

Investors Bancorp Inc  
Form 10-Q  
May 10, 2011

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q**

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**For the quarterly period ended: March 31, 2011**

**Commission file number: 0-51557**

**Investors Bancorp, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

**22-3493930**

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

**101 JFK Parkway, Short Hills, New Jersey 07078**

(Address of principal executive offices)

**(973) 924-5100**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all the reports 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 report), 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   
(Do not check if smaller reporting company)

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

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

As of April 29, 2011 there were 113,166,850 shares of the Registrant's common stock, par value \$0.01 per share, outstanding, of which 64,844,373 shares, or 57.3% of the Registrant's outstanding common stock, were held by Investors Bancorp, MHC, the Registrant's mutual holding company.

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EX-101 CALCULATION LINKBASE DOCUMENT

EX-101 LABELS LINKBASE DOCUMENT

EX-101 PRESENTATION LINKBASE DOCUMENT

EX-101 DEFINITION LINKBASE DOCUMENT

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## Consolidated Balance Sheets

March 31, 2011 (unaudited) and December 31, 2010

	<b>March 31, 2011</b>	<b>December 31, 2010</b>
	(In thousands)	
<b>Assets</b>		
Cash and cash equivalents	\$ 77,610	76,224
Securities available-for-sale, at estimated fair value	658,115	602,733
Securities held-to-maturity, net (estimated fair value of \$459,144 and \$514,223 at March 31, 2011 and December 31, 2010, respectively)	422,778	478,536
Loans receivable, net	8,151,658	7,917,705
Loans held-for-sale	15,692	35,054
Stock in the Federal Home Loan Bank	91,737	80,369
Accrued interest receivable	40,136	40,541
Other Real Estate Owned	1,399	976
Office properties and equipment, net	58,271	56,927
Net deferred tax asset	130,238	128,210
Bank owned life insurance	111,207	117,039
Intangible assets	39,700	39,004
Other assets	26,300	28,813
<b>Total assets</b>	<b>\$ 9,824,841</b>	<b>9,602,131</b>
<b>Liabilities and Stockholders Equity</b>		
<b>Liabilities:</b>		
Deposits	\$ 6,727,544	6,774,930
Borrowed funds	2,067,007	1,826,514
Advance payments by borrowers for taxes and insurance	40,811	34,977
Other liabilities	70,385	64,431
<b>Total liabilities</b>	<b>8,905,747</b>	<b>8,700,852</b>
<b>Stockholders equity:</b>		
Preferred stock, \$0.01 par value, 50,000,000 authorized shares; none issued		
Common stock, \$0.01 par value, 200,000,000 shares authorized; 118,020,280 issued; 113,166,850 and 112,851,127 outstanding at March 31, 2011 and December 31, 2010, respectively	532	532
Additional paid-in capital	529,826	533,720
Retained earnings	500,924	483,269
Treasury stock, at cost; 4,853,430 and 5,169,153 shares at March 31, 2011 and December 31, 2010, respectively	(57,340)	(62,033)
Unallocated common stock held by the employee stock ownership plan	(33,678)	(34,033)
Accumulated other comprehensive loss	(21,170)	(20,176)

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Total stockholders' equity	919,094	901,279
Total liabilities and stockholders' equity	\$ 9,824,841	9,602,131

See accompanying notes to consolidated financial statements.

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## Consolidated Statements of Operations

(Unaudited)

	<b>For the Three Months Ended March 31,</b>	
	<b>2011</b>	<b>2010</b>
	(Dollars in thousands, except per share data)	
Interest and dividend income:		
Loans receivable and loans held-for-sale	\$ 103,481	91,028
Securities:		
Government-sponsored enterprise obligations	169	198
Mortgage-backed securities	7,575	10,046
Municipal bonds and other debt	1,356	795
Interest-bearing deposits	17	73
Federal Home Loan Bank stock	1,082	928
 Total interest and dividend income	 113,680	 103,068
 Interest expense:		
Deposits	19,988	23,760
Secured borrowings	15,955	17,378
 Total interest expense	 35,943	 41,138
 Net interest income	 77,737	 61,930
Provision for loan losses	17,000	13,050
 Net interest income after provision for loan losses	 60,737	 48,880
 Non-interest income		
Fees and service charges	3,459	1,590
Income on bank owned life insurance	649	521
Gain on sales of loans, net	2,255	1,747
Gain (loss) on securities transactions	23	(48)
Other income	116	123
 Total non-interest income	 6,502	 3,933
 Non-interest expense		
Compensation and fringe benefits	22,050	17,136
Advertising and promotional expense	1,377	872
Office occupancy and equipment expense	6,229	4,356
Federal insurance premiums	2,700	3,225
Stationery, printing, supplies and telephone	789	635

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Professional fees	1,011	1,082
Data processing service fees	1,932	1,431
Other operating expenses	2,209	1,689
Total non-interest expenses	38,297	30,426
Income before income tax expense	28,942	22,387
Income tax expense	10,728	9,077
Net income	\$ 18,214	13,310
Basic and diluted earnings per share	\$ 0.17	0.12
Weighted average shares outstanding		
Basic	108,538,442	110,146,888
Diluted	108,686,529	110,201,851
See accompanying notes to consolidated financial statements.		

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Consolidated Statements of Stockholder's Equity

Three months ended March 31, 2011 and 2010

(Unaudited)

	<b>Additional</b>				<b>Unallocated</b>	<b>Accumulated</b>	<b>Total</b>
	<b>Common</b>	<b>paid-in</b>	<b>Retained</b>	<b>Treasury</b>	<b>Common</b>	<b>other</b>	<b>stockholders</b>
	<b>stock</b>	<b>capital</b>	<b>earnings</b>	<b>stock</b>	<b>Stock</b>	<b>loss</b>	<b>equity</b>
				(In thousands)	<b>Held by</b>		
					<b>ESOP</b>		
Balance at December 31, 2009	\$ 532	530,133	422,211	(44,810)	(35,451)	(22,402)	850,213
Comprehensive income:							
Net income			13,310				13,310
Change in funded status of retirement obligations, net of tax expense of \$36						53	53
Unrealized gain on securities available-for-sale, net of tax expense of \$1,138						1,910	1,910
Other-than-temporary impairment accretion on debt securities, net of tax expense of \$401						580	580
Total comprehensive income							15,853
Purchase of treasury stock (50,500 shares)				(608)			(608)
Treasury stock allocated to restricted stock plan		(6,272)	(961)	7,233			
Compensation cost for stock options and restricted stock		2,335					2,335
ESOP shares allocated or committed to be released		79		2	355		436
Balance at March 31, 2010	\$ 532	526,275	434,560	(38,183)	(35,096)	(19,859)	868,229

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Balance at December 31, 2010	\$ 532	533,720	483,269	(62,033)	(34,033)	(20,176)	901,279
Comprehensive income:							
Net income			18,214				18,214
Change in funded status of retirement obligations, net of tax expense of \$35						52	52
Unrealized loss on securities available- for-sale, net of tax benefit of \$1,004						(1,264)	(1,264)
Other-than-temporary impairment accretion on debt securities, net of tax expense of \$151						218	218
Total comprehensive income							17,220
Purchase of treasury stock (184,277 shares)				(2,454)			(2,454)
Treasury stock allocated to restricted stock plan		(6,588)	(559)	7,147			
Compensation cost for stock options and restricted stock		2,561					2,561
ESOP shares allocated or committed to be released		133			355		488
Balance at March 31, 2011	\$ 532	529,826	500,924	(57,340)	(33,678)	(21,170)	919,094

See accompanying notes to consolidated financial statements.

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**INVESTORS BANCORP, INC. AND SUBSIDIARIES**  
Consolidated Statements of Cash Flows  
(Unaudited)

	<b>For the Three Months Ended March</b>	
	<b>2011</b>	<b>2010</b>
	(In thousands)	
Cash flows from operating activities:		
Net income	\$ 18,214	13,310
Adjustments to reconcile net income to net cash provided by operating activities		
ESOP and stock-based compensation expense	3,049	2,769
Amortization of premiums and accretion of discounts on securities, net	1,362	1,903
Amortization of premium and accretion of fees and costs on loans, net	2,106	1,489
Amortization of intangible assets	392	183
Provision for loan losses	17,000	13,050
Depreciation and amortization of office properties and equipment	1,334	1,016
(Gain) loss on securities transactions	(23)	48
Mortgage loans originated for sale	(104,312)	(118,700)
Proceeds from mortgage loan sales	125,502	124,323
Gain on sales of loans, net	(1,828)	(1,196)
Income on bank owned life insurance contract	(649)	(521)
Decrease (increase) in accrued interest	405	(652)
Deferred tax benefit	(1,259)	(2,169)
Decrease in other assets	1,788	3,717
Increase in other liabilities	5,304	21,890
 Total adjustments	 50,171	 47,150
 Net cash provided by operating activities	 68,385	 60,460
 Cash flows from investing activities:		
Purchases of loans receivable	(210,596)	(245,869)
Net (originations) repayments of loans receivable	(42,463)	43,927
Proceeds from disposition of loans held for investment	427	2,984
Gain on disposition of loans held for investment	(427)	(551)
Purchases of mortgage-backed securities available-for-sale	(106,594)	(98,944)
Proceeds from paydowns/maturities on mortgage-backed securities held-to-maturity	51,813	59,611
Proceeds from calls/maturities on debt securities held-to-maturity	4,930	(244)
Proceeds from paydowns/maturities on mortgage-backed securities available-for-sale	46,989	34,288
Proceeds from maturities of US Government and agency obligations available-for-sale		15,000
Proceeds from redemptions of Federal Home Loan Bank stock	16,605	5,940
Purchases of Federal Home Loan Bank stock	(27,973)	(13,815)
Purchases of office properties and equipment	(2,678)	(2,378)

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Death benefit proceeds from bank owned life insurance	6,481	
Net cash used in investing activities	(263,486)	(200,051)
Cash flows from financing activities:		
Net (decrease) increase in deposits	(47,386)	172,321
Repayments of funds borrowed under other repurchase agreements		(75,000)
Net increase in other borrowings	240,493	249,993
Net increase in advance payments by borrowers for taxes and insurance	5,834	3,819
Purchase of treasury stock	(2,454)	(608)
Net cash provided by financing activities	196,487	350,525
Net increase in cash and cash equivalents	1,386	210,934
Cash and cash equivalents at beginning of the period	76,224	73,606
Cash and cash equivalents at end of the period	\$ 77,610	284,540
Supplemental cash flow information:		
Noncash investing activities:		
Real estate acquired through foreclosure	\$ 423	
Cash paid during the year for:		
Interest	\$ 36,060	41,136
Income taxes	\$ 2,653	2,600
See accompanying notes to consolidated financial statements		

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**INVESTORS BANCORP, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

**1. Basis of Presentation**

The consolidated financial statements are comprised of the accounts of Investors Bancorp, Inc. and its wholly owned subsidiaries, including Investors Savings Bank Bank (collectively, the Company ) and the Bank s wholly-owned subsidiaries.

In the opinion of management, all the adjustments (consisting of normal and recurring adjustments) necessary for the fair presentation of the consolidated financial condition and the consolidated results of operations for the unaudited periods presented have been included. The results of operations and other data presented for the three-month period ended March 31, 2011 are not necessarily indicative of the results of operations that may be expected for subsequent periods.

Certain information and note disclosures usually included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission ( SEC ) for the preparation of the Form 10-Q. The consolidated financial statements presented should be read in conjunction with the Company s audited consolidated financial statements and notes to consolidated financial statements included in the Company s December 31, 2010 Annual Report on Form 10-K. Certain reclassifications have been made to prior year amounts to conform to current year presentation.

**2. Business Combinations**

On October 15, 2010, the Company completed the acquisition of Millennium bcpbank ( Millennium ) deposit franchise. In this transaction the Company acquired approximately \$600 million of deposits and seventeen branch offices in New Jersey, New York and Massachusetts for a deposit premium of 0.11%. The acquisition was accounted for under the acquisition method of accounting as prescribed by ASC 805, Business Combinations, as amended. The transaction resulted in a bargain purchase gain of \$1.8 million, net of tax. In a separate transaction the Company purchased a portion of Millennium s performing loan portfolio and entered into a Loan Servicing Agreement to service those loans it did not purchase. Upon acquisition, the Company entered into a definitive agreement with a third party to sell the four Massachusetts branch offices with deposits of approximately \$65 million, for a premium of 0.11%. The sale of these branches closed on May 6, 2011.

**Table of Contents****3. Earnings Per Share**

The following is a summary of our earnings per share calculations and reconciliation of basic to diluted earnings per share.

	<b>For the Three Months Ended March 31,</b>					
	<b>2011</b>			<b>2010</b>		
	<b>Income</b>	<b>Shares</b>	<b>Per Share Amount</b>	<b>Income</b>	<b>Shares</b>	<b>Per Share Amount</b>
	(Dollars in thousands, except per share data)					
Net Income	\$ 18,214			\$ 13,310		
Basic earnings per share:						
Income available to common stockholders	\$ 18,214	108,538,442	\$ 0.17	\$ 13,310	110,146,888	\$ 0.12
Effect of dilutive common stock equivalents		148,087			54,963	
Diluted earnings per share:						
Income available to common stockholders	\$ 18,214	108,686,529	\$ 0.17	\$ 13,310	110,201,851	\$ 0.12

For the three months ended March 31, 2011 and March 31, 2010 there were 4.9 million and 5.8 million equity awards, respectively, that could potentially dilute basic earnings per share in the future that were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive for the periods presented.

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**4. Securities**

The amortized cost, gross unrealized gains and losses and estimated fair value of securities available-for-sale and held-to-maturity for the dates indicated are as follows: