

PROVIDENT FINANCIAL HOLDINGS INC
Form 10-Q/A
May 16, 2008

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

FORM 10-Q/A

(Mark One)

(Amendment No. 1)

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

For the quarterly period ended December 31, 2007

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

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.

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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 February 5, 2008
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Common stock, \$ 0.01 par value, per share	6,196,434 shares*
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* Includes 58,709 shares held by the Employee Stock Ownership Plan that have not been released, committed to be released, or allocated to participant accounts.

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-Q/A (“Form 10-Q/A”) to our Form 10-Q for the quarter ended December 31, 2007, initially filed with the Securities and Exchange Commission (“SEC”) on February 7, 2008 (“Original Form 10-Q”), is being filed to reflect the restatement of our Condensed Consolidated Statements of Financial Condition as of December 31, 2007 and June 30, 2007, the related Condensed Consolidated Statements of Operations, Condensed Consolidated Statements of Stockholders’ Equity and Condensed Consolidated Statements of Cash Flows for the quarters and six months ended December 31, 2007 and 2006, and the notes related thereto. For a more detailed description of the restatement, see Note 1, “Restatement of Condensed Consolidated Financial Statements” to the accompanying condensed consolidated financial statements.

On April 22, 2008, the Corporation’s Audit Committee determined that the financial statements should be restated after concluding that an error occurred in the accounting for the Corporation sponsored Employee Stock Ownership Plan (“ESOP”). The error consisted of releasing fewer shares of common stock than required to be released commensurate with the repayment of the ESOP loan. The restated financial statements reflect the additional compensation expense required as a result of releasing more shares. For a description of the changes made in connection with the Restatement (“Restatement”) see Note 1, “Restatement of Condensed Consolidated Financial Statements” to the accompanying unaudited interim condensed consolidated financial statements contained in this report.

This Form 10-Q/A only amends and restates Items 1, 2 and 4 of Part I in each case as a result of, and to reflect, the restatement of the Original Form 10-Q. In addition, pursuant to the rules of the SEC, Item 6 of Part II of the Original Form 10-Q has been amended to contain currently dated certifications from our Chief Executive Officer and Chief Financial Officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. Except for the forgoing amended information, this Form 10-Q/A continues to speak as of the date of the Original Form 10-Q and we have not updated the disclosure contained herein to reflect events that have been or will be addressed in our quarterly report on Form 10-Q for the quarter ended March 31, 2008 and our current reports on Form 8-K filed subsequent to the original Form 10-Q and any reports filed with the SEC subsequent to the date of this filing.

PROVIDENT FINANCIAL HOLDINGS, INC.

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PROVIDENT FINANCIAL HOLDINGS, INC.
Condensed Consolidated Statements of Financial Condition
(Unaudited)
Dollars in Thousands

	December 31, 2007 (As Restated – See Note 1)	June 30, 2007 (As Restated – See Note 1)
Assets		
Cash and due from banks	\$ 12,511	\$ 11,024
Federal funds sold	-	1,800
Cash and cash equivalents	12,511	12,824
Investment securities – held to maturity (fair value \$4,969 and \$18,837, respectively)	5,000	19,001
Investment securities – available for sale, at fair value	148,542	131,842
Loans held for investment, net of allowance for loan losses of \$17,171 and \$14,845, respectively	1,395,404	1,350,696
Loans held for sale, at lower of cost or market	-	1,337
Receivable from sale of loans	19,148	60,513
Accrued interest receivable	7,507	7,235
Real estate owned, net	6,749	3,804
Federal Home Loan Bank (“FHLB”) – San Francisco stock	31,256	43,832
Premises and equipment, net	6,748	7,123
Prepaid expenses and other assets	7,626	10,716
Total assets	\$ 1,640,491	\$ 1,648,923
Liabilities and Stockholders’ Equity		
Liabilities:		
Non interest-bearing deposits	\$ 42,582	\$ 45,112
Interest-bearing deposits	963,102	956,285
Total deposits	1,005,684	1,001,397
Borrowings	494,384	502,774
Accounts payable, accrued interest and other liabilities	14,300	15,955
Total liabilities	1,514,368	1,520,126
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; 12,435,865 and 12,428,365 shares issued, respectively; 6,196,434 and 6,376,945 shares outstanding, respectively)	124	124

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Additional paid-in capital	74,180	72,935
Retained earnings	145,587	146,194
Treasury stock at cost (6,239,431 and 6,051,420 shares, respectively)	(94,797)	(90,694)
Unearned stock compensation	(261)	(455)
Accumulated other comprehensive income, net of tax	1,290	693
 Total stockholders' equity	 126,123	 128,797
 Total liabilities and stockholders' equity	 \$ 1,640,491	 \$ 1,648,923

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

PROVIDENT FINANCIAL HOLDINGS, INC.
Condensed Consolidated Statements of Operations
(Unaudited)
In Thousands, Except Per Share Information

	Quarter Ended December 31,		Six Months Ended December 31,	
	2007 (As Restated – See Note 1)	2006 (As Restated – See Note 1)	2007 (As Restated – See Note 1)	2006 (As Restated – See Note 1)
Interest income:				
Loans receivable, net	\$ 21,700	\$ 23,001	\$ 43,214	\$ 44,959
Investment securities	1,902	1,857	3,646	3,553
FHLB – San Francisco stock	432	593	901	1,107
Interest-earning deposits	5	18	14	37
Total interest income	24,039	25,469	47,775	49,656
Interest expense:				
Checking and money market deposits	499	379	924	732
Savings deposits	804	671	1,591	1,315
Time deposits	7,888	6,437	15,946	12,264
Borrowings	5,280	7,497	10,373	14,121
Total interest expense	14,471	14,984	28,834	28,432
Net interest income, before provision for loan losses	9,568	10,485	18,941	21,224
Provision for loan losses	2,140	3,746	3,659	4,383
Net interest income, after provision for loan losses	7,428	6,739	15,282	16,841
Non-interest income:				
Loan servicing and other fees	513	488	1,004	964
Gain on sale of loans, net	934	2,919	1,056	6,411
Deposit account fees	785	510	1,443	1,032
Net (loss) gain on sale of real estate	(229)	27	(168)	2,340
Other	(56)	330	(13)	921
Total non-interest income	1,947	4,274	3,322	11,668
Non-interest expense:				
Salaries and employee benefits	4,522	5,619	9,646	11,267
Premises and occupancy	831	745	1,538	1,529
Equipment	391	384	791	777
Professional expenses	474	278	793	542
Sales and marketing expenses	130	216	303	477
Other	972	1,241	2,017	2,340

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Total non-interest expense	7,320	8,483	15,088	16,932
Income before income taxes	2,055	2,530	3,516	11,577
Provision for income taxes	1,011	1,295	1,860	5,316
Net income	\$ 1,044	\$ 1,235	\$ 1,656	\$ 6,261
Basic earnings per share	\$ 0.17	\$ 0.19	\$ 0.27	\$ 0.94
Diluted earnings per share	\$ 0.17	\$ 0.18	\$ 0.27	\$ 0.92
Cash dividends per share	\$ 0.18	\$ 0.18	\$ 0.36	\$ 0.33

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

PROVIDENT FINANCIAL HOLDINGS, INC.
Condensed Consolidated Statements of Stockholders' Equity
(As Restated – See Note 1)
(Unaudited)
Dollars in Thousands
For the Quarters Ended December 31, 2007 and 2006

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Unearned Stock Compensation	Accumulated Other Compre- hensive Income	Total	
	Shares	Amount	Amount	Amount	Amount	Amount	Amount	
Balance at October 1, 2007, as previously reported	6,232,803	\$ 124	\$ 70,010	\$ 149,134	\$ (94,097)	\$ (61)	\$ 1,017	126,127
Adjustments to opening stockholders' equity	-	-	3,617	(3,475)	-	(297)	-	(155)
Balance at October 1, 2007, as restated	6,232,803	124	73,627	145,659	(94,097)	(358)	1,017	125,972
Comprehensive income:								
Net income (1)				1,044				1,044
Unrealized holding gain on securities available for sale, net of tax expense of \$197						273		273
Total comprehensive income (1)								1,317
Purchase of treasury stock	(36,369)				(700)			(700)
Amortization of restricted stock			63					63
Stock options expense			136					136
Allocation of contributions to ESOP (1) (2)			354			97		451
Cash dividends				(1,116)				(1,116)
Balance at December 31, 2007	6,196,434	\$ 124	\$ 74,180	\$ 145,587	\$ (94,797)	\$ (261)	\$ 1,290	\$ 126,123

(1) As restated, see Note 1.

(2) Employee Stock Ownership Plan ("ESOP").

Common Stock	Additional Paid-In	Retained	Treasury	Unearned Stock	Accumulated Other Compre- hensive
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	Shares	Amount	Capital	Earnings	Stock	Compensation	Income	Total
Balance at October 1, 2006, as previously reported	6,886,345	\$ 124	\$ 67,419	\$ 147,082	\$ (75,922)	\$ (528)	\$ 204	\$ 138,379
Adjustments to opening stockholders' equity	-	-	2,875	(2,726)	-	(224)	-	(75)
Balance at October 1, 2006, as restated	6,886,345	124	70,294	144,356	(75,922)	(752)	204	138,304
Comprehensive income:								
Net income (1)				1,235				1,235
Unrealized holding gain on securities available for sale, net of tax expense of \$194							269	269
Total comprehensive income (1)								1,504
Purchase of treasury stock (2)	(191,222)				(5,755)			(5,755)
Exercise of stock options	1,900	-	47					47
Amortization of restricted stock			14					14
Stock options expense			105					105
Tax benefit from non-qualified equity compensation			9					9
Allocation of contributions to ESOP (1)			659			106		765
Cash dividends				(1,224)				(1,224)
Balance at December 31, 2006	6,697,023	\$ 124	\$ 71,128	\$ 144,367	\$ (81,677)	\$ (646)	\$ 473	\$ 133,769

(1) As restated, see Note 1.

(2) Includes the repurchase of 884 shares of distributed restricted stock.

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

PROVIDENT FINANCIAL HOLDINGS, INC.
Condensed Consolidated Statements of Stockholders' Equity
(As Restated – See Note 1)
(Unaudited)
Dollars in Thousands
For the Six Months Ended December 31, 2007 and 2006

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Unearned Stock Compensation	Accumulated Other Comprehensive Income	Total
	Shares	Amount	Amount	Amount	Amount	Amount	Amount
Balance at July 1, 2007, as previously reported	6,376,945	\$ 124	\$ 69,456	\$ 149,523	(90,694)	\$ (175)	\$ 693
Adjustments to opening stockholders' equity	-	-	3,479	(3,329)	-	(280)	-
Balance at July 1, 2007, as restated	6,376,945	124	72,935	146,194	(90,694)	(455)	693
							128,797
Comprehensive income:							
Net income (1)				1,656			1,656
Unrealized holding gain on securities available for sale, net of tax expense of \$432						597	597
Total comprehensive income (1)							2,253
Purchase of treasury stock (2)	(188,011)			(4,096)			(4,096)
Exercise of stock options	7,500	-	69				69
Amortization of restricted stock			131				131
Awards of restricted stock			(45)	45			-
Forfeiture of restricted stock			52	(52)			-
Stock options expense			276				276
Tax benefit from non-qualified equity compensation			6				6
Allocation of contributions to ESOP (1)			756		194		950
Cash dividends				(2,263)			(2,263)
	6,196,434	\$ 124)	\$ (261)	\$ 1,290

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Balance at December 31, 2007	\$ 74,180	\$ 145,587	\$ (94,797)	\$ 126,123
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(1) As restated, see Note 1.

(2) Includes the repurchase of 930 shares of distributed restricted stock.

	Common Stock Shares	Additional Paid-In Capital Amount	Retained Earnings \$	Treasury Stock \$	Unearned Stock Compensation \$	Accumulated Other Compre- hensive (Loss) Income \$	Total \$
Balance at July 1, 2006, as previously reported	6,991,842	\$ 124	\$ 66,798	\$ (72,524)	\$ (644)	\$ (411)	\$ 136,210
Adjustment to opening stockholders' equity	-	-	2,642	(2,494)	(210)	-	(62)
Balance at July 1, 2006, as restated	6,991,842	124	69,440	140,373	(72,524)	(854)	136,148
Comprehensive income:							
Net income (1)			6,261				6,261
Unrealized holding gain on securities available for sale, net of tax expense of \$640						884	884
Total comprehensive income (1)							7,145
Purchase of treasury stock (2)	(303,219)			(9,153)			(9,153)
Exercise of stock options	8,400	-	201				201
Amortization of restricted stock			32				32
Stock options expense			138				138
Tax benefit from non-qualified equity compensation			32				32
Allocation of contributions to ESOP (1)			1,285		208		1,493
Cash dividends				(2,267)			(2,267)
Balance at December 31, 2006	6,697,023	\$ 124	\$ 71,128	\$ (81,677)	\$ (646)	\$ 473	\$ 133,769

(1) As restated, see Note 1.

(2) Includes the repurchase of 1,696 shares of distributed restricted stock.

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

PROVIDENT FINANCIAL HOLDINGS, INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited - In Thousands)

	Six Months Ended December 31,	
	2007	2006
	(As Restated – See Note 1)	(As Restated – See Note 1)
Cash flows from operating activities:		
Net income	\$ 1,656	\$ 6,261
Adjustments to reconcile net income to net cash provided by		
Operating activities:		
Depreciation and amortization	1,148	1,017
Provision for loan losses	3,659	4,383
Provision for losses on real estate	463	-
Gain on sale of loans	(1,056)	(6,411)
Net loss (gain) on sale of real estate	168	(2,340)
Stock compensation	1,282	1,468
FHLB – San Francisco stock dividend	(1,023)	(1,028)
Tax benefit from non-qualified equity compensation	(6)	(32)
Decrease in accounts payable and other liabilities	(2,876)	(2,770)
Decrease (increase) in prepaid expense and other assets	2,465	(707)
Loans originated for sale	(197,912)	(631,931)
Proceeds from sale of loans and net change in receivable from sale of loans	240,317	633,013
Net cash provided by operating activities	48,285	923
Cash flows from investing activities:		
Net increase in loans held for investment	(53,766)	(132,070)
Maturity and call of investment securities held to maturity	14,000	13,000
Maturity and call of investment securities available for sale	2,129	7,087
Principal payments from mortgage-backed securities	23,382	18,844
Purchase of investment securities available for sale	(41,172)	(41,904)
Net proceeds from sale of real estate	3,709	3,406
Net redemption (purchase) of FHLB – San Francisco stock	13,599	(4,094)
Purchase of premises and equipment	(144)	(528)
Net cash used for investing activities	(38,263)	(136,259)
Cash flows from financing activities:		
Net increase in deposits	4,287	8,845
(Repayment of) proceeds from borrowings, net	(8,390)	143,232
ESOP loan payment	52	79
Exercise of stock options	69	201
Tax benefit from non-qualified equity compensation	6	32

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Cash dividends	(2,263)	(2,267)
Treasury stock purchases	(4,096)	(9,153)
Net cash (used for) provided by financing activities	(10,335)	140,969
Net (decrease) increase in cash and cash equivalents	(313)	5,633
Cash and cash equivalents at beginning of period	12,824	16,358
Cash and cash equivalents at end of period	\$ 12,511	\$ 21,991
Supplemental information:		
Cash paid for interest	\$ 29,250	\$ 27,773
Cash paid for income taxes	\$ 100	\$ 4,670
Transfer of loans held for sale to loans held for investment	\$ 8,467	\$ 3,653
Real estate acquired in the settlement of loans	\$ 8,393	\$ 1,225

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

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

December 31, 2007

Note Restatement of Condensed Consolidated Financial Statements

1:

In February 2008, the Corporation identified an error regarding the failure to release shares of common stock from its ESOP consistent with the repayment of the ESOP loan. The failure occurred as a result of the application of cash dividend payments received on unallocated ESOP shares to reduce the balance of the ESOP loan. Additional shares should have been released in the years ended December 31, 2002 through 2007. Releasing these additional shares results in additional compensation expense to the Corporation for those respective periods. As a result, the Audit Committee concluded, in accordance with SAB No. 108, that the amounts involved required the restatement of the accompanying condensed consolidated financial statements. The impact of the adjustments to the previously issued Condensed Consolidated Financial Statements as of December 31, 2007 and June 30, 2007 and for the quarters and six months ended December 31, 2007 and 2006 are summarized in the following tables.

	As of December 31, 2007			As of June 30, 2007		
	As Previously Reported	Adjustment	Restated	As Previously Reported	Adjustment	Restated
(Dollars in thousands, except earnings per share)						
Condensed Consolidated Statements of Financial Condition						
Accounts payable, accrued interest and other liabilities	\$ 14,120	\$ 180	\$ 14,300	\$ 15,825	\$ 130	\$ 15,955
Total liabilities	1,514,188	180	1,514,368	1,519,996	130	1,520,126
Additional paid-in capital	70,490	3,690	74,180	69,456	3,479	72,935
Retained earnings	149,196	(3,609)	145,587	149,523	(3,329)	146,194
Unearned stock compensation	-	(261)	(261)	(175)	(280)	(455)
Total stockholders' equity	126,303	(180)	126,123	128,927	(130)	128,797

	Quarter Ended December 31, 2007		Quarter Ended December 31, 2006	
	As Previously	Adjustment	As Previously	Adjustment
(Dollars in thousands, except earnings per share)				