

PROVIDENT FINANCIAL HOLDINGS INC
Form 10-Q
November 08, 2006

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **September 30, 2006**

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 **000-28304**

PROVIDENT FINANCIAL HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

33-0704889
(I.R.S. Employer
Identification No.)

3756 Central Avenue, Riverside, California 92506

(Address of principal executive offices and zip code)

(951) 686-6060

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 12 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

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer []

Accelerated filer []

Non-accelerated filer []

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ____ No

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Title of class:

As of November 3, 2006

Common stock, \$ 0.01 par value, per share

6,814,320 shares*

* Includes 273,902 shares held by the Employee Stock Ownership Plan that have not been released, committed to be released, or allocated to participant accounts; and 3,768 shares held by the Management Recognition Plan that have been awarded and not yet released to the participants.

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PROVIDENT FINANCIAL HOLDINGS, INC.

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PROVIDENT FINANCIAL HOLDINGS, INC.
Condensed Consolidated Statements of Financial Condition

(Unaudited)
Dollars in Thousands

	September 30, 2006	June 30, 2006
Assets		
Cash and due from banks	\$ 14,874	\$ 13,558
Federal funds sold	3,000	2,800
Cash and cash equivalents	17,874	16,358
Investment securities - held to maturity		

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(fair value \$47,325 and \$49,914, respectively)	48,031	51,031
Investment securities - available for sale, at fair value	145,751	126,158
Loans held for investment, net of allowance for loan losses of \$10,839 and \$10,307, respectively	1,306,099	1,262,997
Loans held for sale, at lower of cost or market	8,214	4,713
Receivable from sale of loans	106,542	99,930
Accrued interest receivable	7,659	6,774
Real estate held for investment, net	-	653
Real estate owned, net	414	-
Federal Home Loan Bank ("FHLB") - San Francisco stock	40,757	37,585
Premises and equipment, net	6,746	6,860
Prepaid expenses and other assets	7,688	9,411
Total assets	\$ 1,695,775	\$ 1,622,470
Liabilities and Stockholders' Equity		
Liabilities:		
Non interest-bearing deposits	\$ 47,215	\$ 48,776
Interest-bearing deposits	867,827	868,806
Total deposits	915,042	917,582
Borrowings	617,602	546,211
Accounts payable, accrued interest and other liabilities	24,752	22,467
Total liabilities	1,557,396	1,486,260
Commitments and Contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value (2,000,000 shares authorized; none issued and outstanding)	-	-
Common stock, \$.01 par value (15,000,000 shares authorized; 12,383,472 and 12,376,972 shares issued, respectively; 6,886,345 and 6,991,842 shares outstanding, respectively)	124	124
Additional paid-in capital	67,419	66,798
Retained earnings	147,082	142,867
Treasury stock at cost (5,497,127 and 5,385,130 shares, respectively)	(75,922)	(72,524)
Unearned stock compensation	(528)	(644)
Accumulated other comprehensive income (loss), net of tax	204	(411)
Total stockholders' equity	138,379	136,210

Total liabilities and stockholders' equity	\$ 1,695,775	\$ 1,622,470
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The accompanying notes are an integral part of these condensed consolidated financial statements.

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PROVIDENT FINANCIAL HOLDINGS, INC.
Condensed Consolidated Statements of Operations

(Unaudited)
In Thousands, Except Per Share Information

	Quarter Ended September 30,	
	2006	2005
Interest income:		
Loans receivable, net	\$ 21,958	\$ 19,043
Investment securities	1,696	1,813
FHLB - San Francisco stock	514	405
Interest-earning deposits	19	40
Total interest income	24,187	21,301
Interest expense:		
Checking and money market deposits	336	287
Savings deposits	644	904
Time deposits	5,827	3,782
Borrowings	6,624	5,358
Total interest expense	13,431	10,331
Net interest income, before provision for loan losses	10,756	10,970
Provision for loan losses	637	65
Net interest income, after provision for loan losses	10,119	10,905
Non-interest income:		
Loan servicing and other fees	476	643
Gain on sale of loans, net	3,492	4,393
Deposit account fees	522	494
Gain on sale of real estate, net	2,313	-

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Other	591	425
Total non-interest income	7,394	5,955
Non-interest expense:		
Salaries and employee benefits	5,416	5,204
Premises and occupancy	784	793
Equipment	393	399
Professional expenses	264	344
Sales and marketing expenses	261	219
Other	1,116	1,194
Total non-interest expense	8,234	8,153
Income before income taxes	9,279	8,707
Provision for income taxes	4,021	3,774
Net income	\$ 5,258	\$ 4,933
Basic earnings per share	\$ 0.79	\$ 0.75
Diluted earnings per share	\$ 0.77	\$ 0.71
Cash dividends per share	\$ 0.15	\$ 0.14

The accompanying notes are an integral part of these condensed consolidated financial statements.

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PROVIDENT FINANCIAL HOLDINGS, INC.
Condensed Consolidated Statements of Changes in Stockholders' Equity

(Unaudited)

Dollars in Thousands

For the Quarters Ended September 30, 2006 and 2005

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Unearned Stock Compensation	Accumulated Other Compre- hensive (Loss) Income	Total
Balance at July 1, 2006	6,991,842	\$ 124	\$ 66,798	\$142,867	\$(72,524)	\$ () 644	\$(411)	\$136,210

Comprehensive income:

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Net income				5,258				5,258
Unrealized holding gain on securities available for sale, net of tax expense of \$446							615	<u>615</u>
Total comprehensive income								5,873
Purchase of treasury stock (1)	(111,997)				(3,398)			(3,398)
Exercise of stock options	6,500	-	154					154
Amortization of MRP (2)			18					18
Stock options expense			33					33
Tax benefit from non-qualified equity compensation			23					23
Allocations of contribution to ESOP (3)			393			68		461
Prepayment of ESOP loan						48		48
Cash dividends				(1,043)				(1,043)

Balance at September 30, 2006	6,886,345	\$ 124	\$ 67,419	\$147,082	\$(75,922)	\$ (528)	\$ 204	\$138,379
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- (1) Includes the repurchase of 812 shares of distributed restricted stock.
(2) Management Recognition Plan ("MRP").
(3) Employee Stock Ownership Plan ("ESOP").

	Common Stock Shares	Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Unearned Stock Compensation	Accumulated Other Compre- hensive Income (Loss)	Total
Balance at July 1, 2005	6,956,815	\$ 120	\$59,497	\$126,381	\$(62,046)	\$ () 1,272	\$ 309	\$122,989
Comprehensive income:								
Net income				4,933				4,933
Unrealized holding loss on securities available								

for sale, net of tax benefit of \$ 389							(538)	(538)
Total comprehensive income								4,395
Purchase of treasury stock (1)	(28,862)					(819)		(819)
Exercise of stock options	3,659	-	43					43
Reclass on unearned MRP			(155)			155		-
Amortization of MRP			34					34
Stock options expense			93					93
Tax benefit from non-qualified equity compensation			29					29
Allocations of contribution to ESOP			375			68		443
Prepayment of ESOP loan						53		53
Cash dividends						(974)		(974)
<hr/>								
Balance at September 30, 2005	6,931,612	\$ 120	\$59,916	\$130,340	\$(62,865)	\$ (996)	\$ (229)	\$126,286
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(1) Includes the repurchase of 862 shares of distributed restricted stock.

The accompanying notes are an integral part of these condensed consolidated financial statements.

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PROVIDENT FINANCIAL HOLDINGS, INC.
Condensed Consolidated Statements of Cash Flows

(Unaudited - In Thousands)

	Three Months Ended September 30,	
	2006	2005
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Cash flows from operating activities:		
Net income	\$ 5,258	\$ 4,933
Adjustments to reconcile net income to net cash (used for) provided by		

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Operating activities:		
Depreciation and amortization	454	1,004
Provision for loan losses	637	65
Gain on sale of loans	(3,492)	(4,393)
Gain on sale of real estate	(2,313)	-
Stock compensation	489	547
FHLB - San Francisco stock dividend	(493)	(385)
Tax benefit from non-qualified equity compensation	(23)	(29)
Increase in accounts payable and other liabilities	1,934	5,337
Decrease (increase) in prepaid expense and other assets	731	(351)
Loans originated for sale	(319,541)	(389,257)
Proceeds from sale of loans and net change in receivable from sale of loans	312,920	410,066
<hr/>		
Net cash (used for) provided by operating activities	(3,439)	27,537
Cash flows from investing activities:		
Net (increase) decrease in loans held for investment	(44,141)	22,743
Maturity and call of investment securities held to maturity	3,000	-
Principal payments from mortgage-backed securities	10,012	17,137
Purchase of investment securities available for sale	(28,647)	-
Proceeds from sale of real estate	2,966	-
Purchase of FHLB - San Francisco stock	(2,679)	(897)
Purchases of premises and equipment	(143)	(280)
<hr/>		
Net cash (used for) provided by investing activities	(59,632)	38,703
Cash flows from financing activities:		
Net (decrease) increase in deposits	(2,540)	44,476
Proceeds from (repayment of) borrowings, net	71,391	(53,508)
Exercise of stock options	154	43
Tax benefit from non-qualified equity compensation	23	29
Cash dividends	(1,043)	(974)
Treasury stock purchases	(3,398)	(819)
<hr/>		
Net cash provided by (used for) financing activities	64,587	(10,753)
<hr/>		
Net increase in cash and cash equivalents	1,516	55,487
Cash and cash equivalents at beginning of period	16,358	25,902
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Cash and cash equivalents at end of period	\$ 17,874	\$ 81,389
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Supplemental information:		
Cash paid for interest	\$ 13,099	\$ 10,303
Cash paid for income taxes	\$ -	\$ 600
Transfer of loans held for investment to loans held for sale	\$ -	\$ 18,472
Transfer of loans held for sale to loans held for investment	\$ 854	\$ 913
Real estate acquired in settlement of loans	\$ 414	\$ -
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The accompanying notes are an integral part of these condensed consolidated financial statements.

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PROVIDENT FINANCIAL HOLDINGS, INC.
NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2006

Note 1: Basis of Presentation

The unaudited interim condensed consolidated financial statements included herein reflect all adjustments which are, in the opinion of management, necessary to present a fair statement of the results of operations for the interim periods presented. All such adjustments are of a normal, recurring nature. The Condensed Consolidated Statement of Financial Condition at June 30, 2006 is derived from the audited consolidated finan