PROVIDENT FINANCIAL SERVICES INC
Form 10-Q
November 09, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2011

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	**42-1547151**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
239 Washington Street, Jersey City, New Jersey	**07302**
(Address of Principal Executive Offices)	**(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 x 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 x NO ¨

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer , accelerated filer , and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer x	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 x

As of November 1, 2011 there were 83,209,293 shares issued and 60,456,741 shares outstanding of the Registrant s Common Stock, par value $0.01 per share, including 422,723 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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PART I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS.

PROVIDENT FINANCIAL SERVICES, INC. AND SUBSIDIARY

Consolidated Statements of Financial Condition

September 30, 2011 (Unaudited) and December 31, 2010

(Dollars in Thousands)

	September 30, 2011	December 31, 2010
ASSETS		
Cash and due from banks	$ 122,666	$ 51,345
Short-term investments	1,350	884
Total cash and cash equivalents	124,016	52,229
Securities available for sale, at fair value	1,305,160	1,378,927
Investment securities held to maturity (fair value of $366,310 at September 30, 2011 (unaudited) and $351,680 at December 31, 2010)	351,385	346,022
Federal Home Loan Bank of New York (FHLB-NY) stock	38,827	38,283
Loans	4,568,220	4,409,813
Less allowance for loan losses	73,655	68,722
Net loans	4,494,565	4,341,091
Foreclosed assets, net	6,889	2,858
Banking premises and equipment held for sale	9,940	
Banking premises and equipment, net	65,363	74,257
Accrued interest receivable	23,061	25,257
Intangible assets	361,524	354,220
Bank-owned life insurance (BOLI)	140,766	136,768
Other assets	75,863	74,616
Total assets	$ 6,997,359	$ 6,824,528
LIABILITIES AND STOCKHOLDERS EQUITY		
Deposits:		
Demand deposits	$ 3,012,151	$ 2,706,204
Savings deposits	883,318	893,268
Certificates of deposit of $100,000 or more	399,988	412,155
Other time deposits	778,836	866,107
Total deposits	5,074,293	4,877,734
Mortgage escrow deposits	20,346	19,558
Borrowed funds	912,567	969,683
Other liabilities	40,756	35,866

Total liabilities		6,047,962		5,902,841
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 60,032,698 shares outstanding at September 30, 2011 and 59,921,065 outstanding at December 31, 2010		832		832
Additional paid-in capital		1,019,462		1,017,315
Retained earnings		353,787		332,472
Accumulated other comprehensive income		17,984		14,754
Treasury stock		(386,163)		(385,094)
Unallocated common stock held by the Employee Stock Ownership Plan (ESOP)		(56,505)		(58,592)
Common stock acquired by the Directors Deferred Fee Plan (DDFP)		(7,413)		(7,482)
Deferred compensation DDFP		7,413		7,482
Total stockholders equity		949,397		921,687
Total liabilities and stockholders equity	$	6,997,359	$	6,824,528

See accompanying notes to unaudited consolidated financial statements.

PROVIDENT FINANCIAL SERVICES, INC. AND SUBSIDIARY

Consolidated Statements of Income

Three and Nine months ended September 30, 2011 and 2010 (Unaudited)

(Dollars in thousands, except per share data)

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Interest income:				
Real estate secured loans	$ 39,466	$ 40,426	$ 119,425	$ 120,360
Commercial loans	11,010	10,457	31,867	30,964
Consumer loans	6,436	7,085	19,445	21,487
Securities available for sale and FHLB-NY stock	9,174	10,683	28,468	33,649
Investment securities	3,045	3,166	9,169	9,633
Deposits, Federal funds sold and other short-term investments	26	80	81	222
Total interest income	69,157	71,897	208,455	216,315
Interest expense:				
Deposits	8,984	11,571	28,439	37,341
Borrowed funds	5,717	7,291	17,937	23,030
Total interest expense	14,701	18,862	46,376	60,371
Net interest income	54,456	53,035	162,079	155,944
Provision for loan losses	7,500	8,600	22,900	26,600
Net interest income after provision for loan losses	46,956	44,435	139,179	129,344
Non-interest income:				
Fees	6,631	6,017	18,052	17,637
BOLI	1,274	1,288	3,998	4,514
Other-than-temporary impairment losses on securities			(1,661)	(3,116)
Portion of loss recognized in other comprehensive income (before taxes)			1,359	2,946
Net impairment losses on securities recognized in earnings			(302)	(170)
Net gain on securities transactions	658	16	686	833
Other income	87	482	1,431	971
Total non-interest income	8,650	7,803	23,865	23,785
Non-interest expense:				
Compensation and employee benefits	19,226	17,764	56,476	52,589
Net occupancy expense	5,286	4,884	15,811	14,942
Data processing expense	2,381	2,174	6,994	6,699
FDIC insurance	1,319	1,833	4,483	5,667

Amortization of intangibles	708	842	2,314	2,966
Impairment of premises and equipment			807	
Advertising and promotion expense	823	1,037	2,605	2,923
Other operating expenses	5,210	5,547	16,747	16,988
Total non-interest expense	34,953	34,081	106,237	102,774
Income before income tax expense	20,653	18,157	56,807	50,355
Income tax expense	5,087	4,694	14,333	12,765
Net income	$ 15,566	$ 13,463	$ 42,474	$ 37,590
Basic earnings per share	$ 0.27	$ 0.24	$ 0.75	$ 0.66
Average basic shares outstanding	56,926,131	56,610,647	56,847,975	56,533,545
Diluted earnings per share	$ 0.27	$ 0.24	$ 0.75	$ 0.66
Average diluted shares outstanding	56,941,715	56,610,647	56,860,371	56,533,545

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 Nine Months Ended September 30, 2011 and 2010 (Unaudited)

(Dollars in thousands)

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME	TREASURY STOCK	UNALLOCATED ESOP SHARES	COMMON STOCK ACQUIRED BY DDFP	DEFERRED COMPENSATION DDFP	TOTAL STOCKHOLDERS EQUITY
Balance at December 31, 2009	$ 832	$ 1,014,856	$ 307,751	$ 7,731	$ (384,973)	$ (61,642)	$ (7,575)	$ 7,575	$ 884,555
Comprehensive income (loss):									
Net income			37,590						37,590
Other comprehensive income:									
Other-than-temporary impairment on debt securities available for sale (net of tax of ($1,203))				(1,743)					(1,743)
Unrealized holding gain on securities arising during the period (net of tax of $11,889)				17,215					17,215
Reclassification adjustment for gains included in net income (net of tax of $341)				(492)					(492)
Amortization related to post retirement obligations (net of tax of $79)				114					114
Total comprehensive income									$ 52,684
Cash dividends declared			(19,933)						(19,933)
Distributions from DDFP		(5)					70	(70)	(5)
Purchases of treasury stock					(191)				(191)
Option exercises		(16)			55				39
Allocation of ESOP shares		(627)				2,075			1,448
Allocation of SAP shares		1,828							1,828
Allocation of stock options		623							623
	$ 832	$ 1,016,659	$ 325,408	$ 22,825	$ (385,109)	$ (59,567)	$ (7,505)	$ 7,505	$ 921,048

Balance at September 30, 2010	

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 Nine Months Ended September 30, 2011 and 2010 (Unaudited) (Continued)

(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
Comprehensive income:									
Net income			42,474						42,474
Other comprehensive income:									
Other-than-temporary impairment on debt securities available for sale (net of tax of ($555))				(804)					(804)
Unrealized holding gain on securities arising during the period (net of tax of ($4,314)				6,246					6,246
Reclassification adjustment for gains included in net income (net of tax of $280)				(406)					(406)
Amortization related to post retirement obligations (net of tax $1,247)				(1,806)					(1,806)
Total comprehensive income									$ 45,704
Cash dividends paid			(21,159)						(21,159)
Distributions from DDFP							69	(69)	
Purchases of treasury stock					(2,875)				(2,875)
Shares issued dividend reinvestment plan		(533)			1,797				1,264
Stock option exercises					9				9
Allocation of ESOP shares		(402)				2,087			1,685
Allocation of SAP shares		2,510							2,510

Allocation of stock options		572							572
Balance at September 30, 2011	$ 832	$ 1,019,462	$ 353,787	$ 17,984	$ (386,163)	$ (56,505)	$ (7,413)	$ 7,413	$ 949,397

See accompanying notes to unaudited consolidated financial statements.

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PROVIDENT FINANCIAL SERVICES, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows

Nine months ended September 30, 2011 and 2010 (Unaudited)

(Dollars in thousands)

	Nine months ended September 30, 2011	2010
Cash flows from operating activities:		
Net income	$ 42,474	$ 37,590
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of intangibles	7,303	8,178
Impairment of premises and equipment	807	
Provision for loan losses	22,900	26,600
Deferred tax benefit	(5,848)	(342)
Increase in cash surrender value of BOLI	(3,998)	(4,514)
Net amortization of premiums and discounts on securities	8,505	5,989
Accretion of net deferred loan fees	(1,660)	(815)
Amortization of premiums on purchased loans, net	1,332	1,402
Net increase in loans originated for sale	(6,984)	(12,389)
Proceeds from sales of loans originated for sale	7,111	13,078
Proceeds from sales of foreclosed assets	5,761	3,981
Allocation of ESOP shares	1,685	1,448
Allocation of SAP shares	2,510	1,828
Allocation of stock options	572	623
Net gain on sale of loans	(127)	(689)
Net gain on securities transactions	(686)	(833)
Impairment charge on securities	302	170
Net gain on sale of premises and equipment	(43)	(12)
Net (gain) loss on sale of foreclosed assets	(27)	5
Decrease in accrued interest receivable	2,196	2,010
Increase in other assets	(10,722)	(2,253)
Decrease in other liabilities	(3,727)	(52)
Net cash provided by operating activities	69,636	81,003
Cash flows from investing activities:		
Proceeds from maturities, calls and paydowns of investment securities held to maturity	44,392	33,909
Purchases of investment securities held to maturity	(50,160)	(33,574)
Proceeds from sales of securities available for sale	23,504	18,926
Proceeds from maturities, calls and paydowns of securities available for sale	298,422	380,224
Purchases of securities available for sale	(247,883)	(421,452)
Cash consideration paid to acquire Beacon Trust, net of cash and cash equivalents	(7,254)	
Purchases of loans	(68,981)	(69,060)
Net (increase) decrease in loans	(98,761)	104,024
BOLI benefits paid		1,523
Proceeds from sales of premises and equipment	1,952	2,101
Purchases of premises and equipment	(8,751)	(3,560)
Net cash(used in) provided by investing activities	(113,520)	13,061

Cash flows from financing activities:

Net increase in deposits		196,558		5,379
Increase in mortgage escrow deposits		788		(74)
Purchase of treasury stock		(2,875)		(191)
Cash dividends paid to stockholders		(21,159)		(19,933)
Shares issued dividend reinvestment plan		(533)		
Stock options exercised		9		39
Proceeds from long-term borrowings		236,300		122,000
Payments on long-term borrowings		(252,328)		(227,310)
Net (decrease) increase in short-term borrowings		(41,089)		9,687
Net cash provided by (used in) financing activities		115,671		(110,403)
Net increase (decrease) in cash and cash equivalents		71,787		(16,339)
Cash and cash equivalents at beginning of period		52,229		123,743
Cash and cash equivalents at end of period	$	124,016	$	107,404
Cash paid during the period for:				
Interest on deposits and borrowings	$	47,196	$	61,501
Income taxes	$	20,122	$	7,777
Non cash investing activities:				
Transfer of loans receivable to foreclosed assets	$	9,664	$	3,986
Fair value of assets acquired	$	1,879	$	
Goodwill and customer relationship intangible	$	9,547	$	
Liabilities assumed	$	926	$	

See accompanying notes to unaudited consolidated financial statements.

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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 and nine months ended September 30, 2011 are not necessarily indicative of the results of operations that may be expected for all of 2011.

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, 2010 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 September 30,						**For the nine months ended September 30,**					
	2011			**2010**			**2011**			**2010**		
	Net Income	Weighted Average Common Shares Outstanding	Per Share Amount	Net Income	Weighted Average Common Shares Outstanding	Per Share Amount	Net Income	Weighted Average Common Shares Outstanding	Per Share Amount	Net Income	Weighted Average Common Shares Outstanding	Per Share Amount
Net income	$ 15,566			$ 13,463			$ 42,474			$ 37,590		
Basic earnings per share:												
Income available to common stockholders	$ 15,566	56,926,131	$ 0.27	$ 13,463	56,610,647	$ 0.24	$ 42,474	56,847,975	$ 0.75	$ 37,590	56,533,545	$ 0.66
Dilutive shares		15,584						12,396				
Diluted earnings per share:												
Income available to common stockholders	$ 15,566	56,941,715	$ 0.27	$ 13,463	56,610,647	$ 0.24	$ 42,474	56,860,371	$ 0.75	$ 37,590	56,533,545	$ 0.66

Anti-dilutive stock options and awards totaling 4,069,458 shares at September 30, 2011, were excluded from the earnings per share calculations.

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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 purchase price was allocated to the acquired assets and liabilities of Beacon based on their fair value as of August 11, 2011. As the Company is still in the process of finalizing these values, the allocation of the purchase price presented in the following table is subject to revision.

(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
Liabilities:	
Other liabilities	4,076
Total liabilities	$ 4,076

As operating results for Beacon were not significant to the consolidated operating results of the Company, pro forma operating results are not presented herein. The Company s Consolidated Statement of Income for the three and nine months ended September 30, 2011 includes 51 days of combined operations with Beacon.

In connection with the Beacon transaction, the Company recorded goodwill of $7.1 million, none of which is 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. The Company utilized the services of an independent valuation firm to determine the CRI amount.

Note 3. Investment Securities

At September 30, 2011, the Company had $1.31 billion and $351.4 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 September 30, 2011 totaled 30, compared with 130 at December 31, 2010. These included seven private label mortgage-backed securities at September 30, 2011, with an amortized cost of $30.0 million and unrealized losses totaling $1.8 million. Five of these seven private label mortgage-backed securities were below investment grade at September 30, 2011. All securities with unrealized losses at September 30, 2011 were analyzed for other-than-temporary impairment. 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 and nine months ended September 30, 2011. Based upon this analysis, no other-than-temporary impairment existed at September 30, 2011.

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 September 30, 2011 and December 31, 2010 (in thousands):

	September 30, 2011			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Agency obligations	$ 107,229	415		107,644
Mortgage-backed securities	1,145,290	34,336	(1,937)	1,177,689
State and municipal obligations	10,883	582	(4)	11,461
Corporate obligations	8,024	180	(3)	8,201
Equity investments	165			165
	$ 1,271,591	35,513	(1,944)	1,305,160

	December 31, 2010			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Agency obligations	$ 109,271	616	(44)	109,843
Mortgage-backed securities	1,223,869	29,137	(5,480)	1,247,526
State and municipal obligations	11,188	496	(55)	11,629
Corporate obligations	9,543	386		9,929
	$ 1,353,871	30,635	(5,579)	1,378,927

The amortized cost and fair value of securities available for sale at September 30, 2011, 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.

	September 30, 2011	
	Amortized cost	Fair value
Due in one year or less	$ 45,086	45,296
Due after one year through five years	76,754	77,462
Due after five years through ten years	4,296	4,548
Mortgage-backed securities	1,145,290	1,177,854
	$ 1,271,426	1,305,160

Proceeds from the sale of securities available for sale for the three and nine months ended September 30, 2011, were $23,504,000, resulting in gross gains of $644,000. Additionally, for the nine months ended September 30, 2011, the Company recognized gains of $14,000 related to calls on certain securities in the available for sale portfolio, with proceeds from calls totaling $514,000. There were no securities sold in the three months ended September 30, 2010, while proceeds from the sale of securities available for sale during the nine months ended September 30, 2010 were $18,926,000, resulting in gross gains of $833,000 with no gross losses.

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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 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):

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Beginning credit loss amount	$ 1,240	938	$ 938	768
Add: Initial OTTI credit losses				
Subsequent OTTI credit losses			302	170
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	$ 1,240	938

The Company did not incur an OTTI charge on securities for the three months ended September 30, 2011 and 2010, however, for the nine months ended September 30, 2011 and 2010, the Company incurred net OTTI charges on securities of $302,000 and $170,000, respectively.

The following table presents information regarding the Company s securities available for sale with temporary impairment at September 30, 2011 and December 31, 2010 (in thousands):

	September 30, 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
Agency obligations	$					
Mortgage-backed securities	60,577	(240)	13,358	(1,697)	73,935	(1,937)
State and municipal obligations	526	(4)			526	(4)
Corporate Bonds	496	(3)			496	(3)
	$ 61,599	(247)	13,358	(1,697)	74,957	(1,944)

	December 31, 2010 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
Agency obligations	$ 13,964	(44)			13,964	(44)
Mortgage-backed securities	277,772	(4,126)	20,400	(1,354)	298,172	(5,480)
State and municipal obligations	1,414	(55)			1,414	(55)
	$ 293,150	(4,225)	20,400	(1,354)	313,550	(5,579)

The temporary loss position associated with investment securities available for sale 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 an unrealized loss position at September 30, 2011, and it is more likely than not that the Company will not be required to sell the securities before the anticipated recovery.

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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 September 30, 2011 and December 31, 2010 (in thousands):

	September 30, 2011			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Agency obligations	$ 2,748	26	(1)	2,773
Mortgage-backed securities	25,218	1,062		26,280
State and municipal obligations	314,528	13,653	(89)	328,092
Corporate obligations	8,891	297	(23)	9,165
	$ 351,385	15,038	(113)	366,310

	December 31, 2010			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Agency obligations	$ 2,749	3	(29)	2,723
Mortgage-backed securities	39,493	1,677		41,170
State and municipal obligations	294,527	6,316	(2,604)	298,239
Corporate obligations	9,253	315	(20)	9,548
	$ 346,022	8,311	(2,653)	351,680

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 and nine months ended September 30, 2011, the Company recognized gains of $14,000 and $28,000, respectively, related to calls on certain securities in the held to maturity portfolio, with proceeds from the calls totaling $3,877,000 and $12,013,000, for the three and nine months ended September 30, 2011, respectively. There were no gains or losses recorded on security calls in the held to maturity portfolio during the three and nine months ended September 30, 2010.

The amortized cost and fair value of investment securities held to maturity at September 30, 2011 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.

	September 30, 2011	
	Amortized cost	Fair value
Due in one year or less	$ 52,615	52,861
Due after one year through five years	90,437	94,159
Due after five years through ten years	89,819	95,221
Due after ten years	93,296	97,789
Mortgage-backed securities	25,218	26,280
	$ 351,385	366,310

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The following table represents the Company s disclosure of investment securities held to maturity with temporary impairment at September 30, 2011 and December 31, 2010 (in thousands):

	September 30, 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
Agency obligations	$ 499	(1)			499	(1)
State and municipal obligations	5,262	(69)	2,162	(20)	7,424	(89)
Corporate obligations	939	(23)			939	(23)
	$ 6,700	(93)	2,162	(20)	8,862	(113)

	December 31, 2010 Unrealized Losses					
	Less than 12 months		12 months or longer		Total	
	Fair Value					