

PROVIDENT FINANCIAL SERVICES INC
Form 10-Q
May 11, 2015

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

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

For the quarterly period ended March 31, 2015

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)

42-1547151
(I.R.S. Employer Identification No.)

239 Washington Street, Jersey City, New Jersey
(Address of Principal Executive Offices)
(732) 590-9200

07302
(Zip Code)

(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, 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 May 1, 2015 there were 83,209,293 shares issued and 65,623,167 shares outstanding of the Registrant's Common Stock, par value \$0.01 per share, including 404,243 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

March 31, 2015 (Unaudited) and December 31, 2014

(Dollars in Thousands)

	March 31, 2015	December 31, 2014
ASSETS		
Cash and due from banks	\$89,760	\$102,484
Short-term investments	1,114	1,278
Total cash and cash equivalents	90,874	103,762
Securities available for sale, at fair value	1,047,559	1,074,395
Investment securities held to maturity (fair value of \$487,671 at March 31, 2015 (unaudited) and \$482,473 at December 31, 2014)	473,704	469,528
Federal Home Loan Bank stock	67,455	69,789
Loans	6,124,699	6,085,505
Less allowance for loan losses	61,110	61,734
Net loans	6,063,589	6,023,771
Foreclosed assets, net	5,924	5,098
Banking premises and equipment, net	92,498	92,990
Accrued interest receivable	24,542	25,228
Intangible assets	403,505	404,422
Bank-owned life insurance	179,060	177,712
Other assets	76,427	76,682
Total assets	\$8,525,137	\$8,523,377
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand deposits	\$4,031,665	\$3,971,487
Savings deposits	985,464	995,347
Certificates of deposit of \$100,000 or more	342,506	342,072
Other time deposits	463,416	483,617
Total deposits	5,823,051	5,792,523
Mortgage escrow deposits	23,653	21,649
Borrowed funds	1,468,404	1,509,851
Other liabilities	52,358	55,255
Total liabilities	7,367,466	7,379,278
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	832	832
and 65,171,983 shares outstanding at March 31, 2015 (unaudited) and 64,905,905 outstanding at December 31, 2014		
Additional paid-in capital	996,382	995,053
Retained earnings	474,280	465,276
Accumulated other comprehensive income	3,735	29

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Treasury stock	(272,895)	(271,779)
Unallocated common stock held by the Employee Stock Ownership Plan	(44,663)	(45,312)
Common stock acquired by the Directors' Deferred Fee Plan	(7,090)	(7,113)
Deferred compensation – Directors' Deferred Fee Plan	7,090		7,113	
Total stockholders' equity	1,157,671		1,144,099	
Total liabilities and stockholders' equity	\$8,525,137		\$8,523,377	

See accompanying notes to unaudited consolidated financial statements.

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PROVIDENT FINANCIAL SERVICES, INC. AND SUBSIDIARY

Consolidated Statements of Income

Three months ended March 31, 2015 and 2014 (Unaudited)

(Dollars in Thousands, except per share data)

	Three months ended March	
	31,	
	2015	2014
Interest income:		
Real estate secured loans	\$43,289	\$38,552
Commercial loans	13,439	10,547
Consumer loans	5,794	5,662
Securities available for sale and Federal Home Loan Bank Stock	6,301	7,082
Investment securities held to maturity	3,396	2,670
Deposits, Federal funds sold and other short-term investments	12	10
Total interest income	72,231	64,523
Interest expense:		
Deposits	3,588	3,738
Borrowed funds	6,715	5,584
Total interest expense	10,303	9,322
Net interest income	61,928	55,201
Provision for loan losses	600	400
Net interest income after provision for loan losses	61,328	54,801
Non-interest income:		
Fees	6,054	4,802
Wealth management income	2,558	2,053
Bank-owned life insurance	1,348	1,302
Net gain (loss) on securities transactions	2	(350
Other income	341	309
Total non-interest income	10,303	8,116
Non-interest expense:		
Compensation and employee benefits	24,201	21,393
Net occupancy expense	7,172	6,089
Data processing expense	3,027	2,797
FDIC insurance	1,218	1,136
Amortization of intangibles	927	283
Advertising and promotion expense	761	1,065
Other operating expenses	6,131	5,427
Total non-interest expense	43,437	38,190
Income before income tax expense	28,194	24,727
Income tax expense	8,392	7,698
Net income	\$19,802	\$17,029
Basic earnings per share	\$0.32	\$0.30
Weighted average basic shares outstanding	62,673,887	57,369,039
Diluted earnings per share	\$0.32	\$0.30
Weighted average diluted shares outstanding	62,840,951	57,528,419

See accompanying notes to unaudited consolidated financial statements.

PROVIDENT FINANCIAL SERVICES, INC. AND SUBSIDIARY

Consolidated Statements of Comprehensive Income

Three months ended March 31, 2015 and 2014 (Unaudited)

(Dollars in Thousands)

	Three months ended March 31,	
	2015	2014
Net income	\$19,802	\$17,029
Other comprehensive income, net of tax:		
Unrealized gains and losses on securities available for sale:		
Net unrealized gains arising during the period	3,711	3,719
Reclassification adjustment for (gains) losses included in net income	(1) 207
Total	3,710	3,926
Amortization related to post-retirement obligations	(4) (48
Total other comprehensive income	3,706	3,878
Total comprehensive income	\$23,508	\$20,907

See accompanying notes to unaudited consolidated financial statements.

PROVIDENT FINANCIAL SERVICES, INC. AND SUBSIDIARY

Consolidated Statements of Changes in Stockholders' Equity

Three months ended March 31, 2015 and 2014 (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, 2013	\$ 832	\$ 1,026,144	\$ 427,763	\$ (4,851)	\$ (390,380)	\$ (48,755)	\$ (7,205)	\$ 7,205	\$ 1,010,753
Net income	—	—	17,029	—	—	—	—	—	17,029
Other comprehensive income, net of tax	—	—	—	3,878	—	—	—	—	3,878
Cash dividends declared	—	—	(9,190)	—	—	—	—	—	(9,190)
Distributions from DDFP	—	—	—	—	—	—	23	(23)	—
Purchases of treasury stock	—	—	—	—	(3,881)	—	—	—	(3,881)
Shares issued dividend reinvestment plan	—	—	—	—	334	—	—	—	334
Allocation of ESOP shares	—	42	—	—	—	714	—	—	756
Allocation of SAP shares	—	1,583	—	—	—	—	—	—	1,583
Transfer of treasury shares to SAP	—	(4,253)	—	—	4,253	—	—	—	—
Allocation of stock options	—	79	—	—	—	—	—	—	79
Balance at March 31, 2014	\$ 832	\$ 1,023,595	\$ 435,602	\$ (973)	\$ (389,674)	\$ (48,041)	\$ (7,182)	\$ 7,182	\$ 1,021,341

See accompanying notes to unaudited consolidated financial statements.

PROVIDENT FINANCIAL SERVICES, INC. AND SUBSIDIARY
Consolidated Statements of Changes in Stockholders' Equity
Three months ended March 31, 2015 and 2014 (Unaudited) (Continued)
(Dollars in thousands)

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME	TREASURY SHARES	UNALLOCATED ESOP SHARES	COMMON STOCK ACQUIRED BY DDFP	DEFERRED COMPENSATION DDFP	TOTAL STOCKHOLDERS' EQUITY
Balance at December 31, 2014	\$ 832	\$ 995,053	\$ 465,276	\$ 29	\$(271,779)	\$(45,312)	\$(7,113)	\$ 7,113	\$ 1,144,099
Net income	—	—	19,802	—	—	—	—	—	19,802
Other comprehensive income, net of tax	—	—	—	3,706	—	—	—	—	3,706
Cash dividends declared	—	—	(10,798)	—	—	—	—	—	(10,798)
Distributions from DDFP	—	—	—	—	—	—	23	(23)	—
Purchases of treasury stock	—	—	—	—	(1,882)	—	—	—	(1,882)
Shares issued dividend reinvestment plan	—	23	—	—	354	—	—	—	377
Stock option exercises	—	(17)	—	—	412	—	—	—	395
Allocation of ESOP shares	—	38	—	—	—	649	—	—	687
Allocation of SAP shares	—	1,213	—	—	—	—	—	—	1,213
Allocation of stock options	—	72	—	—	—	—	—	—	72
Balance at March 31, 2015	\$ 832	\$ 996,382	\$ 474,280	\$ 3,735	\$(272,895)	\$(44,663)	\$(7,090)	\$ 7,090	\$ 1,157,671

See accompanying notes to unaudited consolidated financial statements.

PROVIDENT FINANCIAL SERVICES, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

Three months ended March 31, 2015 and 2014 (Unaudited)

(Dollars in Thousands)

	Three months ended March 31,	
	2015	2014
Cash flows from operating activities:		
Net income	\$19,802	\$17,029
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of intangibles	3,333	2,094
Provision for loan losses	600	400
Deferred tax expense	1,748	2,396
Increase in cash surrender value of Bank-owned life insurance	(1,348)) (1,302)
Net amortization of premiums and discounts on)