Investors Bancorp Inc
Form 10-Q
May 10, 2010

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

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended: March 31, 2010

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 þ NO o

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 þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes o No þ

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 o No o

As of April 30, 2010 there were 114,893,587 shares of the Registrant s common stock, par value $0.01 per share, outstanding, of which 64,844,373 shares, or 56.44% 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. AND SUBSIDIARY
Consolidated Balance Sheets
March 31, 2010 (unaudited) and December 31, 2009

	March 31, 2010	December 31, 2009
	(In thousands)	
Assets		
Cash and cash equivalents	$ 284,540	73,606
Securities available-for-sale, at estimated fair value	522,346	471,243
Securities held-to-maturity, net (estimated fair value of $696,512 and $753,405 at March 31, 2010 and December 31, 2009, respectively)	658,706	717,441
Loans receivable, net	6,800,429	6,615,459
Loans held-for-sale	22,616	27,043
Stock in the Federal Home Loan Bank	74,077	66,202
Accrued interest receivable	37,594	36,942
Office properties and equipment, net	50,746	49,384
Net deferred tax asset	117,736	117,143
Bank owned life insurance	115,063	114,542
Intangible assets	31,400	31,668
Other assets	33,512	37,143
Total assets	$ 8,748,765	8,357,816
Liabilities and Stockholders Equity		
Liabilities:		
Deposits	$ 6,012,964	5,840,643
Borrowed funds	1,775,535	1,600,542
Advance payments by borrowers for taxes and insurance	33,494	29,675
Other liabilities	58,543	36,743
Total liabilities	7,880,536	7,507,603
Stockholders equity:		
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; 114,893,587 and 114,448,888 outstanding at March 31, 2010 and December 31, 2009, respectively	532	532
Additional paid-in capital	526,275	530,133
Retained earnings	434,560	422,211
Treasury stock, at cost; 3,126,693 and 3,571,392 shares at March 31, 2010 and December 31, 2009	(38,183)	(44,810)
Unallocated common stock held by the employee stock ownership plan	(35,096)	(35,451)
Accumulated other comprehensive loss	(19,859)	(22,402)
Total stockholders equity	868,229	850,213
Total liabilities and stockholders equity	$ 8,748,765	8,357,816

See accompanying notes to consolidated financial statements.

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INVESTORS BANCORP, INC. AND SUBSIDIARY
Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended March 31,	
	2010	**2009**
	(Dollars in thousands, except per share data)	
Interest and dividend income:		
Loans receivable and loans held-for-sale	$ 91,028	76,723
Securities:		
Government-sponsored enterprise obligations	198	304
Mortgage-backed securities	10,046	11,946
Equity securities available-for-sale		1
Municipal bonds and other debt	795	2,986
Interest-bearing deposits	73	119
Federal Home Loan Bank stock	928	670
Total interest and dividend income	103,068	92,749
Interest expense:		
Deposits	23,760	33,900
Secured borrowings	17,378	17,691
Total interest expense	41,138	51,591
Net interest income	61,930	41,158
Provision for loan losses	13,050	8,000
Net interest income after provision for loan losses	48,880	33,158
Non-interest income		
Fees and service charges	1,590	906
Income on bank owned life insurance	521	256
Gain on sales of loans, net	1,747	2,163
(Loss) gain on securities transactions	(48)	2
Other income	123	90
Total non-interest income	3,933	3,417
Non-interest expense		
Compensation and fringe benefits	17,136	15,670
Advertising and promotional expense	872	640
Office occupancy and equipment expense	4,356	2,998
Federal insurance premiums	3,225	1,800
Stationery, printing, supplies and telephone	635	488
Professional fees	1,082	599
Data processing service fees	1,431	1,113

Other operating expenses		1,689	1,147
Total non-interest expenses		30,426	24,455
Income before income tax expense		22,387	12,120
Income tax expense		9,077	5,042
Net income	$	13,310	7,078
Basic and diluted earnings per share	$	0.12	0.07
Weighted average shares outstanding			
Basic		110,146,888	104,192,971
Diluted		110,201,851	104,228,891

See accompanying notes to consolidated financial statements.

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INVESTORS BANCORP, INC.
Consolidated Statements of Stockholder s Equity
Three months ended March 31, 2010 and 2009
(Unaudited)

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Unallocated Common Stock Held by ESOP	Accumulated other comprehensive loss	Total stockholders equity
				(In thousands)			
Balance at December 31, 2008	$ 532	518,457	408,534	(128,121)	(36,869)	(8,734)	753,799
Comprehensive income:							
Net income			7,078				7,078
Change in funded status of retirement obligations, net of tax expense of $39						58	58
Unrealized gain on securities available-for-sale, net of tax expense of $1,380						1,900	1,900
Total comprehensive income							9,036
Compensation cost for stock options and restricted stock		3,684					3,684
ESOP shares allocated or committed to be released		(15)			355		340
Balance at March 31, 2009	$ 532	522,126	415,612	(128,121)	(36,514)	(6,776)	766,859
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						53	53

expense of $36							
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

See accompanying notes to consolidated financial statements.

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

	For the Three Months Ended March 31,	
	2010	2009
	(In thousands)	
Cash flows from operating activities:		
Net income	$ 13,310	7,078
Adjustments to reconcile net income to net cash provided by operating activities		
ESOP and stock-based compensation expense	2,769	4,024
Amortization of premiums and accretion of discounts on securities, net	1,903	(1,153)
Amortization of premium and accretion of fees and costs on loans, net	1,489	2,506
Amortization of intangible assets	183	
Provision for loan losses	13,050	8,000
Depreciation and amortization of office properties and equipment	1,016	624
Loss (gain) on securities transactions	48	(2)
Mortgage loans originated for sale	(118,700)	(233,414)
Proceeds from mortgage loan sales	124,323	215,292
Gain on sales of loans, net	(1,196)	(2,163)
Income on bank owned life insurance contract	(521)	(255)
(Increase) decrease in accrued interest	(652)	396
Deferred tax benefit	(2,169)	(928)
Decrease (increase) in other assets	3,717	(3,122)
Increase in other liabilities	21,890	8,622
Total adjustments	47,150	(1,573)
Net cash provided by operating activities	60,460	5,505
Cash flows from investing activities:		
Purchases of loans receivable	(245,869)	(151,725)
Net repayments of loans receivable	43,927	198,726
Mortgage-backed securities available for sale received in like-kind exchange		3,911
Proceeds from sale of non performing loan	2,984	
Gain on sale of loan	(551)	
Purchases of mortgage-backed securities available-for-sale	(98,944)	
Proceeds from paydowns/maturities on mortgage-backed securities held-to-maturity	59,611	53,643
Proceeds from calls/maturities on debt securities held-to-maturity	(244)	31
Proceeds from paydowns/maturities on mortgage-backed securities available-for-sale	34,288	13,131
Proceeds from maturities of US Government and agency obligations available-for-sale	15,000	
Redemption of equity securities available-for-sale		(3,911)
Proceeds from redemptions of Federal Home Loan Bank stock	5,940	20,184
Purchases of Federal Home Loan Bank stock	(13,815)	(3,173)

Purchases of office properties and equipment	(2,378)	(2,008)
Net cash (used in) provided by investing activities	(200,051)	128,809
Cash flows from financing activities:		
Net increase in deposits	172,321	537,540
Repayments of funds borrowed under other repurchase agreements	(75,000)	(25,000)
Net increase (decrease) in other borrowings	249,993	(353,007)
Net increase in advance payments by borrowers for taxes and insurance	3,819	1,930
Purchase of treasury stock	(608)	
Net cash provided by financing activities	350,525	161,463
Net increase in cash and cash equivalents	210,934	295,777
Cash and cash equivalents at beginning of the period	73,606	26,692
Cash and cash equivalents at end of the period	$ 284,540	322,469
Supplemental cash flow information:		
Cash paid during the year for:		
Interest	$ 41,136	52,621
Income taxes	2,600	1,600

See accompanying notes to consolidated financial statements

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INVESTORS BANCORP, INC. AND SUBSIDIARY

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 subsidiary, 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, 2010 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, 2009 Annual Report on Form 10-K.

2. Earnings Per Share

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

	For the Three Months Ended March 31,					
	2010			2009		
	Income	**Shares**	**Per Share Amount**	**Income**	**Shares**	**Per Share Amount**
	(Dollars in thousands, except per share data)					
Net Income	$ 13,310			$ 7,078		
Basic earnings per share:						
Income available to common stockholders	$ 13,310	110,146,888	$ 0.12	$ 7,078	104,192,971	$ 0.07
Effect of dilutive common stock equivalents		54,963			35,920	
Diluted earnings per share:						
Income available to common stockholders	$ 13,310	110,201,851	$ 0.12	$ 7,078	104,228,891	$ 0.07

There were 5.1 million anti-dilutive common stock options excluded from the earnings per share calculation at March 31, 2010 and at March 31, 2009.

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3. 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:

	March 31, 2010			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
	(In thousands)			
Available-for-sale:				
Equity securities	$ 1,825	483		2,308
Debt securities:				
Government-sponsored enterprises	10,001	2		10,003
Mortgage-backed securities:				
Federal Home Loan Mortgage Corporation	209,907	3,757	526	213,138
Federal National Mortgage Association	223,893	2,891	308	226,476
Government National Mortgage Association	10,238	109		10,347
Non-agency securities	62,384	778	3,088	60,074
	506,422	7,535	3,922	510,035
Total securities available-for-sale	518,248	8,020	3,922	522,346
Held-to-maturity:				
Debt securities:				
Government-sponsored enterprises	15,219	642		15,861
Municipal bonds	10,258	144	3	10,399
Corporate and other debt securities	22,383	18,427	2,304	38,506
	47,860	19,213	2,307	64,766
Mortgage-backed securities:				
Federal Home Loan Mortgage Corporation	320,695	10,837	77	331,455
Federal National Mortgage Association	220,437	10,445	4	230,878
Government National Mortgage Association	3,716	269		3,985
Federal housing authorities	2,495	230		2,725
Non-agency securities	63,503	140	940	62,703
	610,846	21,921	1,021	631,746
Total securities held-to-maturity	658,706	41,134	3,328	696,512
Total securities	$ 1,176,954	49,154	7,250	1,218,858

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	December 31, 2009			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
	(In thousands)			
Available-for-sale:				
Equity securities	$ 1,832	221		2,053
Debt securities:				
Government-sponsored enterprises	25,013	26		25,039
Mortgage-backed securities:				
Federal Home Loan Mortgage Corporation	206,877	2,725	80	209,522
Federal National Mortgage Association	158,678	2,197	448	160,427
Government National Mortgage Association	10,504	25	79	10,450
Non-agency securities	67,290	284	3,822	63,752
	443,349	5,231	4,429	444,151
Total securities available-for-sale	470,194	5,478	4,429	471,243
Held-to-maturity:				
Debt securities:				
Government-sponsored enterprises	15,226	731	1	15,956
Municipal bonds	10,259	196	4	10,451
Corporate and other debt securities	21,411	18,015	1,617	37,809
	46,896	18,942	1,622	64,216
Mortgage-backed securities:				
Federal Home Loan Mortgage Corporation	358,998	10,565	159	369,404
Federal National Mortgage Association	236,109	9,268	24	245,353
Government National Mortgage Association	3,880	277		4,157
Federal housing authorities	2,549	231		2,780
Non-agency securities	69,009	47	1,561	67,495
	670,545	20,388	1,744	689,189
Total securities held-to-maturity	717,441	39,330	3,366	753,405
Total securities	$ 1,187,635	44,808	7,795	1,224,648

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Gross unrealized losses on securities available-for-sale and held-to-maturity and the estimated fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at March 31, 2010 and December 31, 2009, was as follows:

	March 31, 2010					
	Less than 12 months		12 months or more		Total	
	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses
	(In thousands)					
Available-for-sale:						
Mortgage-backed securities:						
Federal Home Loan Mortgage Association	$ 22,168	526			22,168	526
Federal National Mortgage Association	56,610	308			56,610	308
Non-agency securities	109	99	25,898	2,989	26,007	3,088
	78,887	933	25,898	2,989	104,785	3,922
Total available-for-sale:	78,887	933	25,898	2,989	104,785	3,922
Held-to-maturity:						
Debt securities:						
Government-sponsored enterprises						
Municipal bonds			1,035	3	1,035	3
Corporate and other debt securities	803	2,304			803	2,304
	803	2,304	1,035	3	1,838	2,307
Mortgage-backed securities:						
Federal Home Loan Mortgage Corporation	13,549	77			13,549	77
Federal National Mortgage Association	4,526	2	1,096	2	5,622	4
Non-agency securities	10,716	106	39,638	834	50,354	940
	28,791	185	40,734	836	69,525	1,021
Total held-to-maturity	29,594	2,489	41,769	839	71,363	3,328
Total	$ 108,481	3,422	67,667	3,828	176,148	7,250

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	December 31, 2009					
	Less than 12 months		12 months or more		Total	
	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses
	(In thousands)					
Available-for-sale:						
Mortgage-backed securities:						
Federal Home Loan Mortgage Corporation	$ 33,595	80			33,595	80
Federal National Mortgage Association	63,527	446	16	2	63,543	448
Government National Mortgage Association	10,168	79			10,168	79
Non-agency securities	4,563	370	26,736	3,452	31,299	3,822
	111,853	975	26,752	3,454	138,605	4,429
Total available-for-sale:	111,853	975	26,752	3,454	138,605	4,429
Held-to-maturity:						
Debt securities:						
Government-sponsored enterprises			225	1	225	1
Municipal bonds			1,035	4	1,035	4
Corporate and other debt securities	1,024	1,617			1,024	1,617
	1,024	1,617	1,260	5	2,284	1,622
Mortgage-backed securities:						
Federal Home Loan Mortgage Corporation	5,860	159			5,860	159
Federal National Mortgage Association	2,699	5	5,392	19	8,091	24
Non-agency securities	16,352	257	42,308	1,304	58,660	1,561
	24,911	421	47,700	1,323	72,611	1,744
Total held-to-maturity:	25,935	2,038	48,960	1,328	74,895	3,366
Total	$ 137,788	3,013	75,712	4,782	213,500	7,795

For our securities that have a estimated fair value less than the amortized cost basis, the gross unrealized losses were primarily in our non-agency mortgage-backed securities and our corporate and other debt securities portfolios, which accounted for 87.3% of the gross unrealized losses at March 31, 2010. The total estimated fair value of our non-agency mortgage-backed securities and our corporate and other debt securities portfolios represented 13.2% of our total investment portfolio at March 31, 2010. The estimated fair value of our non-agency mortgage-backed and our corporate and other debt securities portfolios have been adversely impacted by the current economic environment and credit deterioration subsequent to the purchase of these securities. As such, the Company has previously recognized credit related other-than-temporary impairment charges on certain non-agency mortgage backed and corporate debt securities.

Our non-agency mortgage-backed securities are not guaranteed by GSE entities and complied with the investment and credit standards set at the time of purchase in the investment policy of the Company. At March 31, 2010, the significant portion of the portfolio was comprised of 28 non-agency mortgage-backed securities with an amortized cost of $124.7 million and an estimated fair value of $121.6 million. These securities were originated in the period 2002-2004

and are performing largely in accordance with contractual terms. For securities with larger decreases in fair values, management estimates the loss projections for each security by stressing the individual loans collateralizing the security with a range of expected default rates, loss severities, and prepayment speeds, in conjunction with the underlying credit enhancement (if applicable) for each security. Based on those specific assumptions, a range of possible cash flows were identified to determine whether other-than-temporary impairment existed as of March 31, 2010. Under certain stress scenarios estimated future losses may arise. Management determined that no additional other-than-temporary impairment existed as of March 31, 2010.

Our corporate and other debt securities portfolio consists of 33 pooled trust preferred securities, (TruPS) principally issued by banks, of which 3 securities were rated AAA and 30 securities were rated A at the date of purchase and at June 30, 2008. At March 31, 2010, the amortized cost and estimated fair values of the trust preferred portfolio was $22.4 million and $38.5 million, respectively. The Company engaged an independent valuation firm to value our TruPS portfolio and prepare our OTTI analysis. The independent valuation firm assisted us in evaluating the credit and performance of each underlying issuer by deriving probabilities and assumptions for default, recovery and prepayment/ amortization for the expected cashflows for each security. At March 31, 2010, management deemed that the present value of projected cashflows for each security was greater than the book value and did not recognize any OTTI charges for the three months ended March 31, 2010. The Company has no intent to sell, nor is it more likely than not that the Company will be required to sell, the debt securities before the recovery of their amortized cost basis or maturity.

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The following table summarizes the Company s pooled trust preferred securities which are at least one rating below investment grade as of March 31, 2010. In addition, at March 31, 2009 the Company held 2 pooled trust preferred securities with a book value of $4.2 million and a fair value of $6.2 million which are investment grade. The Company does not own any single-issuer trust preferred securities.

(Dollars in 000 s) Description	Class	Book Value	Fair Value	Unrealized Gains (Losses)	Number of Issuers Currently Performing	Current Deferrals and Defaults as a % of Total Collateral (1)	Expected Deferrals and Defaults as % of Remaining Collateral (2)	Excess Subordination as a % of Performing Collateral (3)	Moody s/ Fitch Credit Ratings
Alesco PF II	B1	$ 158.6	353.4	194.8	34	23.6%	13.1%	0.0%	Ca / C
Alesco PF III	B1	325.5	527.6	202.1	36	25.5	22.8	0.0	Ca / C
Alesco PF III	B2	130.2	211.0	80.8	36	25.5	22.8	0.0	Ca / C
Alesco PF IV	B1	228.9	232.4	3.5	47	24.3	21.8	0.0	Ca / C
Alesco PF VI	C2	283.5	495.5	212.1	47	29.9	19.2	0.0	Ca / C
MM Comm III	B	1,541.5	4,091.2	2,549.7	8	20.2	36.8	12.8	Baa3 / B /*
MM Comm IX	B1	45.1	86.6	41.5	20	28.6	32.5	0.0	Caa3 / C
MMCaps XVII	C1	651.8	1,870.0	1,218.2	44	10.6	16.8	0.0	Ca / C
MMCaps XIX	C	397.5	7.5	(390.0)	34	30.9	24.9	0.0	Ca / C
Tpref I	B	1,287.1	2,891.2	1,604.1	15	37.4	18.0	0.0	Caa3 / C
Tpref II	B	2,138.8	4,716.8	2,578.0	21	26.9	25.0	0.0	Caa3 / C
US Cap I	B2	478.4	1,184.1	705.7	37	11.4	14.7	0.0	Caa1 / C
US Cap I	B1	1,413.4	3,552.3	2,138.9	37	11.4	14.7	0.0	Caa1 / C
US Cap II	B1	675.8	2,147.5	1,471.7	49	11.7	18.8	0.0	Ca / C
US Cap III	B1	861.7	1,886.3	1,024.6	37	17.1	18.0	0.0	Ca / C
US Cap IV	B1	731.1	143.0	(588.1)	48	30.3	22.5	0.0	Ca / D
Trapeza XII	C1	684.2	309.0	(375.2)	36	23.6	19.5	0.0	Ca / C
Trapeza XIII	C1	616.1	157.9	(458.1)	42	21.4	28.2	0.0	Ca / C
Pretsl IV	Mezzanine	106.5	118.7	12.2	5	27.1	26.0	19.0	Ca / CCC
Pretsl V	Mezzanine	21.2	40.4	19.1	2	43.1	43.8	0.0	Ba3 / C
Pretsl VII	Mezzanine	1,007.6	1,515.6	508	8	43.6	52.3	0.0	Ca / C
Pretsl XV	B1	549.8	928.6	378.9	60	20.0	20.9	0.0	Ca / C
Pretsl XVII	C	306.3	384.8	78.4	46	18.9	18.7	0.0	Ca / C
Pretsl XVIII	C	626.9	1,125.4	498.5	64	18.9	15.1	0.0	Ca / C
Pretsl XIX	C	214.8	342.1	127.3	59	19.3	16.4	0.0	Ca / C
Pretsl XX	C	151.0	42.1	(108.9)	50	22.8	20.1	0.0	Ca / C
Pretsl XXI	C1	170.1	229.8	59.7	58	23.8	20.9	0.0	Ca / C
Pretsl XXIII	A-FP	1,744.1	2,450.5	706.4	104	18.0	21.9	18.3	B1 / BB /*
Pretsl XXIV	C1	398.4	59.2	(339.3)	69	23.8	25.0	0.0	Ca / C
Pretsl XXV	C1	128.8	83.8	(45.0)	56	25.0	21.4	0.0	Ca / C
Pretsl XXVI	C1	104.0	137.2	33.1	58	22.1	22.9	0.0	C / C
		$ 18,178.9	$ 32,321.8	$ 14,142.9					

(1) At March 31, 2010, assumed recoveries for current deferrals and defaulted issuers ranged from 0% to 10.0%.

(2) At March 31, 2010, assumed recoveries for expected deferrals and defaulted issuers ranged from 10.0% to 14.7%.

(3) Excess subordination represents the amount of remaining performing collateral that is in excess of the amount needed to payoff a specified class of bonds and all classes senior to the specified class. Excess subordination reduces an investor s potential risk of loss on their investment as excess subordination absorbs principal and interest shortfalls in the event underlying issuers are not able to make their contractual payments.

* Ratings watch negative

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The following table presents the changes in the credit loss component of the amortized cost of debt securities that the Company has written down for such loss as an other-than-temporary impairment recognized in earnings.

	March 31, 2010 (In thousands)
Balance, beginning of period	$ 122,410
Additions:	
Initial credit impairments	
Subsequent credit impairments	
Reductions:	
Balance, end of period	$ 122,410

The credit loss component of the amortized cost represents the difference between the present value of expected future cash flows and the amortized cost basis of the security prior to considering credit losses. The beginning balance represents the credit loss component for debt securities for which other-than-temporary impairment occurred prior to the period presented. If other-than-temporary impairment is recognized in earnings for credit impaired debt securities, they would be presented as additions in two components based upon whether the current period is the first time the debt security was credit impaired (initial credit impairment) or is not the first time the debt security was credit impaired (subsequent credit impairments). The credit loss component is reduced if the Company sells, intends to sell or believes it will be required to sell previously credit impaired debt securities. Additionally, the credit loss component is reduced if (i) the Company receives the cash flows in excess of what it expected to receive over the remaining life of the credit impaired debt security, (ii) the security matures or (iii) the security is fully written down.

There were no sales from the securities portfolio during the quarter ended March 31, 2010.

Noncredit-related OTTI of $34.0 million ($20.1 million after-tax) on securities not expected to be sold, and for which it is not more likely than not that we will be required to sell the securities before recovery of their amortized cost basis. As of April 1, 2009, we reclassified $21.1 million after-tax as a cumulative effect adjustment for the noncredit-related portion of OTTI losses previously recognized in earnings.

A portion of the Company s securities are pledged to secure borrowings.

The contractual maturities of mortgage-backed securities generally exceed 20 years; however, the effective lives are expected to be shorter due to anticipated prepayments. Expected maturities may differ from contractual maturities due to prepayment or early call privileges of the issuer. The amortized cost and estimated fair value of debt securities at March 31, 2010, by contractual maturity, are shown below.

	March 31, 2010	
	Amortized cost	Estimated fair value
	(In thousands)	
Due in one year or less	$ 10,001	10,003
Due after one year through five years	20,108	20,791
Due after five years through ten years	239	239
Due after ten years	27,513	43,736
Total	$ 57,861	74,769

4. Loans Receivable, Net

Loans receivable, net are summarized as follows:

	March 31, 2010	December 31, 2009
	(In thousands)	
Residential mortgage loans	$ 4,847,200	4,773,556
Multi-family loans	650,466	612,743
Commercial real estate loans	809,242	730,012
Construction loans	340,487	334,480
Commercial and industrial loans	22,893	23,159
Consumer and other loans	174,000	178,177
Total loans	6,844,288	6,652,127
Premiums on purchased loans	24,478	22,958
Deferred loan fees, net	(5,394)	(4,574)
Allowance for loan losses	(62,943)	(55,052)
Net loans	$ 6,800,429	6,615,459

An analysis of the allowance for loan losses is summarized as follows:

	March 31, 2010
	(In thousands)
Balance at December 31, 2009	$ 55,052
Charge offs:	
Residential mortgage loans	(1,446)
Multi-family loans	(454)
Construction	(3,250)
Consumer and other loans	(10)
Loan charged off	(5,160)
Recoveries:	1

Net charge-offs		(5,159)
Provision for loan losses		13,050
Balance at March 31, 2010	$	62,943

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5. Deposits

Deposits are summarized as follows:

	March 31, 2010	December 31, 2010
	(In thousands)	
Savings accounts	$ 884,543	877,421
Checking accounts	1,104,051	927,675
Money market accounts	682,407	742,618
Total core deposits	2,671,001	2,547,714
Certificates of deposit	3,341,963	3,292,929
	$ 6,012,964	5,840,643

6. Equity Incentive Plan

During the three months ended March 31, 2010, the Company recorded $2.3 million of share-based expense, comprised of stock option expense of $954,000 and restricted stock expense of $1.4 million.

During the three months ended March 31, 2010, no options were forfeited and 5,000 options with a weighted average grant date fair value of $4.40 were granted. At March 31, 2010, 5,151,752 options, with a weighted average exercise price of $15.00 and a weighted average grant date fair value of $4.09 were outstanding, of which 2,001,193 were unvested. Expected future expense relating to the unvested options outstanding as of March 31, 2010 is $6.5 million over a weighted average period of 2.0 years.

During the three months ended March 31, 2010, 495,000 shares of restricted stock with a weighted average grant date fair value of $12.67 were granted. At March 31, 2010, 1,234,880 shares of restricted stock, with a weighted average grant date fair value of $14.19, are unvested. Expected future compensation expense relating to the unvested restricted shares at March 31, 2010 is $14.7 million over a weighted average period of 4.0 years.

7. Net Periodic Benefit Plans Expense

The Company has a Supplemental Employee Retirement Plan (SERP). The SERP is a nonqualified, defined benefit plan which provides benefits to employees of the Company if their benefits and/or contributions under the pension plan are limited by the Internal Revenue Code. For the Company s active directors as of December 31, 2006, the Company has a non-qualified, defined benefit plan which provides pension benefits. The SERP and the Directors plan are unfunded and the costs of the plans are recognized over the period that services are provided.

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The components of net periodic benefit expense are as follows:

	Three months ended March 31, SERP and Directors Plan	
	2010	2009
	(In thousands)	
Service cost	$ 179	136
Interest cost	221	263
Amortization of:		
Prior service cost	25	24
Net loss	14	35
Total net periodic benefit expense	$ 439	458

Due to the unfunded nature of these plans, no contributions are expected to be made to the SERP and Directors plans during the year ending December 31, 2010.

The Company also maintains a defined benefit pension plan. Since it is a multiemployer plan, costs of the pension plan are based on contributions required to be made to the pension plan. We did not contribute to the defined benefit pension plan during the quarter ended March 31, 2010. We anticipate contributing funds to the plan to meet any minimum funding requirements.

Summit Federal, at the time of merger, had a funded non-contributory defined benefit pension plan covering all eligible employees and an unfunded, non-qualified defined benefit SERP for the benefit of certain key employees. At March 31, 2010 and December 31, 2009, the pension plan had an accrued liability of $865,000 and $990,000, respectively. At March 31, 2010 and December 31, 2009, the charges recognized in accumulated other comprehensive loss for the pension plan were $1.2 million and $1.2 million, respectively. At March 31, 2010 and December 31, 2009, the SERP plan had an accrued liability of $883,000 and $911,000, respectively. At March 31, 2010 and December 31, 2009, the charges recognized in accumulated other comprehensive loss for the SERP plan were $93,000 and $98,000, respectively. For the three-month periods ended March 31, 2010 and 2009, the expense related to these plans was $74,000 and $74,000, respectively.

8. Fair Value Measurements

We use fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Our securities available-for-sale are recorded at fair value on a recurring basis. Additionally, from time to time, we may be required to record at fair value other assets or liabilities on a non-recurring basis, such as held-to-maturity securities, mortgage servicing rights, or MSR, loans receivable and real estate owned, or REO. These non-recurring fair value adjustments involve the application of lower-of-cost-or-market accounting or write-downs of individual assets. Additionally, in connection with our mortgage banking activities we have commitments to fund loans held for sale and commitments to sell loans, which are considered free-standing derivative instruments, the fair values of which are not material to our financial condition or results of operations.

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, we group our assets and

liabilities at fair value in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include the use of option pricing models, discounted cash flow models and similar techniques. The results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability.

We base our fair values on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The following is a description of valuation methodologies used for assets measured at fair value on a recurring basis.

Securities available-for-sale

Our available-for-sale portfolio is carried at estimated fair value on a recurring basis, with any unrealized gains and losses, net of taxes, reported as accumulated other comprehensive income/loss in stockholders equity. Approximately 99% of our securities available-for-sale portfolio consists of mortgage-backed and government-sponsored enterprise securities. The fair values of these securities are obtained from an independent nationally recognized pricing service, which is then compared to a second independent pricing source for reasonableness. Our independent pricing service provides us with prices which are categorized as Level 2, as quoted prices in active markets for identical assets are generally not available for the majority of securities in our portfolio. Various modeling techniques are used to determine pricing for our mortgage-backed and government sponsored enterprise securities, including option pricing and discounted cash flow models. The inputs to these models include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data. The remaining 1% of our securities available-for-sale portfolio is comprised primarily of private fund investments for which the issuer provides us prices which are categorized as Level 2, as quoted prices in active markets for identical assets are generally not available.

The following table provides the level of valuation assumptions used to determine the carrying value of our assets measured at fair value on a recurring basis at March 31, 2010.

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	Carrying Value at March 31, 2010			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Securities available for sale:				
Mortgage-backed securities	$ 510,035	$	$ 510,035	$
Government-sponsored enterprises	10,003		10,003	
Equity securities	2,308		2,308	
	$ 522,346	$	$ 522,346	$

The following is a description of valuation methodologies used for assets measured at fair value on a non-recurring basis.

Securities held-to-maturity

Our held-to-maturity portfolio, consisting primarily of mortgage backed securities and other debt securities for which we have a positive intent and ability to hold to maturity, is carried at amortized cost. We conduct a periodic review and evaluation of the held-to-maturity portfolio to determine if the value of any security has declined below its cost or amortized cost, and whether such decline is other-than-temporary. Management utilizes various inputs to determine the fair value of the portfolio. To the extent they exist, unadjusted quoted market prices in active markets (level 1) or quoted prices on similar assets (level 2) are utilized to determine the fair value of each investment in the portfolio. In the absence of quoted prices and in an illiquid market, valuation techniques, which require inputs that are both significant to the fair value measurement and unobservable (level 3), are used to determine fair value of the investment. Valuation techniques are based on various assumptions, including, but not limited to cash flows, discount rates, rate of return, adjustments for nonperformance and liquidity, and liquidation values. If a determination is made that a debt security is other-than-temporarily impaired, the Company will estimate the amount of the unrealized loss that is attributable to credit and all other non-credit related factors. The credit related component will be recognized as an other-than-temporary impairment charge in non-interest income as a component of gain (loss) on securities, net. The non-credit related component will be recorded as an adjustment to accumulated other comprehensive income, net of tax.

Mortgage Servicing Rights, net

Mortgage Servicing Rights are carried at the lower of cost or estimated fair value. The estimated fair value of MSR is obtained through independent third party valuations through an analysis of future cash flows, incorporating estimates of assumptions market participants would use in determining fair value including market discount rates, prepayment speeds, servicing income, servicing costs, default rates and other market driven data, including the market s perception of future interest rate movements and, as such, are classified as Level 3.

Loans Receivable

Loans which meet certain criteria are evaluated individually for impairment. A loan is deemed to be impaired if it is a commercial real estate, multi-family or construction loan with an outstanding balance greater than $3.0 million and on non-accrual status. Our impaired loans are generally collateral dependent and, as such, are carried at the estimated fair value of the collateral less estimated selling costs. In order to estimate fair value, once interest or principal payments are 90 days delinquent or when the timely collection of such income is considered doubtful an updated appraisal is obtained. Thereafter, in the event the most recent appraisal does

not reflect the current market conditions due to the passage of time and other factors, management will obtain an updated appraisal or make downward adjustments to the existing appraised value based on their knowledge of the property, local real estate market conditions, recent real estate transactions, and for estimated selling costs, if applicable. Therefore, these adjustments are generally classified as Level 3.

The following table provides the level of valuation assumptions used to determine the carrying value of our assets measured at fair value on a non-recurring basis at March 31, 2010.

	Total	Level 1	Level 2	Level 3
		(In thousands)		
Impaired loans	$ 33,906	$	$	$ 33,906

9. Fair Value of Financial Instruments

Fair value estimates, methods and assumptions for the Company s financial instruments are set forth below.

Cash and Cash Equivalents

For cash and due from banks, the carrying amount approximates fair value.

Securities

The fair values of securities are estimated based on market values provided by an independent pricing service, where prices are available. If a quoted market price was not available, the fair value was estimated using quoted market values of similar instruments, adjusted for differences between the quoted instruments and the instruments being valued.

FHLB Stock

The fair value of FHLB stock is its carrying value, since this is the amount for which it could be redeemed. There is no active market for this stock and the Bank is required to hold a minimum investment based upon the unpaid principal of home mortgage loans and/or FHLB advances outstanding.

Loans

Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type such as residential mortgage and consumer. Each loan category is further segmented into fixed and adjustable rate interest terms and by performing and nonperforming categories.

The fair value of performing loans, except residential mortgage loans, is calculated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect the credit and interest rate risk inherent in the loan. For performing residential mortgage loans, fair value is estimated by discounting contractual cash flows adjusted for prepayment estimates using discount rates based on secondary market sources adjusted to reflect differences in servicing and credit costs, if applicable. Fair value for significant nonperforming loans is based on recent external appraisals of collateral securing such loans, adjusted for the timing of anticipated cash flows. Fair values estimated in this manner do not fully incorporate an exit price approach to fair value, but instead are based on a comparison to current market rates for comparable loans.

Deposit Liabilities

The fair value of deposits with no stated maturity, such as savings, checking accounts and money market accounts, is equal to the amount payable on demand. The fair value of certificates of deposit is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates which approximate currently offered for deposits of similar remaining maturities.

Borrowings

The fair value of borrowings are based on securities dealers estimated market values, when available, or estimated using discounted contractual cash flows using rates which approximate the rates offered for borrowings of similar remaining maturities.

Commitments to Extend Credit

The fair value of commitments to extend credit is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For commitments to originate fixed rate loans, fair value also considers the difference between current levels of interest rates and the committed rates. Due to the short-term nature of our outstanding commitments, the fair values of these commitments are immaterial to our financial condition.

The carrying amounts and estimated fair values of the Company s financial instruments are presented in the following table.

	March 31, 2010		December 31, 2009	
	Carrying amount	Fair value	Carrying amount	Fair value
	(In thousands)			
Financial assets:				
Cash and cash equivalents	$ 284,540	$ 284,540	$ 73,606	$ 73,606
Securities available-for-sale	522,346	522,346	471,243	471,243
Securities held-to-maturity	658,706	696,512	717,441	753,405
Stock in FHLB	74,077	74,077	66,202	66,202
Loans	6,823,045	7,029,032	6,642,502	6,821,767
Financial liabilities:				
Deposits	6,012,964	6,053,461	5,840,643	5,881,083
Borrowed funds	1,775,375	1,840,537	1,600,542	1,666,513

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company s entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company s financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on- and off-balance-sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Significant assets that are not considered financial assets include deferred tax assets, premises and equipment and bank owned life insurance. Liabilities for pension and other postretirement benefits are not considered financial liabilities. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

10. Recent Accounting Pronouncements

In June 2009, the FASB issued ASC 860, an amendment to the accounting and disclosure requirements for transfers of financial assets. The guidance defines the term participating interest to establish specific conditions for reporting a transfer of a portion of a financial asset as a sale. If the transfer does not meet those conditions, a transferor should account for the transfer as a sale only if it transfers an entire financial asset or a group of entire financial assets and surrenders control over the entire transferred asset(s). The guidance requires that a transferor recognize and initially measure at fair value all assets obtained (including a transferor s beneficial interest) and liabilities incurred as a result of a transfer of financial assets accounted for as a sale. This Statement is effective as of the beginning of each reporting entity s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. The adoption of ASC 860 did not have a material impact on the Company s financial condition, results of operations or financial statement disclosures.

In January 2010, the FASB issued Accounting Standards Update (ASU) 2010-06 to improve disclosures about fair value measurements. This guidance requires new disclosures on transfers into and out of Level 1 and 2 measurements of the fair value hierarchy and requires separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures relating to the level of disaggregation and inputs and valuation techniques used to measure fair value. It is effective for the first reporting period (including interim periods) beginning after December 15, 2009, except for the requirement to provide the Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010. The adoption of this pronouncement did not have a material impact on the Company s financial condition, results of operations or financial statement disclosures.

In February 2010, the FASB issued ASU 2010-09, which amended the subsequent events pronouncement issued in May 2009. The amendment removed the requirement to disclose the date through which subsequent events have been evaluated. This pronouncement became effective immediately upon issuance and is to be applied prospectively. The adoption of this pronouncement did not have a material impact on the Company s financial condition, results of operations or financial statement disclosures.

In April 2010, the FASB issued ASU 2010-18, which states that modifications of loans that are accounted for within a pool under ASC 310-30 do not result in the removal of those loans from the pool even if the modification of those loans would otherwise be considered a troubled debt restructuring. An entity will continue to be required to consider whether the pool of assets in which the loan is included is impaired if expected cash flows for the pool change. The amendments do not affect the accounting for loans under the scope of ASC 310-30 that are not

accounted for within pools. Loans accounted for individually under ASC 310-30 continue to be subject to the troubled debt restructuring accounting provisions within ASC 310-40, Receivables Troubled Debt Restructurings by Creditors . The amendments are effective for modifications of loans accounted for within pools under Subtopic 310-30 occurring in the first interim or annual period ending on or after July 15, 2010. The Company does not expect that the adoption of this pronouncement will have a material impact on the Company s financial condition, results of operations or financial statement disclosures.

11. Subsequent Events

As defined in FASB ASC 855-10, Subsequent Events , subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued or available to be issued. Financial statements are considered issued when they are widely distributed to shareholders and other financial statement users for general use and reliance in a form and format that compiles with GAAP. The Company has evaluated subsequent events through November 9, 2009, which is the date that the Company s financial statements are being issued.

Based on the evaluation, the Company did not identify any recognized subsequent events that would have a required an adjustment to the financial statements.

12. Purchase and Assumption Agreement

The Company announced on March 30, 2010 that it has signed a Purchase and Assumption Agreement with Millennium bcpbank (Millennium) to acquire approximately $575 million of deposits and seventeen branch offices in New Jersey, New York and Massachusetts for a deposit premium of 0.11%. Under the purchase and assumption agreement the parties intend to enter into a Loan Purchase Agreement in which Investors will purchase a portion of Millennium s performing loan portfolio. Also, under the Purchase and Assumption Agreement, the parties will negotiate a Loan Servicing Agreement for Investors to service those loans it does not purchase. The Company is evaluating its options for the Massachusetts branch offices. This transaction has received approvals from the boards of directors of both companies, and remains subject to regulatory approval. The acquisition is expected to close during the quarter ending September 2010.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

Certain statements contained herein are not based on historical facts and are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements may be identified by reference to a future period or periods or by the use of forward-looking terminology, such as may, will, believe, expect, estimate, anticipate, continue, or similar variations on those terms, or the negative of those terms. Forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, those related to the economic environment, particularly in the market areas in which Investors Bancorp, Inc. (the Company) operates, competitive products and pricing, fiscal and monetary policies of the U.S. Government, changes in government regulations or interpretations of regulations affecting financial institutions, changes in prevailing interest rates, acquisitions and the integration of acquired

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businesses, credit risk management, asset-liability management, the financial and securities markets and the availability of and costs associated with sources of liquidity.

The Company wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. The Company wishes to advise that the factors listed above could affect the Company s financial performance and could cause the Company s actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements. The Company does not undertake and specifically declines any obligation to publicly release the result of any revisions, which may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

Critical Accounting Policies

We consider accounting policies that require management to exercise significant judgment or discretion or to make significant assumptions that have, or could have, a material impact on the carrying value of certain assets or on income, to be critical accounting policies. We consider the following to be our critical accounting policies.

Allowance for Loan Losses. The allowance for loan losses is the estimated amount considered necessary to cover credit losses inherent in the loan portfolio at the balance sheet date. The allowance is established through the provision for loan losses that is charged against income. In determining the allowance for loan losses, we make significant estimates and, therefore, have identified the allowance as a critical accounting policy. The methodology for determining the allowance for loan losses is considered a critical accounting policy by management because of the high degree of judgment involved, the subjectivity of the assumptions used, and the potential for changes in the economic environment that could result in changes to the amount of the recorded allowance for loan losses.

The allowance for loan losses has been determined in accordance with U.S. generally accepted accounting principles, under which we are required to maintain an allowance for probable losses at the balance sheet date. We are responsible for the timely and periodic determination of the amount of the allowance required. We believe that our allowance for loan losses is adequate to cover specifically identifiable losses, as well as estimated losses inherent in our portfolio for which certain losses are probable but not specifically identifiable.

Management performs a quarterly evaluation of the adequacy of the allowance for loan losses. The analysis of the allowance for loan losses has two components: specific and general allocations. Specific allocations are made for loans determined to be impaired. A loan is deemed to be impaired if it is a commercial real estate, multi-family or construction loan with an outstanding balance greater than $3.0 million and on non-accrual status. Impairment is measured by determining the present value of expected future cash flows or, for collateral-dependent loans, the fair value of the collateral adjusted for market conditions and selling expenses. The general allocation is determined by segregating the remaining loans, including those loans not meeting the Company s definition of an impaired loan, by type of loan, risk weighting (if applicable) and payment history. We also analyze historical loss experience, delinquency trends, general economic conditions, geographic concentrations, and industry and peer comparisons. This analysis establishes factors that are applied to the loan groups to determine the amount of the general allocations. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant revisions based upon changes in economic and real estate

market conditions. Actual loan losses may be significantly more than the allowance for loan losses we have established which could have a material negative effect on our financial results.

On a quarterly basis, management s Allowance for Loan Loss Committee reviews the current status of various loan assets in order to evaluate the adequacy of the allowance for loan losses. In this evaluation process, specific loans are analyzed to determine their potential risk of loss. This process includes all loans, concentrating on non-accrual and classified loans. Each non-accrual or classified loan is evaluated for potential loss exposure. Any shortfall results in a recommendation of a specific allowance if the likelihood of loss is evaluated as probable. To determine the adequacy of collateral on a particular loan, an estimate of the fair market value of the collateral is based on the most current appraised value available. This appraised value is then reduced to reflect estimated liquidation expenses.

The results of this quarterly process are summarized along with recommendations and presented to Executive and Senior Management for their review. Based on these recommendations, loan loss allowances are approved by Executive and Senior Management. All supporting documentation with regard to the evaluation process, loan loss experience, allowance levels and the schedules of classified loans are maintained by the Lending Administration Department. A summary of loan loss allowances is presented to the Board of Directors on a quarterly basis.

Our primary lending emphasis has been the origination and purchase of residential mortgage loans and commercial real estate mortgages. We also originate home equity loans and home equity lines of credit. These activities resulted in a loan concentration in residential mortgages. We also have a concentration of loans secured by real property located in New Jersey. As a substantial amount of our loan portfolio is collateralized by real estate, appraisals of the underlying value of property securing loans are critical in determining the amount of the allowance required for specific loans. Assumptions for appraisal valuations are instrumental in determining the value of properties. Overly optimistic assumptions or negative changes to assumptions could significantly impact the valuation of a property securing a loan and the related allowance determined. The assumptions supporting such appraisals are carefully reviewed by management to determine that the resulting values reasonably reflect amounts realizable on the related loans.

For commercial real estate, construction and multi-family loans, the Company obtains an appraisal for all collateral dependent loans upon origination and an updated appraisal in the event interest or principal payments are 90 days delinquent or when the timely collection of such income is considered doubtful. Thereafter, in the event the most recent appraisal does not reflect the current market conditions due to the passage of time and other factors, management will obtain an updated appraisal or make downward adjustments to the existing appraised value based on their knowledge of the property, local real estate market conditions, recent real estate transactions, and for estimated selling costs, if applicable.

For homogeneous residential mortgage loans, the Company s policy is to obtain an appraisal upon the origination of the loan and an updated appraisal in the event a loan becomes 90 days delinquent. Thereafter, the appraisal is updated every two years if the loan remains in non-performing status and the foreclosure process has not been completed. Management does not typically make adjustments to the appraised value of residential loans other than to reduce the value for estimated selling costs, if applicable.

In determining the allowance for loan losses, management believes the potential for outdated appraisals has been mitigated for impaired loans and other non-performing loans, as the loans are individually assessed to determine that the loan s carrying value is not in excess of the fair value of the collateral.

Based on the composition of our loan portfolio, we believe the primary risks are increases in interest rates, a decline in the general economy, and a decline in real estate market values in New Jersey and surrounding states. Any one or combination of these events may adversely affect our loan portfolio resulting in increased delinquencies, loan losses and future levels of loan loss provisions. We consider it important to maintain the ratio of our allowance for loan losses to total loans at an adequate level given current economic conditions, interest rates, and the composition of the portfolio.

Our allowance for loan losses reflects probable losses considering, among other things, the actual growth and change in composition of our loan portfolio, the level of our non-performing loans and our charge-off experience. We believe the allowance for loan losses reflects the inherent credit risk in our portfolio.

Although we believe we have established and maintained the allowance for loan losses at adequate levels, additions may be necessary if the current operating environment continues or deteriorates. Management uses the best information available; however, the level of the allowance for loan losses remains an estimate that is subject to significant judgment and short-term change. In addition, the Federal Deposit Insurance Corporation and the New Jersey Department of Banking and Insurance, as an integral part of their examination process, will periodically review our allowance for loan losses. Such agencies may require us to recognize adjustments to the allowance based on their judgments about information available to them at the time of their examination.

Deferred Income Taxes. The Company records income taxes in accordance with ASC 740, *Income Taxes*, as amended, using the asset and liability method. Accordingly, deferred tax assets and liabilities: (i) are recognized for the expected future tax consequences of events that have been recognized in the financial statements or tax returns; (ii) are attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases; and (iii) are measured using enacted tax rates expected to apply in the years when those temporary differences are expected to be recovered or settled. Where applicable, deferred tax assets are reduced by a valuation allowance for any portions determined not likely to be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income tax expense in the period of enactment. The valuation allowance is adjusted, by a charge or credit to income tax expense, as changes in facts and circumstances warrant.

Asset Impairment Judgments. Certain of our assets are carried on our consolidated balance sheets at cost, fair value or at the lower of cost or fair value. Valuation allowances or write-downs are established when necessary to recognize impairment of such assets. We periodically perform analyses to test for impairment of such assets. In addition to the impairment analyses related to our loans discussed above, another significant impairment analysis is the determination of whether there has been an other-than-temporary decline in the value of one or more of our securities.

Our available-for-sale portfolio is carried at estimated fair value, with any unrealized gains or losses, net of taxes, reported as accumulated other comprehensive income or loss in

stockholders equity. The Company does not intend to sell these securities and it is more likely than not that we will not be required to sell these securities before their anticipated recovery of the remaining amortized cost basis. Our held-to-maturity portfolio, consisting primarily of mortgage backed securities and other debt securities for which we have a positive intent and ability to hold to maturity, is carried at amortized cost. We conduct a periodic review and evaluation of the securities portfolio to determine if the value of any security has declined below its cost or amortized cost, and whether such decline is other-than-temporary.

Management utilizes various inputs to determine the fair value of the portfolio. To the extent they exist, unadjusted quoted market prices in active markets (level 1) or quoted prices on similar assets (level 2) are utilized to determine the fair value of each investment in the portfolio. In the absence of quoted prices and in an illiquid market, valuation techniques, which require inputs that are both significant to the fair value measurement and unobservable (level 3), are used to determine fair value of the investment. Valuation techniques are based on various assumptions, including, but not limited to cash flows, discount rates, rate of return, adjustments for nonperformance and liquidity, and liquidation values. Management is required to use a significant degree of judgment when the valuation of investments includes inputs. The use of different assumptions could have a positive or negative effect on our consolidated financial condition or results of operations.

The market values of our securities are also affected by changes in interest rates. When significant changes in interest rates occur, we evaluate our intent and ability to hold the security to maturity or for a sufficient time to recover our recorded investment balance.

If a determination is made that a debt security is other-than-temporarily impaired, the Company will estimate the amount of the unrealized loss that is attributable to credit and all other non-credit related factors. The credit related component will be recognized as an other-than-temporary impairment charge in non-interest income as a component of gain (loss) on securities, net. The non-credit related component will be recorded as an adjustment to accumulated other comprehensive income, net of tax.

Goodwill Impairment. Goodwill is presumed to have an indefinite useful life and is tested, at least annually, for impairment at the reporting unit level. Impairment exists when the carrying amount of goodwill exceeds its implied fair value. For purposes of our goodwill impairment testing, we have identified a single reporting unit. We consider the quoted market price of our common stock on our impairment testing date as an initial indicator of estimating the fair value of our reporting unit. In addition, we consider our average stock price, both before and after our impairment test date, as well as market-based control premiums in determining the estimated fair value of our reporting unit. If the estimated fair value of our reporting unit exceeds its carrying amount, further evaluation is not necessary. However, if the fair value of our reporting unit is less than its carrying amount, further evaluation is required to compare the implied fair value of the reporting unit s goodwill to its carrying amount to determine if a write-down of goodwill is required.

Valuation of Mortgage Servicing Rights (MSR). The initial asset recognized for originated MSR is measured at fair value. The fair value of MSR is estimated by reference to current market values of similar loans sold servicing released. MSR are amortized in proportion to and over the period of estimated net servicing income. We apply the amortization method for measurements of our MSR. MSR are assessed for impairment based on fair value at each reporting date. MSR impairment, if any, is recognized in a valuation allowance through charges

to earnings. Increases in the fair value of impaired MSR are recognized only up to the amount of the previously recognized valuation allowance.

We assess impairment of our MSR based on the estimated fair value of those rights with any impairment recognized through a valuation allowance. The estimated fair value of the MSR is obtained through independent third party valuations through an analysis of future cash flows, incorporating estimates of assumptions market participants would use in determining fair value including market discount rates, prepayment speeds, servicing income, servicing costs, default rates and other market driven data, including the market s perception of future interest rate movements. The allowance is then adjusted in subsequent periods to reflect changes in the measurement of impairment. All assumptions are reviewed for reasonableness on a quarterly basis to ensure they reflect current and anticipated market conditions.

The fair value of MSR is highly sensitive to changes in assumptions. Changes in prepayment speed assumptions generally have the most significant impact on the fair value of our MSR. Generally, as interest rates decline, mortgage loan prepayments accelerate due to increased refinance activity, which results in a decrease in the fair value of MSR. As interest rates rise, mortgage loan prepayments slow down, which results in an increase in the fair value of MSR. Thus, any measurement of the fair value of our MSR is limited by the conditions existing and the assumptions utilized as of a particular point in time, and those assumptions may not be appropriate if they are applied at a different point in time.

Stock-Based Compensation. We recognize the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value of those awards in accordance with ASC 718, Compensation-Stock Compensation.

We estimate the per share fair value of option grants on the date of grant using the Black-Scholes option pricing model using assumptions for the expected dividend yield, expected stock price volatility, risk-free interest rate and expected option term. These assumptions are subjective in nature, involve uncertainties and, therefore, cannot be determined with precision. The Black-Scholes option pricing model also contains certain inherent limitations when applied to options that are not traded on public markets.

The per share fair value of options is highly sensitive to changes in assumptions. In general, the per share fair value of options will move in the same direction as changes in the expected stock price volatility, risk-free interest rate and expected option term, and in the opposite direction as changes in the expected dividend yield. For example, the per share fair value of options will generally increase as expected stock price volatility increases, risk-free interest rate increases, expected option term increases and expected dividend yield decreases. The use of different assumptions or different option pricing models could result in materially different per share fair values of options.

Executive Summary

Investors Bancorp s fundamental business strategy is to be a well capitalized, full service, community bank which provides high quality customer service and competitively priced products and services to individuals and businesses in the communities we serve.

Our results of operations depend primarily on net interest income, which is directly impacted by the market interest rate environment. Net interest income is the difference between the interest

income we earn on our interest-earning assets, primarily mortgage loans and investment securities, and the interest we pay on our interest-bearing liabilities, primarily time deposits, interest-bearing transaction accounts and borrowed funds. Net interest income is affected by the shape of the market yield curve, the timing of the placement and re-pricing of interest-earning assets and interest-bearing liabilities on our balance sheet, and the prepayment rate on our mortgage-related assets. The Company s results of operations are also significantly affected by general economic conditions.

The financial services industry continues to be negatively impacted by adverse economic conditions which include mounting credit losses, illiquidity in certain areas of the capital and credit markets, depressed property values in real estate markets, and additional bank failures.

The Federal Reserve has maintained short term interest rates at historically low levels resulting in a steep yield curve. Lower short term interest rates have helped us reduce the cost of our interest-bearing liabilities contributing to a $20.8 million increase in our net interest income to $61.9 million for the three months ended March 31, 2010 from $41.2 million for the three months ended March 31, 2009.

While the interest rate environment is important to our net interest income, so is the composition of our balance sheet. The recent turmoil in the financial markets has created uncertainty and volatility for many financial institutions. This created an opportunity for us to add more loans and increase the size of our balance sheet. Net loans increased to $6.80 billion at March 31, 2010 from $6.62 billion at December 31, 2009, an increase of 2.8%. Diversification of the loan portfolio remains an important goal and during the three months ended March 31, 2010 commercial real estate loans increased $79.2 million, or 10.9%, to $809.2 million and multi-family loans increased $37.7 million, or 6.2% to $650.5 million. This may provide us with an opportunity to increase net interest income and improve our interest rate risk position. As we add more loans to our balance sheet we remain focused on maintaining our historically strict underwriting standards. We have never originated any sub-prime loans, negative amortization loans or option ARM loans.

With the continued growth in our loan portfolio and the increase in the amount of commercial real estate loans, we believe higher loan loss provisions are prudent and necessary especially in light of the current economic environment. During the three months ended March 31, 2010, we recorded a $13.1 million provision for loan losses. It is difficult to determine how the economy will fare as we are faced with a forecast of higher levels of unemployment in our lending area through the remainder of 2010. We will continue to monitor our loan portfolio carefully and maintain our conservative loan underwriting practices.

Total non-performing loans, defined as non-accruing loans, increased slightly to $124.7 million, or 1.82% of total loans at March 31, 2010, compared to $120.2 million, or 1.81% of total loans at December 31, 2009. For the quarter ended March 31, 2010, the Company recorded $5.2 million in charge-offs. Although we have resolved a number of non-performing loans, the current economic environment continues to negatively impact several large construction loan borrowers. Additionally, residential loan delinquency has risen as unemployment in our lending area has steadily increased over the past year.

The current economic conditions have had a negative impact on certain of our investment securities. Our securities portfolio includes non-agency mortgage backed securities with an amortized cost of $125.9 million and a fair value of $122.8 million. The fair values of certain of

these securities are being adversely impacted by higher loan delinquency rates, rising projected loss rates, and the securities re-pricing to lower interest rates. Our securities portfolio also includes pooled trust preferred securities, principally issued by banks and to a lesser extent insurance companies. These securities which were written down through an other-than-temporary impairment charge in the prior fiscal year, continue to be negatively impacted by an increase in payment deferrals by issuers and the absence of an orderly and liquid market. The trust preferred securities portfolio has a book value of $22.4 million and a fair value of $38.5 million. We continue to closely monitor all of these securities and will continue to evaluate them for possible other-than-temporary impairment, which could result in future non-cash charges to earnings in upcoming quarters.

During the quarter, core deposits increased $123.3 million, or 4.8%, while total deposits increased by $172.3 million to $6.01 billion at March 31, 2010. Increasing core deposits remains one of our primary goals.

We are a well capitalized bank with a tangible capital ratio of 9.6%. Given our strong capital and liquidity positions, we believe we will be able to take advantage of opportunities to grow and enhance our franchise value.

Comparison of Financial Condition at March 31, 2010 and December 31, 2009

Total Assets. Total assets increased by $390.9 million, or 4.7%, to $8.75 billion at March 31, 2010 from $8.36 billion at December 31, 2009. This increase was largely the result of a $210.9 million increase in our cash and cash equivalents at March 31, 2010 from $73.6 million at December 31, 2009 to $284.5 million at March 31, 2010 and a $180.5 million increase in net loans, including loans held for sale.

Net Loans. Net loans, including loans held for sale, increased by $180.5 million, or 2.7%, to $6.82 billion at March 31, 2010 from $6.64 billion at December 31, 2009. This increase in loans reflects our continued focus on loan originations and purchases, which was partially offset by paydowns and payoffs of loans. The loans we originate and purchase are on properties in New Jersey and states in close proximity to New Jersey. We do not originate or purchase, and our loan portfolio does not include, any sub-prime loans or option ARMs.

We originate residential mortgage loans directly and through our mortgage subsidiary, ISB Mortgage Co. During the three month period ended March 31, 2010 we originated $144.9 million in residential mortgage loans. In addition, we purchase mortgage loans from correspondent entities including other banks and mortgage bankers. Our agreements with these correspondent entities require them to originate loans that adhere to our underwriting standards. During the three month period ended March 31, 2010, we purchased loans totaling $231.1 million from these entities. We also purchase, on a bulk purchase basis, pools of mortgage loans that meet our underwriting criteria from several well-established financial institutions in the secondary market. During the three month period ended March 31, 2010, we purchased $14.8 million of residential mortgage loans on a bulk purchase basis.

Additionally, for the three month period ended March 31, 2010, we originated $40.4 million in multi-family loans, $86.9 million in commercial real estate loans, $27.0 million in construction loans, $14.5 in consumer and other loans, and $2.0 million in commercial and industrial loans. This activity is consistent with our strategy to diversify our loan portfolio by adding more multi-family and commercial real estate loans.

The Company also originates interest-only one-to four-family mortgage loans in which the borrower makes only interest payments for the first five, seven or ten years of the mortgage loan term. This feature will result in future increases in the borrower s loan repayment when the contractually required repayments increase due to the required amortization of the principal amount. These payment increases could affect the borrower s ability to repay the loan. The amount of interest-only one-to four-family mortgage loans at March 31, 2010 was $552.1 million compared to $560.7 million at December 31, 2009. The ability of borrowers to repay their obligations are dependent upon various factors including the borrowers income and net worth, cash flows generated by the underlying collateral, value of the underlying collateral and priority of the Company s lien on the property. Such factors are dependent upon various economic conditions and individual circumstances beyond the Company s control. The Company is, therefore, subject to risk of loss.

The Company maintains stricter underwriting criteria for these interest-only loans than it does for its amortizing loans. The Company believes these criteria adequately minimize the potential exposure to such risks and that adequate provisions for loan losses are provided for all known and inherent risks.

The comparative table below details non-performing loans and allowance for loan loss coverage ratios over the last four quarters.

	March 31, 2010		December 31, 2009		September 30, 2009		June 30, 2009	
	# of loans	Amount	# of loans	Amount	# of loans	Amount	# of loans	Amount
	(Dollars in millions)							
Residential and consumer	199	$ 57.1	185	$ 51.2	164	$ 41.0	112	$ 30.0
Multi-family	2	2.5	4	0.6	4	0.6	4	20.1
Commercial	9	3.5	10	3.4	9	3.4	8	2.8
Construction	22	61.6	22	65.0	22	70.5	19	68.8
Total Non-Performing Loans	232	$ 124.7	221	$ 120.2	199	$ 115.5	143	$ 121.7
Non-performing loans to total loans		1.82%		1.81%		1.82%		1.97%
Allowance for loan loss as a percent of non-performing		50.47%		45.80%		46.35%		38.30%
Allowance for loan losses as a percent of total loans		0.92%		0.83%		0.84%		0.76%

Total non-performing loans, defined as non-accruing loans, increased by $4.5 million to $124.7 million at March 31, 2010 from $120.2 million at December 31, 2009. Although we have had resolution on a number of non-performing loans, the current economic environment continues to cause financial difficulties for several large construction loans. Additionally, residential loan delinquency has risen as unemployment in our lending area has steadily increased.

At March 31, 2010 loans meeting the Company s definition of an impaired loan were primarily collateral-dependent and totaled $42.1 million of which $34.2 million of impaired loans had a related allowance for credit losses of $8.2 million and $7.9 million of impaired loans had no related allowance for credit losses. At December 31, 2009, loans meeting the Company s definition of an impaired loan were primarily collateral dependent and totaled $48.4 million, of

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which $35.7 million of impaired loans had a related allowance for credit losses of $8.9 million and $12.7 million of impaired loans had no related allowance for credit losses.

In addition to non-performing loans we continue to monitor our portfolio for potential problem loans. Potential problem loans are defined as loans about which we have concerns as to the ability of the borrower to comply with the present loan repayment terms and which may cause the loan to be placed on non-accrual status. As of March 31, 2010, there are 3 loans totaling $28.9 million that the Company has deemed as potential problem loans. Management is actively monitoring these loans.

The following table sets forth the allowance for loan losses at March 31, 2010 and December 31, 2009 allocated by loan category and the percent of loans in each category to total loans at the dates indicated. The allowance for loan losses allocated to each category is not necessarily indicative of future losses in any particular category and does not restrict the use of the allowance to absorb losses in other categories.

	March 31, 2010		**December 31, 2009**	
	Allowance for Loan Losses	**Percent of Loans in Each Category to Total Loans**	**Allowance for Loan Losses**	**Percent of Loans in Each Category to Total Loans**
	(Dollars in thousands)			
End of period allocated to:				
Residential mortgage loans	$ 16,657	70.82%	$ 13,741	71.76%
Multi-family	3,537	9.50%	3,227	9.21%
Commercial	11,451	11.82%	10,208	10.97%
Construction loans	28,714	4.97%	25,194	5.03%
Commercial and industrial	638	0.35%	558	0.35%
Consumer and other loans	413	2.54%	510	2.68%
Unallocated	1,533		1,614	
Total allowance	$ 62,943	100.00%	$ 55,052	100.00%

The allowance for loan losses increased by $7.9 million to $62.9 million at March 31, 2010 from $55.1 million at December 31, 2009. The increase in the allowance was primarily attributable to the higher current year loan loss provision which reflects the overall growth in the loan portfolio, particularly residential and commercial real estate loans; the increased inherent credit risk in our overall portfolio, particularly the credit risk associated with commercial real estate lending; the increase in non-performing loans; and the continued adverse economic environment, offset partially by net charge offs of $5.2 million.

The ratio of non-performing loans to total loans was 1.82% at March 31, 2010 compared to 1.81% at December 31, 2009. The allowance for loan losses as a percentage of non-performing loans was 50.47% at March 31, 2010 compared with 45.80% at December 31, 2009. At March 31, 2010 our allowance for loan losses as a percentage of total loans was 0.92% compared with 0.83% at December 31, 2009. Future increases in the allowance for loan losses may be necessary based on the growth of the loan portfolio, the change in composition of the loan portfolio, possible future increases in non-performing loans and charge-offs, and the possible continuation of the current adverse economic environment. Although we use the best information available, the level of allowance for loan losses remains an estimate that is subject to significant judgment and short-term change. See Critical Accounting Policies.

Securities. Securities, in the aggregate, decreased by $7.6 million, or 0.6%, to $1.18 billion at March 31, 2010, from $1.19 billion at December 31, 2009. The decrease in the portfolio was due to paydowns, calls or maturities and was partially offset by the purchase of $98.9 million of agency issued mortgage backed securities during the three months ended March 31, 2010.

Stock in the Federal Home Loan Bank, Other Assets. The amount of stock we own in the Federal Home Loan Bank (FHLB) increased by $7.9 million from $66.2 million at December 31, 2009 to $74.1 million at March 31, 2010 as a result of a increase in our level of borrowings at March 31, 2010. Other assets decreased $3.6 million as prepaid FDIC insurance decreased in relation to our FDIC insurance expense.

Deposits. Deposits increased by $172.3 million, or 3.0%, to $6.01 billion at March 31, 2010 from $5.84 billion at December 31, 2009. Core deposits increased by $123.3 million, or 4.8% and certificate of deposits increased $49.0 million, or 1.5%. Our deposit gathering efforts continue to be successful in our markets.

Borrowed Funds. Borrowed funds increased $175.0 million, or 10.9%, to $1.78 billion at March 31, 2010 from $1.60 billion at December 31, 2009.

Stockholders Equity. Stockholders equity increased $18.0 million to $868.2 million at March 31, 2010 from $850.2 million at December 31, 2009. The increase is primarily attributed to the $13.3 million net income for the period.

Average Balance Sheets for the Three Months ended March 31, 2010 and 2009

The following table presents certain information regarding Investors Bancorp, Inc. s financial condition and net interest income for the three months ended March 31, 2010 and 2009. The table presents the annualized average yield on interest-earning assets and the annualized average cost of interest-bearing liabilities. We derived the yields and costs by dividing annualized income or expense by the average balance of interest-earning assets and interest-bearing liabilities, respectively, for the periods shown. We derived average balances from daily balances over the periods indicated. Interest income includes fees that we consider adjustments to yields.

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	For the three months ended March 31,					
	2010			2009		
	Average Outstanding Balance	Interest Earned/Paid	Average Yield/Rate	Average Outstanding Balance	Interest Earned/Paid	Average Yield/Rate
			(Dollars in thousands)			
Interest-earning assets:						
Interest-bearing deposits	$ 159,194	$ 73	0.18%	$ 205,083	$ 119	0.23%
Securities available-for-sale(1)	464,673	3,203	2.76%	179,298	2,083	4.65%
Securities held-to-maturity	690,495	7,836	4.54%	960,946	13,154	5.48%
Net loans(2)	6,715,435	91,028	5.42%	5,631,836	76,723	5.45%
Stock in FHLB	74,254	928	5.00%	73,062	670	3.67%
Total interest-earning assets	8,104,051	103,068	5.09%	7,050,225	92,749	5.26%
Non-interest earning assets	386,967			258,737		
Total assets	$ 8,491,018			$ 7,308,962		
Interest-bearing Liabilities:						
Savings	$ 876,737	$ 3,429	1.56%	$ 555,319	$ 3,242	2.34%
Interest-bearing checking	729,200	1,672	0.92%	711,075	4,082	2.30%
Money market accounts	702,781	1,962	1.12%	294,927	1,558	2.11%
Certificates of deposit	3,309,288	16,697	2.02%	3,025,100	25,018	3.31%
Borrowed funds	1,781,260	17,378	3.90%	1,836,931	17,691	3.85%
Total interest-bearing liabilities	7,399,266	41,138	2.22%	6,423,352	51,591	3.21%
Non-interest bearing liabilities	237,332			134,248		
Total liabilities	7,636,598			6,557,600		
Stockholders equity	854,420			751,362		
Total liabilities and stockholders equity	$ 8,491,018			$ 7,308,962		
Net interest income		$ 61,930			$ 41,158	
Net interest rate spread(3)			2.87%			2.05%

Net interest earning assets(4)	$ 704,785		$ 626,873	
Net interest margin(5)		3.06%		2.34%
Ratio of interest-earning assets to total interest-bearing liabilities	1.10 X		1.10 X	

(1) Securities available-for-sale are stated at amortized cost, adjusted for unamortized purchased premiums and discounts.

(2) Net loans include loans held-for-sale and non-performing loans.

(3) Net interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.

(4) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.

(5) Net interest margin represents

net interest
income divided
by average total
interest-earning
assets.

Comparison of Operating Results for the Three Months Ended March 31, 2010 and 2009

Net Income. Net income was $13.3 million for the three months ended March 31, 2010 compared to net income of $7.1 million for the three months ended March 31, 2009.

Net Interest Income. Net interest income increased by $20.8 million, or 50.5%, to $61.9 million for the three months ended March 31, 2010 from $41.2 million for the three months ended March 31, 2009. The increase was caused primarily by a 99 basis point decrease in our cost of interest-bearing liabilities to 2.22% for the three months ended March 31, 2010 from 3.21% for the three months ended March 31, 2009. This was partially offset by a 17 basis point decrease in our yield on interest-earning assets to 5.09% for the three months ended March 31, 2010 from 5.26% for the three months ended March 31, 2009. Short term interest rates remaining at historically low levels resulted in many of our deposits repricing downward. This had a positive impact on our net interest margin which improved by 72 basis points from 2.34% for the three months ended March 31, 2009 to 3.06% for the three months ended March 31, 2010.

Interest and Dividend Income. Total interest and dividend income increased by $10.3 million, or 11.1%, to $103.1 million for the three months ended March 31, 2010 from $92.7 million for the three months ended March 31, 2009. This increase is attributed to the average balance of interest-earning assets increasing $1.05 billion, or 14.9%, to $8.10 billion for the three months ended March 31, 2010 from $7.05 billion for the three months ended March 31, 2009. This was partially offset by a 17 basis point decrease in the weighted average yield on interest-earning assets to 5.09% for the three months ended March 31, 2010 compared to 5.26% for the three months ended March 31, 2009.

Interest income on loans increased by $14.3 million, or 18.6%, to $91.0 million for the three months ended March 31, 2010 from $76.7 million for the three months ended March 31, 2009, reflecting a $1.08 billion, or 19.2%, increase in the average balance of net loans to $6.72 billion for the three months ended March 31, 2010 from $5.63 billion for the three months ended March 31, 2009. The increase is primarily attributed to an increase of $533.7 million and $378.9 million in the average balance of commercial real estate loans and multi-family loans, respectively, which is consistent with our strategic plan to diversify the loan portfolio. This was partially offset by a 3 basis point decrease in the average yield on loans to 5.42% for the three months ended March 31, 2010 from 5.45% for the three months ended March 31, 2009.

Interest income on all other interest-earning assets, excluding loans, decreased by $4.0 million, or 24.9%, to $12.0 million for the three months ended March 31, 2010 from $16.0 million for the three months ended March 31, 2009. This decrease reflected a 105 basis point decrease in the average yield on all other interest-earning assets, excluding loans, to 3.47% for the three months ended March 31, 2010 from 4.52% for the three months ended March 31, 2009. The decrease in yield is primarily attributed to the repricing of our adjustable rate securities and the purchase of additional securities at lower yields.

Interest Expense. Total interest expense decreased by $10.5 million, or 20.3%, to $41.1 million for the three months ended March 31, 2010 from $51.6 million for the three months ended March 31, 2009. This decrease is attributed to the weighted average cost of total interest-bearing liabilities decreasing 99 basis points to 2.22% for the three months ended March 31, 2010 compared to 3.21% for the three months ended March 31, 2009. This was partially offset by the average balance of total interest-bearing liabilities increasing by $975.9 million, or 15.2%, to $7.40 billion for the three months ended March 31, 2010 from $6.42 billion for the three months ended March 31, 2009.

Interest expense on interest-bearing deposits decreased $10.1 million, or 29.9% to $23.8 million for the three months ended March 31, 2010 from $33.9 million for the three months ended March 31, 2009. This decrease is attributed to a 127 basis point decrease in the average cost of interest-

bearing deposits to 1.69% for the three months ended March 31, 2010 from 2.96% for the three months ended March 31, 2009 as we were able to reduce the rates paid on deposits. This was partially offset by the average balance of total interest-bearing deposits increasing $1.03 billion, or 22.5% to $5.62 billion for the three months ended March 31, 2010 from $4.59 billion for the three months ended March 31, 2009. Core deposits growth represented 72.5%, or $747.4 million of the increase in the average balance of total interest-bearing deposits.

Interest expense on borrowed funds decreased by $313,000, or 1.8%, to $17.4 million for the three months ended March 31, 2010 from $17.7 million for the three months ended March 31, 2009. This decrease is attributed to the average balance of borrowed funds decreasing by $55.7 million or 3.0%, to $1.78 billion for the three months ended March 31, 2010 from $1.84 billion for the three months ended March 31, 2009. This was partially offset by the average cost of borrowed funds increasing 5 basis points to 3.90% for the three months ended March 31, 2010 from 3.85% for the three months ended March 31, 2009 as we extended some of our borrowings.

Provision for Loan Losses. The provision for loan losses was $13.1 million for the three months ended March 31, 2010 compared to $8.0 million for the three months ended March 31, 2009. Net charge-offs were $5.2 million for the three months ended March 31, 2010 compared to eight thousand for the three months ended March 31, 2009. See discussion of the allowance for loan losses and non-accrual loans in *Comparison of Financial Condition at March 31, 2010 and December 31, 2009.*

Non-interest Income. Total non-interest income was $3.9 million for the three months ended March 31, 2010 compared to $3.4 million for the three months ended March 31, 2009. The increase is primarily attributed to a $684,000 increase in fees and service charges to $1.6 million and a $265,000 increase in the cash surrender value of bank owned life insurance to $521,000 for the three months ended March 31, 2010. This was partially offset by a $416,000 decrease on gain on loan sales to $1.7 million for the three months ended March 31, 2010, attributed to less refinancing activity during the current quarter compared to the prior year quarter, resulting in fewer sales to the secondary market.

Non-interest Expenses. Total non-interest expenses increased by $6.0 million, or 24.4%, to $30.4 million for the three months ended March 31, 2010 from $24.5 million for the three months ended March 31, 2009. Compensation and fringe benefits increased $1.5 million as a result of staff additions in our retail banking areas due to the acquisition of American Bancorp of New Jersey in May 2009 and the Banco Popular branch acquisition in October 2009, staff additions in our mortgage company and commercial real estate lending department, as well as normal merit increases. The FDIC insurance premiums increased $1.4 million as a result of an increase in our deposits and an increase in the FDIC premium rate. Occupancy expense increased $1.4 million as a result of the costs associated with expanding our branch network.

Income Taxes. Income tax expense was $9.1 million for the three months ended March 31, 2010, representing a 40.55% effective tax rate. For the three months ended March 31, 2009, there was an income tax expense of $5.0 million representing a 41.6% effective tax rate

Liquidity and Capital Resources

The Company s primary sources of funds are deposits, principal and interest payments on loans and mortgage-backed securities, proceeds from the sale of loans, Federal Home Loan Bank (FHLB) and other borrowings and, to a lesser extent, investment maturities. While scheduled amortization of

loans is a predictable source of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions and competition. The Company has other sources of liquidity if a need for additional funds arises, including an overnight line of credit and other borrowings from the FHLB and other correspondent banks.

At March 31, 2010 and December 31, 2009 the Company had no overnight borrowings outstanding. The Company utilizes the overnight line from time to time to fund short-term liquidity needs. The Company had total borrowings of $1.78 billion at March 31, 2010, an increase from $1.60 billion at December 31, 2009.

In the normal course of business, the Company routinely enters into various commitments, primarily relating to the origination of loans. At March 31, 2010, outstanding commitments to originate loans totaled $412.5 million; outstanding unused lines of credit totaled $405.7 million; standby letters of credit totaled $4.8 million and outstanding commitments to sell loans totaled $51.0 million. The Company expects to have sufficient funds available to meet current commitments in the normal course of business.

Time deposits scheduled to mature in one year or less totaled $2.31 billion at March 31, 2010. Based upon historical experience management estimates that a significant portion of such deposits will remain with the Company.

The Board of Directors approved a third share repurchase program at their January 2008 meeting, which authorizes the repurchase of an additional 10% of the Company s outstanding common stock. The third share repurchase program commenced upon completion of the first program on May 7, 2008. Under this program, up to 10% of its publicly held outstanding shares of common stock, or 4,307,248 shares of Investors Bancorp, Inc. common stock may be purchased in the open market and through other privately negotiated transactions in accordance with applicable federal securities laws. During the three month period ended March 31, 2010, the Company repurchased 50,500 shares of its common stock. Under the current share repurchase program, 2,828,304 shares remain available for repurchase. As March 31, 2010, a total of 11,582,365 shares have been purchased under Board authorized share repurchase programs, of which 2,428,701 shares were allocated to fund the restricted stock portion of the Company s 2006 Equity Incentive Plan. The remaining shares are held for general corporate use.

As of March 31, 2010 the Bank exceeded all regulatory capital requirements as follows:

	As of March 31, 2010			
	Actual		Required	
	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)			
Total capital (to risk-weighted assets)	$ 828,661	15.8%	$ 419,009	8.0%
Tier I capital (to risk-weighted assets)	765,718	14.6	209,504	4.0
Tier I capital (to average assets)	765,718	9.1	337,495	4.0

Off-Balance Sheet Arrangements and Contractual Obligations

In the normal course of operations, the Company engages in a variety of financial transactions that, in accordance with generally accepted accounting principles, are not recorded in the financial statements. These transactions primarily relate to lending commitments.

The following table shows the contractual obligations of the Company by expected payment period as of March 31, 2010:

Contractual Obligations	Total	Less than One Year	One-Two Years	Two-Three Years	More than Three Years
Debt obligations (excluding capitalized leases)	$ 1,775,535	330,000	610,000	240,535	595,000
Commitments to originate and purchase loans	$ 412,472	412,472			
Commitments to sell loans	$ 50,982	50,982			

Additionally, March 31, 2010, the Company s commitments to fund unused lines of credit totaled $405.7 million.
Debt obligations include borrowings from the FHLB and other borrowings. The borrowings have defined terms and, under certain circumstances, $665.0 million of the borrowings are callable at the option of the lender.
Commitments to originate loans and commitments to fund unused lines of credit are agreements to lend additional funds to customers as long as there have been no violations of any of the conditions established in the agreements. Commitments generally have a fixed expiration or other termination clauses which may or may not require a payment of a fee. Since some of these loan commitments are expected to expire without being drawn upon, total commitments do not necessarily represent future cash requirements.
In addition to the contractual obligations previously discussed, we have other liabilities and capitalized and operating lease obligations. The Company has also entered into an advance with the FHLB to borrow $100.0 million beginning on May 28, 2010 at a rate of 3.70% to be repaid after a period of 5 years. These contractual obligations as of March 31, 2010 have not changed significantly from December 31, 2009.
For further information regarding our off-balance sheet arrangements and contractual obligations, see Part II, Item 6, Management s Discussion and Analysis of Financial Condition and Results of Operations, in our December 31, 2009 Annual Report on Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Qualitative Analysis. We believe our most significant form of market risk is interest rate risk. Interest rate risk results from timing differences in the maturity or re-pricing of our assets, liabilities and off-balance sheet contracts (i.e., loan commitments); the effect of loan prepayments, deposits and withdrawals; the difference in the behavior of lending and funding rates arising from the uses of different indices; and yield curve risk arising from changing interest rate relationships across the spectrum of maturities for constant or variable credit risk investments. Besides directly affecting our net interest income, changes in market interest rates can also affect the amount of new loan originations, the ability of borrowers to repay variable rate loans, the volume of loan prepayments and refinancings, the carrying value of securities classified as available for sale and the mix and flow of deposits.
The general objective of our interest rate risk management is to determine the appropriate level of risk given our business model and then manage that risk in a manner consistent with our policy to reduce, to the extent possible, the exposure of our net interest income to changes in

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market interest rates. Our Interest Rate Risk Committee, which consists of senior management, evaluates the interest rate risk inherent in certain assets and liabilities, our operating environment and capital and liquidity requirements and modifies our lending, investing and deposit gathering strategies accordingly. On a quarterly basis, our Board of Directors reviews the Interest Rate Risk Committee report, the aforementioned activities and strategies, the estimated effect of those strategies on our net interest margin and the estimated effect that changes in market interest rates may have on the economic value of our loan and securities portfolios, as well as the intrinsic value of our deposits and borrowings.

We actively evaluate interest rate risk in connection with our lending, investing and deposit activities. Historically, our lending activities have emphasized one- to four-family fixed- and variable- rate first mortgages. Our variable-rate mortgage related assets have helped to reduce our exposure to interest rate fluctuations and is expected to benefit our long-term profitability, as the rate earned in the mortgage loans will increase as prevailing market rates increase. However, the current interest rate environment, and the preferences of our customers, has resulted in more of a demand for fixed-rate products. This may adversely impact our net interest income, particularly in a rising rate environment. To help manage our interest rate risk, we have increased our focus on the origination of commercial real estate mortgage loans and adjustable-rate construction loans. In addition, we primarily invest in shorter-to-medium duration securities, which generally have shorter average lives and lower yields compared to longer term securities. Shortening the average lives of our securities, along with originating more adjustable-rate mortgages and commercial real estate mortgages, will help to reduce interest rate risk.

We retain two independent, nationally recognized consulting firms who specialize in asset and liability management to complete our quarterly interest rate risk reports. They use a combination of analyses to monitor our exposure to changes in interest rates. The economic value of equity analysis is a model that estimates the change in net portfolio value (NPV) over a range of immediately changed interest rate scenarios. NPV is the discounted present value of expected cash flows from assets, liabilities, and off-balance sheet contracts. In calculating changes in NPV, assumptions estimating loan prepayment rates, reinvestment rates and deposit decay rates that seem most likely based on historical experience during prior interest rate changes are used.

The net interest income analysis uses data derived from a dynamic asset and liability analysis, described below, and applies several additional elements, including actual interest rate indices and margins, contractual limitations and the U.S. Treasury yield curve as of the balance sheet date. In addition we apply consistent parallel yield curve shifts (in both directions) to determine possible changes in net interest income if the theoretical yield curve shifts occurred gradually. Net interest income analysis also adjusts the dynamic asset and liability repricing analysis based on changes in prepayment rates resulting from the parallel yield curve shifts.

Our dynamic asset and liability analysis determines the relative balance between the repricing of assets and liabilities over multiple periods of time (ranging from overnight to five years). This dynamic asset and liability analysis includes expected cash flows from loans and mortgage-backed securities, applying prepayment rates based on the differential between the current interest rate and the market interest rate for each loan and security type. This analysis identifies mismatches in the timing of asset and liability but does not necessarily provide an accurate indicator of interest rate risk because the assumptions used in the analysis may not reflect the actual response to market changes.

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Quantitative Analysis. The table below sets forth, as of March 31, 2010 the estimated changes in our NPV and our annual net interest income that would result from the designated changes in the interest rates. Such changes to interest rates are calculated as an immediate and permanent change for the purposes of computing NPV and a gradual change over a one year period for the purposes of computing net interest income. Computations of prospective effects of hypothetical interest rate changes are based on numerous assumptions including relative levels of market interest rates, loan prepayments and deposit decay, and should not be relied upon as indicative of actual results. We did not estimate changes in NPV or net interest income for an interest rate decrease of greater than 100 basis points or increase of greater than 200 basis points.

	Net Portfolio Value (1),(2)			Net Interest Income (3)		
Change in Interest Rates (basis points)	Estimated NPV	Estimated Increase (Decrease) Amount	Percent	Estimated Net Interest Income	Increase (Decrease) in Estimated Net Interest Income Amount	Percent
			(Dollars in thousands)			
+200bp	$ 739,962	$(354,591)	(32.4)%	261,199	$(10,992)	(4.0)%
0bp	$1,094,553			272,191		
-100bp	$1,093,567	$ (986)	(0.1)%	275,210	$ 3,019	1.1%

(1) NPV is the discounted present value of expected cash flows from assets, liabilities and off-balance sheet contracts.

(2) Assumes an instantaneous uniform change in interest rates at all maturities.

(3) Assumes a gradual change in interest rates over a one year period at all maturities

The table set forth above indicates at March 31, 2010 in the event of a 200 basis points increase in interest rates, we would be expected to experience a 32.4% decrease in NPV and an $11.0 million or 4.0% decrease in annual net interest income. In the event of a 100 basis points decrease in interest rates, we would be expected to experience a 0.1% decrease in NPV and a $3.0 million or 1.1% increase in annual net interest income. These data do not reflect any future actions we may take in response to changes in interest rates, such as changing the mix of our assets and liabilities, which could change the results of the NPV and net interest income calculations.

As mentioned above, we retain two nationally recognized firms to compute our quarterly interest rate risk reports. Although we are confident of the accuracy of the results, certain shortcomings are inherent in any methodology used in the above interest rate risk measurements. Modeling changes in NPV and net interest income require certain

assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. The NPV and net interest income table presented above assumes the composition of our interest-rate sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and, accordingly, the data do not reflect any actions we may take in response to changes in interest rates. The table also assumes a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration to maturity or the repricing characteristics of specific assets and liabilities. Accordingly, although the NPV and net interest income table provide an indication of our sensitivity to interest rate changes at a particular point in time, such measurement is not intended to and does not provide a precise forecast of the effects of changes in market interest rates on our NPV and net interest income.

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Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, the Principal Executive Officer and Principal Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

There were no changes made in the Company s internal controls over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

Part II Other Information

Item 1. Legal Proceedings

The Company and its subsidiaries are subject to various legal actions arising in the normal course of business. In the opinion of management, the resolution of these legal actions is not expected to have a material adverse effect on the Company s financial condition or results of operations.

Item 1A. Risk Factors

There have been no material changes in the Risk Factors disclosed in the Company s December 31, 2010 Annual Report on Form 10-K filed with the Securities and Exchange Commission.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table reports information regarding repurchases of our common stock during quarter ended March 31, 2010 and the stock repurchase plan approved by our Board of Directors.

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Period	Total Number of Shares Purchased	Average price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)
January 1, 2010 through January 31, 2010		$ 0.00		2,878,804
February 1, 2010 through February 28, 2010	40,500	11.71	40,500	2,838,304
March 1, 2010 through March 31, 2010	10,000	13.39	10,000	2,828,304
Total	50,500	$ 12.04	50,500	

(1) On January 22, 2008, the Company announced its third Share Repurchase Program, which authorized the purchase of an additional 10% of its publicly-held outstanding shares of common stock, or 4,307,248 shares. This stock repurchase program commenced upon the completion of the second program on May 7, 2008. This program has no expiration date and has

2,828,304
shares yet to be
purchased as of
March 31, 2010.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. [Reserved]

Item 5. Other Information

Not applicable

Item 6. Exhibits

The following exhibits are either filed as part of this report or are incorporated herein by reference:

3.1 Certificate of Incorporation of Investors Bancorp, Inc.*

3.2 Bylaws of Investors Bancorp, Inc.*

4 Form of Common Stock Certificate of Investors Bancorp, Inc.*

10.1 Form of Employment Agreement between Investors Bancorp, Inc. and certain executive officers*

10.2 Form of Change in Control Agreement between Investors Bancorp, Inc. and certain executive officers *

10.3 Investors Savings Bank Director Retirement Plan*

10.4 Investors Savings Bank Supplemental Retirement Plan*

10.5 Investors Bancorp, Inc. Supplemental Wage Replacement Plan*

10.6 Investors Savings Bank Deferred Directors Fee Plan*

10.7 Investors Bancorp, Inc. Deferred Directors Fee Plan*

10.8 Executive Officer Annual Incentive Plan**

10.9 Agreement and Plan of Merger by and Between Investors Bancorp, Inc and American Bancorp of New Jersey, Inc.***

14 Code of Ethics****

21 Subsidiaries of Registrant*

23.1 Consent of Independent Registered Public Accounting Firm

31.1 Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Principal Financial and Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32 Certification of Principal Executive Officer and Principal Financial and Accounting Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Incorporated by reference to the Registration Statement on Form S-1 of Investors Bancorp, Inc. (file no. 333-125703), originally filed with the Securities and Exchange Commission on June 10, 2005.

** Incorporated by reference to Appendix A of the Company s definitive proxy statement filed with the

Securities and Exchange Commission on September 26, 2008.

*** Incorporated by reference to Form 8-Ks originally filed with the Securities and Exchange Commission on December 15, 2008 and March 18, 2009.

**** Available on our website *www.isbnj.com*

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	Investors Bancorp, Inc.
Dated: May 10, 2010	/s/ Kevin Cummings Kevin Cummings President and Chief Executive Officer (Principal Executive Officer)
Dated: May 10, 2010	/s/ Thomas F. Splaine, Jr. Thomas F. Splaine, Jr. Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)