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PROVIDENT FINANCIAL HOLDINGS INC

Form FWP

November 30, 2009

Filed Pursuant to Rule 433

Registration No. 333-162415

Issuer Free Writing Prospectus dated November 30, 2009

Relating to Preliminary Prospectus dated November 27, 2009

November 2009
Follow
On Stock Offering
Craig
G.
Blunden

Chairman,
President
and
Chief
Executive
Officer
Donavon
P.
Ternes

Chief
Operating
Officer
and
Chief
Financial
Officer
NASDAQ: PROV

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Safe Harbor Statement

The Corporation has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. You should read the prospectus and other documents the issuer has filed with the SEC for more complete information about the offering. You can get these documents for free by visiting EDGAR on the SEC website at www.sec.gov. Alternatively, the issuer, the underwriter, or the offering will arrange to send you the prospectus if you request it by calling toll free 1-866-805-4128. The documents can also be accessed at www.sandleroneill.com/prospectus/prov-prospectus.pdf.

The Private Securities Litigation Report Act of 1995 provides a "safe harbor" for certain forward-looking statements. This prospectus contains forward-looking statements with respect to the Corporation's financial condition, results of operations, plans, objectives, future performance or other similar matters. These forward-looking statements are subject to certain risks and uncertainties, including those identified below, which could cause future results to differ from those stated in the forward-looking statements.

or those anticipated. The words "believe," "expect," "anticipate," "intend," "estimate," "goals," "would," "could," "should" and future events and trends identify forward-looking statements. We caution readers not to place undue reliance on these forward only on information known to the Corporation, speak only as of their dates, and if no date is provided, then such statements speak only as of the date hereof. A number of important factors that could cause future results to differ materially from historical results or those anticipated, including risks of lending activities, including changes in the level and trend of loan delinquencies and write-offs and changes in our allowance for loan losses that may be impacted by deterioration in the housing and commercial real estate markets; changes in general economic conditions nationally or in our market areas; changes in the levels of general interest rates, and the relative differences between short and long-term interest rates, our net interest margin and funding sources; fluctuations in the demand for loans, the number of unsold homes, and fluctuations in real estate values in our market areas; secondary market conditions for loans and our ability to sell loans in the secondary market; the results of our stress test; results of examinations of us by the Office of Thrift Supervision or other regulatory authorities, including any regulatory authority may, among other things, require us to increase our reserve for loan losses, write-down assets, change our business strategy, our ability to borrow funds or maintain or increase deposits, which could adversely affect our liquidity and earnings; legislative and regulatory changes that affect our business including changes in regulatory policies and principles, or the interpretation of regulatory capital or other requirements; further increases in premiums for deposit insurance; our ability to control operating costs and expenses; the use of estimates of certain of our assets, which estimates may prove to be incorrect and result in significant declines in valuation; difficulties in realizing the value of assets on our balance sheet; staffing fluctuations in response to product demand or the implementation of corporate strategies that affect our operations; associated charges; computer systems on which we depend could fail or experience a security breach; our ability to retain key members of our management team; costs and effects of litigation, including settlements and judgments; our ability to implement our branch expansion strategy; our ability to successfully integrate any assets, liabilities, customers, systems, and management personnel we have acquired or may in the future acquire; and our ability to realize related revenue synergies and cost savings within expected time frames and any goodwill charges related to acquisitions; pressures among financial services companies; changes in consumer spending, borrowing and savings habits; the availability of capital; changes in laws, rules, or regulations or to respond to regulatory actions; our ability to pay dividends on our common stock; adverse changes in the ability of key third-party providers to perform their obligations to us; changes in accounting policies and practices, as may be required by regulatory agencies or the Financial Accounting Standards Board, including additional guidance and interpretation on accounting standards; implementation of new accounting methods; and other economic, competitive, governmental, regulatory, and technological factors that affect our pricing, products and services and the other risks described in the Corporation's reports filed with the Securities and Exchange Commission. Report on Form 10-K for the fiscal year ended June 30, 2009 and its quarterly report on Form 10-Q ended September 30, 2009. The Corporation does not undertake any obligation to update any forward-looking statement to reflect circumstances or events that occur after the forward-looking statement is made.

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Transaction Overview

Issuer:

Provident Financial Holdings, Inc.

Ticker / Exchange:

PROV / NASDAQ (GSM)

Type of Security:

Common Stock

Transaction Size:

\$40.0 million

Over-Allotment Option:

15%

Use of Proceeds:

Support capital needs of the Bank and its mortgage banking operation, opportunistic growth and general corporate purposes

Book-Running Manager:

Sandler O'Neill + Partners, L.P.

Co-Managers:

FBR Capital Markets & Co.

FIG Partners, LLC

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Offering Objectives and Business Strategy
Strengthen
current
capital
position
in
this
challenging
economic

environment

Enhance capital base to capture growth opportunities

Capture business opportunities stemming from competitor and market dislocations

Expand mortgage banking origination capacity and market share

Diversify loan portfolio to include a higher percentage of multi-family loans

Support opportunity to grow core deposits and fund loan growth internally

Bolster the ability to continue to aggressively resolve problem credits and REO

Increase

ability

to

recruit

and

retain

key

business

producers

in

our

local

markets and attract an expanded customer base

4

Capital Position & Composition

1

Assumes gross proceeds of \$40.0 million with underwriters' discount of 5.75% (at 6% for \$37.5 million to public investors and insiders and ESOP) and expenses of \$302,000

2

Assumes proceeds risk-weighted at 20%

As of September 30, 2009

Stand-Alone

Pro Forma¹

Tangible Common Equity / Tangible Assets

7.36%

9.64%

Tangible Equity / Tangible Assets

7.36%

9.64%

Well-

Capitalized

Core Capital Ratio

5.00%

7.03%

9.32%

Tier 1 Risk-Based Ratio²

6.00%

11.89%

16.15%

Total Risk-Based Ratio²

10.00%

13.16%

17.41%

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Management Team

Named executive officer and director ownership as a group is 15.4%

Years

Fin. Services

Past

Name

Position

Age

Experience

Experience

Craig G. Blunden
Chairman, President and
Chief Executive Officer

61

37

Donavon P. Ternes
Executive Vice President,
COO, CFO and Corporate
Secretary

49

27

Richard L. Gale
President -
Provident
Bank Mortgage

58

32

Kathryn R. Gonzales
Senior Vice President -
Retail Banking

51

29

Lilian
Salter
Senior Vice President -
Chief Information Officer

54

33

Joined the Bank in 1993 as general auditor and promoted to CIO in 1997. Previously, Ms. Salter was with Home Federal Bank, San Diego, California for 17 years and held various positions in information systems, auditing and accounting.

David S. Weiant
Senior Vice President -
Chief Lending Officer

50

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Joined the Bank as SVP and CFO on November 1, 2000 and appointed Secretary of the Corporation and the Bank in April 2003. Effective January 1, 2008, Mr. Ternes was appointed EVP and COO, while continuing to serve as the CFO and Corporate Secretary of the Bank and the Corporation. Prior to joining the Bank, Mr. Ternes was the President, CEO, CFO and Director of Mission Savings and Loan Association, Riverside, California holding those positions for over 11 years.

Joined the Bank as SVP of Retail Banking on August 7, 2006. Previously, Ms. Gonzales was with Bank of America, responsible for working with under-performing branches and re-energizing their business development capabilities. Prior to that she was with Arrowhead Central Credit Union, responsible for 25 retail branches and oversaw their

significant deposit growth.

Has been with the Bank since 1974 and has held his current positions at the Bank since 1991 and as President and Chief Executive Officer of the Corporation since its formation in 1996.

Joined the Bank in 1988 and has served as President of the Provident Bank Mortgage division since 1989. Mr. Gale has also served as a director of the California Mortgage Bankers Association since 2002.

Joined the Bank as SVP and CLO on June 29, 2007. Prior to joining the Bank, Mr. Weiant was a SVP of Professional Business Bank (June 2006 to June 2007) responsible for commercial lending in the Los Angeles and Inland Empire regions of Southern California. Prior to that, Mr. Weiant was EVP and Regional Manager of Southwest Community Bank (April 2005 to June 2006), SVP and Regional Manager of Vineyard Bank (2004

2005) and EVP and Branch Administrator of Business Bank of California (2000 - 2004). Mr. Weiant has more than 25 years of experience with financial institutions including the last 11 years in senior management.

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\$1.5 billion in assets, as of 09/30/09
\$932 million in deposits, as of 09/30/09
14 full-service branches
53 years serving the community
Provident Bank
Full Service Offices:
Blythe
Canyon Crest, Riverside
Corona

Corporate Office, Riverside
Downtown, Riverside
Hemet
La Sierra, Riverside
Moreno
Valley
-
Heacock
St.
Moreno
Valley
-
Iris
Plaza
Orangecrest, Riverside
Rancho Mirage
Redlands
Sun City
Temecula
Provident Bank Mortgage
Wholesale Offices:
Pleasanton
Rancho Cucamonga
Retail Offices:
Glendora
Indiana Ave., Riverside
Riverside Ave., Riverside
Pleasanton, Northern California
Franchise Overview

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Franchise Overview

Largest independent community bank headquartered in Riverside County,
California

\$1.5 billion in assets, as of 09/30/09

\$932 million in deposits, as of 09/30/09

14 full-service branches

Sixth largest deposit market share in the Riverside-San Bernardino RMA and
second among community banks

Strong mortgage banking operations

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2009 fiscal year originations of \$1.3 billion

Q1-2010 fiscal year originations of \$492 million

Gross locked pipeline of approximately \$200 million as of 09/30/09

Actively addressing and managing credit issues

Expanding customer base and markets within the Inland Empire Region of Southern California

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History of Strong Financial Performance
Pre-Tax, Pre-Provision Earnings (\$mm)
Net Interest Margin
Mortgage Banking Originations (\$mm)
Loan Sale Margin
\$4,137
\$6,405
\$5,326
\$9,110

\$13,156
\$8,561
\$0
\$2,000
\$4,000
\$6,000
\$8,000
\$10,000
\$12,000
\$14,000
Q4 '08
Q1 '09
Q2 '09
Q3 '09
Q4 '09
Q1 '10
\$492
\$617
\$366
\$169
\$166
\$114
\$0
\$1
\$1
\$0
\$8
\$21
\$0
\$100
\$200
\$300
\$400
\$500
\$600
\$700
Q4 '08
Q1 '09
Q2 '09
Q3 '09
Q4 '09
Q1 '10
Saleable
Portfolio
2.93%
2.89%
2.70%
2.87%
2.99%
2.69%

2.50%

2.55%

2.60%

2.65%

2.70%

2.75%

2.80%

2.85%

2.90%

2.95%

3.00%

3.05%

Q4 '08

Q1 '09

Q2 '09

Q3 '09

Q4 '09

Q1 '10

0.59%

1.33%

1.33%

0.80%

0.72%

(0.32%)

0.82%

1.45%

1.42%

1.68%

1.18%

0.92%

(0.50%)

0.00%

0.50%

1.00%

1.50%

2.00%

Q4 '08

Q1 '09

Q2 '09

Q3 '09

Q4 '09

Q1 '10

Loan Sale Margin

Loan Sale Margin, excl. Recourse Provision

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Mortgage Banking Overview
We
have
enjoyed
growing
demand
for
our
mortgage

banking
products
over
the
last several quarters

The
refinance
market

has
augmented
our
business

opportunities
in
the

current
rate environment

Locked Pipeline -

AFS (\$mm)

PBM Purchase vs. Refinance

1

Net of management's estimate of commitments to extend credit which may not fund

\$206

\$160

\$338

\$77

\$55

\$45

\$131

\$105

\$207

\$46

\$32

\$23

\$0

\$50

\$100

\$150

\$200

\$250

\$300

\$350

\$400

Q4 '08

Q1 '09

Q2 '09

Q3 '09

Q4 '09

Q1 '10

Gross Locked Pipeline

Net Locked Pipeline (1)

39%

60%

56%

17%

17%

34%

61%

40%

44%

83%

83%

66%

0%

10%

20%

30%

40%

50%

60%

70%

80%

90%

100%

Q4 '08

Q1 '09

Q2 '09

Q3 '09

Q4 '09

Q1 '10

Refinance

Purchase

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Attractive Market Demographics

The Riverside and San Bernardino county markets offer appealing growth and income demographics

Five-Year

County
Branches
Market
Rank
Deposits
in Market
(\$000)
Market
Share
(%)
Percent of
Franchise
(%)
Proj. Pop.
Change
(%)
Proj. HHI
Change
(%)
Riverside
13
6
902,867
4.42
88.2
16.1
7.0
San Bernardino
1
18
120,509
0.71
11.8
7.3
6.4
Provident Weighted Average
15.1
6.9
Aggregate: California
5.1
4.0
Aggregate: National
4.6
4.1
Source: SNL Financial

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Deposit Composition

1

Certain interest-bearing checking, savings, money market and time deposits require a minimum balance to earn interest

2

Includes a single depositor with balances of \$0 and \$100.3 million at September 30, 2009 and 2008, respectively; and includes \$19.6 million and \$0 at September 30, 2009 and 2008, respectively

LTM Weighted-Average

Interest Rate: 2.22%

MRQ Weighted-Average

Interest Rate: 1.93%

Stable deposit base with reduced reliance on CD funding

Declining cost of deposits

Average cost of deposits for the quarter ended Sept. 30, 2009 was 1.93%, down from 2.85% for the quarter ended Sept. 30, 2008

Time >\$100

28.6%

Non Int.-

Bearing

Checking

4.7%

Int.-Bearing

Checking

14.3%

Savings

18.5%

Money

Market

2.9%

Time <\$100

31.0%

(Dollars in Thousands)

As of the Period Ended,

Category

9/30/09

9/30/08

Change

Checking deposits non interest-bearing

\$43,476

\$43,209

\$267

Checking deposits interest-bearing¹

133,677

119,118

14,559

Savings deposits¹

172,566

138,827

33,739

Money market deposits¹

26,697

27,300

(603)

Time deposits:¹

Under \$100

288,782

289,445

(663)

\$100 and over²
266,723
337,898
(71,175)
Total deposits
\$931,921
\$955,797

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Credit Management Strategy
We have worked to recognize the credit challenges presented by our markets and are actively working
to improve our asset quality
As
of
September
30,
2009,
our

loan
loss
reserve
/
loans
held
for
investment
stood
at
4.97%

Actions
Results

All Multi-Family and Commercial Business loans have an annual internal asset review regimen completed. CRE loans \$750,000 and larger have an annual internal asset review regimen completed.

Diligently complete reviews of Multi-Family, CRE and Commercial Business loans.

Net loss on sale and operations of REO acquired in the settlement of loans was \$1.6 million in LTM.

Establish appropriate specific valuation allowances.

As of September 30, 2009, REO balance was \$12.7 million, never becoming higher than \$16.4

million
in
LTM.

Also,

145
REOs
were
disposed

of
while

161
REOs

were
obtained

in
LTM.

Quickly dispose of REO.

As of September 30, 2009, Restructured Loans were \$52.0 million and 81% reflect a current payment status.

Complete loan modifications on a case-by-case basis.

\$60.1 million loan loss provision in LTM while net charge-offs have been \$24.7 million in the same period.

Aggressively build the loan loss reserve.

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Loan Portfol