

Investors Bancorp Inc  
Form 10-Q  
November 09, 2007

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

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

**For the quarterly period ended: September 30, 2007**

**Commission file number: 0-51557**

**Investors Bancorp, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or  
organization)

**22-3493930**

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

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

(Address of principal executive offices)

**(973) 924-5100**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all the reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such report), and (2) has been subject to such filing requirements for the past 90 days. YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, 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 Yes  No  Accelerated Filer Yes  No  Non-Accelerated Filer Yes  No

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

As of October 31, 2007 there were 110,053,252 shares of the Registrant's common stock, par value \$0.01 per share, outstanding, of which 63,099,781 shares, or 57.33% of the Registrant's outstanding common stock, were held by Investors Bancorp, MHC, the Registrant's mutual holding company.

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Consolidated Balance Sheets

September 30, 2007 (Unaudited) and June 30, 2007

	<b>September 30, 2007</b>	<b>June 30, 2007</b>
	(In thousands)	
<b>Assets</b>		
Cash and cash equivalents	\$ 23,802	24,810
Securities available-for-sale, at estimated fair value	237,088	251,970
Securities held-to-maturity, net (estimated fair value of \$1,433,098 and \$1,472,385 at September 30, 2007 and June 30, 2007, respectively)	1,465,466	1,517,664
Loans receivable, net	3,862,504	3,589,373
Loans held-for-sale	8,662	3,410
Stock in the Federal Home Loan Bank	46,104	33,887
Accrued interest receivable	27,214	24,300
Office properties and equipment, net	27,258	27,155
Net deferred tax asset	39,941	39,399
Bank owned life insurance contract	88,950	88,018
Other assets	1,140	1,102
<b>Total assets</b>	<b>\$ 5,828,129</b>	<b>5,601,088</b>
<b>Liabilities and Stockholders Equity</b>		
<b>Liabilities:</b>		
Deposits	\$ 3,728,419	3,664,966
Borrowed funds	1,210,202	1,038,710
Advance payments by borrowers for taxes and insurance	18,545	17,671
Other liabilities	38,580	36,376
<b>Total liabilities</b>	<b>4,995,746</b>	<b>4,757,723</b>
<b>Stockholders equity:</b>		
Preferred stock, \$0.01 par value, 50,000,000 authorized shares; none issued		
Common stock, \$0.01 par value, 200,000,000 shares authorized; 116,275,688 issued; 110,073,752 and 111,468,952 outstanding at September 30, 2007 and June 30, 2007, respectively	532	532
Additional paid-in capital	508,501	506,016
Retained earnings	456,903	453,751
Treasury stock, at cost; 6,201,936 and 4,806,736 shares at September 30, 2007 and June 30, 2007, respectively	(89,236)	(70,973)
Unallocated common stock held by the employee stock ownership plan	(38,641)	(38,996)
Accumulated other comprehensive loss	(5,676)	(6,965)

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Total stockholders' equity	832,383	843,365
Total liabilities and stockholders' equity	\$ 5,828,129	5,601,088

See accompanying notes to consolidated financial statements

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## Consolidated Statements of Income

(Unaudited)

	<b>For the Three Months Ended September 30,</b>	
	<b>2007</b>	<b>2006</b>
	(Dollars in thousands, except per share data)	
Interest and dividend income:		
Loans receivable and loans held-for-sale	\$ 52,966	41,912
Securities:		
Government-sponsored enterprise obligations	1,337	1,339
Mortgage-backed securities	16,656	22,053
Equity securities available-for-sale		455
Municipal bonds and other debt	3,096	2,406
Interest-bearing deposits	160	169
Federal Home Loan Bank stock	593	697
 Total interest and dividend income	 74,808	 69,031
 Interest expense:		
Deposits	39,302	30,750
Secured borrowings	14,103	15,814
 Total interest expense	 53,405	 46,564
 Net interest income	 21,403	 22,467
Provision for loan losses	200	225
 Net interest income after provision for loan losses	 21,203	 22,242
 Other income:		
Fees and service charges	711	660
Income on bank owned life insurance contract	932	795
Gain on sales of mortgage loans, net	81	83
Other income	64	21
 Total other income	 1,788	 1,559
 Operating expenses:		
Compensation and fringe benefits	12,990	10,300
Advertising and promotional expense	502	900
Office, occupancy and equipment expense	2,548	2,423
Federal insurance premiums	105	110
Stationery, printing, supplies and telephone	401	393
Legal, audit, accounting, and supervisory examination fees	429	790
Data processing service fees	1,010	936
Other operating expenses	1,012	1,235

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Total operating expenses	18,997	17,087
Income before income tax expense	3,994	6,714
Income tax expense	1,142	2,363
Net income	\$ 2,852	4,351
Earnings per share basic and diluted	\$ 0.03	0.04
Weighted average shares outstanding		
Basic	106,732,844	112,246,699
Diluted	106,880,099	112,246,699
See accompanying notes to consolidated financial statements.		

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Consolidated Statements of Stockholders Equity

Three months ended September 30, 2007 and 2006

(Unaudited)

	<b>Common stock</b>	<b>Additional paid-in capital</b>	<b>Retained earnings</b>	<b>Treasury stock (In thousands)</b>	<b>Unallocated Common Stock Held by ESOP</b>	<b>Accumulated other comprehensive loss</b>	<b>Total stockholders equity</b>
Balance at June 30, 2006	\$ 532	524,962	426,233		(40,414)	(11,126)	900,187
Comprehensive income:							
Net income			4,351				4,351
Unrealized gain on securities available-for-sale, net of tax expense of \$2,944						4,490	4,490
Total comprehensive income							8,841
Cumulative effect of change in accounting principle			5,564				5,564
ESOP shares allocated or committed to be released		143			355		498
Balance at September 30, 2006	\$ 532	525,105	436,148		(40,059)	(6,636)	915,090
Balance at June 30, 2007	\$ 532	506,016	453,751	(70,973)	(38,996)	(6,965)	843,365
Comprehensive income:							
Net income			2,852				2,852
Unrealized gain on securities available-for-sale, net of tax expense of						1,289	1,289

\$891

Total comprehensive income							4,141
Cummulative effect adjustment upon adoption of FIN 48			300				300
Purchase of treasury stock (1,395,200 shares)				(18,263)			(18,263)
Compensation cost for stock options and restricted stock		2,361					2,361
ESOP shares allocated or committed to be released		124			355		479
Balance at September 30, 2007	\$ 532	508,501	456,903	(89,236)	(38,641)	(5,676)	832,383

See accompanying notes to consolidated financial statements.

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

	<b>For the Three Months Ended September 30,</b>	
	<b>2007</b>	<b>2006</b>
	(In thousands)	
Cash flows from operating activities:		
Net income	\$ 2,852	4,351
Adjustments to reconcile net income to net cash used in operating activities:		
ESOP and stock-based compensation expense	2,840	498
Amortization of premiums and accretion of discounts on securities, net	315	485
Amortization of premium and accretion of fees and costs on loans, net	442	569
Provision for loan losses	200	225
Depreciation and amortization of office properties and equipment	667	667
Mortgage loans originated for sale	(16,214)	(10,194)
Proceeds from mortgage loan sales	11,043	8,837
Gain on sales of mortgage loans, net	(81)	(83)
Increase in bank owned life insurance contract	(932)	(795)
Increase in accrued interest receivable	(2,914)	(2,737)
Deferred tax benefit	(1,433)	(820)
(Increase) decrease in other assets	(38)	89
Increase (decrease) in other liabilities	2,504	(2,262)
 Total adjustments	 (3,601)	 (5,521)
 Net cash used in operating activities	 (749)	 (1,170)
 Cash flows from investing activities:		
Purchases of loans receivable	(234,629)	(240,366)
Net (originations) repayments of loans receivable	(39,144)	8,635
Purchases of mortgage-backed securities held-to-maturity		(5,317)
Purchases of debt securities held-to-maturity	(10,000)	
Proceeds from paydowns/maturities on mortgage-backed securities held-to-maturity	61,639	84,459
Proceeds from calls/maturities on debt securities held-to-maturity	210	14
Proceeds from paydowns/maturities on mortgage-backed securities available-for-sale	17,096	28,146
Proceeds from redemptions of Federal Home Loan Bank stock	3,803	8,932
Purchases of Federal Home Loan Bank stock	(16,020)	(11,700)
Purchases of office properties and equipment	(770)	(202)
 Net cash used in investing activities	 (217,815)	 (127,399)

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Cash flows from financing activities:

Net increase in deposits	63,453	54,615
Net increase (decrease) in funds borrowed under short-term repurchase agreements	379,500	(150,000)
Proceeds from funds borrowed under other repurchase agreements	75,000	125,000
Repayments of funds borrowed under other repurchase agreements	(50,000)	
Net (decrease) increase in other borrowings	(233,008)	86,492
Net increase in advance payments by borrowers for taxes and insurance	874	713
Purchase of treasury stock	(18,263)	
Net cash provided by financing activities	217,556	116,820
Net decrease in cash and cash equivalents	(1,008)	(11,749)
Cash and cash equivalents at beginning of period	24,810	39,824
Cash and cash equivalents at end of period	\$ 23,802	28,075

Supplemental cash flow information:

Cash paid during the period for:		
Interest	52,047	44,599
Income taxes	343	3,258
See accompanying notes to consolidated financial statements.		

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## Notes to Consolidated Financial Statements

**1. Basis of Presentation**

The consolidated financial statements are composed 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 significant subsidiaries, ISB Mortgage Company LLC and ISB Asset Corporation.

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 September 30, 2007 are not necessarily indicative of the results of operations that may be expected for the fiscal year ending June 30, 2008.

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 June 30, 2007 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 September 30,					
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
			(In thousands, except per share data)			
Net Income	\$ 2,852		\$ 4,351			
Basic earnings per share:						
Income available to common stockholders	\$ 2,852	106,732,844	\$ 0.03	\$ 4,351	112,246,699	\$ 0.04
Effect of dilutive common stock equivalents		147,255				
Diluted earnings per share:						
Income available to common stockholders	\$ 2,852	106,880,099	\$ 0.03	\$ 4,351	112,246,699	\$ 0.04

**Table of Contents****3. Loans Receivable, Net**

Loans receivable, net are summarized as follows:

	<b>September 30, 2007</b>	<b>June 30, 2007</b>
	(In thousands)	
Residential mortgage loans	\$ 3,372,015	3,153,212
Multi-family and commercial	125,946	107,350
Construction loans	178,793	152,670
Consumer and other loans	169,001	161,395
 Total loans	 3,845,755	 3,574,627
Premiums on purchased loans	25,793	23,587
Deferred loan fees, net	(1,932)	(1,924)
Allowance for loan losses	(7,112)	(6,917)
 Net loans	 \$ 3,862,504	 3,589,373

**4. Deposits**

Deposits are summarized as follows:

	<b>September 30, 2007</b>	<b>June 30, 2007</b>
	(In thousands)	
Savings accounts	\$ 311,105	320,880
Checking accounts	385,277	388,215