividends declared		(13,278)							(13,278)
Distributions from DDFP	(2)					46	(46)		(2)
Purchase of treasury stock				(70)					(70)
Allocation of ESOP shares	(513)				1,376				863
Allocation of SAP shares	977								977
Allocation of stock options	407								407
Balance at June 30, 2009	\$ 832	\$ 1,014,162	\$ 303,892	\$ 1,875	\$ (384,924)	\$ (63,264)	\$ (7,621)	\$ 7,621	\$ 872,573

See accompanying notes to unaudited consolidated financial statements.



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Consolidated Statements of Changes in Stockholders' Equity for the Six Months Ended June 30, 2010 and 2009 (Unaudited) (Continued)

(Dollars in thousands)

	ADDITIONAL COMMON PAID-IN STOCK CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TREASURY STOCK	UNALLOCATED ESOP SHARES	COMMON STOCK ACQUIRED BY COMPENSATION DDFP	DEFERRED DDFP	TOTAL STOCKHOLDERS EQUITY	
Balance at December 31, 2009	\$ 832	\$ 1,014,856	\$ 307,751	\$ 7,731	\$ (384,973)	\$ (61,642)	\$ (7,575)	\$ 7,575	\$ 884,555
Comprehensive income:									
Net income		24,127							24,127
Other comprehensive income:									
Other-than-temporary impairment on debt securities available for sale (net of tax of (\$1,203))			(1,743)						(1,743)
Unrealized holding gains on securities arising during the period (net of tax of \$10,492)			15,192						15,192
Reclassification adjustment for gains included in net income (net of tax of \$334)			(483)						(483)
Amortization related to post- retirement obligations (net of tax of \$116)			168						168
<b>Total comprehensive income</b>									<b>\$ 37,261</b>
Cash dividends declared		(13,293)							(13,293)
Distributions from DDFP		(3)				47	(47)		(3)
Purchases of treasury stock				(178)					(178)
Option exercises		(16)		55					39
Allocation of ESOP shares		(427)			1,383				956
Allocation of SAP shares		1,204							1,204
Allocation of stock options		418							418
Balance at June 30, 2010	\$ 832	\$ 1,016,032	\$ 318,585	\$ 20,865	\$ (385,096)	\$ (60,259)	\$ (7,528)	\$ 7,528	\$ 910,959

See accompanying notes to unaudited consolidated financial statements.

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**PROVIDENT FINANCIAL SERVICES, INC. AND SUBSIDIARY**

Consolidated Statements of Cash Flows

Six months ended June 30, 2010 and 2009 (Unaudited)

(Dollars in thousands)

	<b>Six months ended June 30,</b>	
	<b>2010</b>	<b>2009</b>
Cash flows from operating activities:		