

Investors Bancorp Inc  
Form 10-Q  
August 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: **June 30, 2011**

Commission file number: **0-51557**

**Investors Bancorp, Inc.**  
(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of incorporation or  
organization)

**22-3493930**  
(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, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer   
Non-accelerated filer   
(Do not check if smaller reporting company)

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

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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 August 1, 2011 there were 112,365,326 shares of the Registrant's common stock, par value \$0.01 per share, outstanding, of which 64,844,373 shares, or 57.7% of the Registrant's outstanding common stock, were held by Investors Bancorp, MHC, the Registrant's mutual holding company.

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**Investors Bancorp, Inc.**  
**FORM 10-Q**

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**Table of Contents****INVESTORS BANCORP, INC. AND SUBSIDIARIES**

## Consolidated Balance Sheets

June 30, 2011(unaudited) and December 31, 2010

	<b>June 30, 2011</b>	<b>December 31, 2010</b>
	(In thousands)	
<b>Assets</b>		
Cash and cash equivalents	\$ 92,811	76,224
Securities available-for-sale, at estimated fair value	743,348	602,733
Securities held-to-maturity, net (estimated fair value of \$385,272 and \$514,223 at June 30, 2011 and December 31, 2010, respectively)	349,963	478,536
Loans receivable, net	8,479,958	7,917,705
Loans held-for-sale	19,966	35,054
Stock in the Federal Home Loan Bank	118,317	80,369
Accrued interest receivable	40,405	40,541
Other real estate owned	225	976
Office properties and equipment, net	58,507	56,927
Net deferred tax asset	132,162	128,210
Bank owned life insurance	111,567	117,039
Intangible assets	39,380	39,004
Other assets	19,594	28,813
<b>Total assets</b>	<b>\$ 10,206,203</b>	<b>9,602,131</b>
<b>Liabilities and Stockholders Equity</b>		
<b>Liabilities:</b>		
Deposits	\$ 6,826,923	6,774,930
Borrowed funds	2,335,500	1,826,514
Advance payments by borrowers for taxes and insurance	42,369	34,977
Other liabilities	61,757	64,431
<b>Total liabilities</b>	<b>9,266,549</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; 112,715,926 and 112,851,127 outstanding at June 30, 2011 and December 31, 2010, respectively	532	532
Additional paid-in capital	532,294	533,720
Retained earnings	520,547	483,269
Treasury stock, at cost; 5,304,354 and 5,169,153 shares at June 30, 2011 and December 31, 2010, respectively	(63,628)	(62,033)
Unallocated common stock held by the employee stock ownership plan	(33,324)	(34,033)

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Accumulated other comprehensive loss	(16,767)	(20,176)
Total stockholders' equity	939,654	901,279
Total liabilities and stockholders' equity	\$ 10,206,203	9,602,131

See accompanying notes to consolidated financial statements.

**Table of Contents****INVESTORS BANCORP, INC. AND SUBSIDIARIES**Consolidated Statements of Operations  
(Unaudited)

	<b>For the Three Months</b>		<b>For the Six Months</b>	
	<b>Ended June 30,</b>		<b>Ended June 30,</b>	
	<b>2011</b>	<b>2010</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	\$ 108,837	94,300	212,318	185,328
Securities:				
Government-sponsored enterprise obligations	98	174	267	372
Mortgage-backed securities	7,570	9,493	15,145	19,539
Municipal bonds and other debt	1,272	1,009	2,628	1,804
Interest-bearing deposits	6	117	23	190
Federal Home Loan Bank stock	894	778	1,976	1,706
 Total interest and dividend income	 118,677	 105,871	 232,357	 208,939
Interest expense:				
Deposits	19,833	22,906	39,821	46,666
Secured borrowings	16,429	17,818	32,384	35,196
 Total interest expense	 36,262	 40,724	 72,205	 81,862
 Net interest income	 82,415	 65,147	 160,152	 127,077
Provision for loan losses	18,500	15,450	35,500	28,500
 Net interest income after provision for loan losses	 63,915	 49,697	 124,652	 98,577
Non-interest income				
Fees and service charges	3,183	1,610	6,642	3,200
Income on bank owned life insurance	1,067	659	1,716	1,180
Gain on loan transactions, net	1,655	1,737	3,910	3,484
(Loss) gain on securities transactions	(341)	37	(318)	(11)
Loss on sale of other real estate owned, net	(106)		(106)	
Other income	90	96	206	219



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Total non-interest income		5,548	4,139	12,050	8,072
Non-interest expense					
Compensation and fringe benefits		20,624	17,371	42,674	34,507
Advertising and promotional expense		1,389	1,475	2,766	2,347
Office occupancy and equipment expense		7,637	4,379	13,866	8,735
Federal insurance premiums		2,700	2,475	5,400	5,700
Stationery, printing, supplies and telephone		841	645	1,630	1,280
Professional fees		1,148	1,095	2,159	2,177
Data processing service fees		2,132	1,475	4,064	2,906
Other operating expenses		2,765	1,858	4,974	3,547
Total non-interest expenses		39,236	30,773	77,533	61,199
Income before income tax expense		30,227	23,063	59,169	45,450
Income tax expense		10,604	7,787	21,332	16,864
Net income	\$	19,623	15,276	37,837	28,586
Basic and diluted earnings per share	\$	0.18	0.14	0.35	0.26
Weighted average shares outstanding					
Basic		108,482,969	110,160,916	108,525,151	110,153,944
Diluted		108,730,300	110,396,858	108,696,361	110,276,464

See accompanying notes to consolidated financial statements.

**Table of Contents****INVESTORS BANCORP, INC. & SUBSIDIARIES**

Consolidated Statements of Stockholders' Equity

Six months ended June 30, 2011 and 2010

(Unaudited)

	<b>Common Stock</b>	<b>Additional Paid-In Capital</b>	<b>Retained Earnings</b>	<b>Treasury Stock (In thousands)</b>	<b>Unallocated Common Stock Held by ESOP</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Total Stockholders' Equity</b>
Balance at December 31, 2009	\$ 532	530,133	422,211	(44,810)	(35,451)	(22,402)	850,213
Comprehensive income:							
Net income			28,586				28,586
Change in funded status of retirement obligations, net of tax expense of \$68						99	99
Realized gain on securities available-for-sale, net of tax expense of \$3,375						5,191	5,191
Other-than-temporary impairment accretion on debt securities, net of tax expense of \$353						511	511
Total comprehensive income							34,387
Purchase of treasury stock (50,500 shares)				(608)			(608)
Treasury stock allocated to restricted stock plan		(6,272)	(961)	7,233			
Compensation cost for restricted stock		4,806					4,806
ESOP shares allocated or committed to be released		207		2	709		918
Balance at June 30, 2010	\$ 532	528,874	449,836	(38,183)	(34,742)	(16,601)	889,716
Balance at December 31, 2010	\$ 532	533,720	483,269	(62,033)	(34,033)	(20,176)	901,279
Comprehensive income:							
Net income			37,837				37,837

Change in funded status of retirement obligations, net of tax expense of \$70						102	102
Realized gain on securities available- for-sale, net of tax expense of \$2,339						3,562	3,562
Classification adjustment for losses included in net income, net of tax benefit of \$477						(691)	(691)
Other-than-temporary impairment accretion on debt securities, net of tax expense of \$301						436	436
Other comprehensive income							41,240
Acquisition of treasury stock (635,201 shares)				(8,742)			(8,742)
Treasury stock allocated to restricted stock plan	(6,588)	(559)		7,147			
Compensation cost for stock options and restricted stock		4,872					4,872
ESOP shares allocated or committed to be released		290			709		999
Balance at June 30, 2011	\$ 532	532,294	520,547	(63,628)	(33,324)	(16,767)	939,656

See accompanying notes to consolidated financial statements.

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

	<b>For the Six Months Ended</b>	
	<b>June 30,</b>	
	<b>2011</b>	<b>2010</b>
	(In thousands)	
Cash flows from operating activities:		
Net income	\$ 37,837	28,586
Adjustments to reconcile net income to net cash provided by operating activities:		
ESOP and stock-based compensation expense	5,871	5,724
Amortization of premiums and accretion of discounts on securities, net	2,597	1,861
Amortization of premium and accretion of fees and costs on loans, net	2,886	3,062
Amortization of intangible assets	782	360
Provision for loan losses	35,500	28,500
Depreciation and amortization of office properties and equipment	3,340	1,143
Loss on securities transactions	318	11
Mortgage loans originated for sale	(188,030)	(247,374)
Proceeds from mortgage loan sales	205,807	243,903
Gain on sales of loans, net	(2,689)	(2,464)
Loss on sale of other real estate owned	106	-
Gain on sale of branches	(72)	-
Income on bank owned life insurance contract	(1,716)	(1,180)
Decrease (increase) in accrued interest	136	(2,268)
Deferred tax benefit	(6,235)	(6,296)
Decrease in other assets	8,385	5,293
(Decrease) increase in other liabilities	(3,214)	23,426
Total adjustments	63,772	53,701
Net cash provided by operating activities	101,609	82,287
Cash flows from investing activities:		
Purchases of loans receivable	(376,381)	(413,863)
Net originations of loans receivable	(224,258)	(179,177)
Proceeds from disposition of loans held for investment	1,221	2,984
Gain on disposition of loans held for investment	(1,221)	(1,020)
Net proceeds from sale of foreclosed real estate	1,068	
Purchases of mortgage-backed securities held to maturity		(3,690)
Purchases of debt securities held-to-maturity	(1,337)	
Purchases of mortgage-backed securities available-for-sale	(264,197)	(100,908)
Purchases of other investments available-for-sale		(150)
Proceeds from paydowns/maturities on mortgage-backed securities held-to-maturity	90,838	117,276
Proceeds from calls/maturities on debt securities held-to-maturity	20,499	1,507
	86,383	68,816

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Proceeds from paydowns/maturities on mortgage-backed securities available-for-sale		
Proceeds from sale of mortgage-backed securities held-to-maturity	21,355	
Proceeds from sale of mortgage-backed securities available-for-sale	36,972	
Proceeds from maturities of US Government and agency obligations available-for-sale		25,000
Proceeds from redemptions of Federal Home Loan Bank stock	37,386	5,941
Purchases of Federal Home Loan Bank stock	(75,334)	(19,208)
Purchases of office properties and equipment	(5,404)	(4,347)
Death benefit proceeds from bank owned life insurance	7,188	
Cash paid, net of consideration received for branch sale	(64,612)	
Net cash used in investing activities	(709,834)	(500,839)
Cash flows from financing activities:		
Net increase in deposits	117,176	215,708
Repayments of funds borrowed under other repurchase agreements	(250,000)	(125,000)
Net increase in other borrowings	758,986	349,986
Net increase in advance payments by borrowers for taxes and insurance	7,392	4,868
Purchase of treasury stock	(8,742)	(608)
Net cash provided by financing activities	624,812	444,954
Net increase in cash and cash equivalents	16,587	26,402
Cash and cash equivalents at beginning of the period	76,224	73,606
Cash and cash equivalents at end of the period	\$ 92,811	100,008
Supplemental cash flow information:		
Noncash investing activities:		
Real estate acquired through foreclosure	\$ 423	751
Cash paid during the year for:		
Interest	73,142	81,831
Income taxes	26,255	25,601

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 and six-month period ended June 30, 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 \$65 million, for a premium of 0.11%. The sale of these branches closed on May 6, 2011 resulting in a gain of \$72,000.

**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 June 30,</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	\$ 19,623			\$ 15,276		
Basic earnings per share:						
Income available to common stockholders	\$ 19,623	108,482,969	\$ 0.18	\$ 15,276	110,160,916	\$ 0.14
Effect of dilutive common stock equivalents		247,331			235,942	
Diluted earnings per share:						
Income available to common stockholders	\$ 19,623	108,730,300	\$ 0.18	\$ 15,276	110,396,858	\$ 0.14

For the three months ended June 30, 2011 and June 30, 2010 there were 4.3 million and 4.9 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.

**For the Six Months Ended June 30,**