

Investors Bancorp Inc  
Form 10-K  
August 29, 2007

**Table of Contents**

**SECURITIES AND EXCHANGE COMMISSION  
450 Fifth Street, N.W.  
Washington, D.C. 20549**

**Form 10-K**

- þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
For the Fiscal Year Ended June 30, 2007**
- or**
- o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
For the transition period from to**

**Commission File No. 000-51557**

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

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

**22-3493930**  
*(I.R.S. Employer  
Identification Number)*

**101 JFK Parkway, Short Hills, New Jersey**  
*(Address of Principal Executive Offices)*

**07078**  
*Zip Code*

**(973) 924-5100**  
*(Registrant's telephone number)*

**Securities registered pursuant to Section 12(b) of the Act:**  
**None**

**Securities registered pursuant to Section 12(g) of the Act:**  
**Common Stock, par value \$0.01 per share**  
*(Title of Class)*

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such requirements for the past

90 days. Yes  No .

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

As of August 20, 2007, the registrant had 116,275,688 shares of common stock, par value \$0.01 per share, issued and 110,375,952 shares outstanding, of which 63,099,781 shares, or 56.6%, were held by Investors Bancorp, MHC, the registrant's mutual holding company.

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, computed by reference to the last sale price on December 31, 2006, as reported by the NASDAQ Global Select Market, was approximately \$805.4 million.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

1. Proxy Statement for the 2007 Annual Meeting of Stockholders of the Registrant (Part III).
-

**INVESTORS BANCORP, INC.**

**2007 ANNUAL REPORT ON FORM 10-K**

**TABLE OF CONTENTS**

	<b>Page</b>
<b><u>PART I</u></b>	
<u>Item 1.</u> <u>Business</u>	1
<u>Item 1A.</u> <u>Risk Factors</u>	33
<u>Item 1B.</u> <u>Unresolved Staff Comments</u>	36
<u>Item 2.</u> <u>Properties</u>	36
<u>Item 3.</u> <u>Legal Proceedings</u>	36
<u>Item 4.</u> <u>Submission of Matters to a Vote of Security Holders</u>	36
<b><u>PART II</u></b>	
<u>Item 5.</u> <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	37
<u>Item 6.</u> <u>Selected Financial Data</u>	39
<u>Item 7.</u> <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	40
<u>Item 7A.</u> <u>Quantitative and Qualitative Disclosures about Market Risk</u>	57
<u>Item 8.</u> <u>Financial Statements and Supplementary Data</u>	57
<u>Item 9.</u> <u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	57
<u>Item 9A.</u> <u>Controls and Procedures</u>	57
<u>Item 9B.</u> <u>Other Information</u>	57
<b><u>PART III</u></b>	
<u>Item 10.</u> <u>Directors, Executive and Corporate Governance</u>	58
<u>Item 11.</u> <u>Executive Compensation</u>	58
<u>Item 12.</u> <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	58
<u>Item 13.</u> <u>Certain Relationships, Related Transactions and Director Independence</u>	58
<u>Item 14.</u> <u>Principal Accountant Fees and Services</u>	58
<b><u>PART IV</u></b>	
<u>Item 15.</u> <u>Exhibits and Financial Statement Schedules</u>	58
<b><u>SIGNATURES</u></b>	96
<u>EX-31.1: CERTIFICATION</u>	
<u>EX-31.2: CERTIFICATION</u>	
<u>EX-32: CERTIFICATION</u>	

**Table of Contents**

**PART I**

**Forward Looking Statements**

This Annual Report contains certain 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 terms or variations on those terms, or the negative of those terms. Forward looking statements are subject to numerous risks, as described in our SEC filings, and uncertainties, including, but not limited to, those related to the economic environment, particularly in the market areas in which we operated, competitive products and pricing, fiscal and monetary policies of the U.S. Government, changes in government regulations affecting financial institutions, including regulatory fees and capital requirements, 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.

We wish to caution readers not to place undue reliance on any such forward looking statements, which speak only as of the date made. We wish to advise readers that the factors listed above could affect our 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. We do not undertake and specifically decline any obligation to publicly release the results 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.

**ITEM 1. BUSINESS**

**Investors Bancorp, Inc.**

Investors Bancorp, Inc. (the Company) is a Delaware corporation that was organized on January 21, 1997 for the purpose of being a holding company for Investors Savings Bank (the Bank), a New Jersey chartered savings bank. On October 11, 2005, the Company completed its initial public stock offering in which it sold 51,627,094 shares, or 44.40% of its outstanding common stock, to subscribers in the offering, including 4,254,072 shares purchased by the Investors Savings Bank Employee Stock Ownership Plan (the ESOP). Upon completion of the initial public offering, Investors Bancorp, MHC, the Company's New Jersey chartered holding company parent, held 63,099,781 shares, or 54.27% of the Company's outstanding common stock. Additionally, the Company contributed \$5,163,000 in cash and issued 1,548,813 shares of common stock, or 1.33% of its outstanding shares, to the Investors Savings Bank Charitable Foundation.

Since the formation of the Company in 1997, our primary business has been that of holding the common stock of the Bank and since our stock offering, a loan to the ESOP. Investors Bancorp, Inc., as the holding company of Investors Savings Bank, is authorized to pursue other business activities permitted by applicable laws and regulations for bank holding companies.

Our cash flow depends on dividends received from Investors Savings Bank. Investors Bancorp, Inc. neither owns nor leases any property, but instead uses the premises, equipment and furniture of Investors Savings Bank. At the present time, we employ as officers only certain persons who are also officers of Investors Savings Bank and we use the support staff of Investors Savings Bank from time to time. These persons are not separately compensated by Investors Bancorp, Inc. Investors Bancorp, Inc. may hire additional employees, as appropriate, to the extent it expands its

business in the future.

We recently announced the definitive agreement to acquire Summit Federal Bankshares, MHC, the parent company of Summit Federal Bankshares and Summit Federal Savings Bank (Summit). As of June 30, 2007, Summit Federal Bank operated five branches in New Jersey and had assets of \$120 million, deposits of \$103 million and equity of \$16 million.

## **Table of Contents**

### **Investors Savings Bank**

#### ***General***

Investors Savings Bank is a New Jersey-chartered savings bank headquartered in Short Hills, New Jersey. Originally founded in 1926 as a New Jersey-chartered mutual savings and loan association, we have grown through acquisitions and internal growth, including de novo branching. In 1992, we converted our charter to a mutual savings bank, and in 1997 we converted our charter to a New Jersey-chartered stock savings bank. We conduct business from our main office located at 101 JFK Parkway, Short Hills, New Jersey, and our 46 branch offices located in Essex, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Somerset and Union Counties, New Jersey. The telephone number at our main office is (973) 924-5100. At June 30, 2007, our assets totaled \$5.60 billion and our deposits totaled \$3.66 billion.

We are in the business of attracting deposits from the public through our branch network and borrowing funds in the wholesale markets to originate loans and to invest in securities. We originate mortgage loans secured by one- to four-family residential real estate and consumer loans, the majority of which are home equity loans and home equity lines of credit. In recent years, we expanded our lending activities to include commercial real estate, construction and multi-family loans. A large, but declining percentage of our assets are invested in securities, primarily U.S. Government and Federal Agency obligations, mortgage-backed and other securities. We offer a variety of deposit accounts and emphasize exceptional customer service. We are subject to comprehensive regulation and examination by both the New Jersey Department of Banking and Insurance and the Federal Deposit Insurance Corporation.

#### ***Market Area***

We are headquartered in Short Hills, New Jersey, and our primary deposit gathering area is concentrated in the communities surrounding our headquarters and our 46 branch offices located in the communities of Essex, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Somerset and Union Counties, New Jersey. Our primary lending area is broader than our deposit-gathering area and includes 14 counties in New Jersey. The economy in our primary market area has benefited from being varied and diverse. It is largely urban and suburban with a broad economic base as is typical for counties surrounding the New York metropolitan area. As one of the wealthiest states in the nation, New Jersey, with a population of nearly 8.9 million, is considered one of the most attractive banking markets in the United States. The June 2007 unemployment rate for New Jersey of 4.3% was slightly lower than the national rate of 4.5%.

Many of the counties we serve are projected to experience strong to moderate population and household income growth through 2011. Though slower population growth is projected for some of the counties we serve, it is important to note that these counties are some of the most densely populated in the state. All of the counties we serve have a strong mature market with median household incomes greater than \$53,000. The household incomes in the counties we serve are all expected to increase in a range from 15% to 20% through 2011.

#### ***Competition***

We face intense competition within our market area both in making loans and attracting deposits. Our market area has a high concentration of financial institutions, including large money center and regional banks, community banks and credit unions. Some of our competitors offer products and services that we currently do not offer, such as trust services and private banking. As of June 30, 2006, the latest date for which statistics are available, our market share of deposits was 1.59% of total deposits in the State of New Jersey.

Our competition for loans and deposits comes principally from commercial banks, savings institutions, mortgage banking firms and credit unions. We face additional competition for deposits from short-term money market funds, brokerage firms, mutual funds and insurance companies. Our primary focus is to build and develop profitable

customer relationships across all lines of business while maintaining our role as a community bank.



**Table of Contents**

***Lending Activities***

Our principal lending activity is the origination and purchase of mortgage loans collateralized by residential real estate. Residential mortgage loans represented \$3.15 billion, or 88.21% of our total loans at June 30, 2007. In 2005, we began offering commercial real estate, multi-family and construction loans. At June 30, 2007, commercial real estate and multi-family loans totaled \$107.4 million, or 3.00% of our total loan portfolio and construction loans totaled \$152.7 million, or 4.27%. We also offer consumer loans, which consist primarily of home equity loans and home equity lines of credit. At June 30, 2007, consumer loans totaled \$161.4 million or 4.52% of our total loan portfolio.

*Loan Portfolio Composition.* The following table sets forth the composition of our loan portfolio by type of loan, at the dates indicated.

	2007		2006		At June 30, 2005		2004		2003
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount
	(Dollars in thousands)								
Family	\$ 3,134,690	87.69%	\$ 2,646,056	89.75%	\$ 1,850,806	93.18%	\$ 987,958	89.26%	\$ 652,530
	18,522	0.52	20,503	0.70	30,273	1.52	43,923	3.97	67,630
	3,153,212	88.21	2,666,559	90.45	1,881,079	94.70	1,031,881	93.23	720,160
Commercial	107,350	3.00	76,976	2.61	17,181	0.86	6,147	0.56	7,010
Construction	152,670	4.27	65,459	2.22	6,465	0.33	845	0.08	14,000
Consumer	138,358	3.87	112,977	3.83	45,591	2.30	29,731	2.69	21,940
	21,269	0.60	24,770	0.84	34,840	1.75	36,513	3.30	31,320
	1,768	0.05	1,589	0.05	1,210	0.06	1,588	0.14	1,620
Total	3,574,627	100.00%	2,948,330	100.00%	1,986,366	100.00%	1,106,705	100.00%	782,210
Reserves	23,587		20,327		14,113		5,274		1,690
Provision	(1,924)		(1,734)		(881)		(905)		(700)
Net	(6,917)		(6,340)		(5,694)		(5,193)		(4,750)

Edgar Filing: Investors Bancorp Inc - Form 10-K

\$ 3,589,373

\$ 2,960,583

\$ 1,993,904

\$ 1,105,881

\$ 778,45

3

---

**Table of Contents**

*Loan Portfolio Maturities and Yields.* The following table summarizes the scheduled repayments of our loan portfolio at June 30, 2007. Overdraft loans are reported as being due in one year or less.

	At June 30, 2007				Total
	Residential Mortgage	Multi-Family and Commercial	Construction Loans (In thousands)	Consumer and Other Loans	
<b>Amounts Due:</b>					
One year or less	\$ 307	355	44,182	188	45,032
After one year:					
One to three years	1,092	6,104	97,220	3,181	107,597
Three to five years	291	26,184	8,217	8,544	43,236
Five to ten years	49,982	56,753	3,051	30,987	140,773
Ten to twenty years	527,217	13,663		87,259	628,139
Over twenty years	2,574,323	4,291		31,236	2,609,850
Total due after one year	3,152,905	106,995	108,488	161,207	3,529,595
Total loans	\$ 3,153,212	107,350	152,670	161,395	3,574,627
Premiums on purchased loans					23,587
Deferred loan fees, net					(1,924)
Allowance for loan losses					(6,917)
Net loans					\$ 3,589,373

The following table sets forth fixed- and adjustable-rate loans at June 30, 2007 that are contractually due after June 30, 2008.

	Due After June 30, 2008		Total
	Fixed	Adjustable (In thousands)	
<b>Residential mortgage loans:</b>			
One- to four-family	\$ 1,817,457	1,317,044	3,134,501
FHA	18,404		18,404
Total residential mortgage loans	1,835,861	1,317,044	3,152,905
<b>Multi-family and commercial</b>	58,409	48,586	106,995