

PROVIDENT FINANCIAL HOLDINGS INC
Form 10-Q
February 08, 2007

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 **December 31, 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

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 February 2, 2007

Common stock, \$ 0.01 par value, per share

6,688,623 shares*

* Includes 258,685 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

but not yet released to the participants.

<PAGE>

PROVIDENT FINANCIAL HOLDINGS, INC.

Table of Contents

PART 1 - FINANCIAL INFORMATION

ITEM 1 - Financial Statements. The Unaudited Interim Condensed Consolidated Financial Statements of Provident Financial Holdings, Inc. filed as a part of the report are as follows:

Condensed Consolidated Statements of Financial Condition as of December 31, 2006 and June 30, 2006	1
Condensed Consolidated Statements of Operations for the Quarters and Six Months ended December 31, 2006 and 2005	2
Condensed Consolidated Statements of Changes in Stockholders' Equity for the Quarters and Six Months ended December 31, 2006 and 2005	3
Condensed Consolidated Statement of Cash Flows for the Six Months ended December 31, 2006 and 2005	5
Notes to Unaudited Interim Condensed Consolidated Financial Statements	6

ITEM 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations:

General	12
Safe Harbor Statement	13
Critical Accounting Policies	13
Executive Summary and Operating Strategy	14
Off-Balance Sheet Financing Arrangements and Contractual Obligations	15
Comparison of Financial Condition at December 31, 2006 and June 30, 2006	15
Comparison of Operating Results	16

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for the Quarters and Six Months ended December 31,
2006 and 2005

Asset Quality	27
Loan Volume Activities	29
Liquidity and Capital Resources	30
Commitments and Derivative Financial Instruments	31
Stockholders' Equity	31
Incentive Plans	32
	Equity Incentive Plan
	Stock Option Plans
	Management Recognition Plan
Supplemental Information	35
ITEM 3 - Quantitative and Qualitative Disclosures about Market Risk	35
ITEM 4 - Controls and Procedures	37
PART II - OTHER INFORMATION	
ITEM 1 - Legal Proceedings	37
ITEM 1A Risk Factors	37
ITEM 2 - Unregistered Sales of Equity Securities and Use of Proceeds	37
ITEM 3 - Defaults Upon Senior Securities	37
ITEM 4 - Submission of Matters to a Vote of Security Holders	38
ITEM 5 - Other Information	38
ITEM 6 - Exhibits	38
SIGNATURES	40

<PAGE>

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

(Unaudited)
Dollars in Thousands

	December 31, 2006	June 30, 2006
Assets		
Cash and due from banks	\$ 17,891	\$ 13,558
Federal funds sold	4,100	2,800
Cash and cash equivalents	21,991	16,358
Investment securities - held to maturity (fair value \$37,570 and \$49,914, respectively)	38,031	51,031
Investment securities - available for sale, at fair value	143,496	126,158
Loans held for investment, net of allowance for loan losses of \$14,555 and \$10,307, respectively	1,389,858	1,262,997
Loans held for sale, at lower of cost or market	8,579	4,713
Receivable from sale of loans	101,392	99,930

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Accrued interest receivable	7,855	6,774
Real estate held for investment, net	-	653
Real estate owned, net	720	-
Federal Home Loan Bank ("FHLB") - San Francisco stock	42,707	37,585
Premises and equipment, net	6,900	6,860
Prepaid expenses and other assets	8,816	9,411
Total assets	\$ 1,770,345	\$ 1,622,470
Liabilities and Stockholders' Equity		
Liabilities:		
Non interest-bearing deposits	\$ 43,993	\$ 48,776
Interest-bearing deposits	882,878	868,806
Total deposits	926,871	917,582
Borrowings	689,443	546,211
Accounts payable, accrued interest and other liabilities	20,173	22,467
Total liabilities	1,636,487	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; 12,385,372 and 12,376,972 shares issued, respectively; 6,697,023 and 6,991,842 shares outstanding, respectively)	124	124
Additional paid-in capital	67,988	66,798
Retained earnings	147,353	142,867
Treasury stock at cost (5,688,349 and 5,385,130 shares, respectively)	(81,677)	(72,524)
Unearned stock compensation.	(403)	(644)
Accumulated other comprehensive income (loss), net of tax	473	(411)
Total stockholders' equity	133,858	136,210
Total liabilities and stockholders' equity	\$ 1,770,345	\$ 1,622,470

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

<PAGE>

PROVIDENT FINANCIAL HOLDINGS, INC.
Condensed Consolidated Statements of Operations

(Unaudited)
In Thousands, Except Per Share Information

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	Quarter Ended December 31,		Six Months Ended December 31,	
	2006	2005	2006	2005
Interest income:				
Loans receivable, net	\$ 23,001	\$ 18,993	\$ 44,959	\$ 38,036
Investment securities	1,857	1,725	3,553	3,538
FHLB - San Francisco stock	593	457	1,107	862
Interest-earning deposits	18	53	37	93
Total interest income	25,469	21,228	49,656	42,529
Interest expense:				
Checking and money market deposits	361	311	697	598
Savings deposits	671	838	1,315	1,742
Time deposits	6,437	4,307	12,264	8,089
Borrowings	7,497	4,806	14,121	10,164
Total interest expense	14,966	10,262	28,397	20,593
Net interest income, before provision for loan losses	10,503	10,966	21,259	21,936
Provision (recovery) for loan losses	3,746	(27)	4,383	38
Net interest income, after provision for loan losses	6,757	10,993	16,876	21,898
Non-interest income:				
Loan servicing and other fees	488	791	964	1,434
Gain on sale of loans, net	2,919	3,356	6,411	7,749
Deposit account fees	510	550	1,032	1,044
Gain on sale of real estate, net	27	6,283	2,340	6,283
Other	330	431	921	856
Total non-interest income	4,274	11,411	11,668	17,366
Non-interest expense:				
Salaries and employee benefits	5,359	4,977	10,775	10,181
Premises and occupancy	745	718	1,529	1,511
Equipment	384	406	777	805
Professional expenses	278	293	542	637
Sales and marketing expenses	216	255	477	474
Other	1,259	1,120	2,375	2,314
Total non-interest expense	8,241	7,769	16,475	15,922
Income before income taxes	2,790	14,635	12,069	23,342
Provision for income taxes	1,295	6,252	5,316	10,026
Net income	\$ 1,495	\$ 8,383	\$ 6,753	\$ 13,316
Basic earnings per share	\$ 0.23	\$ 1.28	\$ 1.02	\$ 2.03
Diluted earnings per share	\$ 0.22	\$ 1.23	\$ 1.00	\$ 1.93
Cash dividends per share	\$ 0.18	\$ 0.14	\$ 0.33	\$ 0.28

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

2

<PAGE>

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

(Unaudited)

Dollars in Thousands

For the Quarters Ended December 31, 2006 and 2005

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Unearned Stock Compensation	Accumulated Other Compre- hensive Income	Total
	Shares	Amount	\$	\$	\$	\$	\$
Balance at October 1, 2006	6,886,345	\$ 124	\$ 67,419	\$ 147,082	\$ (528)	\$ 204	\$ 138,379
Comprehensive income:							
Net income			1,495				1,495
Unrealized holding gain on securities available for sale, net of tax expense of \$194						269	269
Total comprehensive income							1,764
Purchase of treasury stock (1)	(191,222)			(5,755)			(5,755)
Exercise of stock options	1,900	-	47				47
Amortization of MRP (2)			14				14
Stock options expense			105				105
Tax benefit from non-qualified equity compensation			9				9
Allocations of contribution to ESOP (3)			394		67		461
Prepayment of ESOP loan					58		58
Cash dividends				(1,224)			(1,224)
Balance at December 31, 2006	6,697,023	\$ 124	\$ 67,988	\$ 147,353	\$ (403)	\$ 473	\$ 133,858

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- (1) Includes the repurchase of 884 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 (Loss) (Income) \$	Total \$
Balance at October 1, 2005	6,931,612	\$ 120	\$59,916	130,340	(62,865)	\$ (996)	\$ (229)	126,286
Comprehensive income:								
Net income				8,383				8,383
Unrealized holding gain on securities available for sale, net of tax expense of \$13							19	19
Total comprehensive income								8,402
Purchase of treasury stock (1)	(169,589)				(4,621)			(4,621)
Exercise of stock options	61,773	-	465					465
Amortization of MRP			23					23
Stock options expense			90					90
Tax benefit from non-qualified equity compensation			369					369
Allocations of contribution to ESOP			337			67		404
Prepayment of ESOP loan						54		54
Cash dividends				(967)				(967)
Balance at December 31, 2005	6,823,796	\$ 120	\$61,200	137,756	(67,486)	\$ (875)	\$ (210)	130,505

- (1) Includes the repurchase of 574 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 Changes in Stockholders' Equity

(Unaudited)

Dollars in Thousands

For the Six Months Ended December 31, 2006 and 2005

	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Unearned Stock Compensation	Accumulated Other Compre- hensive (Loss) Income	Total	
	Shares	Amount	\$	\$	\$	\$	\$	
Balance at July 1, 2006	6,991,842	\$ 124	\$ 66,798	\$ 142,867	\$ (72,524)	\$ (644)	\$ (411)	\$ 136,210
Comprehensive income:								
Net income			6,753					6,753
Unrealized holding gain on securities available for sale, net of tax expense of \$640						884		884
Total comprehensive income								7,637
Purchase of treasury stock (1)	(303,219)				(9,153)			(9,153)
Exercise of stock options	8,400	-	201					201
Amortization of MRP			32					32
Stock options expense			138					138
Tax benefit from non-qualified equity compensation			32					32
Allocations of contribution to ESOP			787			135		922
Prepayment of ESOP loan						106		106
Cash dividends				(2,267)				(2,267)
Balance at December 31, 2006	6,697,023	\$ 124	\$ 67,988	\$ 147,353	\$ (81,677)	\$ (403)	\$ 473	\$ 133,858

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

Common Stock	Additional Paid-In	Retained	Treasury	Unearned Stock	Accumulated Other Compre- hensive
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	Shares	Amount	Capital	Earnings	Stock	Compensation	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				13,316				13,316
Unrealized holding loss on securities available for sale, net of tax benefit of \$376							(519)	(519)
Total comprehensive income								12,797
Purchase of treasury stock (1)	(198,451)				(5,440)			(5,440)
Exercise of stock options	65,432	-	508					508
Reclass of unearned MRP			(155)			155		-
Amortization of MRP			57					57
Stock options expense			183					183
Tax benefit from non-qualified equity compensation			398					398
Allocations of contribution to ESOP			712			135		847
Prepayment of ESOP loan						107		107
Cash dividends				(1,941)				(1,941)
Balance at December 31, 2005	6,823,796	\$ 120	\$ 61,200	\$ 137,756	\$ (67,486)	\$ (875)	\$ (210)	\$ 130,505

(1) Includes the repurchase of 1,436 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)

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	Six Months Ended December 31,	
	2006	2005
Cash flows from operating activities:		
Net income	\$ 6,753	\$ 13,316
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,017	1,839
Provision for loan losses	4,383	38
Gain on sale of loans	(6,411)	(7,749)
Gain on sale of real estate	(2,340)	(6,283)
Stock compensation	976	925
FHLB - San Francisco stock dividend	(1,028)	(822)
Tax benefit from non-qualified equity compensation	(32)	(398)
(Decrease) increase in accounts payable and other liabilities	(2,680)	4,479
Increase in prepaid expense and other assets	(707)	(1,316)
Loans originated for sale	(631,931)	(691,657)
Proceeds from sale of loans and net change in receivable from sale of loans	633,013	745,803
Net cash provided by operating activities	1,013	58,175
Cash flows from investing activities:		
Net increase in loans held for investment	(132,525)	(11,564)
Maturity and call of investment securities held to maturity	13,000	1,000
Maturity and call of investment securities available for sale	7,087	-
Principal payments from mortgage-backed securities	18,844	30,416
Purchase of investment securities available for sale	(41,904)	-
Net proceeds from sale of real estate	3,406	15,510
Purchase of FHLB - San Francisco stock	(4,094)	(897)
Purchase of premises and equipment	(528)	(478)
Net cash (used for) provided by investing activities	(136,714)	33,987
Cash flows from financing activities:		
Net increase in deposits	9,289	26,467
Proceeds from (repayment of) borrowings, net	143,232	(93,617)
Exercise of stock options	201	508
Tax benefit from non-qualified equity compensation	32	398
Cash dividends	(2,267)	(1,941)
Treasury stock purchases	(9,153)	(5,440)
Net cash provided by (used for) financing activities	141,334	(73,625)
Net increase in cash and cash equivalents	5,633	18,537
Cash and cash equivalents at beginning of period	16,358	25,902
Cash and cash equivalents at end of period	\$ 21,991	\$ 44,439
Supplemental information:		
Cash paid for interest	\$ 27,718	\$ 20,211
Cash paid for income taxes	\$ 4,670	\$ 6,800
Transfer of loans held for investment to loans held for sale	\$ -	\$ 18,472
Transfer of loans held for sale to loans held for investment	\$ 3,653	\$ 967
Real estate acquired in the settlement of loans	\$ 1,225	\$ -

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

December 31, 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 Statements of Financial Condition at June 30, 2006 is derived from the audited consolidated financial statements of Provident Financial Holdings, Inc. and its wholly owned subsidiary, Provident Savings Bank, F.S.B. (the "Bank") (collectively, the "Corporation"). Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") with respect to interim financial reporting. It is recommended that these unaudited interim condensed consolidated financial statements be read in conjunction with the audited consolidated financial statements and notes thereto included in the Corporation's Annual Report on Form 10-K for the year ended June 30, 2006. The results of operations for the quarter and six months ended December 31, 2006 are not necessarily indicative of results that may be expected for the entire fiscal year ending June 30, 2007.

Note 2: Recent Accounting Pronouncements

Statement of Financial Accounting Standards ("SFAS" or "Statement") No. 157:

In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 157, "Fair Value Measurements." This Statement defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The adoption of this statement is not expected to have a material impact on the Corporation's financial condition, results of operations, or cash flows.

SFAS No. 156:

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets," an amendment of FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." SFAS No. 156 requires all separately recognized servicing assets and servicing liabilities be initially measured at fair value, if practicable, and permits for subsequent measurement using either fair value measurement with changes in fair value reflected in earnings or the amortization and impairment requirements of Statement No. 140. SFAS No. 156 is effective for an entity's first fiscal year beginning after September 15, 2006. The Corporation intends to continue applying the amortization and impairment requirements of Statement No. 140.

SFAS No. 155:

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments," amendment of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." This statement permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation; clarifies which interest-only strips and principal-only strips are not subject to the requirements of Statement 133; establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation; clarifies that

concentrations of credit risk in the form of subordination are not embedded derivatives; and amends SFAS No. 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. In October

<PAGE>

2006, the FASB exempted most pre-payable assets from provisions of SFAS No. 155 that would have required mark-to-market of those assets through results of operations if purchased at a discount to par. The adoption of this statement is not expected to have a material impact on the Corporation's financial condition, results of operations, or cash flows.

SFAS No. 154:

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections," that addresses accounting for changes in accounting principle, changes in accounting estimates, changes required by an accounting pronouncement in the instance that the pronouncement does not include specific transition provisions, and error corrections. SFAS No. 154 requires retrospective application to prior periods' financial statements of changes in accounting principle and error correction unless impracticable to do so. SFAS No. 154 states an exception to retrospective application when a change in accounting principle, or the method of applying it, may be inseparable from the effect of a change in accounting estimate. When a change in principle is inseparable from a change in estimate, such as depreciation, amortization or depletion, the change to the financial statements is to be presented in a prospective manner. SFAS No. 154 and the required disclosures are effective for accounting changes and error corrections in fiscal years beginning after December 15, 2005. The adoption of this statement did not have a material impact on the Corporation's financial condition, results of operations, or cash flows.

SEC Staff Accounting Bulletin No. 108

In September 2006, the SEC issued Staff Accounting Bulletin No. 108, "Quantifying Financial Misstatements," which expresses the Staff's views regarding the process of quantifying financial statement misstatements. Registrants are required to quantify the impact of correcting all misstatements, including both the carryover and reversing effects of prior year misstatements, on the current year financial statements. The techniques most commonly used in practice to accumulate and quantify misstatements are generally referred to as the "rollover" (current year statement of operations perspective) and "iron curtain" (year-end consolidated statement of financial condition perspective) approaches. The financial statements would require adjustment when either approach results in quantifying a misstatement that is material, after considering all relevant quantitative and qualitative factors. The Corporation does not expect this guidance to have a material effect on the Corporation's financial condition, results of operations, or cash flows.

FASB Interpretation No. 48 ("FIN 48"):

In July 2006 the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," which supplements SFAS No. 109, "Accounting for Income Taxes," by defining the confidence level that a tax position must meet in order to be recognized in the financial statements. The interpretation requires that the tax effects of a position be recognized only if it is "more-likely-than-not" to be sustained based solely on its technical merits as of the reporting date. The more-likely-than-not threshold represents a positive assertion by management that a company is entitled to the economic benefits of a tax position. If a tax position is not considered more-likely-than-not to be sustained based solely on technical merits, no benefits of the position are to be recognized. Moreover, the more-likely-than-not threshold must continue to be met in each reporting period to support continued recognition of a benefit. The interpretation also requires enterprises to make explicit disclosures about uncertainties in their income tax positions, including a detailed roll forward of tax benefits taken that do not qualify for financial statement recognition. FIN 48 is effective for fiscal years beginning after December 15, 2006. It is not anticipated that adoption will have a material impact on the Corporation's financial condition, results of operations, or cash flows.

<PAGE>

Note 3: Earnings Per Share and Stock-Based Compensation

Earnings Per Share:

Basic earnings per share ("EPS") excludes dilution and is computed by dividing income available to common shareholders by the weighted-average number of shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that would then share in the earnings of the entity. The following table provides the basic and diluted EPS computations for the quarters and six months ended December 31, 2006 and 2005, respectively.

(In Thousands, Except Earnings Per Share)	For the Quarter Ended December 31,		For the Six Months Ended December 31,	
	2006	2005	2006	2005
Numerator:				
Net income - numerator for basic earnings per share and diluted earnings per share - income available to common stockholders	\$ 1,495	\$ 8,383	\$ 6,753	\$ 13,316
Denominator:				
Denominator for basic earnings per share:				
Weighted-average shares	6,518	6,546	6,590	6,565
Effect of dilutive securities:				
Stock option dilution	126	289	128	311
Restricted stock dilution	1	6	2	8
Denominator for diluted earnings per share:				
Adjusted weighted-average shares and assumed conversions	6,645	6,841	6,720	6,884
Basic earnings per share	\$ 0.23	\$ 1.28	\$ 1.02	\$ 2.03
Diluted earnings per share	\$ 0.22	\$ 1.23	\$ 1.00	\$ 1.93

SFAS No. 123R, "Share-Based Payment," requires companies to recognize in the statement of operations the grant-date fair value of stock options and other equity-based compensation issued to employees and directors. Effective July 1, 2005, the Corporation adopted SFAS No. 123R using the modified prospective method under which the provisions of SFAS No. 123R are applied to new awards and to awards modified, repurchased or cancelled after June 30, 2005 and to awards outstanding on June 30, 2005 for which requisite service has not yet been rendered.

The adoption of SFAS No. 123R resulted in incremental stock-based compensation expense and is solely related to issued and unvested stock option grants. The incremental stock-based compensation expense for the second quarter ended December 31, 2006 and 2005 was \$105,000 and \$90,000, respectively. For the six months ended December 31, 2006 and 2005, the incremental stock-based compensation expense was \$138,000 and \$183,000, respectively. For the first six months of fiscal 2007 and 2006, cash provided by operating activities decreased by \$32,000 and \$398,000, respectively, and cash provided by financing activities increased by an identical amount, respectively, related to excess tax benefits from stock-based payment arrangements. These amounts are reflective of the tax benefit for stock options exercised and restricted stock distributions during the respective periods.

<PAGE>

Note 4: Operating Segment Reports

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The Corporation operates in two business segments: community banking through the Bank and mortgage banking through Provident Bank Mortgage ("PBM"), a division of the Bank. The following tables set forth condensed statements of operations and total assets for the Corporation's operating segments for the quarters and six months ended December 31, 2006 and 2005, respectively (in thousands).

	For the Quarter Ended December 31, 2006		
	Provident Bank	Provident Bank Mortgage	Consolidated Totals
Net interest income (loss), after provision for loan losses	\$ 6,806) \$ (49	\$ 6,757
Non-interest income:			
Loan servicing and other fees (1)	(421)	909	488
Gain on sale of loans, net (2)	19	2,900	2,919
Deposit account fees	510	-	510
Gain on sale of real estate, net	27	-	27
Other	328	2	330
Total non-interest income	463	3,811	4,274
Non-interest expense:			
Salaries and employee benefits	3,171	2,188	5,359
Premises and occupancy	488	257	745
Operating and administrative expenses	925	1,212	2,137
Total non-interest expense	4,584	3,657	8,241
Income before taxes	\$ 2,685	\$ 105	\$ 2,790
Total assets, end of period	\$ 1,660,601	\$ 109,744	\$ 1,770,345

- (1) Includes an inter-company charge of \$751 credited to PBM by the Bank during the period to compensate PBM for originating loans held for investment.
- (2) Includes an inter-company charge of \$2 credited to PBM by the Bank during the period to com