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Provident Financial Services, Inc. Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Mark Fitzgibbon - Sandler O'Neill & Partners LP.

Mark Fitzgibbon - Sandler O'Neill & Partners LP

Linda, I wondered if you could help us think about the margin as we go forward. As you begin to deploy that excess liquidity you have in cash and fed funds into loans and securities, should that have an immediate benefit to the margin?

Linda Niro

Actually, Mark, I think in the second quarter it's going to have an adverse impact. I would estimate that the margin may contract anywhere between 15 to 20 basis points in the quarter. It's going to take some time to deploy those funds. We're not going to just rush out and book assets, but certainly we're looking to see where we can get the best yield and the highest quality assets so it'll take a little time.

Mark Fitzgibbon - Sandler O'Neill & Partners LP

So is that because the liquidity came in late in the first quarter?

Linda Niro

Yes. It came in really throughout the whole quarter, but primarily towards the end. And we're not seeing any real outflow, so we expect it'll remain somewhat elevated.

Mark Fitzgibbon - Sandler O'Neill & Partners LP

And then secondly I wondered if you could share with us what the 30- to 89-day delinquencies are and if there's any areas that you're seeing an uptick in, any particular type of loan or geography of loan?

Linda Niro

Thirty to 89, Mark, are \$35.2 million and that's up somewhat from year end; there were \$27.6 million. Again, the bulk of that was due to the \$4.4 million in commercial loans that moved into the delinquency category in the quarter, and we're seeing some residential uptick as well.

Mark Fitzgibbon - Sandler O'Neill & Partners LP

And then on the expense front, is it reasonable for us to think that expenses could be stable for the next few quarters or, given some of the higher costs from FDIC insurance and pension costs, etc., that it's going to be hard to hold the line on expenses?

Linda Niro

Yes, I think you're going to see them uptick a little bit maybe more towards \$34 million, mostly because of the increase in FDIC insurance expenses.

Mark Fitzgibbon - Sandler O'Neill & Partners LP

And then the last question, the normalized tax rate, it sounds like you have a little bit more tax-exempt income; 25%, is that a good [inaudible]?

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