Investors Bancorp Inc
Form 10-Q
August 09, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: **June 30, 2011**

Commission file number: **0-51557**

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

Delaware	**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 _X_ NO ___

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [X]	Accelerated filer [ ]
Non-accelerated filer [ ] (Do not check if smaller reporting company)	Smaller reporting company [ ]

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

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 _X_ No ___

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

Investors Bancorp, Inc.
FORM 10-Q

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INVESTORS BANCORP, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
June 30, 2011(unaudited) and December 31, 2010

		June 30, 2011	December 31, 2010
		(In thousands)	
Assets			
Cash and cash equivalents	$	92,811	76,224
Securities available-for-sale, at estimated fair value		743,348	602,733
Securities held-to-maturity, net (estimated fair value of $385,272 and $514,223 at June 30, 2011 and December 31, 2010, respectively)		349,963	478,536
Loans receivable, net		8,479,958	7,917,705
Loans held-for-sale		19,966	35,054
Stock in the Federal Home Loan Bank		118,317	80,369
Accrued interest receivable		40,405	40,541
Other real estate owned		225	976
Office properties and equipment, net		58,507	56,927
Net deferred tax asset		132,162	128,210
Bank owned life insurance		111,567	117,039
Intangible assets		39,380	39,004
Other assets		19,594	28,813
Total assets	$	10,206,203	9,602,131
Liabilities and Stockholders Equity			
Liabilities:			
Deposits	$	6,826,923	6,774,930
Borrowed funds		2,335,500	1,826,514
Advance payments by borrowers for taxes and insurance		42,369	34,977
Other liabilities		61,757	64,431
Total liabilities		9,266,549	8,700,852
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; 112,715,926 and 112,851,127 outstanding at June 30, 2011 and December 31, 2010, respectively		532	532
Additional paid-in capital		532,294	533,720
Retained earnings		520,547	483,269
Treasury stock, at cost; 5,304,354 and 5,169,153 shares at June 30, 2011 and December 31, 2010, respectively		(63,628)	(62,033)
Unallocated common stock held by the employee stock ownership plan		(33,324)	(34,033)

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

See accompanying notes to consolidated financial statements.

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INVESTORS BANCORP, INC. AND SUBSIDIARIES

Consolidated Statements of Operations
(Unaudited)

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

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

See accompanying notes to consolidated financial statements.

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INVESTORS BANCORP, INC. & SUBSIDIARIES
Consolidated Statements of Stockholders Equity
Six months ended June 30, 2011 and 2010
(Unaudited)

		Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Unallocated Common Stock Held by ESOP	Accumulated Other Comprehensive Loss	Total Stockholde Equity
					(In thousands)			
ance at December 31, 09	$	532	530,133	422,211	(44,810)	(35,451)	(22,402)	850,21
mprehensive income:								
t income				28,586				28,58
ange in funded status retirement obligations, of tax expense of $68							99	9
realized gain on urities available- -sale, net of tax pense of $3,375							5,191	5,19
her-than-temporary pairment accretion on t securities, net of tax pense of $353							511	51
al comprehensive ome								34,38
chase of treasury ck (50,500 shares)					(608)			(60
asury stock allocated estricted stock plan			(6,272)	(961)	7,233			
mpensation cost for ck options and tricted stock			4,806					4,80
OP shares allocated or nmitted to be released			207		2	709		91
ance at June 30, 2010	$	532	528,874	449,836	(38,183)	(34,742)	(16,601)	889,71
ance at December 31, 0	$	532	533,720	483,269	(62,033)	(34,033)	(20,176)	901,27
mprehensive income:								
t income				37,837				37,83

ange in funded status retirement obligations, of tax expense of $70							102	10
realized gain on urities available- sale, net of tax pense of $2,339							3,562	3,56
classification ustment for losses luded in net income, of tax benefit of $477							(691)	(69
ner-than-temporary pairment accretion on t securities, net of tax pense of $301							436	43
al comprehensive ome								41,24
chase of treasury ck (635,201 shares)					(8,742)			(8,74
asury stock allocated estricted stock plan			(6,588)	(559)	7,147			
mpensation cost for ck options and tricted stock			4,872					4,87
OP shares allocated or nmitted to be released			290			709		99
ance at June 30, 2011	$	532	532,294	520,547	(63,628)	(33,324)	(16,767)	939,65

See accompanying notes to consolidated financial statements.

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

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

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

See accompanying notes to consolidated financial statements.

INVESTORS BANCORP, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

1. Basis of Presentation

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

In the opinion of management, all the adjustments (consisting of normal and recurring adjustments) necessary for the fair presentation of the consolidated financial condition and the consolidated results of operations for the unaudited periods presented have been included. The results of operations and other data presented for the three and six-month period ended June 30, 2011 are not necessarily indicative of the results of operations that may be expected for subsequent periods.

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

2. Business Combinations

On October 15, 2010, the Company completed the acquisition of Millennium bcpbank (Millennium) deposit franchise. In this transaction the Company acquired approximately $600 million of deposits and seventeen branch offices in New Jersey, New York and Massachusetts for a deposit premium of 0.11%. The acquisition was accounted for under the acquisition method of accounting as prescribed by ASC 805,   Business Combinations,   as amended. The transaction resulted in a bargain purchase gain of $1.8 million, net of tax. In a separate transaction the Company purchased a portion of Millennium s performing loan portfolio and entered into a Loan Servicing Agreement to service those loans it did not purchase. Upon acquisition, the Company entered into a definitive agreement with a third party to sell the four Massachusetts branch offices with deposits of $65 million, for a premium of 0.11%. The sale of these branches closed on May 6, 2011 resulting in a gain of $72,000.

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3. 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 June 30,					
	2011			2010		
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
	(Dollars in thousands, except per share data)					
Net Income	$ 19,623			$ 15,276		
Basic earnings per share: Income available to common stockholders	$ 19,623	108,482,969	$ 0.18	$ 15,276	110,160,916	$ 0.14
Effect of dilutive common stock equivalents		247,331			235,942	
Diluted earnings per share: Income available to common stockholders	$ 19,623	108,730,300	$ 0.18	$ 15,276	110,396,858	$ 0.14

For the three months ended June 30, 2011 and June 30, 2010 there were 4.3 million and 4.9 million equity awards, respectively, that could potentially dilute basic earnings per share in the future that were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive for the periods presented.

	For the Six Months Ended June 30,					
	2011			2010		
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
	(Dollars in thousands, except per share data)					
Net Income	$ 37,837			$ 28,586		
Basic earnings per share: Income available to common stockholders	$ 37,837	108,525,151	$ 0.35	$ 28,586	110,153,944	$ 0.26
Effect of dilutive common stock equivalents		171,210			122,520	

Diluted earnings per share:						
Income available to common stockholders	$ 37,837	108,696,361	$ 0.35	$ 28,586	110,276,464	$ 0.26

For the six months ended June 30, 2011 and June 30, 2010, there were 4.9 million and 5.6 million equity awards, respectively, that could potentially dilute basic earnings per share in the future that were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive for the periods presented.

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4. Securities

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

		June 30, 2011			
		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
		(In thousands)			
Available-for-sale:					
Equity securities	$	2,053	415		2,468
Mortgage-backed securities:					
Federal Home Loan Mortgage Corporation		333,336	3,053	2,059	334,330
Federal National Mortgage Association		379,968	5,114	584	384,498
Government National Mortgage Association		8,200	215		8,415
Non-agency securities		13,340	297		13,637
Total mortgage-backed securities available-for-sale		734,844	8,679	2,643	740,880
Total available-for-sale		736,897	9,094	2,643	743,348
Held-to-maturity:					
Debt securities:					
Government-sponsored enterprises		187	1		188
Municipal bonds		10,397	437		10,834
Corporate and other debt securities		25,097	22,157	2,042	45,212
Total debt securities held-to-maturity		35,681	22,595	2,042	56,234
Mortgage-backed securities:					
Federal Home Loan Mortgage Corporation		150,297	6,435	317	156,415
Federal National Mortgage Association		128,417	8,074		136,491
Government National Mortgage Association		1,470	24		1,494
Federal housing authorities		2,204	105		2,309
Non-agency securities		31,894	464	29	32,329
Total mortgage-backed securities held-to-maturity		314,282	15,102	346	329,038
Total held-to-maturity		349,963	37,697	2,388	385,272
Total securities	$	1,086,860	46,791	5,031	1,128,620

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		December 31, 2010			
		Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
		(In thousands)			
Available-for-sale:					
Equity securities	$	2,025	207		2,232
Mortgage-backed securities:					
Federal Home Loan Mortgage Corporation		248,403	3,485	3,553	248,335
Federal National Mortgage Association		306,745	4,297	2,085	308,957
Government National Mortgage Association		9,202	243		9,445
Non-agency securities		34,640	532	1,408	33,764
Total mortgage-backed securities available-for-sale		598,990	8,557	7,046	600,501
Total available-for-sale		601,015	8,764	7,046	602,733
Held-to-maturity:					
Debt securities:					
Government-sponsored enterprises		15,200	246		15,446
Municipal bonds		13,951	46	90	13,907
Corporate and other debt securities		23,552	19,330	1,593	41,289
Total debt securities held-to-maturity		52,703	19,622	1,683	70,642
Mortgage-backed securities:					
Federal Home Loan Mortgage Corporation		210,544	7,964	278	218,230
Federal National Mortgage Association		166,251	9,218	13	175,456
Government National Mortgage Association		3,243	287		3,530
Federal housing authorities		2,324	152		2,476
Non-agency securities		43,471	573	155	43,889
Total mortgage-backed securities held-to-maturity		425,833	18,194	446	443,581
Total held-to-maturity		478,536	37,816	2,129	514,223
Total securities	$	1,079,551	46,580	9,175	1,116,956

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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 June 30, 2011 and December 31, 2010, was as follows:

	June 30, 2011					
	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	$ 119,593	2,059			119,593	2,059
Federal National Mortgage Association	82,138	584			82,138	584
Total available-for-sale	201,731	2,643			201,731	2,643
Held-to-maturity:						
Corporate and other debt securities	1,285	613	439	1,429	1,724	2,042
Mortgage-backed securities:						
Federal Home Loan Mortgage Corporation	17,902	317			17,902	317
Non-agency securities	2,881	29			2,881	29
Total mortgage-backed securities held-to-maturity	20,783	346			20,783	346
Total held-to-maturity	22,068	959	439	1,429	22,507	2,388
Total	$ 223,799	3,602	439	1,429	224,238	5,031

	December 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 Corporation	$ 99,704	3,553			99,704	3,553
Federal National Mortgage Association	134,853	2,085			134,853	2,085
Non-agency securities			12,226	1,408	12,226	1,408
Total available-for-sale	234,557	5,638	12,226	1,408	246,783	7,046
Held-to-maturity:						
Debt securities:						
Municipal bonds			7,699	90	7,699	90
Corporate and other debt securities	185	806	825	787	1,010	1,593
Total debt securities held-to-maturity	185	806	8,524	877	8,709	1,683
Mortgage-backed securities:						
Federal Home Loan Mortgage Corporation	2,034	8	20,413	270	22,447	278
Federal National Mortgage Association			2,067	13	2,067	13
Non-agency securities	2,960	149	4,558	6	7,518	155
Total mortgage backed securities held-to-maturity	4,994	157	27,038	289	32,032	446
Total held-to-maturity	5,179	963	35,562	1,166	40,741	2,129
Total	$ 239,736	6,601	47,788	2,574	287,524	9,175

The gross unrealized losses in our available-for-sale mortgage-backed securities accounted for 52.5% of the gross unrealized losses at June 30, 2011. The total estimated fair value of our available-for-sale mortgage-backed securities represented 65.6% of our total investment portfolio at June 30, 2011.

The gross unrealized losses in our corporate and other debt securities accounted for 40.6% of the gross unrealized losses at June 30, 2011. The estimated fair value of our corporate and other debt securities portfolio has been adversely impacted by the current economic environment, current market rates, wider credit spreads and credit deterioration subsequent to the purchase of these securities. The 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 through June 30, 2008. Subsequently, due to the adverse economic conditions, the majority of these securities have been downgraded below investment grade. At June 30, 2011, the amortized cost and estimated fair values of the trust preferred portfolio was $25.1 million and $45.2 million, respectively.

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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 June 30, 2011. In addition, at June 30, 2011 the Company held 2 pooled trust preferred securities with a book value of $3.8 million and a fair value of $6.5 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 asa % 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	$ 200.4	$ 352.8	$ 152.4	33	9.6%	16.4%	0.0%	Ca / C
Alesco PF III	B1	426.8	839.0	412.2	38	9.6%	17.2%	0.0%	Ca / C
Alesco PF III	B2	170.8	335.6	164.8	38	9.6%	17.2%	0.0%	Ca / C
Alesco PF IV	B1	266.5	61.6	(204.9)	40	6.1%	26.4%	0.0%	C / C
Alesco PF VI	C2	380.9	980.0	599.1	42	7.1%	21.7%	0.0%	Ca / C
MM Comm III	B	1,146.2	4,895.8	3,749.6	7	20.9%	11.6%	12.8%	Ba1 / CC
MM Comm IX	B1	58.3	27.1	(31.2)	20	22.1%	31.2%	0.0%	Caa3 / C
MMCaps XVII	C1	911.0	2,054.5	1,143.5	41	10.5%	15.4%	0.0%	Ca / C
MMCaps XIX	C	418.3	8.0	(410.3)	30	28.4%	24.5%	0.0%	C / C
Tpref I	B	1,210.4	2,728.4	1,518.0	12	38.2%	95.2%	0.0%	Ca / D
Tpref II	B	2,648.7	4,686.4	2,037.7	20	26.9%	25.4%	0.0%	Caa3 / C
US Cap I	B2	597.7	1,391.7	794.0	36	8.4%	14.0%	0.0%	Caa1 / C
US Cap I	B1	1,772.2	4,175.1	2,402.9	36	8.4%	14.0%	0.0%	Caa1 / C
US Cap II	B1	883.5	2,410.5	1,527.0	45	11.9%	15.5%	0.0%	Ca / C
US Cap III	B1	1,057.2	2,159.9	1,102.7	33	17.3%	17.5%	0.0%	Ca / C
US Cap IV	B1	814.0	194.0	(620.0)	46	31.4%	24.8%	0.0%	C / D
Trapeza XII	C1	972.2	696.9	(275.3)	34	22.9%	17.9%	0.0%	C / C
Trapeza XIII	C1	926.2	1,153.0	226.8	43	17.9%	22.7%	0.0%	Ca / C
Pretsl IV	Mez	118.4	132.4	14.0	5	27.1%	17.0%	19.0%	Ca / CCC
Pretsl V	Mez	8.4	19.6	11.2	0	65.5%	0.0%	0.0%	Caa3 / D
Pretsl VII	Mez	1,090.9	1,674.0	583.1	7	37.4%	69.4%	0.0%	Ca / C
Pretsl XV	B1	679.2	1,116.9	437.7	54	23.2%	19.9%	0.0%	C / C
Pretsl XVII	C	408.2	365.1	(43.1)	36	16.3%	29.2%	0.0%	Ca / C
Pretsl XVIII	C	892.0	1,948.4	1,056.4	58	16.5%	14.0%	0.0%	Ca / C
Pretsl XIX	C	353.3	413.4	60.1	54	20.1%	14.7%	0.0%	C / C
Pretsl XX	C	194.5	73.5	(121.0)	45	23.6%	19.5%	0.0%	C / C
Pretsl XXI	C1	313.4	444.1	130.7	53	24.1%	20.4%	0.0%	C / C
Pretsl XXIII	A-FP	1,591.9	2,507.8	915.9	98	18.9%	17.6%	18.3%	B1 / B
Pretsl XXIV	C1	441.2	163.9	(277.3)	62	23.0%	27.2%	0.0%	C / C
Pretsl XXV	C1	193.6	134.8	(58.8)	51	23.9%	25.6%	0.0%	C / C
Pretsl XXVI	C1	192.5	529.6	337.1	54	21.1%	20.6%	0.0%	C / C

$ 21,338.8	$ 38,673.8	$ 17,335.0

(1) At June 30, 2011, assumed recoveries for current deferrals and defaulted issuers ranged from 0.0% to 10.0%.
(2) At June 30, 2011, assumed recoveries for expected deferrals and defaulted issuers ranged from 5.5% to 12.4%.
(3) Excess subordination represents the amount of remaining performing collateral that is in excess of the amount needed to pay off 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.

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 June 30, 2011, by contractual maturity, are shown below.

		June 30, 2011	
		Amortized cost	**Estimated fair value**
		(In thousands)	
Due in one year or less	$	4,122	4,122
Due after one year through five years		1,125	1,218
Due after five years through ten years		207	208
Due after ten years		30,227	50,686
Total	$	35,681	56,234

Other-Than-Temporary Impairment

We conduct a quarterly 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. 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.

Through the use of a valuation specialist, we evaluate the credit and performance of each underlying issuer of our trust preferred securities by deriving probabilities and assumptions for default, recovery and prepayment/amortization for the expected cash flows for each security. At June 30, 2011, management deemed that the present value of projected cash flows for each security was greater than the book value and did not recognize any OTTI charges for the three and six months ended June 30, 2011. 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 in an unrealized loss position before the recovery of their amortized cost basis or maturity.

At June 30, 2011, non credit-related OTTI recorded on the previously impaired pooled trust preferred securities was $32.6 million ($19.3 million after-tax). We do not expect to sell, nor is it more likely than not that we will be required to sell the securities before recovery of their amortized cost basis.

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

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
	(In thousands)			
Balance of credit related OTTI, beginning of period	$ 119,311	121,033	120,012	121,033
Additions:				
Initial credit impairments	-	-	-	-
Subsequent credit impairments	-	-	-	-
Reductions:				
Accretion of credit loss impairment due to an increase in expected cash flows	(702)	-	(1,403)	-
Balance of credit related OTTI, end of period	$ 118,609	121,033	118,609	121,033

The credit loss component of the impairment loss represents the difference between the present value of expected future cash flows and the amortized cost basis of the securities 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 a debt security was credit impaired (initial credit impairment) or is not the first time a 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.

Realized Gains and Losses

For the three and six months ended June 30, 2011, proceeds from sales of securities from the available-for-sale portfolio were $37.0 million, which resulted in gross realized gains and gross realized losses of $951,000 and $2.1 million, respectively. For the three and six months ended June 30, 2011, proceeds from sales of securities from the held-to-maturity portfolio were $21.4 million, which resulted in gross realized gains and gross realized losses of $925,000 and $104,000, respectively. Sales from the held-to-maturity portfolio, which had a book value of $20.5 million, met the criteria of principal pay downs under 85% of the original investment amount and therefore do not result in a tainting of the held-to-maturity portfolio. There were no sales from the securities portfolio during the three and six months ended June 30, 2010. Gains and losses on the sale of all securities are determined using the specific identification method.

The Company sold non-agency mortgage backed securities with a book value of $18.7 million, resulting in a loss of $2.1 million. These non-agency mortgage backed securities were sold due to ongoing credit concerns of the underlying investments as the securities were downgraded by the rating agencies and to mitigate the risk of potential downward earnings trends. The Company continues to hold $45.5 million of non-agency mortgage backed securities,

of which $43.0 million are rated AAA and $2.5 million are rated AA. All of these securities are performing under contractual terms.

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The remaining sales of securities were agency mortgage backed securities. The Company sells securities when market pricing presents, in management s assessment, an economic benefit that outweighs holding such securities, and when smaller balance securities become cost prohibitive to carry.

5. Loans Receivable, Net

Loans receivable, net are summarized as follows:

	June 30, 2011	December 31, 2010
	(In thousands)	
Residential mortgage loans	$ 5,078,200	4,939,244
Multi-family loans	1,486,881	1,161,874
Commercial real estate loans	1,324,782	1,225,256
Construction loans	341,757	347,825
Consumer and other loans	255,729	259,757
Commercial and industrial loans	83,587	60,903
Total loans	8,570,936	7,994,859
Net unamortized premiums and deferred loan costs	15,993	13,777
Allowance for loan losses	(106,971)	(90,931)
Net loans	$ 8,479,958	7,917,705

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

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
	(In thousands)		(In thousands)	
Balance at beginning of period	$ 98,891	$ 62,943	$ 90,931	$ 55,052
Charge-offs:				
Construction loans	(6,703)	(3,629)	(13,746)	(6,879)
Residential mortgage loans	(2,498)	(2,358)	(3,951)	(3,804)
Commercial real estate loans	(841)	-	(1,311)	-
Multi-family loans	-	-	-	(454)
Consumer and other loans	(38)	(10)	(126)	(19)
Commercial and industrial loans	(545)	(166)	(545)	(166)
Loan charge-offs	(10,625)	(6,163)	(19,679)	(11,322)
Recoveries	205	94	219	94
Net charge-offs	(10,420)	(6,069)	(19,460)	(11,228)

Provision for loan losses	18,500	15,450	35,500	28,500
Balance at end of period	$ 106,971	$ 72,324	$ 106,971	$ 72,324

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, loans modified in a troubled debt restructuring, and other loans if management has specific information of a collateral shortfall. 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 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 and the methodology employed to determine such allowances is presented to the Board of Directors on a quarterly basis.

Our primary lending emphasis has been the origination of commercial real estate loans, multi-family loans and the origination and purchase of residential mortgage loans. We also originate home equity loans and home equity lines of credit. These activities resulted in a loan concentration in residential mortgages, as well as a concentration of loans secured by real property located in New Jersey and New York. Based on the composition of our loan portfolio, we believe the primary risks are increases in interest rates, a continual decline in the general economy, and a further 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 and the composition of the portfolio. 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. This is done in order to determine the specific reserve needed upon initial recognition of a collateral dependent loan as non-accrual and/or impaired. In subsequent reporting periods, as part of the allowance for loan loss process, the Company reviews each collateral dependent commercial real estate loan previously classified as non-accrual and/or impaired and assesses whether there has been an adverse change in the collateral value supporting the loan. The Company utilizes information from its commercial lending officers and its loan workout department s knowledge of changes in real estate conditions in our lending area to identify if possible deterioration of collateral value has occurred. Based on the severity of the changes in market conditions, management determines if an updated appraisal is warranted or if downward adjustments to the previous appraisal are warranted. If it is determined that the deterioration of the collateral value is significant enough to warrant ordering a new appraisal, an estimate of the downward adjustments to the existing appraised value is used in assessing if additional specific reserves are necessary until the updated appraisal is received.

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 described above, the loans are individually assessed to determine that the loan s carrying value is not in excess of the fair value of the collateral. Loans are generally charged off after an analysis is completed which indicates that collectability of the full principal balance is in doubt.

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 economic 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.

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The following table presents the balance in the allowance for loan losses and the recorded investment in loans by portfolio segment and based on impairment method as of June 30, 2011.

	Residential Mortgage	Multi-Family	Commercial Real Estate	Construction Loans	Commercial and Industrial Loans	Consumer and Other Loans	Unallocated	Total
				(In thousands)				
Allowance for loan losses:								
Beginning balance- December 31, 2010	$ 20,489	10,454	16,432	34,669	2,189	866	5,832	90,931
Charge-offs	(3,951)	-	(1,311)	(13,746)	(545)	(126)	-	(19,679)
Recoveries	-	19	-	186	13	1	-	219
Provision	6,291	105	4,044	17,980	1,326	504	5,250	35,500
Ending balance	$ 22,829	10,578	19,165	39,089	2,983	1,245	11,082	106,971
Ending balance Individually evaluated for impairment	$ 1,284	-	340	8,916	-	-	-	10,540
Collectively evaluated for impairment	21,545	10,578	18,825	30,173	2,983	1,245	11,082	96,431
Loans acquired with deteriorated credit quality	-	-	-	-	-	-	-	-
	$ 22,829	10,578	19,165	39,089	2,983	1,245	11,082	106,971
Loans:								
Ending balance Individually evaluated for impairment	$ 5,481	-	2,268	71,606	-	-	-	79,355
Collectively evaluated for impairment	5,072,113	1,486,881	1,321,359	263,097	83,587	255,729	-	8,482,766
Loans acquired with deteriorated credit quality	606	-	1,155	7,054	-	-	-	8,815

$	5,078,200	1,486,881	1,324,782	341,757	83,587	255,729	-	8,570,936

The Company categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information and current economic trends, among other factors. For non-homogeneous loans, such as commercial and commercial real estate loans the Company analyzes the loans individually by classifying the loans as to credit risk and assesses the probability of collection for each type of class. This analysis is performed on a quarterly basis. The Company uses the following definitions for risk ratings:

Pass Pass assets are well protected by the current net worth and paying capacity of the obligor (or guarantors, if any) or by the fair value, less cost to acquire and sell, of any underlying collateral in a timely manner.

Special Mention A Special Mention asset has potential weaknesses that deserve management s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution s credit position at some future date. Special

Mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification.

Substandard A substandard asset is inadequately protected by the current sound worth and paying capacity of the obligor or by the collateral pledged, if any. Assets so classified must have a well-defined weakness, or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful An asset classified doubtful has all the weaknesses inherent in one classified substandard with the added characteristic that the weaknesses make collection or liquidation in full highly questionable and improbable on the basis of currently known facts, conditions, and values.

Loss An asset or portion thereof, classified Loss is considered uncollectible and of such little value that its continuance on the institution s books as an asset, without establishment of a specific valuation allowance or charge-off, is not warranted. This classification does not necessarily mean that an asset has no recovery or salvage value; but rather, there is much doubt about whether, how much, or when the recovery will occur. As such, it is not practical or desirable to defer the write-off.

As of June 30, 2011, and based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

	Pass	Special Mention	Substandard	Doubtful	Loss	Total
			(in thousands)			
Multi-family	$ 1,450,540	13,225	23,116	-	-	1,486,881
Commercial real estate	1,267,509	21,906	35,367	-	-	1,324,782
Construction loans	171,996	27,581	134,964	7,216	-	341,757
Commercial and industrial	69,057	10,111	3,839	580	-	83,587
Total	$ 2,959,102	72,823	197,286	7,796	-	3,237,007

Residential and consumer loans are managed on a pool basis due to their homogeneous nature. Loans that are delinquent 90 days or more are considered non-accrual. A specific reserve is established for residential loans meeting this criteria if the net realizable value is determined to be less than the loan balance. The following table presents the recorded investment in residential and consumer loans based on payment activity as of June 30, 2011:

	Performing	Non-accrual	Total
		(in thousands)	
Residential	$ 5,000,579	77,621	5,078,200
Consumer and other	254,741	988	255,729
Total	$ 5,255,320	78,609	5,333,929

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The following table presents the aging of the recorded investment in past due loans as of June 30, 2011 by class of loans:

	30-59 Days	60-89 Days	Greater than 90 Days	Total Past Due	Current	Total Loans Receivable
	(in thousands)					
Residential mortgage	$ 16,883	5,864	77,621	100,368	4,977,832	5,078,200
Multi-family	1,367	2,504	718	4,589	1,482,292	1,486,881
Commercial real estate	5,991	1,593	3,927	11,511	1,313,271	1,324,782
Construction	6,287	-	67,348	73,635	268,122	341,757
Commercial and industrial	-	127	608	735	82,852	83,587
Consumer and other	1,186	113	988	2,287	253,442	255,729
Total	$ 31,714	10,201	151,210	193,125	8,377,811	8,570,936

Included in loans receivable were non-accrual loans totaling $163.9 million at June 30, 2011 and $165.9 million at December 31, 2010. Based on management s evaluation, at June 30, 2011, the Company classified a $12.3 million construction loan that was current as non-accrual. The Company has no loans past due 90 days or more that are still accruing interest.

At June 30, 2011 and December 31, 2010, loans meeting the Company s definition of an impaired loan were primarily collateral dependent and totaled $79.4 million, and $69.3 million, respectively, with allocations of the allowance for loan losses of $10.5 million, and $5.0 million, respectively. During the six months ended June 30, 2011 and year ended December 31, 2010, interest income received and recognized on these loans totaled $515,000, and $206,000, respectively.

At June 30, 2011, there were 3 commercial real estate loans totaling $9.3 million and 14 residential loans totaling $5.5 million which are deemed troubled debt restructurings. At June 30, 2011, there was one commercial real estate loan totaling $4.1 million and one residential loan totaling $144,000, classified as troubled debt restructured loans, that were included in non-accrual loans. All other troubled debt restructured loans are performing in accordance with their modified terms.

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The following table presents loans individually evaluated for impairment by class of loans as of June 30, 2011:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
			(In thousands)		
With no related allowance:					
Residential mortgage	$ 114	114	-	134	3
Multi-family	-	-	-	-	-
Commercial real estate	-	-	-	-	-
Construction loans	30,896	58,311	-	21,548	-
Commercial and industrial	-	-	-	-	-
Consumer and other	-	-	-	-	-
With an allowance recorded:					
Residential mortgage	5,367	5,367	1,284	4,903	71
Multi-family	-	-	-	-	-
Commercial real estate	2,268	2,268	340	1,513	77
Construction loans	40,710	41,642	8,916	41,932	364
Commercial and industrial	-	-	-	-	-
Consumer and other	-	-	-	-	-
Total:					
Residential mortgage	5,481	5,481	1,284	5,037	74
Multi-family	-	-	-	-	-
Commercial real estate	2,268	2,268	340	1,513	77
Construction loans	71,606	99,953	8,916	63,480	364
Commercial and industrial	-	-	-	-	-
Consumer and other	-	-	-	-	-
Total impaired loans	79,355	107,702	10,540	70,030	515

The average recorded investment is the annual average calculated based upon the ending quarterly balances. The interest income recognized is the year to date interest income recognized on a cash basis.

6. Deposits

Deposits are summarized as follows:

	June 30, 2011	December 31, 2010
	(In thousands)	
Savings accounts	$ 1,227,145	1,135,091
Checking accounts	1,338,146	1,367,282
Money market accounts	865,137	832,514
Total core deposits	3,430,428	3,334,887
Certificates of deposit	3,396,495	3,440,043
	$ 6,826,923	6,774,930

7. Equity Incentive Plan

During the three and six months ended June 30, 2011, the Company recorded $2.3 million and $4.9 million of share-based expense, comprised of stock option expense of $829,000 and $1.7 million and restricted stock expense of $1.5 million and $3.2 million, respectively. During the three and six months ended June 30, 2010, the Company recorded $2.5 million and $4.8 million of share-based expense, comprised of stock option expense of $955,000 and $1.9 million and restricted stock expense of $1.5 million and $2.9 million, respectively.

The following is a summary of the Company s stock option activity and related information for its option plans for the six months ended June 30, 2011:

	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Outstanding at December 31, 2010	4,717,568	$ 15.01	6.1
Granted	15,000	13.88	
Exercised			
Forfeited			
Outstanding at June 30, 2011	4,732,568	$ 15.00	5.6
Exercisable at June 30, 2011	3,526,756	$ 15.07	5.6

The following is a summary of the status of the Company s non-vested options as of June 30, 2011 and changes therein during the six months then ended:

	Number of Stock Options		Weighted Average Grant Date Fair Value
Non-vested at December 31, 2010	587,429	$	4.06
Granted	15,000		4.99
Vested	(35,301)		3.54
Exercised			
Forfeited			
Non-vested at June 30, 2011	567,128	$	4.11

Expected future expense relating to the unvested options outstanding as of June 30, 2011 is $2.1 million over a weighted average period of 1.3 years.

The following is a summary of the status of the Company s restricted shares as of June 30, 2011 and changes therein during the six months then ended:

	Number of Stock Awards Shares		Weighted Average Grant Date Fair Value
Non-vested at December 31, 2010	861,047	$	13.55
Granted	500,000		13.26
Vested	(111,864)		13.39
Forfeited			
Non-vested at June 30, 2011	1,249,183	$	13.44

Expected future compensation expense relating to the unvested restricted shares at June 30, 2011 is $13.4 million over a weighted average period of 4.6 years.

8. 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 certain 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.

The components of net periodic benefit expense for the SERP and Directors Plan are as follows:

		Three months ended June 30,			**Six months ended June 30,**	
		2011	**2010**		**2011**	**2010**
		(In thousands)				
Service cost	$	265	179	$	531	360
Interest cost		203	221		405	440
Amortization of:						
Prior service cost		24	25		49	49
Net loss		-	14		-	27
Total net periodic benefit expense	$	492	439	$	985	876

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, 2011.

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 contributed $3.0 million to the defined benefit pension plan during the six months ended June 30, 2011. We anticipate contributing funds to the plan to meet any minimum funding requirements for the remainder of 2011.

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 June 30, 2011 and December 31, 2010, the pension plan had an accrued liability of $673,000 and $681,000, respectively. At June 30, 2011 and December 31, 2010, the charges recognized in accumulated other comprehensive loss for the pension plan were $905,000 and $934,000,

respectively. At June 30, 2011 and December 31, 2010, the SERP plan had an accrued liability of $1.1 million and $1.1 million, respectively. At June 30, 2011 and December 31, 2010, the charges recognized in accumulated other comprehensive loss for the SERP plan were $87,000 and $152,000 respectively. For the six-month periods ended June 30, 2011 and 2010, the expense related to these plans was $186,000 and $148,000, respectively.

9. 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 June 30, 2011 and December 31, 2010, respectively.

	Carrying Value at June 30, 2011			
	Total	**Level 1**	**Level 2**	**Level 3**
	(In thousands)			
Securities available for sale:				
Mortgage-backed securities	$ 740,880	-	740,880	-
Equity securities	2,468	-	2,468	-
	$ 743,348	-	743,348	-

	Carrying Value at December 31, 2010			
	Total	**Level 1**	**Level 2**	**Level 3**
	(In thousands)			
Securities available for sale:				
Mortgage-backed securities	$ 600,501	-	600,501	-
Equity securities	2,232	-	2,232	-
	$ 602,733	-	602,733	-

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, loans modified in a troubled debt restructuring, and other loans if management has specific information of a collateral shortfall. 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.

Other Real Estate Owned

Other Real Estate Owned is recorded at estimated fair value, less estimated selling costs when acquired, thus establishing a new cost basis. Fair value is generally based on independent appraisals. These appraisals include adjustments to comparable assets based on the appraisers market knowledge and experience, and are considered Level 3 inputs. When an asset is acquired, the excess of the loan balance over fair value, less estimated selling costs, is charged to the allowance for loan losses. If the estimated fair value of the asset declines, a writedown is recorded through expense. The valuation of foreclosed assets is subjective in nature and may be adjusted in the future because of changes in economic conditions. Operating costs after acquisition are generally expensed.

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 June 30, 2011 and December 31, 2010, respectively.

	Carrying Value at June 30, 2011			
	Total	**Level 1**	**Level 2**	**Level 3**
	(In thousands)			
MSR, net	$ 10,048	-	-	10,048
Impaired loans	67,970	-	-	67,970
Other real estate owned	225	-	-	225
Total	$ 78,243	-	-	78,243

	Carrying Value at December 31, 2010			
	Total	**Level 1**	**Level 2**	**Level 3**
	(In thousands)			

MSR, net	$ 9,262	-	-	9,262
Impaired loans	53,920	-	-	53,920
Other real estate owned	976	-	-	976
Total	$ 64,158	-	-	64,158

10. 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.

	June 30, 2011		December 31, 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
	(In thousands)			
Financial assets:				
Cash and cash equivalents	$ 92,811	92,811	76,224	76,224
Securities available-for-sale	743,348	743,348	602,733	602,733
Securities held-to-maturity	349,963	385,272	478,536	514,223
Stock in FHLB	118,317	118,317	80,369	80,369
Loans	8,499,924	8,480,544	7,952,759	8,231,847
Financial liabilities:				
Deposits	6,826,923	6,871,485	6,774,930	6,819,659
Borrowed funds	2,335,500	2,396,433	1,826,514	1,887,471

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.

11. Recent Accounting Pronouncements

In June 2011, the FASB issued Accounting Standards Update (ASU) 2011-05, *Comprehensive Income (Topic 220)*: Presentation of Comprehensive Income. This ASU increases the prominence of other comprehensive income in financial statements. Under this ASU, an entity will have the option to present the components of net income and comprehensive income in either one or two consecutive financial statements. The ASU eliminates the option in U.S. GAAP to present other comprehensive income in the statement of changes in equity. An entity should apply the ASU retrospectively. For a public entity, the ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Early adoption is permitted. The Company does not expect that the adoption of

this pronouncement will have a material impact on the Company s financial condition or results of operations.

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. This ASU was issued concurrently with IFRS 13, Fair Value Measurements, to provide largely identical

guidance about fair value measurement and disclosure requirements. The new standards do not extend the use of fair value but, rather, provide guidance about how fair value should be applied where it already is required or permitted under IFRS or U.S. GAAP. For U.S. GAAP, most of the changes are clarifications of existing guidance or wording changes to align with IFRS 13. A public entity is required to apply the ASU prospectively for interim and annual periods beginning after December 15, 2011. Early adoption is not permitted for a public entity. In the period of adoption, a reporting entity will be required to disclose a change, if any, in valuation technique and related inputs that result from applying the ASU and to quantify the total effect, if practicable. The Company does not expect that the adoption of this pronouncement will have a material impact on the Company s financial condition or results of operations.

In April 2011, the FASB issued ASU 2011-03, *Transfer and Servicing (Topic 860): Reconsideration of Effective Control for Repurchase Agreements*, which affects entities that enter into agreements to transfer financial assets that both entitle and obligate the transferor to repurchase or redeem the financial assets before their maturity. The amendments in this Update remove from the assessment of effective control the criterion requiring the transferor to have the ability to repurchase or redeem the financial assets on substantially the agreed terms, even in the event of default by the transferee, and the collateral maintenance implementation guidance related to that criterion. Other criteria applicable to the assessment of effective control are not changed by the amendments in this Update. Those criteria indicate that the transferor is deemed to have maintained effective control over the financial assets transferred (and thus must account for the transaction as a secured borrowing) for agreements that both entitle and obligate the transferor to repurchase or redeem the financial assets before their maturity if all of the following conditions are met: (1) the financial assets to be repurchased or redeemed are the same or substantially the same as those transferred (2) the agreement is to repurchase or redeem them before maturity, at a fixed or determinable price and (3) the agreement is entered into contemporaneously with, or in contemplation of, the transfer. The guidance in this Update is effective for the first interim or annual period beginning on or after December 15, 2011. The guidance should be applied prospectively to transactions or modifications of existing transactions that occur on or after the effective date. Early adoption is not permitted. The Company does not expect that the adoption of this pronouncement will have a material impact on the Company s financial condition or results of operations.

In April of 2011, the FASB issued ASU 2011-02, *Receivables (Topic 310): A Creditor s Determination of Whether a Restructuring Is a Troubled Debt Restructuring*, which states that when evaluating whether a restructuring constitutes a troubled debt restructuring, a creditor must separately conclude that both of the following exist: (1) the restructuring constitutes a concession and (2) the debtor is experiencing financial difficulties. The amendments also provide clarification to help creditors in determining whether a creditor has granted a concession and whether a debtor is experiencing financial difficulties for purposes of determining whether a restructuring constitutes a troubled debt restructuring. In addition, the amendments clarify that a creditor is precluded from using the effective interest rate test in the debtor s guidance on restructuring of payables when evaluating whether a restructuring constitutes a troubled debt restructuring. The amendments in this Update are effective for the first interim or annual period beginning on or after June 15, 2011, and should be applied retrospectively to the beginning of the annual period of adoption. The Company does not expect that the adoption of this pronouncement will have a material impact on the Company s financial condition or results of operations.

In December 2010, the FASB issued ASU 2010-29, *Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations (a consensus of the FASB Emerging Issues Task Force),* which specifies that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments in this Update also expand the supplemental pro forma disclosures under Topic 805 to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the

reported pro forma revenue and earnings. The amendments in this Update are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting

period beginning on or after December 15, 2010. The adoption of this pronouncement did not have a material impact on the Company s financial condition or results of operations.

In December 2010, the FASB issued ASU 2010-28, *Intangibles Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts (a consensus of the FASB Emerging Issues Task Force),* which modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. The qualitative factors are consistent with the existing guidance, which requires that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. For public entities, the amendments in this Update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. The adoption of this pronouncement did not have a material impact on the Company s financial condition or results of operations.

In July 2010, the FASB issued ASU 2010-20, *Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses,* to provide financial statement users with greater transparency about an entity s allowance for credit losses and the credit quality of its financing receivables. The objective of the ASU is to provide disclosures that assist financial statement users in their evaluation of (1) the nature of an entity s credit risk associated with its financing receivables, (2) how the entity analyzes and assesses that risk in arriving at the allowance for credit losses and (3) the changes in the allowance for credit losses and the reasons for those changes. Disclosures provided to meet the objective above should be provided on a disaggregated basis. The disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010. The disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. In January 2011, the FASB issued ASU No. 2011-01 Receivables (Topic 310): Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20 which defers the effective date of the loan modification disclosures. The adoption of this pronouncement did not have a material impact on the Company s financial condition or results of operations. The disclosures required by this pronouncement can be found in Note 5 of the Notes to Consolidated Financial Statements.

In April 2010, the FASB issued ASU 2010-18, *Receivables (Topic 310): Effect of a Loan Modification When the Loan Is Part of a Pool That Is Accounted for as a Single Asset (A consensus of the FASB Emerging Issues Task Force),* 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 adoption of this pronouncement 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 ASU 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements,* 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 was 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.

12. 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.

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

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 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 except as may be required by law.

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, loans modified in a troubled debt restructuring, and other loans if management has specific information of a collateral shortfall. 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 of commercial real estate loans, multi-family loans and the origination and purchase of residential mortgage loans. We also originate home equity loans and home equity lines of credit. These activities resulted in a loan concentration in residential mortgages, as well as a concentration of loans secured by real property located in New Jersey and New York. 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. This is done in order to determine the specific reserve needed upon initial recognition of a collateral dependent loan as non-accrual and/or impaired. In subsequent reporting periods, as part of the allowance for loan loss process, the Company reviews each collateral dependent commercial real estate loan previously classified as non-accrual and/or impaired and assesses whether there has been an adverse change in the collateral value supporting the loan. The Company utilizes information from its commercial lending officers and its loan workout department s knowledge of changes in real estate conditions in our lending area to identify if possible deterioration of collateral value has occurred. Based on the severity of the changes in market conditions, management determines if an updated appraisal is warranted or if downward adjustments to the previous appraisal are warranted. If it is determined that the deterioration of the collateral value is significant enough to warrant ordering a new appraisal, an estimate of the downward adjustments to the existing appraised value is used in assessing if additional specific reserves are necessary until the updated appraisal is received.

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 described above, the loans are individually assessed to determine that the loan s carrying value is not in excess of the fair value of the collateral. Loans are generally charged off after an analysis is completed which indicates that collectability of the full principal balance is in doubt.

Based on the composition of our loan portfolio, we believe the primary risks are increases in interest rates, a continual decline in the general economy, and a further 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 economic 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. While 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, the Company has the ability to sell the securities. 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 unobservable inputs. The use of different assumptions could have a positive or negative effect on our consolidated financial condition or results of operations.

The fair values of our securities portfolio 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 continued credit losses, depressed property values in real estate markets, and a sluggish economy. The Federal Reserve continues to maintain short term interest rates at historically low levels resulting in a steep yield curve. The Company continues to experience strong loan growth resulting in higher interest income on the loan portfolio. The growth has been partially offset by the high loan refinance volume resulting in yields on loans and mortgage-backed securities to reset downward. The yield on interest earning assets for the three months ended June 30, 2011 was 4.99% compared to 5.04% for the three months ended June 30, 2010. In addition, the maturity of higher cost long term borrowings coupled with the current lower short term interest rates have helped us reduce the cost of our interest-bearing liabilities to 1.69% for the three months ended June 30, 2011 from 2.13% for the three months ended June 30, 2010 resulting in a net interest margin of 3.46% for the quarter compared to 3.10% for the three months ended June 30, 2010.

We continue to diversify our loan portfolio and expand our market share of commercial real estate and multi-family loans. Net loans increased to $8.48 billion at June 30, 2011 from $7.92 billion at December 31, 2010, an increase of 7.1%. The increase in the commercial real estate and multi-family loan portfolios over this period were 8.1% and 28.0%, respectively. Due to the adverse economic conditions, growth in the loan portfolio, higher levels of non-accrual loans and the change in loan mix to more commercial real estate loans, the Company s provision for loan losses remains at elevated levels as compared to the years prior to the financial crisis.

During the three month period ended June 30, 2011, borrowed funds increased by $268.5 million, or 13.0% to $2.33 billion. Increasing core deposits remains one of our primary objectives. At June 30, 2011, core deposits have increased to $3.43 billion or 50.3% of total deposits.

Despite the challenging economic environment, we believe with our strong capital and liquidity positions we can continue to grow organically, pursue bank or branch acquisitions, repurchase treasury stock and enhance our franchise value.

Comparison of Financial Condition at June 30, 2011 and December 31, 2010

Total Assets. Total assets increased by $604.1 million, or 6.3%, to $10.21 billion at June 30, 2011 from $9.60 billion at December 31, 2010. This increase was largely the result of a $547.2 million increase in our net loans, including loans held for sale, to $8.50 billion at June 30, 2011 from $7.95 billion at December 31, 2010.

Net Loans Net loans, including loans held for sale, increased by $547.2 million, or 6.9%, to $8.50 billion at June 30, 2011 from $7.95 billion at December 31, 2010. This increase in loans reflects our continued focus on generating multi-family and commercial real estate loans, which was partially offset by paydowns and payoffs of loans. The loans we originate and purchase are on properties primarily in New Jersey and New York.

At June 30, 2011, total loans were $8.57 billion and included $5.08 billion in residential loans, $1.49 billion in multi-family loans, $1.32 billion in commercial real estate loans, $341.8 million in construction loans, $255.8 million in consumer and other loans, and $83.6 million in commercial and industrial loans.

We originate residential mortgage loans through our mortgage subsidiary, ISB Mortgage Co. For the six months ended June 30, 2011, ISB Mortgage Co. originated $600.1 million in residential mortgage loans of which $188.0 million were sold to third party investors and $412.1 million remained in our portfolio. We also purchased 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 six months ended June 30, 2011, we purchased loans totaling $368.9 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 six months ended June 30, 2011, we purchased $7.5 million of residential mortgage loans on a bulk purchase basis. Additionally, for the six month period ended June 30, 2011, we originated $408.2 million in multi-family loans, $147.1 million in commercial real estate loans, $63.5 million in construction loans, $56.5 million in commercial and industrial loans, and $55.2 million in consumer and other loans.

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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 June 30, 2011 was $524.7 million compared to $529.1 million at December 31, 2010. 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 following table sets forth non-accrual loans and accruing past due loans on the dates indicated in conjunction with our quality ratios:

	June 30, 2011		March 31, 2011		December 31, 2010		September 30, 2010		June 30, 2010	
	# of loans	Amount	# of loans	Amount	# of loans	Amount	# of loans	Amount	# of loans	Amount
	(Dollars in millions)									
ccruing ast due oans:										
0 to 59 days ast due:										
esidential nd consumer	84	$ 18.0	64	$ 15.3	89	$ 17.8	83	$ 20.5	65	$ 19.0
onstruction	1	6.3					3	25.4		
Iulti-family	1	1.4			2	4.7			3	11.7
ommercial eal estate	5	6.0	6	4.8	1	0.7	2	1.9	2	0.8
ommercial nd industrial					1	0.1	2	1.3	3	0.6
otal 30 to 9 days past ue	91	31.7	70	20.1	93	23.3	90	49.1	73	32.1
0 to 89 days ast due:										
esidential nd consumer	32	6.0	24	4.0	39	12.1	30	5.6	40	8.0

onstruction				4		13.8	1		7.9	1		1.4	1	2.4
Iulti-family	1		2.5	7		25.0	3		12.9	2		11.9	3	0.9
ommercial eal estate	2		1.6	1		0.7	1		0.5					
ommercial nd industrial	1		0.1				2		0.6	2		1.1	3	0.4
otal 60 to 9 days past ue	36		10.2	36		43.5	46		34.0	35		20.0	47	11.7
otal accruing ast due loans	127	$	41.9	106	$	63.6	139	$	57.3	125	$	69.1	120	$ 43.8
Ion-accrual:														
esidential nd consumer	285	$	78.6	281	$	80.8	263	$	74.7	239	$	68.7	210	$ 60.4
onstruction	24		80.1	22		64.2	26		82.8	21		67.1	21	67.6
Iulti-family	2		0.7	3		2.7	3		2.7	6		3.5	3	2.7
ommercial eal estate	8		3.9	11		4.7	8		3.9	8		4.6	8	4.6
ommercial nd industrial	3		0.6	6		2.0	5		1.8	2		1.0	2	0.6
otal Ion-accrual oans	322	$	163.9	323	$	154.4	305	$	165.9	276	$	144.9	244	$ 135.9
Ion-accrual oans to total oans			1.91%			1.87%			2.08%			1.94%		1.88%
llowance for oan loss as a ercent of on-accrual oans			65.32%			64.04%			54.81%			58.39%		53.23%
llowance for oan losses as percent of otal loans			1.25%			1.20%			1.14%			1.13%		1.00%

Total non-accrual loans decreased by $2.0 million to $163.9 million at June 30, 2011 from $165.9 million at December 31, 2010. Although we have had resolution on a number of non-accruing loans, the current economic environment continues to cause financial difficulties for several large construction loans. We continue to diligently work our non-accrual loans to achieve the best out come for the Company. Additionally, residential loan delinquency has risen as unemployment in our lending area has remained persistently high.

At June 30, 2011 loans meeting the Company s definition of an impaired loan were primarily collateral-dependent and totaled $79.4 million of which $48.3 million of impaired loans had a specific allowance for credit losses of $10.5 million and $31.0 million of impaired loans had no specific allowance for credit losses. At December 31, 2010, loans meeting the Company s definition of an impaired loan were primarily collateral dependent and totaled $69.3 million, of which $42.8 million of impaired loans had a related allowance for credit losses of $5.0 million and $26.4 million of impaired loans had no related allowance for credit losses. At June 30, 2011, the Company classified a $12.3 million construction loan that was current as non-accrual.

At June 30, 2011, there were 3 commercial real estate loans totaling $9.3 million and 14 residential loans totaling $5.5 million which are deemed troubled debt restructurings. At June 30, 2011, there was one commercial real estate loan totaling $4.1 million and one residential loan totaling $144,000, that were included in non-accrual loans. All other troubled debt restructured loans are performing in accordance with their modified terms.

In addition to non-acrrual 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 June 30, 2011, there were 3 multi-family loans totaling $17.5 million, 2 construction loans totaling $18.6 million, 8 commercial loans totaling $9.3 million and one commercial and industrial loan totaling $127,000 that the Company has deemed as potential problem loans. Management is actively monitoring these loans.

The ratio of non-accrual loans to total loans was 1.91% at June 30, 2011 compared to 2.08% at December 31, 2010. The allowance for loan losses as a percentage of non-accrual loans was 65.32% at June 30, 2011 compared with 54.81% at December 31, 2010. At June 30, 2011 our allowance for loan losses as a percentage of total loans was 1.25% compared with 1.14% at December 31, 2010.

The following table sets forth the allowance for loan losses at June 30, 2011 and December 31, 2010 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.

	June 30, 2011		December 31, 2010	
	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	$ 22,829	59.25%	$ 20,489	61.78%
Multi-family	10,578	17.35%	10,454	14.53%

Commercial real estate	19,165	15.46%	16,432	15.33%
Construction loans	39,089	3.99%	34,669	4.35%
Commercial and industrial	2,983	0.97%	2,189	0.76%
Consumer and other loans	1,245	2.98%	866	3.25%
Unallocated	11,082	-	5,832	-
Total allowance	$ 106,971	100.00%	$ 90,931	100.00%

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The allowance for loan losses increased by $16.0 million to $107.0 million at June 30, 2011 from $90.9 million at December 31, 2010. 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 high level of non-performing loans; and the continued adverse economic environment, offset partially by net charge offs of $19.5 million. These charge offs were primarily in the construction loan portfolio.

The triggering events or other circumstances that led to the significant credit deterioration resulting in these construction loan charge-offs were caused by a variety of economic factors including, but not limited to: continued deterioration of the housing and real estate markets in which we lend, significant and continuing declines in the value of real estate which collateralize our construction loans, the overall weakness of the economy in our local area, and unemployment in our lending area which has remained stubbornly high.

The Company believes these factors were the triggering events that led to the significant credit deterioration in the loan portfolio in general and the construction loan portfolio in particular. The Company s historical loan charge-off history was immaterial prior to September 30, 2009. We have aggressively attempted to collect our delinquent loans while establishing specific loan loss reserves to properly value these loans. We record a charge-off when the likelihood of collecting the amounts specifically reserved becomes less likely, due to a variety of reasons that are specific to each loan. For example, some of the reasons that were determining factors in recording charge-offs were as follows: declining liquidity of the borrower/guarantors, no additional collateral that could be posted by borrowers that could be utilized to satisfy the borrower s obligations, and decisions to move forward with note sales on a select basis in order to reduce levels of non-performing loans.

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, increased by $12.0 million, or 1.1%, to $1.09 billion at June 30, 2011, from $1.08 billion at December 31, 2010. The increase in the portfolio was due to the purchase of $264.2 million of agency issued mortgage backed securities, partially offset by the sale of $58.7 million in non-agency and other mortgage-backed securities, and normal paydowns, calls or maturities during the six months ended June 30, 2011. The securities sold were comprised of $40.0 million of smaller balance US Agency mortgage-backed securities as well as $18.7 million in lower rated non-agency mortgage-backed securities. The Company continues to hold $45.5 million in its non-agency mortgage backed securities portfolio, of which $43.0 million are rated AAA and $2.5 million are rated AA and all are performing under contractual terms.

Stock in the Federal Home Loan Bank, Other Assets.

The amount of stock we own in the Federal Home Loan Bank (FHLB) increased by $37.9 million from $80.4 million at December 31, 2010 to $118.3 million at June 30, 2011 as a result of an increase in our level of borrowings at June 30, 2011. Other assets decreased $9.1 million primarily due to the $5.0 million amortization of the prepaid FDIC insurance premiums.

Deposits. Deposits increased by $52.0 million, or 0.8%, to $6.83 billion at June 30, 2011 from $6.77 billion at December 31, 2010. This was attributed to an increase in core deposits of $95.5 million or 2.7%, partially offset by a $43.5 million decrease in certificates of deposit. In May 2011, the Company

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sold the four branches in Massachusetts acquired from Millennium bcpbank. These branches held $80.0 million in deposits at December 31, 2010.

Borrowed Funds. Borrowed funds increased $509.0 million, or 27.9%, to $2.34 billion at June 30, 2011 from $1.83 billion at December 31, 2010 to fund our asset growth.

Stockholders Equity. Stockholders equity increased $38.4 million to $939.7 million at June 30, 2011 from $901.3 million at December 31, 2010. The increase is primarily attributed to the $37.8 million net income for six months ended June 30, 2011, $4.9 million of compensation cost related to equity incentive plans, partially offset by $8.7 million in purchases of treasury stock.

Average Balance Sheets for the Three and Six Months ended June 30, 2011 and 2010

The following tables present certain information regarding Investors Bancorp, Inc. s financial condition and net interest income for the three and six months ended June 30, 2011 and 2010. The tables present 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

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derived average balances from daily balances over the periods indicated. Interest income includes fees that we consider adjustments to yields.

	For Three Months Ended					
	June 30, 2011			June 30, 2010		
	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-earning cash accounts	$ 65,556	$ 6	0.04%	$ 226,886	$ 117	0.21%
Securities available-for-sale (1)	641,283	3,856	2.41%	494,983	3,335	2.70%
Securities held-to-maturity	392,104	5,084	5.19%	633,184	7,341	4.64%
Net loans (2)	8,320,014	108,837	5.23%	6,964,352	94,300	5.42%
Stock in FHLB	100,140	894	3.57%	76,641	778	4.06%
Total interest-earning assets	9,519,097	118,677	4.99%	8,396,046	105,871	5.04%
Non-interest earning assets	403,903			389,090		
Total assets	$ 9,923,000			$ 8,785,136		
Interest-bearing liabilities:						
Savings	$ 1,218,472	$ 2,433	0.80%	$ 898,903	$ 3,449	1.53%
Interest-bearing checking	989,673	1,377	0.56%	971,812	1,738	0.72%
Money market accounts	856,997	1,678	0.78%	688,181	1,646	0.96%
Certificates of deposit	3,400,451	14,345	1.69%	3,293,195	16,073	1.95%
Borrowed funds	2,092,137	16,429	3.14%	1,794,212	17,818	3.97%
Total interest-bearing liabilities	8,557,730	36,262	1.69%	7,646,303	40,724	2.13%
Non-interest bearing liabilities	435,619			254,340		
Total liabilities	8,993,349			7,900,643		
Stockholders equity	929,651			884,493		
Total liabilities and stockholders equity	$ 9,923,000			$ 8,785,136		
Net interest income		$ 82,415			$ 65,147	

Net interest rate spread (3)		3.29%		2.91%
Net interest earning assets (4)	$ 961,367		$ 749,743	
Net interest margin (5)		3.46%		3.10%
Ratio of interest-earning assets to total interest-bearing liabilities	1.11X		1.10X	

(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.

	For Six Months Ended					
	June 30, 2011			June 30, 2010		
	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-earning cash accounts	$ 68,288	$ 23	0.07%	$ 193,227	$ 190	0.20%
Securities available-for-sale (1)	612,927	7,178	2.34%	479,911	6,538	2.72%
Securities held-to-maturity	420,976	10,862	5.16%	661,681	15,177	4.59%
Net loans (2)	8,182,968	212,318	5.19%	6,840,581	185,328	5.42%
Stock in FHLB	90,427	1,976	4.37%	75,454	1,706	4.52%
Total interest-earning assets	9,375,586	232,357	4.96%	8,250,854	208,939	5.06%
Non-interest earning assets	407,344			388,036		
Total assets	$ 9,782,930			$ 8,638,890		
Interest-bearing liabilities:						
Savings	$ 1,209,551	$ 4,994	0.83%	$ 887,881	$ 6,878	1.55%
Interest-bearing checking	1,000,641	2,823	0.56%	851,176	3,410	0.80%
Money market accounts	856,332	3,408	0.80%	695,441	3,608	1.04%
Certificates of deposit	3,389,333	28,596	1.69%	3,301,197	32,770	1.99%
Borrowed funds	1,961,010	32,384	3.30%	1,787,771	35,196	3.94%
Total interest-bearing liabilities	8,416,867	72,205	1.72%	7,523,466	81,862	2.18%
Non-interest bearing liabilities	446,483			240,547		
Total liabilities	8,863,350			7,764,013		
Stockholders equity	919,580			874,877		
Total liabilities and stockholders equity	$ 9,782,930			$ 8,638,890		
Net interest income		$ 160,152			$ 127,077	
Net interest rate spread (3)			3.23%			2.89%
Net interest earning assets (4)	$ 958,719			$ 727,388		
Net interest margin (5)			3.42%			3.08%

Ratio of interest-earning assets to total interest-bearing liabilities	1.11X	1.10X

(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 June 30, 2011 and 2010

Net Income. Net income was $19.6 million for the three months ended June 30, 2011 compared to net income of $15.3 million for the three months ended June 30, 2010.

Net Interest Income. Net interest income increased by $17.3 million, or 26.5%, to $82.4 million for the three months ended June 30, 2011 from $65.1 million for the three months ended June 30, 2010. The

increase was primarily due to the average balance of interest earning assets increasing $1.12 billion to $9.52 billion at June 30, 2011 compared to $8.40 billion at June 30, 2010, as well as a 44 basis point decrease in our cost of interest-bearing liabilities to 1.69% for the three months ended June 30, 2011 from 2.13% for the three months ended June 30, 2010. These were partially offset by the average balance of our interest earning liabilities increasing $911.4 million to $8.56 billion at June 30, 2011 compared to $7.65 billion at June 30, 2010, as well as the yield on our interest-earning assets decreasing 5 basis points to 4.99% for the three months ended June 30, 2011 from 5.04% for the three months ended June 30, 2010. With short term interest rates at historically low levels the cost of our deposits and borrowed funds continued to reprice downward. This had a positive impact on our net interest margin which improved by 36 basis points from 3.10% for the three months ended June 30, 2010 to 3.46% for the three months ended June 30, 2011.

Interest and Dividend Income. Total interest and dividend income increased by $12.8 million, or 12.1%, to $118.7 million for the three months ended June 30, 2011 from $105.9 million for the three months ended June 30, 2010. This increase is attributed to the average balance of interest-earning assets increasing $1.12 billion, or 13.4%, to $9.52 billion for the three months ended June 30, 2011 from $8.40 billion for the three months ended June 30, 2010. This was partially offset by the weighted average yield on interest-earning assets decreasing 5 basis points to 4.99% for the three months ended June 30, 2011 compared to 5.04% for the three months ended June 30, 2010.

Interest income on loans increased by $14.5 million, or 15.4%, to $108.8 million for the three months ended June 30, 2011 from $94.3 million for the three months ended June 30, 2010, reflecting a $1.36 billion, or 19.5%, increase in the average balance of net loans to $8.32 billion for the three months ended June 30, 2011 from $6.96 billion for the three months ended June 30, 2010. The increase is primarily attributed to the average balance of multi-family loans and commercial real estate loans increasing $688.1 million and $446.7 million, respectively. This activity is consistent with our strategy to diversify our loan portfolio by adding more multi-family loans and commercial real estate loans. In addition, we recorded $1.0 million in prepayment penalties for the three months ended June 30, 2011 compared to $78,000 for the three months ended June 30, 2010. The growth in the loans was partially offset by a 19 basis point decrease in the average yield on loans to 5.23% for the three months ended June 30, 2011 from 5.42% for the three months ended June 30, 2010.

Interest income on all other interest-earning assets, excluding loans, decreased by $1.7 million, or 15.0%, to $9.8 million for the three months ended June 30, 2011 from $11.6 million for the three months ended June 30, 2010. This decrease reflected a $232.6 million decrease in the average balance of all other interest-earning assets, excluding loans, to $1.20 billion for the three months ended June 30, 2011 from $1.43 billion for the three months ended June 30, 2010. This was partially offset by the weighted average yield on interest-earning assets, excluding loans, increasing by 5 basis points to 3.28% for the three months ended June 30, 2011 compared to 3.23% for the three months ended June 30, 2010.

Interest Expense. Total interest expense decreased by $4.5 million, or 11.0%, to $36.3 million for the three months ended June 30, 2011 from $40.7 million for the three months ended June 30, 2010. This decrease is attributed to the weighted average cost of total interest-bearing liabilities decreasing 44 basis points to 1.69% for the three months ended June 30, 2011 compared to 2.13% for the three months ended June 30, 2010. This was partially offset by the average balance of total interest-bearing liabilities increasing by $911.4 million, or 11.9%, to $8.56 billion for the three months ended June 30, 2011 from $7.65 billion for the three months ended June 30, 2010.

Interest expense on interest-bearing deposits decreased $3.1 million, or 13.4% to $19.8 million for the three months ended June 30, 2011 from $22.9 million for the three months ended June 30, 2010. This decrease is attributed to a 34 basis point decrease in the average cost of interest-bearing deposits to 1.23% for the three months ended June 30, 2011 from 1.57% for the three months ended June 30, 2010 as deposit rates reflect the current interest rate

environment. This was partially offset by the average balance

of total interest-bearing deposits increasing $613.5 million, or 10.5% to $6.47 billion for the three months ended June 30, 2011 from $5.85 billion for the three months ended June 30, 2010. The growth of core deposit accounts, savings, checking and money market, represented 82.5%, or $506.2 million of the increase in the average balance of total interest-bearing deposits.

Interest expense on borrowed funds decreased by $1.4 million, or 8.0%, to $16.4 million for the three months ended June 30, 2011 from $17.8 million for the three months ended June 30, 2010. This decrease is attributed to the average cost of borrowed funds decreasing 83 basis points to 3.14% for the three months ended June 30, 2011 from 3.97% for the three months ended June 30, 2010 as maturing borrowings repriced at lower interest rates. This was partially offset by the average balance of borrowed funds increasing by $297.9 million or 16.6%, to $2.09 billion for the three months ended June 30, 2011 from $1.79 billion for the three months ended June 30, 2010.

Provision for Loan Losses. The provision for loan losses was $18.5 million for the three months ended June 30, 2011 compared to $15.5 million for the three months ended June 30, 2010. Net charge-offs were $10.4 million for the three months ended June 30, 2011 compared to $6.1 million for the three months ended June 30, 2010. See discussion of the allowance for loan losses and non-accrual loans in *Comparison of Financial Condition at June 30, 2011 and December 31, 2010.*

Non-interest Income. Total non-interest income increased by $1.4 million, or 34.0% to $5.5 million for the three months ended June 30, 2011 from $4.1 million for the three months ended June 30, 2010. The increase is attributed to a $1.6 million increase in fees and service charges to $3.2 million for the three months ended June 30, 2011. These fees are primarily from commercial deposit and loan accounts as well as fees generated from the servicing of third party loan portfolios. In addition, income on bank owned life insurance increased by $408,000. These increases were partially offset by a $346,000 net loss on the sale of $58.7 million of our mortgage backed securities and a $106,000 loss on the sale of other real estate owned.

Non-interest Expenses. Total non-interest expenses increased by $8.5 million, or 27.5%, to $39.2 million for the three months ended June 30, 2011 from $30.8 million for the three months ended June 30, 2010. Compensation and fringe benefits increased $3.3 million as a result of staff additions primarily due to the acquisition of Millennium bcpbank deposit franchise and additional staff to support our continued growth, as well as normal merit increases. Occupancy expense increased $3.3 million as a result of the costs associated with expanding and enhancing our branch network, and costs associated with the relocation of one of our branches. Data processing expenses increased $657,000 primarily due to increased volume of accounts.

Income Taxes. Income tax expense was $10.6 million for the three months ended June 30, 2011, representing a 35.08% effective tax rate compared to income tax expense of $7.8 million for the three months ended June 30, 2010 representing a 33.76% effective tax rate.

Comparison of Operating Results for the Six Months Ended June 30, 2011 and 2010

Net Income. Net income was $37.7 million for the six months ended June 30, 2011 compared to net income of $28.6 million for the six months ended June 30, 2010.

Net Interest Income. Net interest income increased by $33.1 million, or 26.0%, to $160.2 million for the six months ended June 30, 2011 from $127.1 million for the six months ended June 30, 2010. The increase was primarily due to the average balance of interest earning assets increasing $1.12 billion to $9.38 billion at June 30, 2011 compared to $8.25 billion at June 30, 2010, as well as a 46 basis point decrease in our cost of interest-bearing liabilities to 1.72% for the six months ended June 30, 2011 from 2.18% for the six months ended June 30, 2010. These were partially

offset by the average balance of our interest earning liabilities increasing $893.4 million to $8.42 billion at June 30, 2011 compared to

$7.52 billion at June 30, 2010, as well as the yield on our interest-earning assets decreasing 10 basis points to 4.96% for the six months ended June 30, 2011 from 5.06% for the six months ended June 30, 2010. With short term interest rates at historically low levels the cost of our deposits and borrowed funds continued to reprice downward. This had a positive impact on our net interest margin which improved by 34 basis points from 3.08% for the six months ended June 30, 2010 to 3.42% for the six months ended June 30, 2011.

Interest and Dividend Income. Total interest and dividend income increased by $23.4 million, or 11.2%, to $232.4 million for the six months ended June 30, 2011 from $208.9 million for the six months ended June 30, 2010. This increase is attributed to the average balance of interest-earning assets increasing $1.12 billion, or 13.6%, to $9.38 billion for the six months ended June 30, 2011 from $8.25 billion for the six months ended June 30, 2010. This was partially offset by the weighted average yield on interest-earning assets decreasing 10 basis points to 4.96% for the six months ended June 30, 2011 compared to 5.06% for the six months ended June 30, 2010.

Interest income on loans increased by $27.0 million, or 14.6%, to $212.3 million for the six months ended June 30, 2011 from $185.3 million for the six months ended June 30, 2010, reflecting a $1.34 billion, or 19.6%, increase in the average balance of net loans to $8.18 billion for the six months ended June 30, 2011 from $6.84 billion for the six months ended June 30, 2010. The increase is primarily attributed to the average balance of multi-family loans and commercial real estate loans increasing $633.3 million and $477.1 million, respectively. This activity is consistent with our strategy to diversify our loan portfolio by adding more multi-family loans and commercial real estate loans. In addition, we recorded $1.4 million in prepayment penalties for the six months ended June 30, 2011 compared to $78,000 for the six months ended June 30, 2010. The growth in the loan portfolio was partially offset by a 23 basis point decrease in the average yield on loans to 5.19% for the six months ended June 30, 2011 from 5.42% for the six months ended June 30, 2010.

Interest income on all other interest-earning assets, excluding loans, decreased by $3.6 million, or 15.1%, to $20.0 million for the six months ended June 30, 2011 from $23.6 million for the six months ended June 30, 2010. This decrease reflected a $217.7 million decrease in the average balance of all other interest-earning assets, excluding loans, to $1.19 billion for the six months ended June 30, 2011 from $1.41 billion for the six months ended June 30, 2010. This was partially offset by the weighted average yield on interest-earning assets, excluding loans, increasing by 1 basis point to 3.36% for the six months ended June 30, 2011 compared to 3.35% for the six months ended June 30, 2010.

Interest Expense. Total interest expense decreased by $9.7 million, or 11.8%, to $72.2 million for the six months ended June 30, 2011 from $81.9 million for the six months ended June 30, 2010. This decrease is attributed to the weighted average cost of total interest-bearing liabilities decreasing 46 basis points to 1.72% for the six months ended June 30, 2011 compared to 2.18% for the six months ended June 30, 2010. This was partially offset by the average balance of total interest-bearing liabilities increasing by $893.4 million, or 11.9%, to $8.42 billion for the six months ended June 30, 2011 from $7.52 billion for the six months ended June 30, 2010.

Interest expense on interest-bearing deposits decreased $6.8 million, or 14.7% to $39.8 million for the six months ended June 30, 2011 from $46.7 million for the six months ended June 30, 2010. This decrease is attributed to a 40 basis point decrease in the average cost of interest-bearing deposits to 1.23% for the six months ended June 30, 2011 from 1.63% for the six months ended June 30, 2010 as deposit rates reflect the current interest rate environment. This was partially offset by the average balance of total interest-bearing deposits increasing $720.2 million, or 12.6% to $6.46 billion for the six months ended June 30, 2011 from $5.74 billion for the six months ended June 30, 2010. The growth of core deposit accounts, savings checking and money market, represented 87.8%, or $632.0 million of the increase in the average balance of total interest-bearing deposits.

Interest expense on borrowed funds decreased by $2.8 million, or 8.0%, to $32.4 million for the six months ended June 30, 2011 from $35.2 million for the six months ended June 30, 2010. This decrease is attributed to the average cost of borrowed funds decreasing 64 basis points to 3.30% for the six months ended June 30, 2011 from 3.94% for the six months ended June 30, 2010 as maturing borrowings repriced at lower interest rates. This was partially offset by the average balance of borrowed funds increasing by $173.2 million or 9.7%, to $1.96 billion for the six months ended June 30, 2011 from $1.79 billion for the six months ended June 30, 2010.

Provision for Loan Losses. The provision for loan losses was $35.5 million for the six months ended June 30, 2011 compared to $28.5 million for the six months ended June 30, 2010. Net charge-offs were $19.5 million for the six months ended June 30, 2011 compared to $11.2 million for the six months ended June 30, 2010. See discussion of the allowance for loan losses and non-accrual loans in *Comparison of Financial Condition at June 30, 2011 and December 31, 2010.*

Non-interest Income. Total non-interest income increased by $4.0 million, or 49.0% to $12.1 million for the six months ended June 30, 2011 from $8.1 million for the six months ended June 30, 2010. The increase is attributed to a $3.4 million increase in fees and service charges to $6.6 million for the six months ended June 30, 2011. These fees are primarily from commercial deposit and loan accounts as well as fees generated from the servicing of third party loan portfolios. In addition, there was an increase in gain on loan transactions of $426,000 to $3.9 million for the six months ended June 30, 2011. Income on bank owned life insurance also increased by $536,000. These increases were partially offset by a $346,000 net loss on the sale of $58.7 million of mortgage back securities and a $106,000 loss on the sale of our other real estate owned.

Non-interest Expenses. Total non-interest expenses increased by $16.3 million, or 26.7%, to $77.5 million for the six months ended June 30, 2011 from $61.2 million for the six months ended June 30, 2010. Compensation and fringe benefits increased $8.2 million as a result of staff additions primarily from the acquisition of Millennium bcpbank deposit franchise and additional staff to support our continued growth, as well as normal merit increases. Occupancy expense increased $5.1 million as a result of the costs associated with expanding our branch network, and increased costs due to the improvements and costs associated with the relocation of one of our branches. Data processing expenses increased $1.2 million primarily due to increased volume of accounts.

Income Taxes. Income tax expense was $21.3 million for the six months ended June 30, 2011, representing a 36.05% effective tax rate compared to income tax expense of $16.9 million for the six months ended June 30, 2010 representing a 37.10% effective tax rate. The decrease in the effective tax rate is due to more revenue generated in states other than New Jersey.

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 June 30, 2011 the Company had overnight borrowings outstanding with FHLB of $355.0 million compared to $231.0 million at December 31, 2010. The Company utilizes the overnight line from time to time to fund short-term liquidity needs. The Company had total borrowings of $2.34 billion at June 30, 2011, an increase from $1.83 billion at December 31, 2010.

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In the normal course of business, the Company routinely enters into various commitments, primarily relating to the origination of loans. At June 30, 2011, outstanding commitments to originate loans totaled $388.0 million; outstanding unused lines of credit totaled $387.0 million; standby letters of credit totaled $1.4 million and outstanding commitments to sell loans totaled $37.8 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 $2.35 billion at June 30, 2011. Based upon historical experience management estimates that a significant portion of such deposits will remain with the Company.

The Board of Directors approved a fourth share repurchase program at their January 2011 meeting, which authorizes the repurchase of an additional 10% of the Company s outstanding common stock. The fourth share repurchase program will commence immediately upon completion of the third program. Under this program, up to 10% of its publicly held outstanding shares of common stock, or 3,876,523 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 six month period ended June 30, 2011, the Company repurchased 635,201 shares of its common stock. Under the current share repurchase programs, 4,027,166 shares remain available for repurchase. As June 30, 2011, a total of 14,260,026 shares have been purchased under Board authorized share repurchase programs, of which 2,248,701 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 June 30, 2011 the Bank exceeded all regulatory capital requirements as follows:

	As of June 30, 2011			
	Actual		Required	
	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)			
Total capital (to risk-weighted assets)	$ 919,784	13.3%	554,089	8.0%
Tier I capital (to risk-weighted assets)	832,956	12.0	277,045	4.0
Tier I capital (to average assets)	832,956	8.5	394,158	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 June 30, 2011:

Contractual Obligations	Total	Less than One Year	One-Two Years	Two-Three Years	More than Three Years
	(in thousands)				
	$ 2,335,500	1,035,500	280,000	145,000	875,000

Debt obligations (excluding capitalized leases)					
Commitments to originate and purchase loans	$ 387,961	387,961	-	-	-
Commitments to sell loans	$ 37,758	37,758	-	-	-

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Debt obligations include borrowings from the FHLB and other borrowings. The borrowings have defined terms and, under certain circumstances, $230.0 million of the borrowings are callable at the option of the lender.

Additionally, at June 30, 2011, the Company s commitments to fund unused lines of credit totaled $387.0 million. 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. These contractual obligations as of June 30, 2011 have not changed significantly from December 31, 2010.

In the normal course of business the Company sells residential mortgage loans to third parties. These loan sales are subject to customary representations and warranties. In the event that we are found to be in breach of these representations and warranties, we may be obligated to repurchase certain of these loans.

For further information regarding our off-balance sheet arrangements and contractual obligations, see Part II, Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, in our December 31, 2010 Annual Report on Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Qualitative Analysis. We believe one 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 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, particularly multi-family loans, as these loan types reduce our interest rate risk due to their shorter repricing term compared to fixed rate residential mortgage 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 an independent, nationally recognized consulting firm who specializes in asset and liability management to complete our quarterly interest rate risk reports. We also retain a second nationally recognized consulting firm to prepare independently comparable interest rate risk reports for the purpose of validation. Both firms 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 an 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 asset and liability repricing analysis based on changes in prepayment rates resulting from the parallel yield curve shifts.

Our 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 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.

Quantitative Analysis. The table below sets forth, as of June 30, 2011 the estimated changes in our NPV and our net interest income that would result from the designated changes in 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.

Change in Interest Rates (basis points)	Net Portfolio Value (1),(2)			Net Interest Income (3)		
	Estimated NPV	Estimated Increase (Decrease) Amount	Estimated Increase (Decrease) Percent	Estimated Net Interest Income	Increase (Decrease) in Estimated Net Interest Income Amount	Increase (Decrease) in Estimated Net Interest Income Percent
	(Dollars in thousands)					
+200bp	$563,604	$344,991	(38.0)%	$315,004	$(21,878)	(6.5)%
0bp	$908,595	-	-	$336,882	-	-
-100bp	$1,007,292	$98,697	10.9%	$345,074	$8,192	2.4%

(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 June 30, 2011 in the event of a 200 basis points increase in interest rates, we would be expected to experience a 38.0% decrease in NPV and an $21.9 million or 6.5% decrease in net interest income. In the event of a 100 basis points decrease in interest rates, we would be expected to experience a 10.9% increase in NPV and a $8.2 million or 2.4% 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.

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.

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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, except as disclosed below:

The Standard & Poor s downgrade in the U.S. government s sovereign credit rating, and in the credit ratings of instruments issued, insured or guaranteed by certain related institutions, agencies and instrumentalities, could result in risks to the Company and general economic conditions that we are not able to predict.

On August 5, 2011, Standard & Poor s downgraded the United States long-term debt rating from its AAA rating to AA+. On August 8, 2011, Standard & Poor s downgraded the credit ratings of certain long-term debt instruments issued by Fannie Mae and Freddie Mac and other U.S. government agencies linked to long-term U.S. debt. Instruments of this nature are key assets on the balance sheets of financial institutions, including the Bank. These downgrades could adversely affect the market value of such instruments, and could adversely impact our ability to obtain funding that is collateralized by affected instruments, as well as affecting the pricing of that funding when it is available. We cannot predict if, when or how these changes to the credit ratings will affect economic conditions. These ratings downgrades could result in a significant adverse impact to the Company, and could exacerbate the other risks to which the Company is subject, including those described under Risk Factors in the Company s 2010 Annual Report on Form 10-K.

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 June 30, 2011 and the stock repurchase plan approved by our Board of Directors.

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)
April 1, 2011 through April 30, 2011	-	$ -	-	4,478,090
May 1, 2011 through May 31, 2011	824	14.43	824	4,477,266

June 1, 2011 through June 30, 2011	450,100		13.94	450,100	4,027,166
Total	450,924	$	13.94	450,924	

(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 150,643 shares yet to be purchased as of June 30, 2011. On March 1, 2011, the Company announced its fourth Share

Repurchase Program, which authorized the purchase of an additional 10% of its publicly-held outstanding shares of common stock, or 3,876,523 million shares. The new repurchase program will

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commence immediately upon completion of the third repurchase plan described above. This program has no expiration date.

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.***
10.10	Purchase and Assumption Agreement by and among Millennium and Investors Savings Bank****
14	Code of Ethics*****
21	Subsidiaries of Registrant*

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
101	The following materials from the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Statements of Financial Condition, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Changes in Stockholders Equity, (iv) the Consolidated Statements of Cash Flows and (v) the Notes to Consolidated Financial Statements, tagged as blocks of text.******

*	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.
****	Incorporated by reference to Form 8-K originally filed with the Securities and Exchange Commission on March 30, 2010.
*****	Available on our website *www.isbnj.com*
******	Furnished, not filed

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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: August 9, 2011 /s/ Kevin Cummings

Kevin Cummings
President and Chief Executive Officer
(Principal Executive Officer)

Dated: August 9, 2011 /s/ Thomas F. Splaine, Jr.

Thomas F. Splaine, Jr.
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)