

PROVIDENT FINANCIAL SERVICES INC
Form 10-Q
November 09, 2006
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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 September 30, 2006

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)

42-1547151
(I.R.S. Employer

Identification No.)

07306-4599
(Zip Code)

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(201) 333-1000

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer
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 November 1, 2006 there were 79,879,017 shares issued and 64,309,507 shares outstanding of the Registrant's Common Stock, par value \$0.01 per share, including 744,214 shares held by the First Savings Bank Directors' Deferred Fee Plan not otherwise considered outstanding under accounting principles generally accepted in the United States of America.

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Consolidated Statements of Financial Condition

September 30, 2006 (Unaudited) and December 31, 2005

(Dollars in thousands, except share data)

	September 30, 2006	December 31, 2005
ASSETS		
Cash and due from banks	\$ 129,873	\$ 107,353
Short-term investments	2,450	9,915
Total cash and cash equivalents	132,323	117,268
Investment securities (market value of \$398,428 (unaudited) and \$407,972 at September 30, 2006 and December 31, 2005, respectively)	400,474	410,914
Securities available for sale, at fair value	836,592	1,082,957
Federal Home Loan Bank (FHLB) stock	32,824	43,794
Loans	3,757,736	3,739,122
Less allowance for loan losses	32,197	31,980
Net loans	3,725,539	3,707,142
Foreclosed assets, net	443	670
Banking premises and equipment, net	57,997	60,949
Accrued interest receivable	21,044	23,155
Intangible assets	431,021	435,838
Bank-owned life insurance (BOLI)	114,933	111,075
Other assets	70,807	58,612
Total assets	\$ 5,823,997	\$ 6,052,374
LIABILITIES AND STOCKHOLDERS EQUITY		
Deposits:		
Demand deposits	\$ 1,024,365	\$ 1,109,507
Savings deposits	1,343,036	1,363,997
Certificates of deposit of \$100,000 or more	392,157	304,229
Other time deposits	1,186,675	1,143,725
Total deposits	3,946,233	3,921,458
Mortgage escrow deposits	17,355	18,121
Borrowed funds	783,755	970,108
Subordinated debentures	25,941	26,444
Other liabilities	37,551	39,948
Total liabilities	4,810,835	4,976,079

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Stockholders' Equity:

Preferred stock, \$0.01 par value, 50,000,000 shares authorized, none issued		
Common stock, \$0.01 par value, 200,000,000 shares authorized, 79,879,017 shares issued and 63,563,973 shares outstanding at September 30, 2006 and 68,661,800 outstanding at December 31, 2005	799	799
Additional paid-in capital	967,258	964,555
Retained earnings	416,284	395,589
Accumulated other comprehensive loss	(7,669)	(8,906)
Treasury stock, at cost	(292,236)	(167,113)
Unallocated common stock held by Employee Stock Ownership Plan (ESOP)	(71,274)	(73,316)
Common stock acquired by the Stock Award Plan (SAP)		(35,313)
Common stock acquired by the Directors' Deferred Fee Plan (DDFP)	(13,033)	(13,244)
Deferred compensation - DDFP	13,033	13,244
Total stockholders' equity	1,013,162	1,076,295
Total liabilities and stockholders' equity	\$ 5,823,997	\$ 6,052,374

See accompanying notes to unaudited consolidated financial statements.

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Consolidated Statements of Income

Three and Nine months ended September 30, 2006 and 2005 (Unaudited)

(Dollars in thousands, except per share data)

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
Interest income:				
Real estate secured loans	\$ 40,188	\$ 38,759	\$ 119,917	\$ 115,673
Commercial loans	7,382	5,691	20,318	15,927
Consumer loans	9,023	7,889	25,821	22,390
Investment securities	4,197	4,275	12,713	12,925
Securities available for sale	10,045	12,271	32,207	38,901
Other short-term investments	32	103	127	419
Federal funds		283	52	819
Total interest income	70,867	69,271	211,155	207,054
Interest expense:				
Deposits	22,669	15,603	59,907	42,619
Borrowed funds	7,843	8,478	23,997	25,405
Subordinated debentures	436	379	1,255	1,083
Total interest expense	30,948	24,460	85,159	69,107
Net interest income	39,919	44,811	125,996	137,947
Provision for loan losses	100	100	1,220	500
Net interest income after provision for loan losses	39,819	44,711	124,776	137,447
Non-interest income:				
Fees	5,688	6,384	17,220	17,261
BOLI	1,329	1,286	3,858	3,838
Net gain (loss) on securities transactions	1,093	213	(47)	151
Other income (loss)	225	(63)	1,921	292
Total non-interest income	8,335	7,820	22,952	21,542
Non-interest expense:				
Compensation and employee benefits	16,765	15,221	49,196	50,186
Net occupancy expense	4,462	4,842	13,732	14,523
Data processing expense	2,229	2,135	6,082	6,462
Amortization of intangibles	1,374	1,595	4,512	5,581
Advertising and promotion expense	797	1,086	3,063	3,290
Other operating expenses	4,462	5,151	13,652	14,593
Total non-interest expense	30,089	30,030	90,237	94,635
Income before income tax expense	18,065	22,501	57,491	64,354

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Income tax expense	5,080	7,564	17,186	20,626
Net income	\$ 12,985	\$ 14,937	\$ 40,305	\$ 43,728
Basic earnings per share	\$ 0.22	\$ 0.23	\$ 0.65	\$ 0.66
Average basic shares outstanding	59,568,556	65,324,553	61,688,564	66,730,203
Diluted earnings per share	\$ 0.22	\$ 0.23	\$ 0.65	\$ 0.65
Average diluted shares outstanding	60,296,944	66,081,331	62,424,568	67,487,825

See accompanying notes to unaudited consolidated financial statements.

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Consolidated Statements of Changes in Stockholders' Equity for the Nine Months Ended September 30, 2006 and 2005 (Unaudited)

(Dollars in thousands)

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TREASURY STOCK	UNALLOCATED ESOP SHARES	COMMON STOCK AWARDS UNDER SAP	COMMON STOCK ACQUIRED BY DDFP	DEFERRED COMPENSATION DDFP	TOTAL STOCKHOLDERS' EQUITY
Balance at December 31, 2004 \$	799	\$ 960,792	\$ 358,678	\$ 3,767	\$ (70,810)	\$ (76,101)	\$ (40,349)	\$ (13,379)	\$ 13,379	\$ 1,136,776
Comprehensive income:										
Net income			43,728							43,728
Other comprehensive income:										
Unrealized holding loss on securities arising during the period (net of tax of (\$7,301))				(10,571)						(10,571)
Reclassification adjustment for losses included in net income (net of tax of (\$62))				(89)						(89)
Total comprehensive income										\$ 33,068
Cash dividends paid			(16,721)							(16,721)
Distributions from DDFP								155	(155)	
Purchase of treasury stock					(83,342)					(83,342)
Allocation of ESOP shares		65				2,039				2,104
Allocation of SAP shares		45					3,829			3,874
Allocation of stock options		2,643								2,643
Balance at September 30, 2005 \$	799	\$ 963,545	\$ 385,685	\$ (6,893)	\$ (154,152)	\$ (74,062)	\$ (36,520)	\$ (13,224)	\$ 13,224	\$ 1,078,402

See accompanying notes to unaudited consolidated financial statements.

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Consolidated Statements of Changes in Stockholders' Equity for the Nine Months Ended September 30, 2006 and 2005 (Unaudited) (Continued)

(Dollars in thousands)

	ADDITIONAL COMMON PAID-IN STOCK CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TREASURY STOCK	UNALLOCATED ESOP SHARES	COMMON STOCK AWARDS UNDER SAP	COMMON STOCK ACQUIRED BY DDFP	DEFERRED COMPENSATION DDFP	TOTAL STOCKHOLDERS' EQUITY	
Balance at December 31, 2005	\$ 799	\$ 964,555	\$ 395,589	\$ (8,906)	\$ (167,113)	\$ (73,316)	\$ (35,313)	\$ (13,224)	\$ 13,224	\$ 1,076,295
Comprehensive income:										
Net income		40,305								40,305
Other comprehensive income:										
Unrealized holding gain on securities arising during the Period (net of tax of \$863)			1,209							1,209
Reclassification adjustment for losses included in net income (net of tax of (\$19))			28							28
Total comprehensive income										\$ 41,542
Cash dividends declared		(19,610)								(19,610)
Distributions from DDFP	41						191	(191)		41
Purchases of treasury stock				(93,452)						(93,452)
Allocation of ESOP shares	131				2,042					2,173
Allocation of SAP shares	18			3,642						3,660
Adoption of SFAS No. 123R				(35,313)		35,313				
Allocation of stock options	2,513									2,513
Balance at September 30, 2006	\$ 799	\$ 967,258	\$ 416,284	\$ (7,669)	\$ (292,236)	\$ (71,274)	\$ (13,033)	\$ 13,033	\$ 13,033	\$ 1,013,162

See accompanying notes to unaudited consolidated financial statements.

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Consolidated Statements of Cash Flows

Nine months ended September 30, 2006 and 2005 (Unaudited)

(Dollars in thousands)

	Nine months ended September 30,	
	2006	2005
Cash flows from operating activities:		
Net income	\$ 40,305	\$ 43,728
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of intangibles	10,097	11,444
Provision for loan losses	1,220	500
Deferred tax expense	957	1,856
Increase in cash surrender value of BOLI	(3,858)	(3,838)
Net amortization of premiums and discounts on securities	2,236	5,529
Accretion of net deferred loan fees	(1,540)	(1,873)
Amortization of premiums on purchased loans, net	2,878	3,598
Net increase in loans originated for sale	(11,132)	(16,537)
Proceeds from sales of loans originated for sale	11,200	16,734
Proceeds from sales of foreclosed assets, net	902	770
Allocation of ESOP shares	2,173	2,104
Allocation of SAP shares	3,660	3,874
Allocation of stock options	2,513	2,643
Net (gain) loss on sale of loans	(68)	231
Net loss (gain) on securities available for sale	47	(151)
Net gain on sale of foreclosed assets		(35)
Decrease in accrued interest receivable	2,111	2,972
(Increase) decrease in other assets	(4,224)	2,492
(Decrease) increase in other liabilities	(2,397)	1,448
Net cash provided by operating activities	57,080	77,489
Cash flows from investing activities:		
Proceeds from sales of loans		14,575
Proceeds from maturities, calls and paydowns of investment securities	32,863	55,970
Purchases of investment securities	(22,985)	(32,846)
Proceeds from sales of securities available for sale	41,365	32,830
Proceeds from maturities and paydowns of securities available for sale	260,736	265,133
Purchases of securities available for sale	(55,338)	(83,703)
Net (increase) decrease in loans	(20,627)	7,896
Purchases of premises and equipment, net	(2,633)	(3,796)
Net cash provided by investing activities	233,381	256,059
Cash flows from financing activities:		
Net increase (decrease) in deposits	24,775	(86,125)
(Decrease) increase in mortgage escrow deposits	(766)	3,379
Purchase of treasury stock	(93,452)	(83,342)
Cash dividends paid to stockholders	(19,610)	(16,721)
Proceeds from FHLB Advances	164,500	52,500
Payments on FHLB Advances	(316,233)	(170,034)

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Net decrease in short-term borrowings	(34,620)	(143)
Net cash used in financing activities	(275,406)	(300,486)
Net increase in cash and cash equivalents	15,055	33,062
Cash and cash equivalents at beginning of period	117,268	163,694
Cash and cash equivalents at end of period	\$ 132,323	\$ 196,756
Cash paid during the period for:		
Interest on deposits and borrowings	\$ 83,778	\$ 69,008