

PROVIDENT FINANCIAL SERVICES INC
Form 10-Q
May 10, 2012
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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 March 31, 2012

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)

07302
(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 ☐

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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 2, 2012 there were 83,209,293 shares issued and 60,182,973 shares outstanding of the Registrant's Common Stock, par value \$0.01 per share, including 421,403 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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PROVIDENT FINANCIAL SERVICES, INC.

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS.****PROVIDENT FINANCIAL SERVICES, INC. AND SUBSIDIARY**

Consolidated Statements of Financial Condition

March 31, 2012 (Unaudited) and December 31, 2011

(Dollars in thousands)

	March 31, 2012	December 31, 2011
<u>ASSETS</u>		
Cash and due from banks	\$ 68,243	\$ 68,553
Short-term investments	1,012	1,079
Total cash and cash equivalents	69,255	69,632
Securities available for sale, at fair value	1,399,961	1,376,119
Investment securities held to maturity (fair value of \$368,016 at March 31, 2012 (unaudited) and \$366,296 at December 31, 2011)	351,669	348,318
Federal Home Loan Bank Stock	38,684	38,927
Loans	4,658,802	4,653,509
Less allowance for loan losses	73,996	74,351
Net loans	4,584,806	4,579,158
Foreclosed assets, net	14,440	12,802
Banking premises and equipment, net	65,508	66,260
Accrued interest receivable	22,701	24,653
Intangible assets	360,029	360,714
Bank-owned life insurance	143,372	142,010
Other assets	70,637	78,810
Total assets	\$ 7,121,062	\$ 7,097,403
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Deposits:		
Demand deposits	\$ 3,199,643	\$ 3,136,129
Savings deposits	905,440	891,742
Certificates of deposit of \$100,000 or more	372,759	383,174
Other time deposits	717,032	745,552
Total deposits	5,194,874	5,156,597
Mortgage escrow deposits	23,370	20,955
Borrowed funds	893,066	920,180
Other liabilities	44,277	47,194

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Total liabilities	6,155,587	6,144,926
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 60,182,973 shares outstanding at March 31, 2012 and 59,968,195 outstanding at December 31, 2011	832	832
Additional paid-in capital	1,019,425	1,019,253
Retained earnings	374,109	363,011
Accumulated other comprehensive income	9,316	9,571
Treasury stock	(383,442)	(384,725)
Unallocated common stock held by the Employee Stock Ownership Plan	(54,765)	(55,465)
Common stock acquired by the Directors' Deferred Fee Plan	(7,367)	(7,390)
Deferred compensation - Directors' Deferred Fee Plan	7,367	7,390
Total stockholders' equity	965,475	952,477
Total liabilities and stockholders' equity	\$ 7,121,062	\$ 7,097,403

See accompanying notes to unaudited consolidated financial statements.

Table of Contents**PROVIDENT FINANCIAL SERVICES, INC. AND SUBSIDIARY**

Consolidated Statements of Income

Three months ended March 31, 2012 and 2011 (Unaudited)

(Dollars in thousands, except per share data)

	Three months ended March 31,	
	2012	2011
Interest income:		
Real estate secured loans	\$ 38,959	\$ 40,290
Commercial loans	10,370	10,082
Consumer loans	6,289	6,519
Securities available for sale and Federal Home Loan Bank Stock	8,332	9,494
Investment securities	2,918	3,093
Deposits, Federal funds sold and other short-term investments	12	9
Total interest income	66,880	69,487
Interest expense:		
Deposits	7,002	9,830
Borrowed funds	5,041	6,210
Total interest expense	12,043	16,040
Net interest income	54,837	53,447
Provision for loan losses	5,000	7,900
Net interest income after provision for loan losses	49,837	45,547
Non-interest income:		
Fees	8,075	5,562
Net gain on securities transactions	2,183	14
Bank-owned life insurance	1,362	1,408
Other income	1,108	188
Total non-interest income	12,728	7,172
Non-interest expense:		
Compensation and employee benefits	20,508	18,483
Net occupancy expense	5,026	5,274
Data processing expense	2,588	2,264
FDIC insurance	1,390	1,880
Amortization of intangibles	739	840
Impairment of premises and equipment		807
Advertising and promotion expense	685	598
Other operating expenses	5,855	5,205
Total non-interest expense	36,791	35,351

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Income before income tax expense	25,774	17,368
Income tax expense	7,346	4,437
Net income	\$ 18,428	\$ 12,931
Basic earnings per share	\$ 0.32	\$ 0.23
Average basic shares outstanding	57,051,827	56,771,307
Diluted earnings per share	\$ 0.32	\$ 0.23
Average diluted shares outstanding	57,082,631	56,771,307
See accompanying notes to unaudited consolidated financial statements.		

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PROVIDENT FINANCIAL SERVICES, INC. AND SUBSIDIARY

Consolidated Statements of Comprehensive Income

Three months ended March 31, 2012 and 2011 (Unaudited)

(Dollars in thousands,)

	Three months ended	
	March 31,	
	2012	2011
Net income	\$ 18,428	\$ 12,931
Other comprehensive (loss) income, net of tax:		
Unrealized gains and losses on securities available for sale:		
Net unrealized gains (losses) arising during the period	1,424	(1,230)
Reclassification adjustment for (gains) losses included in net income	(1,291)	
Total	133	(1,230)
Amortization related to post retirement obligations	(388)	(1,937)
Total other comprehensive (loss) income	(255)	(3,167)
Total comprehensive income	\$ 18,173	\$ 9,764

See accompanying notes to unaudited consolidated financial statements.

Table of Contents**PROVIDENT FINANCIAL SERVICES, INC. AND SUBSIDIARY**

Consolidated Statements of Changes in Stockholders' Equity for the Three Months Ended March 31, 2012 and 2011 (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, 2010	\$ 832	\$ 1,017,315	\$ 332,472	\$ 14,754	\$ (385,094)	\$ (58,592)	\$ (7,482)	\$ 7,482	\$ 921,687
Net income			12,931						12,931
Other comprehensive loss, net of tax				(3,167)					(3,167)
Cash dividends declared			(6,649)						(6,649)
Distributions from DDFP							23	(23)	
Purchases of treasury stock					(301)				(301)
Allocation of ESOP shares		(101)				696			595
Stock option exercises		(1)			4				3
Allocation of SAP shares		801							801
Allocation of stock options		206							206
Balance at March 31, 2011	\$ 832	\$ 1,018,220	\$ 338,754	\$ 11,587	\$ (385,391)	\$ (57,896)	\$ (7,459)	\$ 7,459	\$ 926,106

See accompanying notes to unaudited consolidated financial statements.

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PROVIDENT FINANCIAL SERVICES, INC. AND SUBSIDIARY

Consolidated Statements of Changes in Stockholders' Equity for the Three Months Ended March 31, 2012 and 2011 (Unaudited) (Continued)

(Dollars in thousands)

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE RETAINED EARNINGS	INCOME (LOSS)	TREASURY STOCK	UNALLOCATED ESOP SHARES	COMMON STOCK ACQUIRED BY DDFP	DEFERRED COMPENSATION DDFP	TOTAL STOCKHOLDERS' EQUITY
Balance at December 31, 2011	\$ 832	\$ 1,019,253	\$ 363,011	\$ 9,571	\$ (384,725)	\$ (55,465)	\$ (7,390)	\$ 7,390	\$ 952,477
Net income			18,428						18,428
Other comprehensive loss, net of tax				(255)					(255)
Cash dividends paid			(7,330)						(7,330)
Distributions from DDFP							23	(23)	
Purchases of treasury stock					(1,938)				(1,938)
Shares issued dividend reinvestment plan		(746)			3,221				2,475
Stock option exercises									
Allocation of ESOP shares		(115)				700			585
Allocation of SAP shares		944							944
Allocation of stock options		89							89
Balance at March 31, 2012	\$ 832	\$ 1,019,425	\$ 374,109	\$ 9,316	\$ (383,442)	\$ (54,765)	\$ (7,367)	\$ 7,367	\$ 965,475

See accompanying notes to unaudited consolidated financial statements.

Table of Contents**PROVIDENT FINANCIAL SERVICES, INC. AND SUBSIDIARY**

Consolidated Statements of Cash Flows

Three months ended March 31, 2012 and 2011 (Unaudited)

(Dollars in thousands)

	Three months ended March 31,	
	2012	2011
Cash flows from operating activities:		
Net income	\$ 18,428	\$ 12,931
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of intangibles	2,444	2,552
Impairment of premises and equipment		807
Provision for loan losses	5,000	7,900
Deferred tax expense (benefit)	415	(1,353)
Increase in cash surrender value of Bank-owned life insurance	(1,362)	(1,408)
Net amortization of premiums and discounts on securities	3,713	3,354
Accretion of net deferred loan fees	(832)	(205)
Amortization of premiums on purchased loans, net	427	391
Net increase in loans originated for sale	(9,355)	(2,267)
Proceeds from sales of loans originated for sale	9,800	2,294
Proceeds from sales of foreclosed assets	3,657	787
ESOP expense	585	595
Allocation of stock award shares	944	801
Allocation of stock options	89	206
Net gain on sale of loans	(445)	(27)
Net gain on securities transactions	(2,183)	(14)
Net gain (loss) on sale of premises and equipment	42	(90)
Net gain on sale of foreclosed assets	(25)	(38)
Decrease in accrued interest receivable	1,952	1,732
Decrease in other assets	2,060	519
Decrease in other liabilities	(2,917)	(732)
Net cash provided by operating activities	32,437	28,735
Cash flows from investing activities:		
Proceeds from maturities, calls and paydowns of investment securities held to maturity	29,134	14,447
Purchases of investment securities held to maturity	(32,662)	(10,226)
Proceeds from sales of securities available for sale	47,131	14
Proceeds from maturities and paydowns of securities available for sale	118,432	117,036
Purchases of securities available for sale	(190,565)	(5,094)
Purchases of loans	(19,088)	(48,803)
Net decrease in loans	8,930	936
Proceeds from sales of premises and equipment	71	448
Purchases of premises and equipment	(982)	(3,578)
Net cash (used in) provided by investing activities	(39,599)	65,180
Cash flows from financing activities:		
Net increase in deposits	38,277	10,265
Increase in mortgage escrow deposits	2,415	1,905
Purchase of treasury stock	(1,938)	(301)

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Cash dividends paid to stockholders	(7,330)	(6,649)
Shares issued dividend reinvestment plan	2,475	
Stock options exercised		3
Proceeds from long-term borrowings		90,000
Payments on long-term borrowings	(397)	(82,877)
Net decrease in short-term borrowings	(26,717)	(53,518)
 Net cash provided by (used in) financing activities	 6,785	 (41,172)
 Net (decrease) increase in cash and cash equivalents	 (377)	 52,743
Cash and cash equivalents at beginning of period	69,632	52,229
 Cash and cash equivalents at end of period	 \$ 69,255	 \$ 104,972
 Cash paid during the period for:		
Interest on deposits and borrowings	\$ 12,147	\$ 16,475
 Income taxes	 \$	 \$ 2,280
 Non cash investing activities:		
Transfer of loans receivable to foreclosed assets	\$ 5,270	\$ 366

See accompanying notes to unaudited consolidated financial statements.

Table of Contents**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, The 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 statements of financial condition and the results of operations for the period. Actual results could differ from these estimates. The allowance for loan losses is a material estimate that is particularly susceptible to near-term change. The current unstable economic environment has increased the degree of uncertainty inherent in this material estimate.

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 months ended March 31, 2012 are not necessarily indicative of the results of operations that may be expected for all of 2012.

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.

These unaudited consolidated financial statements should be read in conjunction with the December 31, 2011 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 months ended March 31, 2012			2011		
	Net	Weighted	Per Share	Net	Weighted	Per Share
	Income	Average	Amount	Income	Average	Amount
		Common			Common	
		Shares			Shares	
		Outstanding			Outstanding	
Net income	\$ 18,428			\$ 12,931		
Basic earnings per share:						
Income available to common stockholders	\$ 18,428	57,051,827	\$ 0.32	\$ 12,931	56,771,307	\$ 0.23
Dilutive shares		30,804				
Diluted earnings per share:						
Income available to common stockholders	\$ 18,428	57,082,631	\$ 0.32	\$ 12,931	56,771,307	\$ 0.23

Anti-dilutive stock options and awards totaling 3,849,532 shares at March 31, 2012, were excluded from the earnings per share calculations.

Table of Contents**Note 2. Acquisition**

On August 11, 2011, the Company's wholly owned subsidiary, The Provident Bank, completed its acquisition of Beacon Trust Company, a New Jersey limited purpose trust company, and Beacon Global Asset Management, Inc., an SEC-registered investment advisor incorporated in Delaware (collectively "Beacon"). Pursuant to the terms of the Stock Purchase Agreement announced on May 19, 2011, Beacon's former parent company, Beacon Financial Corporation may be paid cash consideration in an amount up to \$10.5 million, based upon the acquired companies financial performance in the three years following the closing of the transaction.

The purpose of the Beacon acquisition was to significantly expand the Company's wealth management business throughout the state of New Jersey. Beacon's expertise in trust and wealth management services strategically positions the Company to increase market share and enhance the Company's non-interest earnings growth.

The purchase price was allocated to the acquired assets and liabilities of Beacon based on their fair value as of August 11, 2011. The allocation of the purchase price is presented in the following table.

(in thousands)

Assets:

Cash and cash equivalents	\$ 96
Securities	164
Premises and equipment	241
Goodwill	7,124
Core relationship intangible	2,423
Other assets	1,378

Total assets	\$ 11,426
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Liabilities:

Other liabilities	4,076
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Total liabilities	\$ 4,076
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In connection with the Beacon transaction, the Company recorded goodwill of \$7.1 million, none of which was estimated to be deductible for income tax purposes. In addition, a core relationship intangible ("CRI") of \$2.4 million was recognized in connection with the Beacon acquisition and is being amortized on an accelerated basis over an estimated useful life of twelve years.

Note 3. Investment Securities

At March 31, 2012, the Company had \$1.40 billion and \$351.7 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, lack of reliable 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 on certain investment securities in future periods. Included in the Company's investment portfolio are private label mortgage-backed securities. These investments may pose a higher risk of future impairment charges as a result of the uncertain economic environment and the potential negative effect on future performance of these private label mortgage-backed securities. The total number of all held to maturity and available for sale securities in an unrealized loss position as of March 31, 2012 totaled 46, compared with 24 at December 31, 2011. This included four private label mortgage-backed securities at March 31, 2012, with an amortized cost of \$13.8 million and unrealized losses totaling \$739,000. Three of these private label mortgage-backed securities were below investment grade at March 31, 2012. All securities with unrealized losses at March 31, 2012 were analyzed for other-than-temporary impairment. Based upon this analysis, no other-than-temporary impairment existed at March 31, 2012.

Table of Contents**Securities Available for Sale**

The following table presents the amortized cost, gross unrealized gains, gross unrealized losses and the estimated fair value for securities available for sale at March 31, 2012 and December 31, 2011 (in thousands):

	Amortized cost	March 31, 2012		Fair value
		Gross unrealized gains	Gross unrealized losses	
Agency obligations	\$ 91,995	462		92,457
Mortgage-backed securities	1,260,289	31,046	(1,810)	1,289,525
State and municipal obligations	11,054	520	(2)	11,572
Corporate obligations	6,012	63		6,075
Equity securities	307	25		332
	\$ 1,369,657	32,116	(1,812)	1,399,961

	Amortized cost	December 31, 2011		Fair value
		Gross unrealized gains	Gross unrealized losses	
Agency obligations	105,130	442	(14)	105,558
Mortgage-backed securities	1,221,988	31,206	(2,191)	1,251,003
State and municipal obligations	11,066	553	(5)	11,614
Corporate obligations	7,517	119		7,636
Equity securities	307	1		308
	\$ 1,346,008	32,321	(2,210)	1,376,119

The amortized cost and fair value of securities available for sale at March 31, 2012, 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.

	March 31, 2012	
	Amortized cost	Fair value
Due in one year or less	\$ 41,638	41,780
Due after one year through five years	65,693	66,504
Due after five years through ten years	1,730	1,820
Mortgage-backed securities	1,260,289	1,289,525
Equity securities	307	332
	\$ 1,369,657	1,399,961

Proceeds from the sale of securities available for sale for the three months ended March 31, 2012 were \$47,131,000, resulting in gross gains of \$2,160,000 and gross losses of zero. No securities were sold in the three months ended March 31, 2011.

The following table presents a roll-forward of the credit loss component of other-than-temporary impairment (OTTI) on debt securities for which a non-credit component of OTTI was recognized in other comprehensive income. OTTI recognized in earnings after that date for

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credit-impaired debt securities is presented as an addition in two components, based upon whether the current period is the first time a debt security was credit-impaired (initial credit impairment) or is not the first time a debt security was credit impaired (subsequent credit impairment). Changes in the credit loss component of credit-impaired debt securities were as follows (in thousands):

	March 31, 2012	March 31, 2011
Beginning credit loss amount	\$ 1,240	938
Add: Initial OTTI credit losses		
Subsequent OTTI credit losses		
Less: Realized losses for securities sold		
Securities intended or required to be sold		
Increases in expected cash flows on debt securities		
Ending credit loss amount	\$ 1,240	938

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The following table represents the Company's disclosure regarding the length of time that securities available for sale with temporary impairment were in an unrealized loss position at March 31, 2012 and December 31, 2011 (in thousands):

	March 31, 2012 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
Mortgage-backed securities	\$ 204,869	(1,074)	12,923	(736)	217,792	(1,810)
State and municipal obligations	517	(2)			517	(2)
	\$ 205,386	(1,076)	12,923	(736)	218,309	(1,812)

	December 31, 2011 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
Mortgage-backed securities	\$ 64,838	(278)	12,453	(1,913)	77,291	(2,191)
State and municipal obligations	777	(5)			777	(5)
Agency notes	5,032	(14)			5,032	(14)
	\$ 70,647	(297)	12,453	(1,913)	83,100	(2,210)

The temporary loss position associated with debt securities is the result of changes in interest rates relative to the coupon of the individual security and changes in credit spreads. In addition, there remains a lack of liquidity in certain sectors of the mortgage-backed securities market. Increases in delinquencies and foreclosures have resulted in limited trading activity and significant price declines, regardless of favorable movements in interest rates. The Company does not have the intent to sell securities in a temporary loss position at March 31, 2012, and it is more likely than not that the Company will not be required to sell the securities before the anticipated recovery.

The Company estimates 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 other-than-temporary impairment existed during the three months ended March 31, 2012.

Table of Contents**Investment Securities Held to Maturity**

The following table presents the amortized cost, gross unrealized gains, gross unrealized losses and the estimated fair value for investment securities held to maturity at March 31, 2012 and December 31, 2011 (in thousands):

		March 31, 2012		
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Agency obligations	\$ 3,947	32	(2)	3,977
Mortgage-backed securities	18,777	814		19,591
State and municipal obligations	320,429	15,698	(486)	335,641
Corporate obligations	8,516	297	(6)	8,807
	\$ 351,669	16,841	(494)	368,016

		December 31, 2011		
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Agency obligations	\$ 3,647	36		3,683
Mortgage-backed securities	22,321	859		23,180
State and municipal obligations	314,108	16,863	(69)	330,902
Corporate obligations	8,242	296	(7)	8,531
	\$ 348,318	18,054	(76)	366,296

The Company generally purchases securities for long-term investment purposes, and differences between amortized cost and fair values may fluctuate during the investment period. For the three months ended March 31, 2012, the Company recognized a gain of \$23,000 related to calls on certain securities in the held to maturity portfolio, with proceeds from the calls totaling \$2,731,000. For the three months ended March 31, 2011, the Company recognized a gain of \$14,000 related to calls on certain securities in the held to maturity portfolio, with proceeds from the calls totaling \$1,276,000.

The amortized cost and fair value of investment securities held to maturity at March 31, 2012 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.

	March 31, 2012	
	Amortized cost	Fair value
Due in one year or less	\$ 51,538	51,768
Due after one year through five years	84,119	87,421
Due after five years through ten years	88,812	95,179
Due after ten years	108,423	114,057
Mortgage-backed securities	18,777	19,591
	\$ 351,669	368,016

The following table represents the Company's disclosure regarding the length of time that investment securities held to maturity with temporary impairment were in an unrealized loss position at March 31, 2012 and December 31, 2011 (in thousands)

	March 31, 2012 Unrealized Losses				Total	
	Less than 12 months	Gross	12 months or longer	Gross	Fair	Gross
	Fair	unrealized	Fair	unrealized	value	unrealized
	value	losses	value	losses		losses
Agency obligations	\$ 298	(2)			298	(2)
State and municipal obligations	19,048	(486)			19,048	(486)
Corporate obligations	788	(6)			788	(6)
	\$ 20,134	(494)			20,134	(494)

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	December 31, 2011 Unrealized Losses				Total	
	Less than 12 months	Gross	12 months or longer	Gross		
	Fair value	unrealized losses	Fair value	unrealized losses	Fair value	Gross unrealized losses
State and municipal obligations	3,868	(63)	316	(6)	4,184	(69)
Corporate obligations	394	(7)			394	(7)
	\$ 4,262	(70)	316	(6)	4,578	(76)

Based on a review of the securities portfolio, the Company believes that as of March 31, 2012, securities with unrealized loss positions shown above do not represent impairments that are other-than-temporary. The review of the portfolio for other-than-temporary impairment 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 risk, 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 the anticipated recovery.

Note 4. Loans Receivable and Allowance for Loan Losses

Loans receivable at March 31, 2012 and December 31, 2011 are summarized as follows (in thousands):

	March 31, 2012	December 31, 2011
Mortgage loans:		
Residential	\$ 1,297,437	1,308,635
Commercial	1,262,756	1,253,542
Multi-family	572,491	564,147
Construction	118,714	114,817
Total mortgage loans	3,251,398	3,241,141
Commercial loans	834,211	849,009
Consumer loans	571,010	560,970
Total gross loans	4,656,619	4,651,120
Premiums on purchased loans	5,621	5,823
Unearned discounts	(95)	(100)
Net deferred fees	(3,343)	(3,334)
	\$ 4,658,802	4,653,509

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The following table summarizes the aging of loans receivable by portfolio segment and class as follows (in thousands):

At March 31, 2012							Recorded Investment > 90 days accruing
	30-59 Days	60-89 Days	Non-accrual	Total Past Due and Non-accrual	Current	Total Loans Receivable	
Mortgage loans:							
Residential	\$ 11,229	6,908	39,146	57,283	1,240,154	1,297,437	
Commercial			29,698	29,698	1,233,058	1,262,756	
Multi-family		977		977	571,514	572,491	
Construction			10,888	10,888	107,826	118,714	
Total mortgage loans	11,229	7,885	79,732	98,846	3,152,552	3,251,398	
Commercial loans	5,526	997	32,621	39,144	795,067	834,211	
Consumer loans	5,284	2,369	7,989	15,642	555,368	571,010	
Total loans	\$ 22,039	11,251	120,342	153,632	4,502,987	4,656,619	

At December 31, 2011							Recorded Investment > 90 days accruing
	30-59 Days	60-89 Days	Non-accrual	Total Past Due and Non-accrual	Current	Total Loans Receivable	
Mortgage loans:							
Residential	\$ 16,034	7,936	40,386	64,356	1,244,279	1,308,635	
Commercial	939	1,155	29,522	31,616	1,221,926	1,253,542	
Multi-family			997	997	563,150	564,147	
Construction			11,018	11,018	103,799	114,817	
Total mortgage loans	16,973	9,091	81,923	107,987	3,133,154	3,241,141	
Commercial loans	2,472	526	32,093	35,091	813,918	849,009	
Consumer loans	5,276	1,908	8,533	15,717	545,253	560,970	
Total loans	\$ 24,721	11,525	122,549	158,795	4,492,325	4,651,120	

Within the loans receivable are loans for which the accrual of interest income has been discontinued due to deterioration in the financial condition of the borrowers. The principal amount of these non-accrual loans was \$120.3 million and \$122.5 million at March 31, 2012 and December 31, 2011, respectively. Included in non-accrual loans were \$41.4 million and \$45.6 million of loans which were less than 90 days past due at March 31, 2012 and December 31, 2011, respectively. There were no loans ninety days or greater past due and still accruing interest at March 31, 2012, or December 31, 2011.

The Company defines an impaired loan as a non-homogenous loan greater than \$1.0 million for which it is probable, based on current information, that the Bank will not collect all amounts due under the contractual terms of the loan agreement. Impaired loans also include all loans modified as troubled debt restructurings (TDRs). A loan is deemed to be a TDR when a loan modification resulting in a concession is made by the Bank in an effort to mitigate potential loss arising from a borrower's financial difficulty. Smaller balance homogeneous loans, including residential mortgages and other consumer loans, are evaluated collectively for impairment and are excluded from the definition of impaired loans, unless modified as TDRs. The Company separately calculates the reserve for loan losses on impaired loans. The Company may recognize impairment of a loan based upon (1) the present value of expected cash flows discounted at the effective interest rate; or (2) if a loan is collateral dependent, the fair value of collateral; or (3) the market price of the loan. Additionally, if impaired loans have risk characteristics in common, those loans may be aggregated and historical statistics may be used as a means of measuring those impaired loans.

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The Company uses third-party appraisals to determine the fair value of the underlying collateral in its analyses of collateral dependent impaired loans. A third party appraisal is generally ordered as soon as a loan is designated as a collateral dependent impaired loan and is updated annually or more frequently, if required.

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A specific allocation of the allowance for loan losses is established for each collateral dependent impaired loan with a carrying balance greater than the collateral's fair value, less estimated costs to sell. Charge-offs are generally taken for the amount of the specific allocation when operations associated with the respective property cease and it is determined that collection of amounts due will be derived primarily from the disposition of the collateral. At each fiscal quarter end, if a loan is designated as a collateral dependent impaired loan and the third party appraisal has not yet been received, an evaluation of all available collateral is made using the best information available at the time, including rent rolls, borrower financial statements and tax returns, prior appraisals, management's knowledge of the market and collateral, and internally prepared collateral valuations based upon market assumptions regarding vacancy and capitalization rates, each as and where applicable. Once the appraisal is received and reviewed, the specific reserves are adjusted to reflect the appraised value. The Company believes there have been no significant time lapses during the process described.

At March 31, 2012, there were 79 impaired loans totaling \$111.6 million, of which 57 loans totaling \$74.0 million were TDRs. Included in this total were 46 TDRs to 42 borrowers totaling \$49.9 million that were performing in accordance with their restructured terms and which continued to accrue interest at March 31, 2012. At December 31, 2011, there were 65 impaired loans totaling \$103.2 million, of which 48 loans totaling \$63.1 million were TDRs. Included in this total were 38 TDRs to 36 borrowers totaling \$38.9 million that were performing in accordance with their restructured terms and which continued to accrue interest at December 31, 2011.

Loans receivable summarized by portfolio segment and impairment method are as follows (in thousands):