

PROVIDENT FINANCIAL SERVICES INC
Form 10-Q
August 08, 2017

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

FORM
10-Q

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

For the quarterly period ended June 30, 2017
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 42-1547151
(State or Other Jurisdiction of Incorporation or Organization) (I.R.S. Employer Identification No.)

239 Washington Street, Jersey City, New Jersey 07302
(Address of Principal Executive Offices) (Zip Code)
(732) 590-9200
(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 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, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):
Large Accelerated Filer Accelerated Filer

Non-Accelerated Filer Smaller Reporting Company

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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As of August 1, 2017 there were 83,209,293 shares issued and 66,755,350 shares outstanding of the Registrant's Common Stock, par value \$0.01 per share, including 305,645 shares held by the First Savings Bank Directors' Deferred Fee Plan not otherwise considered outstanding under U.S. generally accepted accounting principles.

PROVIDENT FINANCIAL SERVICES, INC.
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PART I—FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS.

PROVIDENT FINANCIAL SERVICES, INC. AND SUBSIDIARY

Consolidated Statements of Financial Condition

June 30, 2017 (Unaudited) and December 31, 2016

(Dollars in Thousands)

	June 30, 2017	December 31, 2016
ASSETS		
Cash and due from banks	\$ 101,028	\$ 92,508
Short-term investments	52,374	51,789
Total cash and cash equivalents	153,402	144,297
Securities available for sale, at fair value	1,038,968	1,040,386
Investment securities held to maturity (fair value of \$501,338 at June 30, 2017 (unaudited) and \$489,287 at December 31, 2016)	492,737	488,183
Federal Home Loan Bank stock	78,949	75,726
Loans	7,031,048	7,003,486
Less allowance for loan losses	62,862	61,883
Net loans	6,968,186	6,941,603
Foreclosed assets, net	6,603	7,991
Banking premises and equipment, net	80,349	84,092
Accrued interest receivable	27,090	27,082
Intangible assets	421,499	422,937
Bank-owned life insurance	188,432	188,527
Other assets	83,068	79,641
Total assets	\$ 9,539,283	\$ 9,500,465
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand deposits	\$ 4,743,488	\$ 4,803,426
Savings deposits	1,107,051	1,099,020
Certificates of deposit of \$100,000 or more	308,208	290,295
Other time deposits	341,790	360,888
Total deposits	6,500,537	6,553,629
Mortgage escrow deposits	28,941	24,452
Borrowed funds	1,676,219	1,612,745
Other liabilities	49,985	57,858
Total liabilities	8,255,682	8,248,684
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, 83,209,293 shares issued and 66,441,753 shares outstanding at June 30, 2017 and 66,082,283 outstanding at December 31, 2016	832	832
Additional paid-in capital	1,008,479	1,005,777
Retained earnings	573,350	550,768
Accumulated other comprehensive loss	(1,277)	(3,397)
Treasury stock	(261,215)	(264,221)
Unallocated common stock held by the Employee Stock Ownership Plan	(36,568)	(37,978)

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Common stock acquired by the Directors' Deferred Fee Plan	(5,511) (5,846)
Deferred compensation – Directors' Deferred Fee Plan	5,511	5,846	
Total stockholders' equity	1,283,601	1,251,781	
Total liabilities and stockholders' equity	\$9,539,283	\$9,500,465	

See accompanying notes to unaudited consolidated financial statements.

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PROVIDENT FINANCIAL SERVICES, INC. AND SUBSIDIARY

Consolidated Statements of Income

Three and six months ended June 30, 2017 and 2016 (Unaudited)

(Dollars in Thousands, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Interest income:				
Real estate secured loans	\$47,009	\$ 44,916	\$93,020	\$ 89,149
Commercial loans	18,100	15,374	34,920	30,326
Consumer loans	5,196	5,394	10,210	11,030
Securities available for sale and Federal Home Loan Bank Stock	6,548	5,718	13,111	11,498
Investment securities held to maturity	3,292	3,331	6,540	6,662
Deposits, Federal funds sold and other short-term investments	298	72	555	114
Total interest income	80,443	74,805	158,356	148,779
Interest expense:				
Deposits	4,653	4,135	9,105	7,956
Borrowed funds	6,735	6,760	13,161	13,844
Total interest expense	11,388	10,895	22,266	21,800
Net interest income	69,055	63,910	136,090	126,979
Provision for loan losses	1,700	1,700	3,200	3,200
Net interest income after provision for loan losses	67,355	62,210	132,890	123,779
Non-interest income:				
Fees	7,255	6,711	13,260	13,172
Wealth management income	4,509	4,511	8,722	8,822
Bank-owned life insurance	2,549	1,369	3,938	2,701
Net gain on securities transactions	11	1	11	97
Other income	495	1,232	1,353	2,050
Total non-interest income	14,819	13,824	27,284	26,842
Non-interest expense:				
Compensation and employee benefits	26,910	25,741	53,758	51,771
Net occupancy expense	6,195	6,068	13,150	12,502
Data processing expense	3,531	3,272	6,988	6,517
FDIC insurance	999	1,293	2,098	2,615
Amortization of intangibles	695	856	1,447	1,861
Advertising and promotion expense	945	901	1,802	1,780
Other operating expenses	8,065	7,766	14,221	13,729
Total non-interest expense	47,340	45,897	93,464	90,775
Income before income tax expense	34,834	30,137	66,710	59,846
Income tax expense	10,451	8,781	18,819	17,517
Net income	\$24,383	\$ 21,356	\$47,891	\$ 42,329
Basic earnings per share	\$0.38	\$ 0.34	\$0.75	\$ 0.67
Weighted average basic shares outstanding	64,357,686	63,553,694	64,263,066	63,452,393
Diluted earnings per share	\$0.38	\$ 0.34	\$0.74	\$ 0.67
Weighted average diluted shares outstanding	64,541,076	63,726,513	64,455,876	63,623,134

See accompanying notes to unaudited consolidated financial statements.

PROVIDENT FINANCIAL SERVICES, INC. AND SUBSIDIARY

Consolidated Statements of Comprehensive Income

Three and six months ended June 30, 2017 and 2016 (Unaudited)

(Dollars in Thousands)

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Net income	\$24,383	\$21,356	\$47,891	\$42,329
Other comprehensive income, net of tax:				
Unrealized gains and losses on securities available for sale:				
Net unrealized gains arising during the period	1,228	2,979	1,999	10,073
Reclassification adjustment for gains included in net income	—	—	—	(57)
Total	1,228	2,979	1,999	10,016
Unrealized (losses) gains on derivatives	(3)	(170)	52	(591)
Amortization related to post-retirement obligations	37	140	69	239
Total other comprehensive income	1,262	2,949	2,120	9,664
Total comprehensive income	\$25,645	\$24,305	\$50,011	\$51,993

See accompanying notes to unaudited consolidated financial statements.

PROVIDENT FINANCIAL SERVICES, INC. AND SUBSIDIARY

Consolidated Statements of Changes in Stockholders' Equity

Six months ended June 30, 2017 and 2016 (Unaudited)

(Dollars in Thousands)

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TREASURY STOCK	UNALLOCATED ESOP SHARES	COMMON STOCK ACQUIRED BY DDFP	DEFERRED COMPENSATION DDFP	TOTAL STOCKHOLDERS' EQUITY
Balance at December 31, 2015	\$ 832	\$1,000,810	\$507,713	\$(2,546)	\$(269,014)	\$(41,730)	\$(6,517)	\$6,517	\$ 1,196,065
Net income	—	—	42,329	—	—	—	—	—	42,329
Other comprehensive income, net of tax	—	—	—	9,664	—	—	—	—	9,664
Cash dividends declared	—	—	(23,222)	—	—	—	—	—	(23,222)
Distributions from DDFP	—	59	—	—	—	—	335	(335)	59
Purchases of treasury stock	—	—	—	—	(1,557)	—	—	—	(1,557)
Purchase of employee restricted shares to fund statutory tax withholding	—	—	—	—	(1,145)	—	—	—	(1,145)
Shares issued dividend reinvestment plan	—	95	—	—	656	—	—	—	751
Stock option exercises	—	37	—	—	2,593	—	—	—	2,630
Allocation of ESOP shares	—	186	—	—	—	1,344	—	—	1,530
Allocation of SAP shares	—	2,371	—	—	—	—	—	—	2,371
Allocation of stock options	—	88	—	—	—	—	—	—	88
Balance at June 30, 2016	\$ 832	\$1,003,646	\$526,820	\$ 7,118	\$(268,467)	\$(40,386)	\$(6,182)	\$6,182	\$ 1,229,563

See accompanying notes to unaudited consolidated financial statements.

PROVIDENT FINANCIAL SERVICES, INC. AND SUBSIDIARY
Consolidated Statements of Changes in Stockholders' Equity
Six months ended June 30, 2017 and 2016 (Unaudited) (Continued)
(Dollars in Thousands)

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME	TREASURY STOCK	UNALLOCATED ESOP SHARES	COMMON STOCK ACQUIRED BY DDFP	DEFERRED COMPENSATION DDFP	TOTAL STOCKHOLDERS' EQUITY
Balance at December 31, 2016	\$ 832	\$ 1,005,777	\$ 550,768	\$ (3,397)	\$ (264,221)	\$ (37,978)	\$ (5,846)	\$ 5,846	\$ 1,251,781
Net income	—	—	47,891	—	—	—	—	—	47,891
Other comprehensive income, net of tax	—	—	—	2,120	—	—	—	—	2,120
Cash dividends declared	—	—	(25,309)	—	—	—	—	—	(25,309)
Distributions from DDFP	—	114	—	—	—	—	335	(335)	114
Purchases of treasury stock	—	—	—	—	(443)	—	—	—	(443)
Purchase of employee restricted shares to fund statutory tax withholding	—	—	—	—	(709)	—	—	—	(709)
Shares issued dividend reinvestment plan	—	284	—	—	626	—	—	—	910
Stock option exercises	—	(1,017)	—	—	3,532	—	—	—	2,515
Allocation of ESOP shares	—	710	—	—	—	1,410	—	—	2,120
Allocation of SAP shares	—	2,514	—	—	—	—	—	—	2,514
Allocation of stock options	—	97	—	—	—	—	—	—	97
Balance at June 30, 2017	\$ 832	\$ 1,008,479	\$ 573,350	\$ (1,277)	\$ (261,215)	\$ (36,568)	\$ (5,511)	\$ 5,511	\$ 1,283,601

See accompanying notes to unaudited consolidated financial statements.

PROVIDENT FINANCIAL SERVICES, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

Six months ended June 30, 2017 and 2016 (Unaudited)

(Dollars in Thousands)

	Six months ended June 30,	
	2017	2016
Cash flows from operating activities:		
Net income	\$47,891	\$42,329
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of intangibles	5,971	6,585
Provision for loan losses	3,200	3,200
Deferred tax expense	840	112
Income on Bank-owned life insurance	(3,938)	(2,701)
Net amortization of premiums and discounts on securities	4,911	5,037
Accretion of net deferred loan fees	(2,422)	(1,627)
Amortization of premiums on purchased loans, net	516	514
Net increase in loans originated for sale	(13,752)	(7,750)
Proceeds from sales of loans originated for sale	—	8,457
Proceeds from sales of foreclosed assets	3,540	2,501
ESOP expense	2,120	1,530
Allocation of stock award shares	2,514	2,215
Allocation of stock options	97	88
Excess tax benefits related to stock-based compensation	1,199	—
Net gain on sale of loans	(348)	(707)
Net gain on securities transactions	(11)	(97)
Net gain on sale of premises and equipment	—	(4)
Net gain on sale of foreclosed assets	(501)	(235)
(Increase) decrease in accrued interest receivable	(8)	289
Increase in other assets	(3,723)	(15,876)
(Decrease) increase in other liabilities	(7,873)	13,162
Net cash provided by operating activities	40,223	57,022
Cash flows from investing activities:		
Proceeds from maturities, calls and paydowns of investment securities held to maturity	25,638	17,336
Purchases of investment securities held to maturity	(31,572)	(23,930)
Proceeds from sales of securities	—	2,193
Proceeds from maturities, calls and paydowns of securities available for sale	100,502	92,819
Purchases of securities available for sale	(99,268)	(130,788)
Proceeds from redemption of Federal Home Loan Bank stock	57,658	30,758
Purchases of Federal Home Loan Bank stock	(60,881)	(28,887)
Purchases of loans	—	(28,590)
Net increase in loans	(13,922)	(216,119)
Proceeds from sales of premises and equipment	—	4
Purchases of premises and equipment	(1,108)	(2,411)
Net cash used in investing activities	(22,953)	(287,615)
Cash flows from financing activities:		
Net (decrease) increase in deposits	(53,092)	305,899
Increase in mortgage escrow deposits	4,489	4,893

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Cash dividends paid to stockholders	(25,309)	(23,222)
Shares issued through the dividend reinvestment plan	910	751

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	Six months ended	
	June 30,	
	2017	2016
Purchases of treasury stock	(443)	(1,557)
Purchase of employee restricted shares to fund statutory tax withholding	(709)	(1,145)
Stock options exercised	2,515	2,630
Proceeds from long-term borrowings	171,980	251,652
Payments on long-term borrowings	(202,019)	(295,336)
Net increase in short-term borrowings	93,513	1,329
Net cash (used in) provided by financing activities	(8,165)	245,894
Net increase in cash and cash equivalents	9,105	15,301
Cash and cash equivalents at beginning of period	144,297	102,226
Cash and cash equivalents at end of period	\$153,402	\$117,527
Cash paid during the period for:		
Interest on deposits and borrowings	\$22,422	\$21,821
Income taxes	\$15,491	\$15,676
Non-cash investing activities:		
Transfer of loans receivable to foreclosed assets	\$2,019	\$2,529
See accompanying notes to unaudited consolidated financial statements.		

PROVIDENT FINANCIAL SERVICES, INC. AND SUBSIDIARY
 NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Basis of Financial Statement Presentation

The accompanying unaudited consolidated financial statements include the accounts of Provident Financial Services, Inc. and its wholly owned subsidiary, Provident Bank (the “Bank,” together with Provident Financial Services, Inc., the “Company”).

In preparing the interim unaudited consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated statements of financial condition and the consolidated statements of income for the periods presented. Actual results could differ from these estimates. The allowance for loan losses, the valuation of securities available for sale and the valuation of deferred tax assets are material estimates that are particularly susceptible to near-term change.

The interim unaudited consolidated financial statements reflect all normal and recurring adjustments, which are, in the opinion of management, considered necessary for a fair presentation of the financial condition and results of operations for the periods presented. The results of operations for the three and six months ended June 30, 2017 are not necessarily indicative of the results of operations that may be expected for all of 2017.

Certain information and note disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. Certain reclassifications have been made in the consolidated financial statements to conform with current year classifications.

These unaudited consolidated financial statements should be read in conjunction with the December 31, 2016 Annual Report to Stockholders on Form 10-K.

B. Earnings Per Share

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share calculations for the three and six months ended June 30, 2017 and 2016 (dollars in thousands, except per share amounts):

	Three months ended June 30, 2017			2016		
	Net Income	Weighted Average Common Shares Outstanding	Per Share Amount	Net Income	Weighted Average Common Shares Outstanding	Per Share Amount
Net income	\$24,383			\$21,356		
Basic earnings per share:						
Income available to common stockholders	\$24,383	64,357,684	\$ 0.38	\$21,356	63,553,694	\$ 0.34
Dilutive shares		183,387			172,819	
Diluted earnings per share:						
Income available to common stockholders	\$24,383	64,541,071	\$ 0.38	\$21,356	63,726,513	\$ 0.34

	Six months ended June 30, 2017			2016		
	Net Income	Weighted Average Common Shares Outstanding	Per Share Amount	Net Income	Weighted Average Common Shares Outstanding	Per Share Amount
Net income	\$47,891			\$42,329		
Basic earnings per share:						
Income available to common stockholders	\$47,891	64,263,065	\$ 0.75	\$42,329	63,452,393	\$ 0.67
Dilutive shares		192,808			170,741	
Diluted earnings per share:						
Income available to common stockholders	\$47,891	64,455,873	\$ 0.74	\$42,329	63,623,134	\$ 0.67

Anti-dilutive stock options and awards at June 30, 2017 and 2016, totaling 437,904 shares and 580,314 shares, respectively, were excluded from the earnings per share calculations.

Note 2. Investment Securities

At June 30, 2017, the Company had \$1.04 billion and \$492.7 million in available for sale and held to maturity investment securities, respectively. Many factors, including lack of liquidity in the secondary market for certain securities, variations in pricing information, regulatory actions, changes in the business environment or any changes in the competitive marketplace could have an adverse effect on the Company's investment portfolio which could result in other-than-temporary impairment ("OTTI") on certain investment securities in future periods. The total number of held to maturity and available for sale securities in an unrealized loss position as of June 30, 2017 totaled 266, compared with 419 at December 31, 2016. All securities with unrealized losses at June 30, 2017 were analyzed for other-than-temporary impairment. Based upon this analysis, the Company believes that as of June 30, 2017, such securities with unrealized losses do not represent impairments that are other-than-temporary.

Securities Available for Sale

The following tables present the amortized cost, gross unrealized gains, gross unrealized losses and the fair value for securities available for sale at June 30, 2017 and December 31, 2016 (in thousands):

	June 30, 2017			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
US Treasury obligations	\$5,990	—	(2)	5,988
Agency obligations	42,058	21	(30)	42,049
Mortgage-backed securities	963,291	7,187	(5,382)	965,096
State and municipal obligations	3,706	115	—	3,821
Corporate obligations	21,050	401	(13)	21,438
Equity securities	397	179	—	576
	\$1,036,492	7,903	(5,427)	1,038,968
	December 31, 2016			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
US Treasury obligations	\$7,995	13	—	8,008
Agency obligations	57,123	90	(25)	57,188
Mortgage-backed securities	952,992	7,249	(8,380)	951,861
State and municipal obligations	3,727	19	(3)	3,743
Corporate obligations	19,013	35	(11)	19,037
Equity securities	397	152	—	549

\$1,041,247 7,558 (8,419) 1,040,386

The amortized cost and fair value of securities available for sale at June 30, 2017, by contractual maturity, are shown below (in thousands). Expected maturities may differ from contractual maturities due to prepayment or early call privileges of the issuer.

	June 30, 2017	
	Amortized cost	Fair value
Due in one year or less	\$44,455	44,414
Due after one year through five years	7,444	7,511
Due after five years through ten years	20,905	21,371
Due after ten years	—	—
	\$72,804	73,296

Mortgage-backed securities totaling \$963.3 million at amortized cost and \$965.1 million at fair value are excluded from the table above as their expected lives are likely to be shorter than the contractual maturity date due to principal prepayments. Also excluded from the table above are equity securities of \$397,000 at amortized cost and \$576,000 at fair value.

For the three and six months ended June 30, 2017, no securities were sold or called from the securities available for sale portfolio. For the three months ended June 30, 2016, no securities were sold from the available for sale portfolio. Proceeds from the sale of securities available for sale, for the six months ended June 30, 2016, totaled \$2.2 million, resulting in gross gains of \$95,000 and no gross losses. There were no calls of available for sale securities for the three and six months ended June 30, 2016.

The Company did not incur an OTTI charge on securities in the available for sale portfolio for the three and six months ended June 30, 2017 and 2016.

The following tables represent the Company's disclosure regarding securities available for sale with temporary impairment at June 30, 2017 and December 31, 2016 (in thousands):

	June 30, 2017 Unrealized Losses					
	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
US Treasury obligations	\$5,988	(2)	—	—	5,988	(2)
Agency obligations	31,017	(30)	—	—	31,017	(30)
Mortgage-backed securities	480,698	(5,380)	47	(2)	480,745	(5,382)
Corporate obligations	—	—	988	(13)	988	(13)
	\$517,703	(5,412)	1,035	(15)	518,738	(5,427)
	December 31, 2016 Unrealized Losses					
	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Agency obligations	\$14,000	(25)	—	—	14,000	(25)
Mortgage-backed securities	553,629	(8,377)	65	(3)	553,694	(8,380)
State and municipal obligations	661	(3)	—	—	661	(3)
Corporate obligations	—	—	990	(11)	990	(11)
	\$568,290	(8,405)	1,055	(14)	569,345	(8,419)

The temporary loss position associated with certain securities available for sale was the result of changes in market interest rates relative to the coupon of the individual security and changes in credit spreads. The Company does not have the intent to sell securities in a temporary loss position at June 30, 2017, nor is it more likely than not that the Company will be required to sell the securities before their prices recover.

The number of available for sale securities in an unrealized loss position at June 30, 2017 totaled 83, compared with 87 at December 31, 2016. At June 30, 2017, there were two private label mortgage-backed securities in an unrealized loss position,

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with an amortized cost of \$53,000 and an unrealized loss of \$2,000. None of these private label mortgage-backed securities were below investment grade at June 30, 2017.

The Company estimates the loss projections for each security by stressing the individual loans collateralizing the security and applying a range of expected default rates, loss severities, and prepayment speeds in conjunction with the underlying credit enhancement for each security. Based on specific assumptions about collateral and vintage, a range of possible cash flows was identified to determine whether OTTI existed during the six months ended June 30, 2017. The Company believes that no OTTI of the securities available for sale portfolio existed for the three and six months ended June 30, 2017.

Investment Securities Held to Maturity

The following tables present the amortized cost, gross unrealized gains, gross unrealized losses and the estimated fair value for investment securities held to maturity at June 30, 2017 and December 31, 2016 (in thousands):

	June 30, 2017			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Agency obligations	\$4,306	—	(56) 4,250
Mortgage-backed securities	579	20	—	599
State and municipal obligations	478,564	10,746	(2,082) 487,228
Corporate obligations	9,288	7	(34) 9,261
	\$492,737	10,773	(2,172) 501,338

	December 31, 2016			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Agency obligations	\$4,306	2	(83) 4,225
Mortgage-backed securities	893	31	—	924
State and municipal obligations	473,653	6,635	(5,436) 474,852
Corporate obligations	9,331	7	(52) 9,286
	\$488,183	6,675	(5,571) 489,287

The Company generally purchases securities for long-term investment purposes, and differences between amortized cost and fair values may fluctuate during the investment period. There were no sales of securities from the held to maturity portfolio for the three and six months ended June 30, 2017 and 2016. For the three and six months ended June 30, 2017, proceeds from calls on certain securities in the held to maturity portfolio totaled \$7.9 million and \$20.7 million, respectively, with gross gains of \$11,000 and no gross losses recognized in both the three and six month periods. For the three and six months ended June 30, 2016, proceeds from calls of certain securities in the held to maturity portfolio totaled \$4.3 million and \$14.9 million, respectively, with gross gains totaling \$1,000 and \$2,000, respectively and no gross losses recognized in either period.

The amortized cost and fair value of investment securities in the held to maturity portfolio at June 30, 2017 by contractual maturity are shown below (in thousands). Expected maturities may differ from contractual maturities due to prepayment or early call privileges of the issuer.

	June 30, 2017	
	Amortized cost	Fair value
Due in one year or less	\$22,961	23,006
Due after one year through five years	56,527	57,412
Due after five years through ten years	252,672	258,915
Due after ten years	159,998	161,406
	\$492,158	500,739

Mortgage-backed securities totaling \$579,000 at amortized cost and \$599,000 at fair value are excluded from the table above as their expected lives are likely to be shorter than the contractual maturity date due to principal prepayments.

The following tables represent the Company's disclosure on investment securities held to maturity with temporary impairment at June 30, 2017 and December 31, 2016 (in thousands):

	June 30, 2017 Unrealized Losses					
	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Agency obligations	\$3,851	(56)	—	—	3,851	(56)
State and municipal obligations	78,613	(1,814)	9,198	(268)	87,811	(2,082)
Corporate obligations	6,836	(34)	—	—	6,836	(34)
	\$89,300	(1,904)	9,198	(268)	98,498	(2,172)
	December 31, 2016 Unrealized Losses					
	Less than 12 months		12 months or longer		Total	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Agency obligations	\$3,525	(83)	—	—	3,525	(83)
State and municipal obligations	172,152	(5,132)	6,617	(304)	178,769	(5,436)
Corporate obligations	4,697	(52)	—	—	4,697	(52)
	\$180,374	(5,267)	6,617	(304)	186,991	(5,571)

Based upon the review of the held to maturity securities portfolio, the Company believes that as of June 30, 2017, securities with unrealized loss positions shown above do not represent impairments that are other-than-temporary. The review of the portfolio for OTTI considers the percentage and length of time the fair value of an investment is below book value, as well as general market conditions, changes in interest rates, credit risks, whether the Company has the intent to sell the securities and whether it is more likely than not that the Company would be required to sell the securities before their prices recover.

The number of held to maturity securities in an unrealized loss position at June 30, 2017 totaled 183, compared with 332 at December 31, 2016. The decrease in the number of securities in an unrealized loss position at June 30, 2017, was due to a slight decrease in market interest rates from December 31, 2016 and a tightening of spreads in the municipal bond sector. All temporarily impaired investment securities were investment grade at June 30, 2017.

Note 3. Loans Receivable and Allowance for Loan Losses

Loans receivable at June 30, 2017 and December 31, 2016 are summarized as follows (in thousands):

	June 30, 2017	December 31, 2016
Mortgage loans:		
Residential	\$1,168,557	1,211,672
Commercial	1,992,449	1,978,569
Multi-family	1,384,590	1,402,054
Construction	305,860	264,814
Total mortgage loans	4,851,456	4,857,109
Commercial loans	1,687,944	1,630,444
Consumer loans	492,838	516,755
Total gross loans	7,032,238	7,004,308
Purchased credit-impaired ("PCI") loans	1,266	1,272
Premiums on purchased loans	4,492	4,968
Unearned discounts	(37)	(39)
Net deferred fees	(6,911)	(7,023)
Total loans	\$7,031,048	7,003,486

The following tables summarize the aging of loans receivable by portfolio segment and class of loans, excluding PCI loans (in thousands):

June 30, 2017

Days	Non-accrual	Recorded Investment > 90 days accruing	Total Past Due	Total Current Loans Receivable
30-59				
60-89				
90-119				
120-149				
150-179				
180-209				
210-239				
240-269				
270-299				
300-329				
330-359				
360-389				
390-419				
420-449				
450-479				
480-509				
510-539				
540-569				
570-599				
600-629				
630-659				
660-689				
690-719				
720-749				
750-779				
780-809				
810-839				
840-869				
870-899				
900-929				
930-959				
960-989				
990-1019				
1020-1049				
1050-1079				
1080-1109				
1110-1139				
1140-1169				
1170-1199				
1200-1229				
1230-1259				
1260-1289				
1290-1319				
1320-1349				
1350-1379				
1380-1409				
1410-1439				
1440-1469				
1470-1499				
1500-1529				
1530-1559				
1560-1589				
1590-1619				
1620-1649				
1650-1679				
1680-1709				
1710-1739				
1740-1769				
1770-1799				
1800-1829				
1830-1859				
1860-1889				
1890-1919				
1920-1949				
1950-1979				
1980-2009				
2010-2039				
2040-2069				
2070-2099				
2100-2129				
2130-2159				
2160-2189				
2190-2219				
2220-2249				
2250-2279				
2280-2309				
2310-2339				
2340-2369				
2370-2399				
2400-2429				
2430-2459				
2460-2489				
2490-2519				
2520-2549				
2550-2579				
2580-2609				
2610-2639				
2640-2669				
2670-2699				
2700-2729				
2730-2759				
2760-2789				
2790-2819				
2820-2849				
2850-2879				
2880-2909				
2910-2939				
2940-2969				
2970-2999				
3000-3029				
3030-3059				
3060-3089				
3090-3119				
3120-3149				
3150-3179				
3180-3209				
3210-3239				
3240-3269				
3270-3299				
3300-3329				
3330-3359				
3360-3389				
3390-3419				
3420-3449				
3450-3479				
3480-3509				
3510-3539				
3540-3569				
3570-3599				
3600-3629				
3630-3659				
3660-3689				
3690-3719				
3720-3749				
3750-3779				
3780-3809				
3810-3839				
3840-3869				
3870-3899				
3900-3929				
3930-3959				
3960-3989				
3990-4019				
4020-4049				
4050-4079				
4080-4109				
4110-4139				
4140-4169				
4170-4199				
4200-4229				
4230-4259				
4260-4289				
4290-4319				
4320-4349				
4350-4379				
4380-4409				
4410-4439				
4440-4469				
4470-4499				
4500-4529				
4530-4559				
4560-4589				
4590-4619				
4620-4649				
4650-4679				
4680-4709				
4710-4739				
4740-4769				
4770-4799				
4800-4829				
4830-4859				
4860-4889				
4890-4919				
4920-4949				
4950-4979				
4980-5009				
5010-5039				
5040-5069				
5070-5099				
5100-5129				
5130-5159				
5160-5189				
5190-5219				
5220-5249				
5250-5279				
5280-5309				
5310-5339				
5340-5369				
5370-5399				
5400-5429				
5430-5459				
5460-5489				
5490-5519				
5520-5549				
5550-5579				
5580-5609				
5610-5639				
5640-5669				
5670-5699				
5700-5729				
5730-5759				
5760-5789				
5790-5819				
5820-5849				
5850-5879				
5880-5909				
5910-5939				
5940-5969				
5970-5999				
6000-6029				
6030-6059				
6060-6089				
6090-6119				
6120-6149				
6150-6179				
6180-6209				
6210-6239				
6240-6269				
6270-6299				
6300-6329				
6330-6359				
6360-6389				
6390-6419				
6420-6449				
6450-6479				
6480-6509				
6510-6539				
6540-6569				
6570-6599				
6600-6629				
6630-6659				
6660-6689				
6690-6719				
6720-6749				
6750-6779				
6780-6809				
6810-6839				
6840-6869				
6870-6899				
6900-6929				
6930-6959				
6960-6989				
6990-7019				
7020-7049				
7050-7079				
7080-7109				
7110-7139				
7140-7169				
7170-7199				
7200-7229				
7230-7259				
7260-7289				
7290-7319				
7320-7349				
7350-7379				
7380-7409				
7410-7439				
7440-7469				
7470-7499				
7500-7529				
7530-7559				
7560-7589				
7590-7619				
7620-7649				
7650-7679				
7680-7709				
7710-7739				
7740-7769				
7770-7799				
7800-7829				
7830-7859				
7860-7889				
7890-7919				
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7950-7979				
7980-8009				
8010-8039				
8040-8069				
8070-8099				
8100-8129				
8130-8159				