Investors Bancorp Inc
Form 10-Q
May 10, 2012
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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: March 31, 2012

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	**(I.R.S. Employer**

incorporation or organization)	**Identification Number)**
101 JFK Parkway, Short Hills, New Jersey	**07078**
(Address of Principal Executive Offices)	**Zip Code**

(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, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer	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 May 1, 2012 there were 111,907,861 shares of the Registrant s common stock, par value $0.01 per share, outstanding, of which 65,396,235 shares, or 58.4% of the Registrant s outstanding common stock, were held by Investors Bancorp, MHC, the Registrant s mutual holding company.

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INVESTORS BANCORP, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2012 (unaudited) and December 31, 2011

	March 31, 2012	December 31, 2011
	(In thousands)	
ASSETS		
Cash and cash equivalents	$ 103,662	90,139
Securities available-for-sale, at estimated fair value	1,284,758	983,715
Securities held-to-maturity, net (estimated fair value of $271,802 and $311,860 at March 31, 2012 and December 31, 2011, respectively)	248,432	287,671
Loans receivable, net	9,010,864	8,794,211
Loans held-for-sale	29,490	18,847
Stock in the Federal Home Loan Bank	125,358	116,813
Accrued interest receivable	39,128	40,063
Other real estate owned	5,337	3,081
Office properties and equipment, net	69,275	60,555
Net deferred tax asset	137,908	133,526
Bank owned life insurance	110,450	112,990
Intangible assets	56,062	39,225
Other assets	41,922	20,749
	$ 11,262,646	10,701,585
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Deposits	$ 7,800,534	$ 7,362,003
Borrowed funds	2,278,679	2,255,486
Advance payments by borrowers for taxes and insurance	52,643	43,434
Other liabilities	134,464	73,222
Total liabilities	10,266,320	9,734,145
Commitments and contingencies		
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; 111,907,861 and 110,937,672 outstanding at March 31, 2012 and December 31, 2011, respectively	532	532
Additional paid-in capital	530,519	536,408
Retained earnings	580,631	561,596
Treasury stock, at cost; 6,112,419 and 7,082,608 shares at March 31, 2012 and December 31, 2011, respectively	(73,787)	(87,375)
Unallocated common stock held by the employee stock ownership plan	(32,260)	(32,615)
Accumulated other comprehensive loss	(9,309)	(11,106)
Total stockholders equity	996,326	967,440
Total liabilities and stockholders equity	$ 11,262,646	10,701,585

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 March 31, 2012	2011
	(Dollars in thousands, except per share data)	
Interest and dividend income:		
Loans receivable and loans held-for-sale	$ 110,252	103,481
Securities:		
Government-sponsored enterprise obligations	7	169
Mortgage-backed securities	8,294	7,575
Municipal bonds and other debt	1,258	1,356
Interest-bearing deposits	14	17
Federal Home Loan Bank stock	1,391	1,082
Total interest and dividend income	121,216	113,680
Interest expense:		
Deposits	18,333	19,988
Secured borrowings	15,152	15,955
Total interest expense	33,485	35,943
Net interest income	87,731	77,737
Provision for loan losses	13,000	17,000
Net interest income after provision for loan losses	74,731	60,737
Non-interest income		
Fees and service charges	4,966	3,778
Income on bank owned life insurance	664	649
Gain on loan transactions, net	3,889	2,255
Gain (loss) on securities transactions	(42)	23
Other income	878	116
Total non-interest income	10,355	6,821
Non-interest expense		
Compensation and fringe benefits	26,411	22,050
Advertising and promotional expense	1,512	1,377
Office occupancy and equipment expense	10,071	6,229
Federal insurance premiums	1,950	2,700
Stationery, printing, supplies and telephone	1,216	789
Professional fees	4,442	1,011
Data processing service fees	4,549	1,932
Other operating expenses	4,304	2,528
Total non-interest expenses	54,455	38,616

Income before income tax expense		30,631	28,942
Income tax expense		11,696	10,728
Net income	$	18,935	18,214
Basic and diluted earnings per share	$	0.18	0.17
Weighted average shares outstanding			
Basic		107,257,811	108,538,442
Diluted		107,436,211	108,686,529

See accompanying notes to consolidated financial statements.

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INVESTORS BANCORP, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(Unaudited)

	For the Three Months Ended March 31,	
	2012	2011
	(In thousands)	
Net income	$ 18,935	18,214
Other comprehensive income (loss), net of tax:		
Change in funded status of retirement obligations	72	52
Unrealized gain on securities available-for-sale	1,507	(1,264)
Other-than-temporary impairment accretion on debt securities	218	218
Total other comprehensive income (loss)	1,797	(994)
Total comprehensive income	$ 20,732	17,220

See accompanying notes to consolidated financial statements.

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INVESTORS BANCORP, INC. & SUBSIDIARIES

Consolidated Statements of Stockholder s Equity

Three months ended March 31, 2012 and 2011

(Unaudited)

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock (In thousands)	Unallocated Common Stock Held by ESOP	Accumulated other comprehensive loss	Total stockholders equity
Balance at December 31, 2010	$ 532	533,720	483,269	(62,033)	(34,033)	(20,176)	901,279
Net income			18,214				18,214
Other comprehensive loss, net of tax						(994)	(994)
Purchase of treasury stock (184,277 shares)				(2,454)			(2,454)
Treasury stock allocated to restricted stock plan		(6,588)	(559)	7,147			
Compensation cost for stock options and restricted stock		2,561					2,561
ESOP shares allocated or committed to be released		133			355		488
Balance at March 31, 2011	$ 532	529,826	500,924	(57,340)	(33,678)	(21,170)	919,094
Balance at December 31, 2011	$ 532	536,408	561,596	(87,375)	(32,615)	(11,106)	967,440
Net income			18,935				18,935
Other comprehensive income, net of tax						1,797	1,797
Common stock issued from treasury to finance acquisition (551,862 shares)			(143)	7,703			7,560
Purchase of treasury stock (52,673 shares)				(776)			(776)
Treasury stock allocated to restricted stock plan		(6,904)	243	6,661			
Compensation cost for stock options and restricted stock		745					745
Net tax benefit from stock-based compensation		103					103
ESOP shares allocated or committed to be released		167			355		522
Balance at March 31, 2012	$ 532	530,519	580,631	(73,787)	(32,260)	(9,309)	996,326

See accompanying notes to consolidated financial statements.

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INVESTORS BANCORP, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Three Months Ended March 31, 2012	2011
	(In thousands)	
Cash flows from operating activities:		
Net income	$ 18,935	18,214
Adjustments to reconcile net income to net cash provided by operating activities:		
ESOP and stock-based compensation expense	1,268	3,049
Accretion of discounts and amortization of premiums on securities, net	2,594	1,362
Amortization of premiums and accretion of fees and costs on loans, net	1,882	2,106
Amortization of intangible assets	361	392
Provision for loan losses	13,000	17,000
Depreciation and amortization of office properties and equipment	1,576	1,334
Loss (gain) on securities, net	42	(23)
Mortgage loans originated for sale	(189,488)	(104,312)
Proceeds from mortgage loan sales	182,097	125,502
Gain on sales of mortgage loans, net	(3,252)	(1,828)
Income on bank owned life insurance	(664)	(649)
Decrease (increase) in accrued interest receivable	2,015	405
Deferred tax benefit	(1,808)	(1,259)
(Increase) decrease in other assets	(17,503)	1,788
Increase in other liabilities	56,577	5,304
Total adjustments	48,697	50,171
Net cash provided by operating activities	67,632	68,385
Cash flows from investing activities:		
Purchases of loans receivable	(156,766)	(210,596)
Net repayments (originations) of loans receivable	51,041	(42,463)
Proceeds from sale of loans held for investment	50,083	427
Gain on disposition of loans held for investment	(637)	(427)
Purchases of mortgage-backed securities available-for-sale	(366,107)	(106,594)
Proceeds from paydowns/maturities on mortgage-backed securities held-to-maturity	29,975	51,813
Proceeds from calls/maturities on debt securities held-to-maturity	10,173	4,930
Proceeds from paydowns/maturities on mortgage-backed securities available-for-sale	67,771	46,989
Proceeds from sales of mortgage-backed securities available-for-sale	166,781	
Redemption of equity securities available-for-sale	85	
Proceeds from redemptions of Federal Home Loan Bank stock	32,152	16,605
Purchases of Federal Home Loan Bank stock	(39,126)	(27,973)
Purchases of office properties and equipment	(5,146)	(2,678)
Death benefit proceeds from bank owned life insurance	3,204	6,481
Cash received, net of cash consideration paid for acquisitions	27,741	
Net cash used in investing activities	(128,776)	(263,486)
Cash flows from financing activities:		
Net increase (decrease) in deposits	52,672	(47,386)
Repayments of funds borrowed under other repurchase agreements	(90,000)	
Net increase in other borrowings	104,993	240,493
Net increase in advance payments by borrowers for taxes and insurance	7,675	5,834
Purchase of treasury stock	(776)	(2,454)

Net tax benefit from stock-based compensation		103	
Net cash provided by financing activities		74,667	196,487
Net increase in cash and cash equivalents		13,523	1,386
Cash and cash equivalents at beginning of period		90,139	76,224
Cash and cash equivalents at end of period	$	103,662	77,610
Supplemental cash flow information:			
Noncash investing activities:			
Real estate acquired through foreclosure	$	2,256	423
Cash paid during the year for:			
Interest	$	33,857	36,060
Income taxes	$	1,490	2,653
Fair value of assets acquired	$	391,135	
Goodwill and core deposit intangible	$	16,805	
Liabilities assumed	$	400,379	
Common stock issued for Brooklyn Federal Savings Bank acquisition	$	7,561	

See accompanying notes to consolidated financial statements.

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INVESTORS BANCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

1. Basis of Presentation

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

In the opinion of management, all the adjustments (consisting of normal and recurring adjustments) necessary for the fair presentation of the consolidated financial condition and the consolidated results of operations for the unaudited periods presented have been included. The results of operations and other data presented for the three month period ended March 31, 2012 are not necessarily indicative of the results of operations that may be expected for subsequent periods or the full year results.

Certain information and note disclosures usually included in financial statements prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) 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, 2011 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 January 6, 2012, the Company completed the acquisition of Brooklyn Federal Bancorp, Inc. (BFSB), the holding company of Brooklyn Federal Savings Bank, a federally chartered savings bank with five full-service branches in Brooklyn and Long Island. After the purchase accounting adjustments, the Company assumed $385.9 million in customer deposits and acquired $177.5 million in loans. This transaction resulted in $16.5 million of goodwill and generated $218,000 in core deposit intangibles. The acquisition was accounted for under the acquisition method of accounting as prescribed by Accounting Standard Codification (ASC) 805 Business Combinations , as amended. Accordingly, BFSB s results of operations have been included in the Company s results of operations as of the date of acquisition. Under this method of accounting, the purchase price has been allocated to the respective assets acquired and liabilities assumed based on their estimated fair values, net of applicable income tax effects. The excess cost over fair value of net assets acquired has been recorded as goodwill. The purchase price of $10.3 million was paid through a combination of the Company s common stock (551,862 shares), issued to Investors Bancorp, MHC, and cash of $2.9 million. Brooklyn Federal Savings Bank was merged into the Bank as of the acquisition date. In a separate transaction the Company sold most of Brooklyn Federal Savings Bank s commercial real estate loan portfolio to a real estate investment fund on January 10, 2012.

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The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition for BFSB:

	At January 6, 2012 (In millions)
Cash and cash equivalents, net	$ 27.7
Securities available-for-sale	170.4
Loans receivable	177.5
Accrued interest receivable	1.1
Office properties and equipment, net	5.2
Goodwill	16.5
Intangible assets	0.2
Other assets	9.3
Total assets acquired	407.9
Deposits	(385.9)
Borrowed funds	(8.2)
Other liabilities	(6.2)
Total liabilities assumed	(400.3)
Net assets acquired	$ 7.6

The fair value estimates are considered preliminary, and are subject to change for up to one year after closing date of the transactions as additional information relative to closing dates fair values becomes available. As the Company finalizes its analysis of these assets, there may be adjustments to the recorded carrying values.

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 March 31, 2012			2011		
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
	(Dollars in thousands, except per share data)					
Net Income	$ 18,935			$ 18,214		
Basic earnings per share:						
Income available to common stockholders	$ 18,935	107,257,811	$ 0.18	$ 18,214	108,538,442	$ 0.17
Effect of dilutive common stock equivalents		178,400			148,087	
Diluted earnings per share:						
Income available to common stockholders	$ 18,935	107,436,211	$ 0.18	$ 18,214	108,686,529	$ 0.17

For the three months ended March 31, 2012 and March 31, 2011 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.

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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:

	At March 31, 2012			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
	(In thousands)			
Available-for-sale:				
Equity securities	$ 2,337	257		2,594
Debt securities:				
Government-sponsored enterprises	3,061		10	3,051
Mortgage-backed securities:				
Federal Home Loan Mortgage Corporation	567,797	7,423	85	575,135
Federal National Mortgage Association	676,258	11,466	305	687,419
Government National Mortgage Association	6,686	128		6,814
Non-agency securities	9,497	248		9,745
Total mortgage-backed securities available-for-sale	1,260,238	19,265	390	1,279,113
Total available-for-sale	1,265,636	19,522	400	1,284,758
Held-to-maturity:				
Debt securities:				
Government-sponsored enterprises	167	2		169
Municipal bonds	7,941	923		8,864
Corporate and other debt securities	26,395	13,830	3,044	37,181
Total debt securities held-to-maturity	34,503	14,755	3,044	46,214
Mortgage-backed securities:				
Federal Home Loan Mortgage Corporation	96,706	4,666	24	101,348
Federal National Mortgage Association	92,895	6,510		99,405
Government National Mortgage Association	1,329	204		1,533
Federal housing authorities	2,011	45		2,056
Non-agency securities	20,988	276	18	21,246
Total mortgage-backed securities held-to-maturity	213,929	11,701	42	225,588
Total held-to-maturity	248,432	26,456	3,086	271,802
Total securities	$ 1,514,068	45,978	3,486	1,556,560

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	At December 31, 2011			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
	(In thousands)			
Available-for-sale:				
Equity securities	$ 1,941	24		1,965
Mortgage-backed securities:				
Federal Home Loan Mortgage Corporation	389,295	6,194	7	395,482
Federal National Mortgage Association	557,746	10,261	89	567,918
Government National Mortgage Association	7,212	101		7,313
Non-agency securities	10,782	255		11,037
Total mortgage-backed securities available-for-sale	965,035	16,811	96	981,750
Total available-for-sale	966,976	16,835	96	983,715
Held-to-maturity:				
Debt securities:				
Government-sponsored enterprises	174	1		175
Municipal bonds	18,001	846		18,847
Corporate and other debt securities	25,511	13,846	2,651	36,706
Total debt securities held-to-maturity	43,686	14,693	2,651	55,728
Mortgage-backed securities:				
Federal Home Loan Mortgage Corporation	112,540	4,878	21	117,397
Federal National Mortgage Association	103,823	6,764		110,587
Government National Mortgage Association	1,382	203		1,585
Federal housing authorities	2,077	60		2,137
Non-agency securities	24,163	302	39	24,426
Total mortgage-backed securities held-to-maturity	243,985	12,207	60	256,132
Total held-to-maturity	287,671	26,900	2,711	311,860
Total securities	$ 1,254,647	43,735	2,807	1,295,575

Our investment portfolio is comprised primarily of fixed rate mortgage-backed securities guaranteed by a Government Sponsored Enterprise (GSE) as issuer. Substantially all of our non-GSE issuance securities have a AAA credit rating and they have performed similarly to our GSE issuance securities. The current credit quality concerns in the mortgage market have not had a significant impact on our non-GSE securities. Current market conditions have not significantly impacted the pricing of our portfolio or our ability to obtain reliable prices. See note 10 for further discussion on the valuation of securities.

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Gross unrealized losses on securities and the estimated fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at March 31, 2012 and December 31, 2011, was as follows:

	March 31, 2012					
	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:						
Debt securities:						
Government-sponsored enterprises	$ 3,051	10			3,051	10
Total debt securities available-for-sale	3,051	10			3,051	10
Mortgage-backed securities:						
Federal Home Loan Mortgage Corporation	89,791	85			89,791	85
Federal National Mortgage Association	67,559	305			67,559	305
Total mortgage-backed securities available-for-sale	157,350	390			157,350	390
Total available-for-sale	160,401	400			160,401	400
Held-to-maturity:						
Debt securities:						
Corporate and other debt securities	2,241	929	727	2,115	2,968	3,044
Total debt securities held-to-maturity	2,241	929	727	2,115	2,968	3,044
Mortgage-backed securities:						
Federal Home Loan Mortgage Corporation	6,803	24			6,803	24
Non-agency securities			1,995	18	1,995	18
Total mortgage-backed securities held-to-maturity	6,803	24	1,995	18	8,798	42
Total held-to-maturity	9,044	953	2,722	2,133	11,766	3,086
Total	$ 169,445	1,353	2,722	2,133	172,167	3,486

	December 31, 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	$ 3,485	7			3,485	7
Federal National Mortgage Association	27,400	89			27,400	89

Total mortgage-backed securities available-for-sale	30,885	96			30,885	96
Total available-for-sale	30,885	96			30,885	96
Held-to-maturity:						
Debt securities:						
Corporate and other debt securities	1,140	523	635	2,128	1,775	2,651
Total debt securities held-to-maturity	1,140	523	635	2,128	1,775	2,651
Mortgage-backed securities:						
Federal Home Loan Mortgage Corporation	1,764	21			1,764	21
Non-agency securities	2,312	39			2,312	39
Total mortgage-backed securities held-to-maturity	4,076	60			4,076	60
Total held-to-maturity	5,216	583	635	2,128	5,851	2,711
Total	$ 36,101	679	635	2,128	36,736	2,807

The gross unrealized losses in our corporate and other debt securities accounted for 87.3% of the gross unrealized losses at March 31, 2012. The estimated fair value of our corporate and other

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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, all of these securities have been downgraded below investment grade and as of March 31, 2012, 12 of the securities were in an unrealized loss position (see OTTI for further discussion). At March 31, 2012, the amortized cost and estimated fair values of the trust preferred portfolio was $26.4 million and $37.2 million, respectively. 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.

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The following table summarizes the Company s pooled trust preferred securities as of March 31, 2012. The Company does not own any single-issuer trust preferred securities.

(Dollars in 000 s)

Description	Class	Book Value	Fair Value	Unrealized Gains (Losses)	Number of Issuers Currently Performing	Current Deferrals and Defaults as a % of Total Collateral (1)	Expected Deferrals and Defaults as % of Remaining Collateral (2)	Excess Subordination as a % of Performing Collateral (3)	Moody s/ Fitch Credit Ratings
Alesco PF II	B1	$ 226.0	$ 319.2	$ 93.2	32	6.45%	15.14%	0.00%	Ca / C
Alesco PF III	B1	496.7	960.9	464.2	34	12.61%	11.33%	0.00%	Ca / C
Alesco PF III	B2	198.8	384.4	185.6	34	12.61%	11.33%	0.00%	Ca / C
Alesco PF IV	B1	288.7	51.6	(237.1)	39	3.35%	24.07%	0.00%	C / C
Alesco PF VI	C2	450.1	801.0	350.9	43	7.10%	23.06%	0.00%	Ca / C
MM Comm III	B	763.2	2,693.1	1,929.9	5	26.67%	13.73%	12.84%	Ba1 / CC
MM Comm IX	B1	66.1	18.9	(47.2)	16	30.83%	23.15%	0.00%	Ca / D
MMCaps XVII	C1	1,073.9	1,624.7	550.8	37	10.87%	12.85%	0.00%	Ca / C
MMCaps XIX	C	429.7	11.5	(418.2)	28	25.88%	25.02%	0.00%	C / C
Tpref I	B	1,388.4	1,991.1	602.7	11	45.69%	12.83%	0.00%	Ca / D
Tpref II	B	2,941.9	3,846.4	904.5	18	29.81%	16.61%	0.00%	Caa3 / C
US Cap I	B2	667.6	1,185.0	517.4	31	8.83%	14.21%	0.00%	Caa1 / C
US Cap I	B1	1,982.6	3,555.0	1,572.4	31	8.83%	14.21%	0.00%	Caa1 / C
US Cap II	B1	1,006.7	2,053.5	1,046.8	39	12.90%	14.14%	0.00%	Caa3 / C
US Cap III	B1	1,175.3	1,803.5	628.2	31	16.86%	17.35%	0.00%	Ca / C
US Cap IV	B1	866.3	62.0	(804.3)	44	31.71%	23.65%	0.00%	C / D
Trapeza XII	C1	1,207.7	484.2	(723.5)	31	22.87%	22.72%	0.00%	C / C
Trapeza XIII	C1	1,158.5	1,079.0	(79.5)	43	17.80%	21.80%	0.00%	Ca / C
Pretsl XXIII	A1	733.9	1,388.5	654.6	65	20.63%	21.17%	31.40%	A3 / BB
Pretsl XXIV	A1	2,390.5	4,077.4	1,686.9	62	25.22%	20.91%	24.85%	Baa3 / BB
Pretsl IV	Mez	125.2	110.6	(14.6)	5	18.05%	19.26%	19.00%	Ca / CCC
Pretsl V	Mez	11.7	15.1	3.4	0	65.46%	0.00%	0.00%	C / D
Pretsl VII	Mez	1,178.2	2,119.3	941.1	8	35.55%	36.72%	0.00%	Ca / C
Pretsl XV	B1	758.9	1,022.0	263.1	52	20.26%	21.11%	0.00%	C / C
Pretsl XVII	C	473.2	302.8	(170.4)	34	19.17%	26.31%	0.00%	C / C
Pretsl XVIII	C	1,069.8	1,369.9	300.1	54	18.80%	16.04%	0.00%	Ca / C
Pretsl XIX	C	439.0	354.5	(84.5)	49	14.00%	19.11%	0.00%	C / C
Pretsl XX	C	229.8	106.7	(123.1)	42	17.93%	22.99%	0.00%	C / C
Pretsl XXI	C1	411.1	709.7	298.6	50	18.73%	22.88%	0.00%	C / C
Pretsl XXIII	A-FP	1,197.9	1,858.2	660.3	93	19.73%	17.08%	18.28%	B1 / B
Pretsl XXIV	C1	488.8	174.1	(314.7)	62	25.22%	20.91%	0.00%	C / C
Pretsl XXV	C1	239.5	213.1	(26.4)	48	24.92%	21.50%	0.00%	C / C
Pretsl XXVI	C1	259.3	433.9	174.6	55	22.44%	16.75%	0.00%	C / C
		$ 26,395.0	$ 37,180.8	$ 10,785.8					

(1) At March 31, 2012, assumed recoveries for current deferrals and defaulted issuers ranged from 0.0% to 20.0%.
(2) At March 31, 2012, assumed recoveries for expected deferrals and defaulted issuers ranged from 5.2% to 12.1%.
(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,

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therefore, mortgage-backed securities are not included in the following table. The amortized cost and estimated fair value of debt securities at March 31, 2012, by contractual maturity, are shown below.

	March 31, 2012	
	Amortized cost	Estimated fair value
	(In thousands)	
Due in one year or less	$ 1,907	1,907
Due after one year through five years	3,945	4,005
Due after five years through ten years	187	189
Due after ten years	31,525	43,164
Total	$ 37,564	49,265

Other-Than-Temporary Impairment (OTTI)

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 March 31, 2012, 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 months ended March 31, 2012. At March 31, 2012, non credit-related OTTI recorded on the previously impaired pooled trust preferred securities was $29.6 million ($17.5 million after-tax).

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 March 31,	
	2012	2011
	(In thousands)	
Balance of credit related OTTI, beginning of period	$ 117,003	119,809
Additions:		
Initial credit impairments		
Subsequent credit impairments		
Reductions:		
Accretion of credit loss impairment due to an increase in expected cash flows	(622)	(702)
Balance of credit related OTTI, end of period	$ 116,381	119,107

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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

Gains and losses on the sale of all securities are determined using the specific identification method. During the three months ended March 31, 2012 the Company sold $166.8 million of available-for-sale agency mortgage backed securities that were acquired in the acquisition of Brooklyn Federal Bancorp, Inc. The sales did not result in any gross realized gains or gross realized losses. In addition, the Company realized a $42,000 loss on capital distributions of equity securities during the three months ended March 31, 2012. There were no sales of securities for the three months ended March 31, 2011.

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5. Loans Receivable, Net

Loans receivable, net are summarized as follows:

	March 31, 2012	December 31, 2011
	(In thousands)	
Residential mortgage loans	$ 5,051,908	5,034,161
Multi-family loans	1,908,736	1,816,118
Commercial real estate loans	1,504,921	1,418,636
Construction loans	273,519	277,625
Consumer and other loans	248,575	242,227
Commercial and industrial loans	129,908	106,299
Total loans	9,117,567	8,895,066
Net unamortized premiums and deferred loan costs	16,813	16,387
Allowance for loan losses	(123,516)	(117,242)
Net loans	$ 9,010,864	8,794,211

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

	Three months ended March 31, 2012	2011
	(In thousands)	
Balance at beginning of year	$ 117,242	90,931
Loans charged off	(7,007)	(9,054)
Recoveries	281	14
Net charge-offs	(6,726)	(9,040)
Provision for loan losses	13,000	17,000
Balance at end of year	$ 123,516	98,891

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. No allowance has been provided for the loans acquired in the Brooklyn Federal transaction as the loans were marked to fair value on the date of acquisition.

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

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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 $1.0 million and on non-accrual status, loans modified in a troubled debt restructuring (TDR), 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 rating (if applicable) and payment history. In addition, the Company also considers whether residential loans are fixed or adjustable rate. 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 or charge-off 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 commercial and industrial loans, 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 continued decline in the general economy, and a further decline in real estate market values in New Jersey, New York 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

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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 adjusts the appraised value of residential loans to reflect estimated selling costs and declines in the real estate market.

Management believes the potential risk for outdated appraisals for impaired and other non-performing loans has been mitigated due to the fact that 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 continued adverse economic conditions, 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 March 31, 2012.

	March 31, 2012							
	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, 2011	$ 32,447	13,863	30,947	22,839	3,677	1,335	12,134	117,242
Charge-offs	(2,502)	(61)	(43)	(4,171)		(230)		(7,007)
Recoveries	79		9	174	19			281
Provision	1,576	1,510	1,281	6,356	485	165	1,627	13,000
Ending balance-March 31, 2012	$ 31,600	15,312	32,194	25,198	4,181	1,270	13,761	123,516
Balance at March 31, 2012								
Individually evaluated for impairment	$ 1,550	1,000		8,800				11,350
Collectively evaluated for impairment	30,050	14,312	32,194	16,398	4,181	1,270	13,761	112,166
Loans acquired with deteriorated credit quality								
	$ 31,600	15,312	32,194	25,198	4,181	1,270	13,761	123,516
Loans:								
Balance at March 31, 2012								
Individually evaluated for impairment	$ 9,749	4,632	2,452	65,086				81,919
Collectively evaluated for impairment	5,042,000	1,904,104	1,501,927	208,433	129,908	248,575		9,034,947
Loans acquired with deteriorated credit quality	159		542					701
	$ 5,051,908	1,908,736	1,504,921	273,519	129,908	248,575		9,117,567

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	December 31, 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		(9,304)	(363)	(7,637)	(30,548)	(1,621)	(714)		(50,187)
Recoveries		388	19		576	13	2		998
Provision		20,874	3,753	22,152	18,142	3,096	1,181	6,302	75,500
Ending balance-December 31, 2011	$	32,447	13,863	30,947	22,839	3,677	1,335	12,134	117,242
Balance at December 31, 2011									
Individually evaluated for impairment	$	1,605			5,800				7,405
Collectively evaluated for impairment		30,842	13,863	30,947	17,039	3,677	1,335	12,134	109,837
Loans acquired with deteriorated credit quality									
	$	32,447	13,863	30,947	22,839	3,677	1,335	12,134	117,242
Loans:									
Balance at December 31, 2011									
Individually evaluated for impairment	$	8,465		2,268	59,971				70,704
Collectively evaluated for impairment		5,025,367	1,816,118	1,415,821	217,654	106,299	242,227		8,823,486
Loans acquired with deteriorated credit quality		329		547					876
	$	5,034,161	1,816,118	1,418,636	277,625	106,299	242,227		8,895,066

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. Residential loans delinquent 30-89 days are considered special mention.

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. Residential loans delinquent 90 days or greater are considered substandard.

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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 March 31, 2012, and based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

	March 31, 2012					
	Pass	**Special Mention**	**Substandard**	**Doubtful**	**Loss**	**Total**
			(in thousands)			
Residential	$ 4,950,411	18,687	82,810			5,051,908
Multi-family	1,870,716	13,725	24,295			1,908,736
Commercial real estate	1,478,125	9,670	17,126			1,504,921
Construction	156,409	31,265	81,471	4,374		273,519
Commercial and industrial	113,884	10,638	5,386			129,908
Total	$ 8,569,545	83,985	211,088	4,374		8,868,992

	December 31, 2011					
	Pass	**Special Mention**	**Substandard**	**Doubtful**	**Loss**	**Total**
			(in thousands)			
Residential	$ 4,925,384	27,930	80,847			5,034,161
Multi-family	1,777,434	16,053	22,631			1,816,118
Commercial real estate	1,390,725	8,596	19,315			1,418,636
Construction	173,392	18,103	81,267	4,863		277,625
Commercial and industrial	90,903	9,933	5,463			106,299
Total	$ 8,357,838	80,615	209,523	4,863		8,652,839

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. At March 31, 2012 there were $248.6 million of consumer and other loans, of which $1.0 million were on non-accrual.

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The following table presents the payment status of the recorded investment in past due loans as of March 31, 2012 and December 31, 2011 by class of loans:

	March 31, 2012 (in thousands)					
	30-59 Days	60-89 Days	Greater than 90 Days	Total Past Due	Current	Total Loans Receivable
Residential mortgage	$ 14,685	4,001	82,107	100,793	4,951,115	5,051,908
Multi-family	16,028		6,180	22,208	1,886,528	1,908,736
Commercial real estate	1,841		395	2,236	1,502,685	1,504,921
Construction			45,432	45,432	228,087	273,519
Commercial and industrial		671		671	129,237	129,908
Consumer and other	219	466	1,048	1,733	246,842	248,575
Total	$ 32,773	5,138	135,162	173,073	8,944,494	9,117,567

	December 31, 2011 (in thousands)					
	30-59 Days	60-89 Days	Greater than 90 Days	Total Past Due	Current	Total Loans Receivable
Residential mortgage	$ 18,083	9,847	81,032	108,962	4,925,199	5,034,161
Multi-family	796	6,180		6,976	1,809,142	1,816,118
Commercial real estate	1,492		73	1,565	1,417,071	1,418,636
Construction	674	8,068	40,362	49,104	228,521	277,625
Commercial and industrial					106,299	106,299
Consumer and other	1,033	173	1,009	2,215	240,012	242,227
Total	$ 22,078	24,268	122,476	168,822	8,726,244	8,895,066

The following table presents non-accrual loans at the dates indicated:

	March 31, 2012		December 31, 2011	
	# of loans	Amount	# of loans	Amount
	(Dollars in thousands)			
Non-accrual:				
Residential and consumer	328	$ 86,129	321	$ 85,065
Construction	16	57,180	15	57,070
Multi-family	4	6,180		
Commercial real estate	2	395	1	73
Commercial and industrial				
Total Non-accrual Loans	350	$ 149,884	337	$ 142,208

Based on management s evaluation, at March 31, 2012, the Company classified 3 TDR construction loans totaling $11.7 million and 10 TDR residential loans totaling $3.0 million that were current as non-accrual. The Company has no loans past due 90 days or more that are still accruing interest.

At March 31, 2012 and December 31, 2011, loans meeting the Company s definition of an impaired loan were primarily collateral dependent and totaled $81.9 million and $70.7 million, respectively, with allocations of the allowance for loan losses of $11.3 million and $7.4 million, respectively. During the three months ended March 31, 2012 and 2011, interest income received and recognized on these loans totaled $236,000 and $104,000, respectively.

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The following table presents loans individually evaluated for impairment by class of loans as of March 31, 2012:

	March 31, 2012				
	Recorded Investment	Unpaid Principal Balance	Related Allowance (In thousands)	Average Recorded Investment	Interest Income Recognized
With no related allowance:					
Residential mortgage	$ 1,489	1,693		802	14
Multi-family					
Commercial real estate	2,452	2,452		2,360	45
Construction loans	41,843	73,986		42,716	41
Commercial and industrial					
Consumer and other					
With an allowance recorded:					
Residential mortgage	8,260	8,538	1,550	8,306	59
Multi-family	4,632	4,632	1,000	2,316	
Commercial real estate					
Construction loans	23,243	26,743	8,800	19,812	77
Commercial and industrial					
Consumer and other					
Total:					
Residential mortgage	9,749	10,231	1,550	9,107	73
Multi-family	4,632	4,632	1,000	2,316	
Commercial real estate	2,452	2,452		2,360	45
Construction loans	65,086	100,729	8,800	62,528	118
Commercial and industrial					
Consumer and other					
Total impaired loans	$ 81,919	118,044	11,350	76,311	236

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	December 31, 2011				
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
			(In thousands)		
With no related allowance:					
Residential mortgage	$ 114	114		126	5
Multi-family					
Commercial real estate	2,268	2,268		1,180	136
Construction loans	43,590	79,187		26,463	1,069
Commercial and industrial					
Consumer and other					
With an allowance recorded:					
Residential mortgage	8,351	8,351	1,605	5,910	327
Multi-family					
Commercial real estate				1,361	
Construction loans	16,381	16,381	5,800	39,115	400
Commercial and industrial					
Consumer and other					
Total:					
Residential mortgage	8,465	8,465	1,605	6,036	332
Multi-family					
Commercial real estate	2,268	2,268		2,541	136
Construction loans	59,971	95,568	5,800	65,578	1,469
Commercial and industrial					
Consumer and other					
Total impaired loans	$ 70,704	106,301	7,405	74,155	1,937

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.

Troubled Debt Restructurings

On a case-by-case basis, the Company may agree to modify the contractual terms of a borrower s loan to remain competitive and assist customers who may be experiencing financial difficulty, as well as preserve the Company s position in the loan. If the borrower is experiencing financial difficulties and a concession has been made at the time of such modification, the loan is classified as a troubled debt restructured loan.

Substantially all of our troubled debt restructured loan modifications involve lowering the monthly payments on such loans through either a reduction in interest rate below a market rate, an extension of the term of the loan, or a combination of these two methods. These modifications rarely result in the forgiveness of principal or accrued interest. In addition, we frequently obtain additional collateral or guarantor support when modifying commercial loans. If the borrower has demonstrated performance under the previous terms and our underwriting process shows the borrower has the capacity to continue to perform under the restructured terms, the loan will continue to accrue interest. Non-accruing restructured loans may be returned to accrual status when there has been a sustained period of repayment performance (generally six consecutive months of payments) and both principal and interest are deemed collectible.

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The following table presents the total troubled debt restructured loans at March 31, 2012:

	Accrual		Non-accrual		Total	
	# of loans	Amount	# of loans	Amount	# of loans	Amount
			(Dollars in thousands)			
Residential mortgage	14	$ 5,912	14	$ 3,837	28	$ 9,749
Commercial real estate	1	2,452			1	2,452
Construction			3	11,748	3	11,748
	15	$ 8,364	17	$ 15,585	32	$ 23,949

The following table presents information about troubled debt restructurings which occurred during the three ended March 31, 2012:

	Three months ended March 31, 2012		
	Number of Loans	Pre-modification Recorded Investment	Post-modification Recorded Investment
		(Dollars in thousands)	
Troubled Debt Restructings:			
Residential mortgage	8	$ 1,748	$ 1,694
Multi-family			
Commercial real estate			
Construction			
Commercial and industrial			
Consumer and other			

Post-modification recorded investment represents the balance immediately following modification. Commercial real estate loan modifications during the three ended March 31, 2012, primarily involved the extension of loan maturities to enable the completion and sale of respective projects by the borrowers.

All TDRs are impaired loans, which are individually evaluated for impairment, as discussed above. Collateral dependant impaired loans classified as TDRs were written down to the estimated fair value of the collateral. There were $542,000 in charges-offs for collateral dependant TDRs during the three months ended March 31, 2012. The allowance for loan losses associated with the TDRs presented in the above tables, totaled $5.1 million at March 31, 2012, and was included in the allowance for loan losses for loans individually evaluated for impairment.

The residential TDRs had a weighted average modified interest rate of approximately 3.09% as compared to a yield of 5.80% prior to modification for the three months ended March 31, 2012, respectively. Several residential TDRs include step up interest rates in their modified terms which will impact their weighted average yield in the future. There were no new commercial real estate TDRs for the three months ended March 31, 2012.

Loans modified as TDRs in the previous 12 months to March 31, 2012, for which there was a payment default consisted of one construction loan with a recorded investment of $2.9 million at March 31, 2012.

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6. Deposits

Deposits are summarized as follows:

	March 31, 2012	December 31, 2011
	(In thousands)	
Savings	$ 1,461,229	1,270,197
Checking accounts	1,776,929	1,633,703
Money market deposits	1,244,588	1,116,205
Certificates of deposit	3,317,788	3,341,898
	$ 7,800,534	7,362,003

7. Equity Incentive Plan

During the three months ended March 31, 2012, the Company recorded $745,000 of share-based expense, comprised of stock option expense of $106,000 and restricted stock expense of $639,000. During the three ended March 31, 2011, the Company recorded $2.6 million of share-based expense, comprised of stock option expense of $822,000 and restricted stock expense of $1.7 million, respectively.

The following is a summary of the Company s stock option activity and related information for its option plans for the three months ended March 31, 2012:

	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at December 31, 2011	4,350,068	$ 14.98	5.2 years	$ 68,651
Granted				
Exercised				
Forfeited				
Expired	(19,000)	15.35		
Outstanding at March 31, 2012	4,331,068	$ 14.98	4.9 years	$ 1,037,936
Exercisable at March 31, 2012	4,138,767	$ 15.05	4.8 years	$ 750,153

There were no options granted during the three months ended March 31, 2012. Expected future expense relating to the unvested options outstanding as of March 31, 2012 is $647,000 over a weighted average period of 1.76 years.

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The following is a summary of the status of the Company s restricted shares as of March 31, 2012 and changes therein during the three months then ended:

	Number of Shares Awarded	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2011	989,296	$ 13.02
Granted	471,000	14.66
Vested	(152,057)	13.00
Forfeited		
Non-vested at March 31, 2012	1,308,239	$ 13.62

Expected future compensation expense relating to the unvested restricted shares at March 31, 2012 is $16.9 million over a weighted average period of 5.81 years.

8. Net Periodic Benefit Plans Expense

The Company has a Supplemental Executive Retirement Wage Replacement Plan (SERP). The SERP is a nonqualified, defined benefit plan which provides benefits to employees as designated by the Compensation Committee of the Board of Directors if their benefits and/or contributions under the pension plan are limited by the Internal Revenue Code. The Company also has a nonqualified, defined benefit plan which provides benefits to certain directors. 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 March 31, 2012	2011
	(In thousands)	
Service cost	$ 328	265
Interest cost	199	203
Amortization of:		
Prior service cost	24	24
Net loss	36	
Total net periodic benefit cost	$ 587	492

Due to the unfunded nature of these plans, no contributions have been made or are expected to be made to the SERP and Directors plans during the year ending December 31, 2012.

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 $2.0 million to the defined benefit pension plan during the three months ended March 31, 2012. We anticipate contributing funds to the plan to meet any minimum funding requirements for the remainder of 2012.

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9. Comprehensive Income (Loss)

The components of comprehensive income (loss), both gross and net of tax, are as follows:

	Three months ended March 31, 2012			Three months ended March 31, 2011		
	Gross	Tax	Net	Gross	Tax	Net
Net income	$ 30,631	(11,696)	18,935	28,942	(10,728)	18,214
Other comprehensive income (loss):						
Change in funded status of retirement obligations	121	(49)	72	87	(35)	52
Unrealized gain on securities available-for-sale	2,384	(877)	1,507	(2,268)	1,004	(1,264)
Other-than-temporary impairment accretion on debt securities	369	(151)	218	369	(151)	218
Total other comprehensive income (loss)	2,874	(1,077)	1,797	(1,812)	818	(994)
Total comprehensive income	$ 33,505	(12,773)	20,732	27,130	(9,910)	17,220

The following table presents the after-tax changes in the balances of each component of accumulated other comprehensive loss for the three months ended March 31, 2012 and 2011:

	Change in funded status of retirement obligations	Unrealized gain on securities available-for-sale	Other-than-temporary impairment accretion on debt securities	Total accumulated other comprehensive loss
Balance - December 31, 2011	$ (3,319)	9,947	(17,734)	(11,106)
Net change	72	1,507	218	1,797
Balance - March 31, 2012	$ (3,247)	11,454	(17,516)	(9,309)
Balance - December 31, 2010	$ (1,604)	1,136	(19,708)	(20,176)
Net change	52	(1,264)	218	(994)
Balance - March 31, 2011	$ (1,552)	(128)	(19,490)	(21,170)

10. 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 (MSR), loans receivable and real estate owned (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) 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.

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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.

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. The fair values of available-for-sale securities are based on quoted market prices (Level 1), where available. The Company obtains one price for each security primarily from a third-party pricing service (pricing service), which generally uses quoted or other observable inputs for the determination of fair value. The pricing service normally derives the security prices through recently reported trades for identical or similar securities, making adjustments through the reporting date based upon available observable market information. For securities not actively traded (Level 2), the pricing service may use quoted market prices of comparable instruments or discounted cash flow analyses, incorporating inputs that are currently observable in the markets for similar securities. Inputs that are often used in the valuation methodologies include, but are not limited to, benchmark yields, credit spreads, default rates, prepayment speeds and non-binding broker quotes. As the Company is responsible for the determination of fair value, it performs quarterly analyses on the prices received from the pricing service to determine whether the prices are reasonable estimates of fair value. Specifically, the Company compares the prices received from the pricing service to a secondary pricing source. Additionally, the Company compares changes in the reported market values and returns to relevant market indices to test the reasonableness of the reported prices. The Company s internal price verification procedures and review of fair value methodology documentation provided by independent pricing services has not historically resulted in adjustment in the prices obtained from the pricing service.

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The following table provides the level of valuation assumptions used to determine the carrying value of our assets measured at fair value on a recurring basis at March 31, 2012 and December 31, 2011, respectively.

	Carrying Value at March 31, 2012			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Securities available for sale:				
Equity securities	$ 2,594		2,594	
Debt securities:				
Government-sponsored enterprises	3,051		3,051	
Mortgage-backed securities:				
Federal Home Loan Mortgage Corporation	575,135		575,135	
Federal National Mortgage Association	687,419		687,419	
Government National Mortgage Association	6,814		6,814	
Non-agency securities	9,745		9,745	
Total mortgage-backed securities available-for-sale	1,279,113		1,279,113	
Total securities available-for-sale	$ 1,284,758		1,284,758	

	Carrying Value at December 31, 2011			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Securities available for sale:				
Equity securities	$ 1,965		1,965	
Mortgage-backed securities:				
Federal Home Loan Mortgage Corporation	395,482		395,482	
Federal National Mortgage Association	567,918		567,918	
Government National Mortgage Association	7,313		7,313	
Non-agency securities	11,037		11,037	
Total mortgage-backed securities available-for-sale	981,750		981,750	
Total securities available-for-sale	$ 983,715		983,715	

There were no transfers between Level 1 and Level 2 during the three months ended March 31, 2012.

Assets Measured at Fair Value on a Non-Recurring Basis

Mortgage Servicing Rights, net

Mortgage servicing rights (MSR) 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. The prepayment speed and the discount rate are considered two of the most significant inputs in the model. At March 31, 2012, the fair value model used prepayment speeds ranging from 1.3% percent to 23.3% and a discount rate of 9.0% for the valuation of the loan servicing rights. A significant degree of judgment is involved in valuing the loan servicing rights using Level 3 inputs. The use of different assumptions could have a significant positive or negative effect on the fair value estimate.

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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 $1.0 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. At March 31, 2012 appraisals were discounted in a range of 0%-20%.

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 discounted an additional 0%-20% for estimated costs to sell. 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 March 31, 2012 and December 31, 2011, respectively.

	Carrying Value at March 31, 2012			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
MSR, net	$ 11,279			11,279
Impaired loans	49,702			49,702
Other real estate owned	5,337			5,337
	$ 66,318			66,318

	Carrying Value at December 31, 2011			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
MSR, net	$ 10,806			10,806
Impaired loans	46,634			46,634
Other real estate owned	3,081			3,081
	$ 60,521			60,521

Other Fair Value Disclosures

Fair value estimates, methods and assumptions for the Company s financial instruments not recorded at fair value on a recurring or non-recurring basis are set forth below.

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Cash and Cash Equivalents

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

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. Management utilizes various inputs to determine the fair value of the portfolio. The Company obtains one price for each security primarily from a third-party pricing service, which generally uses quoted or other observable inputs for the determination of fair value. The pricing service normally derives the security prices through recently reported trades for identical or similar securities, making adjustments through the reporting date based upon available observable market information. For securities not actively traded, the pricing service may use quoted market prices of comparable instruments or discounted cash flow analyses, incorporating inputs that are currently observable in the markets for similar securities. Inputs that are often used in the valuation methodologies include, but are not limited to, benchmark yields, credit spreads, default rates, prepayment speeds and non-binding broker quotes. 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, 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. As the Company is responsible for the determination of fair value, it performs quarterly analyses on the prices received from the pricing service to determine whether the prices are reasonable estimates of fair value. Specifically, the Company compares the prices received from the pricing service to a secondary pricing source. Additionally, the Company compares changes in the reported market values and returns to relevant market indices to test the reasonableness of the reported prices. The Company s internal price verification procedures and review of fair value methodology documentation provided by independent pricing services has not historically resulted in adjustment in the prices obtained from the pricing service.

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,

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

	March 31, 2012				
	Carrying value	Estimated Fair Value Total	Level 1	Level 2	Level 3
	(In thousands)				
Financial assets:					
Cash and cash equivalents	$ 103,662	103,662	103,662		
Securities available-for-sale	1,284,758	1,284,758		1,284,758	
Securities held-to-maturity	248,432	271,802		234,621	37,181
Stock in FHLB	125,358	125,358	125,358		
Loans held for sale	29,490	29,490		29,490	
Net loans	9,010,864	9,029,787			9,029,787
Financial liabilities:					
Deposits, other than time deposits	4,482,746	4,466,429	4,466,429		
Time deposits	3,317,788	3,364,005		3,364,005	
Borrowed funds	2,278,679	2,370,601		2,370,601	

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	Carrying value	December 31, 2011 Estimated Fair Value Total	Level 1	Level 2	Level 3
		(In thousands)			
Financial assets:					
Cash and cash equivalents	$ 90,139	90,139	90,139		
Securities available-for-sale	983,715	983,715		983,715	
Securities held-to-maturity	287,671	311,860		275,154	36,706
Stock in FHLB	116,813	116,813	116,813		
Loans held for sale	18,847	18,847		18,847	
Net loans	8,794,211	8,882,153			8,882,153
Financial liabilities:					
Deposits, other than time deposits	4,020,105	4,044,226	4,044,226		
Time deposits	3,341,898	3,385,577		3,385,577	
Borrowed funds	2,255,486	2,332,624		2,332,624	

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 December 2011, the FASB issued ASU 2011-11, *Disclosures about Offsetting Assets and Liabilities*, in conjunction with the IASB s issuance of amendments to *Disclosures Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7). While the Boards retained the existing offsetting models under U.S. GAAP and IFRS, the new standards require disclosures to allow investors to better compare financial statements prepared under U.S. GAAP with financial statements prepared under IFRS. The new standards are effective for annual periods beginning January 1, 2013, and interim periods within those annual periods. Retrospective application is required. 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.

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In September 2011, the FASB issued ASU 2011-09, *Disclosures about an Employer s Participation in a Multiemployer Plan*, which requires additional disclosures about employers participation in multiemployer pension plans including information about the plan s funded status if it is readily available. The ASU was effective for annual periods for fiscal years ending after December 15, 2011 for public entities. An entity is required to apply the ASU retrospectively for all periods presented. The adoption of this pronouncement did not have a material impact on the Company s financial condition or results of operations.

In September 2011, the FASB issued ASU 2011-08, *Intangibles Goodwill and Other (Topic 350): Testing Goodwill for Impairment*, which permits an entity to make a qualitative assessment of whether it is more likely than not that a reporting unit s fair value is less than its carrying amount before applying the two-step goodwill impairment test. If an entity can support the conclusion that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, it would not need to perform the two-step impairment test for that reporting unit. The ASU was effective for annual and interim goodwill impairment tests performed in fiscal years beginning after December 15, 2011. The Company elected to early adopt this guidance in 2011. The adoption of this pronouncement did not have a material impact on the Company s financial condition or results of operations.

In June 2011, the FASB issued 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. In December 2011, the FASB issued ASU 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05* which defers the effective date of the requirement to present separate line items on the income statement for reclassification adjustments of items out of accumulated other comprehensive income into net income. All other requirements in ASU 2011-05 are not affected by this Update. For a public entity, the ASUs were effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Since the provisions of ASU 2011-05 are presentation and disclosure related, the Company s adoption of this guidance did not have a material impact on the Company s financial condition or results of operations. The Company has presented comprehensive income in a separate Consolidated Statement of Comprehensive Income and in Note 9 of the Notes to Consolidated Financial Statements.

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 was required to apply the ASU prospectively for interim and annual periods beginning after December 15, 2011. In the period of adoption, a reporting entity was 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 adoption of this pronouncement did not have a material impact on the Company s financial condition or results of operations.

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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 was 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. 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 2010-29, *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 were 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 were 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.

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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 were 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 or results of operations.

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 was 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 or results of operations.

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

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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 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 $1.0 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 commercial and industrial loans, 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

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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 adjusts the appraised value of residential loans to reflect estimated selling costs and estimated declines in the real estate market.

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 continued decline in the general economy, and a further decline in real estate market values in New Jersey, New York 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 continued adverse economic conditions, 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

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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.

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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.

As discussed further in note 11, we early adopted the FASB Accounting Standards Update (ASU) 2011-08, *Intangibles Goodwill and Other (Topic 350): Testing Goodwill for Impairment,* in 2011, which permits an entity to make a qualitative assessment of whether it is more likely than not that a reporting unit s fair value is less than its carrying amount before applying the two-step goodwill impairment test.

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 with 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 as a component of fees and service charges. 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 the re-pricing of interest-earning assets and interest-bearing liabilities on our balance sheet, and the prepayment rate on our mortgage-related assets.

The low interest rate environment has resulted in our earning assets being originated at reduced yields. The Company has been able to partially offset the yield compression by lowering the interest rates on our interest bearing liabilities. The current interest rate environment is forecasted to remain at these low levels for the remainder of the year and possibly through year end 2013. The Company will continue to manage its interest rate risk.

The Company s results of operations are also significantly affected by general economic conditions. The national and regional unemployment rates remain at elevated levels. This factor coupled with the weakness in the housing and real estate markets have resulted in the Company recognizing higher credit costs on the loan portfolio. Despite these conditions our overall level of non-performing loans remains low compared to our national and regional peers. We attribute this to our conservative underwriting standards as well as our diligence in resolving our troubled loans.

We continue to actively look for opportunities to enhance shareholder value. In January 2012, the Company completed the acquisition of Brooklyn Federal Bancorp, Inc. which had $408 million in assets, $386 million in deposits at December 31, 2011 and five full-service branches in Brooklyn and Long Island. In addition, Investors Bancorp, Inc. also completed the sale of most of Brooklyn Federal Bancorp, Inc. s commercial real estate loan portfolio in January 2012. This acquisition increases our presence in the New York market and complements our New York City loan production office.

Our balance sheet continued to show strong growth this quarter as investments increased 21% to $1.53 billion and net loans, including loans held for sale, increased to $9.04 billion or 3% since December 31, 2012. The loan growth continues to be predominately in the commercial and multi-family portfolios. Our primary source of funding is deposits which totaled $7.80 billion and our core deposits increased 12% this quarter to $4.48 billion. At March 31, 2012, our core deposit to total deposit ratio was 57.5%.

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Comparison of Financial Condition at March 31, 2012 and December 31, 2010

Total Assets. Total assets increased by $561.1 million, or 5.2%, to $11.26 billion at March 31, 2012 from $10.70 billion at December 31, 2011. This increase was largely the result of a $301.0 million increase in total available for sale securities to $1.28 billion at March 31, 2012 from $983.7 million at December 31, 2011.

Net Loans Net loans, including loans held for sale, increased by $227.3 million, or 2.6%, to $9.04 billion at March 31, 2012 from $8.81 billion at December 31, 2011. This increase in loans reflects our continued focus on generating multi-family and commercial real estate loans, which was partially offset by pay downs and payoffs of loans. The loans we originate and purchase are on properties located primarily in New Jersey and New York.

We originate residential mortgage loans through our mortgage subsidiary, Investors Home Mortgage Co. For the three months ended March 31, 2012, Investors Home Mortgage Co. originated $369.2 million in residential mortgage loans of which $189.5 million were sold to third party investors and $179.7 million were added to 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 three months ended March 31, 2012, we purchased loans totaling $149.0 million from these entities. In addition, we acquired $177.5 million in loans from Brooklyn Federal and subsequently sold $49.4 million of commercial real estate loans and $37.9 million of commercial real estate loans on a pass through basis to a third party.

For the three months ended March 31, 2012, we originated $142.3 million in multi-family loans, $97.8 million in commercial real estate loans, $28.9 million in commercial and industrial loans, $24.4 million in construction loans and $18.8 million in consumer and other loans.

At March 31, 2012, total loans were $9.12 billion and included $5.05 billion in residential loans, $1.91 billion in multi-family loans, $1.50 billion in commercial real estate loans, $273.5 million in construction loans, $248.6 million in consumer and other loans and $129.9 million in commercial and industrial loans.

The Company also originates interest-only one- to four-family mortgage loans in which the borrower makes only interest payments for the first five, seven or ten years of the mortgage loan term. This feature will result in future increases in the borrower s loan repayment when the contractually required repayments increase due to the required amortization of the principal amount. These payment increases could affect the borrower s ability to repay the loan. The amount of interest-only one- to four-family mortgage loans at March 31, 2012 was $461.7 million compared to $478.4 million at December 31, 2011. 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 reduce the potential exposure to such risks and that adequate provisions for loan losses are provided for all known and inherent risks.

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The following table sets forth non-accrual loans and accruing past due loans on the dates indicated as well as certain asset quality ratios:

	March 31, 2012		December 31, 2011		September 30, 2011		June 30, 2011		March 31, 2011	
	# of loans	Amount	# of loans	Amount	# of loans	Amount	# of loans	Amount	# of loans	Amount
					(Dollars in millions)					
Accruing past due loans:										
30 to 59 days past due:										
Residential and consumer	65	$ 14.9	80	$ 19.1	75	$ 18.8	84	$ 18.0	64	$ 15.3
Construction			1	0.7	1	1.5	1	6.3		
Multi-family	2	16.0	2	0.8	1	0.7	1	1.4		
Commercial real estate	2	1.8	2	1.5	1	0.1	5	6.0	6	4.8
Commercial and industrial					1	0.1				
Total 30 to 59 days past due	69	32.7	85	22.1	79	21.2	91	31.7	70	20.1
60 to 89 days past due:										
Residential and consumer	25	4.4	33	10.0	36	9.8	32	6.0	24	4.0
Construction									4	13.8
Multi-family			4	6.2			1	2.5	7	25.0
Commercial real estate					1	0.3	2	1.6	1	0.7
Commercial and industrial	1	0.7			1	0.4	1	0.1		
Total 60 to 89 days past due	26	5.1	37	16.2	38	10.5	36	10.2	36	43.5
Total accruing past due loans	95	$ 37.8	122	$ 38.3	117	$ 31.7	127	$ 41.9	106	$ 63.6
Non-accrual:										
Residential and consumer	328	$ 86.1	321	$ 85.0	300	$ 79.5	285	$ 78.6	281	$ 80.8
Construction	16	57.2	15	57.1	25	75.4	24	80.1	22	64.2
Multi-family	4	6.2			2	0.7	2	0.7	3	2.7
Commercial real estate	2	0.4	1	0.1	11	5.7	8	3.9	11	4.7
Commercial and industrial					4	0.7	3	0.6	6	2.0
Total Non-accrual Loans	350	$ 149.9	337	$ 142.2	342	$ 162.0	322	$ 163.9	323	$ 154.4
Accruing troubled debt restructured loans	15	$ 8.4	15	$ 10.5	15	$ 10.5	15	$ 10.5	15	$ 10.0
Non-accrual loans to total loans		1.64%		1.60%		1.82%		1.91%		1.87%
Allowance for loan loss as a percent of non-accrual loans		82.53%		82.44%		71.89%		65.32%		64.04%
Allowance for loan losses as a percent of total loans		1.35%		1.32%		1.31%		1.25%		1.20%

Total non-accrual loans increased $7.5 million to $149.7 million at March 31, 2012 compared to $142.2 million at December 31, 2011. 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 outcome for the Company.

At March 31, 2012 loans meeting the Company s definition of an impaired loan were primarily collateral-dependent and totaled $81.9 million of which $36.1 million of impaired loans had a specific allowance for credit losses of $11.3 million and $45.8 million of impaired loans had no specific allowance for credit losses. At December 31, 2011, loans meeting the Company s definition of an impaired loan were primarily collateral dependent and totaled $70.7 million, of which $24.7 million of impaired loans had a related allowance for credit losses of $7.4 million and $46.0 million of impaired loans had no related allowance for credit losses.

At March 31, 2012, there were 4 commercial real estate loans totaling $14.2 million and 28 residential loans totaling $9.7 million which are deemed troubled debt restructurings. At March 31, 2012, 3 of the commercial real estate loan totaling $11.7 million and 14 of the residential loan totaling $3.8 million were included in non-accrual loans.

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In addition to non-accrual loans we continue to monitor our portfolio for potential problem loans. Potential problem loans are defined as loans about which we have concerns as to the ability of the borrower to comply with the present loan repayment terms and which may cause the loan to be placed on non-accrual status. As of March 31, 2012, there were 3 multi-family loans totaling $29.7 million, 2 commercial real estate loans totaling $1.8 million and one commercial and industrial loan totaling $671,000 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 1.64% at March 31, 2012 compared to 1.60% at December 31, 2011. The allowance for loan losses as a percentage of non-accrual loans was 82.53% at March 31, 2012 compared with 82.54% at December 31, 2011. At March 31, 2012 our allowance for loan losses as a percentage of total loans was 1.35% compared with 1.32% at December 31, 2011.

The following table sets forth the allowance for loan losses at March 31, 2012 and December 31, 2011 allocated by loan category and the percent of loans in each category to total loans at the dates indicated. The allowance for loan losses allocated to each category is not necessarily indicative of future losses in any particular category and does not restrict the use of the allowance to absorb losses in other categories.

	March 31, 2012		December 31, 2011	
	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	$ 31,600	55.41%	$ 32,447	56.59%
Multi-family	15,312	20.93%	13,863	20.42%
Commercial real estate	32,194	16.51%	30,947	15.95%
Construction loans	25,198	3.00%	22,839	3.12%
Commercial and industrial	4,181	2.73%	3,677	1.20%
Consumer and other loans	1,270	1.42%	1,335	2.72%
Unallocated	13,761		12,134	
Total allowance	$ 123,516	100.00%	$ 117,242	100.00%

The allowance for loan losses increased by $6.3 million to $123.5 million at March 31, 2012 from $117.2 million at December 31, 2011. The increase in our allowance for loan losses is due to the inherent credit risk in our overall portfolio, particularly the credit risk associated with commercial real estate lending; and the level of non-performing loans and delinquent loans caused by the adverse economic conditions in our lending area and the continued growth in the multi-family and commercial real estate loan portfolios. Future increases in the allowance for loan losses may be necessary based on the growth and composition of the loan portfolio, the level of loan delinquency and the impact of the deterioration of the real estate and economic environments in our lending area.

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, and unemployment in our lending area which has remained stubbornly high. See Note 5 of Notes to Consolidated Financial Statements for further detail.

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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. 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 $261.8 million, or 20.6%, to $1.53 billion at March 31, 2012, from $1.27 billion at December 31, 2011. The increase in the portfolio was primarily due to the purchase of $366.6 million of agency issued mortgage backed securities, and the purchase of $3.1 million in U.S. government and agencies, partially offset by normal pay downs or maturities during the three months ended March 31, 2012.

Goodwill, Stock in the Federal Home Loan Bank, Other Assets. Goodwill increased $16.4 million as a result of the Brooklyn Federal acquisition. The amount of stock we own in the Federal Home Loan Bank (FHLB) increased by $8.5 million from $116.8 million at December 31, 2011 to $125.4 million at March 31, 2012 as a result of an increase in our level of borrowings at March 31, 2012. There was a $2.5 million reduction in bank owned life insurance as a result of death benefit payouts.

Deposits. Deposits increased by $438.5 million, or 6.0%, to $7.80 billion at March 31, 2012 from $7.36 billion at December 31, 2011 primarily as a result of the Brooklyn Federal acquisition. Core deposits increased $462.6 million or 11.5%, partially offset by a $24.1 million decrease in certificates of deposit.

Borrowed Funds. Borrowed funds increased $23.2 million, or 1.0%, to $2.28 billion at March 31, 2012 from $2.26 billion at December 31, 2011 to fund our asset growth.

Stockholders Equity. Stockholders equity increased $28.9 million to $996.3 million at March 31, 2012 from $967.4 million at December 31, 2011. The increase is primarily attributed to the $18.9 million of net income for the quarter ended March 31, 2012, and $745,000 of compensation cost related to equity incentive plans, partially offset by $776,000 in purchases of treasury stock.

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Average Balance Sheets for the Three Months ended March 31, 2012 and 2011

The following tables present certain information regarding Investors Bancorp, Inc. s financial condition and net interest income for the three months ended March 31, 2012 and 2011. 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 derived average balances from daily balances over the periods indicated. Interest income includes fees that we consider adjustments to yields.

INVESTORS BANCORP, INC. AND SUBSIDIARIES

Average Balance Sheet and Yield/Rate Information

	For Three Months Ended					
	March 31, 2012			March 31, 2011		
	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	$ 89,278	$ 14	0.06%	$ 71,051	$ 17	0.10%
Securities available-for-sale (1)	1,154,376	5,892	2.04%	584,255	3,322	2.27%
Securities held-to-maturity	269,183	3,667	5.45%	450,168	5,778	5.13%
Net loans (2)	8,915,992	110,252	4.95%	8,044,401	103,481	5.15%
Federal Home Loan Bank stock	112,759	1,391	4.93%	80,607	1,082	5.37%
Total interest-earning assets	10,541,588	121,216	4.60%	9,230,482	113,680	4.93%
Non-interest earning assets	473,667			410,821		
Total assets	$ 11,015,255			$ 9,641,303		
Interest-bearing liabilities:						
Savings	$ 1,407,586	$ 1,973	0.56%	$ 1,200,530	$ 2,561	0.85%
Interest-bearing checking	1,335,794	1,700	0.51%	1,011,731	1,446	0.57%
Money market accounts	1,221,482	2,087	0.68%	855,659	1,730	0.81%
Certificates of deposit	3,405,240	12,573	1.48%	3,378,093	14,251	1.69%
Borrowed funds	2,063,436	15,152	2.94%	1,828,426	15,955	3.49%
Total interest-bearing liabilities	9,433,538	33,485	1.42%	8,274,439	35,943	1.74%
Non-interest bearing liabilities	599,958			457,466		
Total liabilities	10,033,496			8,731,905		
Stockholders equity	981,759			909,398		
Total liabilities and stockholders equity	$ 11,015,255			$ 9,641,303		
Net interest income		$ 87,731			$ 77,737	
Net interest rate spread (3)			3.18%			3.19%

Net interest earning assets (4)	$ 1,108,050			$ 956,043		
Net interest margin (5)			3.33%			3.37%
Ratio of interest-earning assets to total interest-bearing liabilities	1.12X			1.12X		

(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-accrual loans.
(3) Net interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.
(4) Net interest-earning assets represent total interest-earning assets less total interest-bearing liabilities.
(5) Net interest margin represents net interest income divided by average total interest-earning assets.

Comparison of Operating Results for the Three Months Ended March 31, 2012 and 2011

Net Income. Net income was $18.9 million for the three months ended March 31, 2012 compared to net income of $18.2 million for the three months ended March 31, 2011. These results include the one-time expenses of approximately $6.1 million related to the acquisition of Brooklyn Federal.

***Net Interest Income*.** Net interest income increased by $10.0 million, or 12.9%, to $87.7 million for the three months ended March 31, 2012 from $77.7 million for the three months ended March 31, 2011. The increase was primarily due to the average balance of interest earning assets increasing $1.31 billion to $10.54 billion at March 31, 2012 compared to $9.23 billion at March 31, 2011, as well as a 32 basis point decrease in our cost of interest-bearing liabilities to 1.42% for the three months ended March 31, 2012 from 1.74% for the three months ended March 31, 2011. These were partially offset by the average balance of our interest bearing liabilities increasing $1.16 billion to $9.43 billion at March 31, 2012 compared to $8.27 billion at March 31, 2011, as well as the yield on our interest-earning assets decreasing 33 basis points to 4.60% for the three months ended March 31, 2012 from 4.93% for the three months ended March 31, 2011. While the yield on our interest earning assets declined due to the lower interest rate environment, our cost of funds also continued to decrease resulting in our net interest margin decreasing by 4 basis points from 3.37% for the three months ended March 31, 2011 to 3.33% for the three months ended March 31, 2012.

***Interest and Dividend Income*.** Total interest and dividend income increased by $7.5 million, or 6.6%, to $121.2 million for the three months ended March 31, 2012 from $113.7 million for the three months ended March 31, 2011. This increase is attributed to the average balance of interest-earning assets increasing $1.31 billion, or 14.2%, to $10.54 billion for the three months ended March 31, 2012 from $9.23 billion for the three months ended March 31, 2011. This was partially offset by the weighted average yield on interest-earning assets decreasing 33 basis points to 4.60% for the three months ended March 31, 2012 compared to 4.93% for the three months ended March 31, 2011.

Interest income on loans increased by $6.8 million, or 6.5%, to $110.3 million for the three months ended March 31, 2012 from $103.5 million for the three months ended March 31, 2011, reflecting an $870.9 million, or 10.8%, increase in the average balance of net loans to $8.92 billion for the three months ended March 31, 2012 from $8.04 billion for the three months ended March 31, 2011. The increase is primarily attributed to the average balance of multi-family loans and commercial real estate loans increasing $642.2 million and $156.8 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 $1.1 million in loan prepayment penalties as interest income for the three months ended March 31, 2012 compared to $345,000 for the three months ended March 31, 2011. This was partially offset by a 20 basis point decrease in the average yield on net loans to 4.95% for the three months ended March 31, 2012 from 5.15% for the three months ended March 31, 2011, as lower rates on new and refinanced loans reflect the current interest rate environment.

Interest income on all other interest-earning assets, excluding loans, increased by $765,000, or 7.5%, to $11.0 million for the three months ended March 31, 2012 from $10.2 million for the three months ended March 31, 2011. This increase reflected a $439.5 million increase in the average balance of all other interest-earning assets, excluding loans, to $1.63 billion for the three months ended March 31, 2012 from $1.19 billion for the three months ended March 31, 2011 as the Company invested the additional liquidity from the Brooklyn Federal acquisition into agency mortgage backed securities.

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This was partially offset by the weighted average yield on interest-earning assets, excluding loans, decreasing by 74 basis points to 2.70% for the three months ended March 31, 2012 compared to 3.44% for the three months ended March 31, 2011 reflecting the lower interest rate environment.

Interest Expense. Total interest expense decreased by $2.5 million, or 6.8%, to $33.5 million for the three months ended March 31, 2012 from $35.9 million for the three months ended March 31, 2011. This decrease is attributed to the weighted average cost of total interest-bearing liabilities decreasing 32 basis points to 1.42% for the three months ended March 31, 2012 compared to 1.74% for the three months ended March 31, 2011. This decrease was partially offset by the average balance of total interest-bearing liabilities increasing by $1.16 billion, or 14.0%, to $9.43 billion for the three months ended March 31, 2012 from $8.27 billion for the three months ended March 31, 2011.

Interest expense on interest-bearing deposits decreased $1.7 million, or 8.3% to $18.3 million for the three months ended March 31, 2012 from $20.0 million for the three months ended March 31, 2011. This decrease is attributed to a 25 basis point decrease in the average cost of interest-bearing deposits to 0.99% for the three months ended March 31, 2012 from 1.24% for the three months ended March 31, 2011 as deposit rates reflect this lower interest rate environment. This was partially offset by the average balance of total interest-bearing deposits increasing $924.1 million, or 14.3% to $7.37 billion for the three months ended March 31, 2012 from $6.45 billion for the three months ended March 31, 2011. The growth of core deposit accounts- savings, checking and money market, represented 97.1% or $896.9 million of the increase in average balance of total interest-bearing deposits.

Interest expense on borrowed funds decreased by $803,000, or 5.0%, to $15.2 million for the three months ended March 31, 2012 from $16.0 million for the three months ended March 31, 2011. This decrease is attributed to the average cost of borrowed funds decreasing 55 basis points to 2.94% for the three months ended March 31, 2012 from 3.49% for the three months ended March 31, 2011 as maturing borrowings repriced at lower interest rates. This was partially offset by the average balance of borrowed funds increasing by $235.0 million or 12.9%, to $2.06 billion for the three months ended March 31, 2012 from $1.83 billion for the three months ended March 31, 2011.

Provision for Loan Losses. Our provision for loan losses was $13.0 million for the three months ended March 31, 2012 compared to $17.0 million for the three months ended March 31, 2011. For the three months ended March 31, 2012, net charge-offs were $6.7 million compared to $9.0 million for the three months ended March 31, 2011. The inherent credit risk in our overall portfolio, particularly the credit risk associated with commercial real estate lending, and the level of non-performing loans and delinquent loans caused by the adverse economic conditions in our lending area resulted in a $13.0 million provision for the quarter. This is a decrease over prior year quarter as overall net loan growth slowed and charge-offs were lower compared to the first quarter of 2011. See discussion of the allowance for loan losses and non-accrual loans in *Comparison of Financial Condition at March 31, 2012 and December 31, 2011.*

Non-interest Income. Total non-interest income increased by $3.5 million, or 51.8% to $10.4 million for the three months ended March 31, 2012 from $6.8 million for the three months ended

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March 31, 2011. The increase is primarily attributed to an increase of $1.6 million in the gain on the sale of loans to $3.9 million, and a $762,000 increase in other non-interest income primarily from the fees associated with the sale of non deposit investment products. In addition, fees and service charges relating primarily to the servicing of third party loan portfolios as well as fees from commercial deposit and loan accounts increased $1.2 million to $5.0 million for the three months ended March 31, 2012.

Non-interest Expenses. Total non-interest expenses increased by $15.8 million, or 41.0%, to $54.5 million for the three months ended March 31, 2012 from $38.6 million for the three months ended March 31, 2011. This increase includes $6.1 million in expenses related to the Brooklyn Federal acquisition. Compensation and fringe benefits increased $4.4 million primarily as a result of the staff additions to support our continued growth, including employees from the acquisition of Brooklyn Federal, normal merit increases and $1.4 million in acquisition related expenses of Brooklyn Federal. Occupancy expense increased $3.8 million mainly as a result of a one-time charge of $3.0 million for the early termination of certain leased facilities. In addition, occupancy expenses have been impacted by the costs associated with expanding and enhancing our branch network including the expenses related to the acquisition of the Brooklyn Federal branches. Professional fees increased $3.4 million relating to the legal and consulting costs of $2.5 million associated with the Brooklyn Federal acquisition. Data processing expenses increased $2.6 million primarily due to a one-time charge of $1.5 million for the termination of a Brooklyn Federal data processing contract and $200,000 in data conversion fees relative to Brooklyn Federal. Additionally, the growth in the number of accounts and branches have resulted in an increase in data processing expenses. Other non-interest expense increased $1.8 million which includes $400,000 in Brooklyn Federal related expenses. These increases were partially offset by a $750,000 decrease in our FDIC insurance premium due to the implementation of FDIC assessment regulations finalized in July 2011.

Income Taxes. Income tax expense was $11.7 million for the three months ended March 31, 2012, representing a 38.18% effective tax rate compared to income tax expense of $10.7 million for the three months ended March 31, 2011 representing a 37.07% effective tax rate.

Liquidity and Capital Resources

The Company s primary sources of funds are deposits, principal and interest payments on loans and mortgage-backed securities, proceeds from the sale of loans, Federal Home Loan Bank (FHLB) and other borrowings and, to a lesser extent, investment maturities. While scheduled amortization of loans is a predictable source of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions and competition. The Company has other sources of liquidity if a need for additional funds arises, including an overnight line of credit and other borrowings from the FHLB and other correspondent banks.

At March 31, 2012 the Company had overnight borrowings outstanding with FHLB of $329.0 million compared to $280.0 million at December 31, 2011. The Company utilizes the overnight line from time to time to fund short-term liquidity needs. The Company had total borrowings of $2.28 billion at March 31, 2012, an increase from $2.26 billion at December 31, 2011.

In the normal course of business, the Company routinely enters into various commitments, primarily relating to the origination of loans. At March 31, 2012, outstanding commitments to originate loans totaled $464.0 million; outstanding unused lines of credit totaled $421.1 million; standby letters of credit totaled $8.2 million and outstanding commitments to sell loans totaled $86.6 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 $2.08 billion at March 31, 2012. 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 commenced 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 three month period ended March 31, 2012, the Company repurchased 52,673 shares of its common stock. Under the current share repurchase program, 2,196,239 shares remain available for repurchase. At March 31, 2012, a total of 16,090,953 shares have been purchased under Board authorized share repurchase programs, of which 3,399,701 shares were allocated to fund the restricted stock portion of the Company s 2006 Equity Incentive Plan. The remaining shares are held for general corporate use.

As of March 31, 2012 the Bank exceeded all regulatory capital requirements as follows:

	March 31, 2012			
	Actual		Required	
	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)			
Total capital (to risk-weighted assets)	$ 967,660	12.7%	608,700	8.0%
Tier I capital (to risk-weighted assets)	872,200	11.5	304,350	4.0
Tier I capital (to average assets)	872,200	8.0	434,548	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 U.S. generally accepted accounting principles, are not recorded in the financial statements. These transactions primarily relate to debt obligations and lending commitments.

The following table shows the contractual obligations of the Company by expected payment period as of March 31, 2012:

Contractual Obligations	Total	Less than One Year	One-Two Years	Two-Three Years	More than Three Years
			(in thousands)		
Debt obligations (excluding capitalized leases)	$ 2,278,679	720,679	323,000	179,000	1,056,000
Commitments to originate and purchase loans	$ 463,989	463,989			
Commitments to sell loans	$ 86,552	86,552			

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Debt obligations include borrowings from the FHLB and other borrowings. The borrowings have defined terms and, under certain circumstances, $180.0 million of the borrowings are callable at the option of the lender.

Additionally, at March 31, 2012, the Company s commitments to fund unused lines of credit totaled $421.2 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 March 31, 2012 have not changed significantly from December 31, 2011.

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, 2011 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.

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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 March 31, 2012 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

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changes are based on numerous assumptions including relative levels of market interest rates, loan prepayments and deposit decay, and should not be relied upon as indicative of actual results. We did not estimate changes in NPV or net interest income for an interest rate decrease of greater than 100 basis points or increase of greater than 200 basis points.

	Net Portfolio Value (1),(2)			Net Interest Income (3)		
Change in Interest Rates (basis points)	Estimated NPV	Estimated Increase (Decrease) Amount	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	$ 621,300	$ (244,887)	(28.3)%	$ 334,111	$ (26,246)	(7.3)%
0bp	$ 866,187			$ 360,357		
-100bp	$ 819,507	$ (46,680)	(5.4)%	$ 366,643	$ 6,285	1.7%

(1) NPV is the discounted present value of expected cash flows from assets, liabilities and off-balance sheet contracts.
(2) Assumes an instantaneous uniform change in interest rates at all maturities.
(3) Assumes a gradual change in interest rates over a one year period at all maturities

The table set forth above indicates at March 31, 2012 in the event of a 200 basis points increase in interest rates, we would be expected to experience a 28.3% decrease in NPV and a $26.2 million or 7.3% decrease in net interest income. In the event of a 100 basis points decrease in interest rates, we would be expected to experience a 5.4% decrease in NPV and a $6.3 million or 1.7% 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.

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, 2011 Annual Report on Form 10-K filed with the Securities and Exchange Commission.

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

The following table reports information regarding repurchases of our common stock during quarter ended March 31, 2012 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)
January 1, 2012 through January 31, 2012	3,900	$ 13.53	3,900	2,245,012
February 1, 2012 through February 29, 2012	48,773	14.83	48,773	2,196,239
March 1, 2012 through March 31, 2012				2,196,239
Total	52,673	$ 14.73	52,673	

(1) 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. This stock repurchase program commenced upon the completion of the third program on July 25, 2011. This program has no expiration date and has 2,196,239 shares yet to be purchased as of March 31, 2012.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures
Not applicable

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 Bank Director Retirement Plan*
10.4	Investors Bank Supplemental Retirement Plan*
10.5	Investors Bancorp, Inc. Supplemental Wage Replacement Plan*
10.6	Investors 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****
10.11	Definitive Agreement and Plan of Merger by and among Investors Bancorp and Brooklyn Federal Bancorp, Inc.*****
14	Code of Ethics******
21	Subsidiaries of Registrant*

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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 March 31, 2012, 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.
*****	Incorporated by reference to Form 8-K originally filed with the Securities and Exchange Commission on August 17, 2011.
******	Available on our website *www.myinvestorsbank.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: May 10, 2012	/s/ Kevin Cummings Kevin Cummings President and Chief Executive Officer (Principal Executive Officer)
Dated: May 10, 2012	/s/ Thomas F. Splaine, Jr. Thomas F. Splaine, Jr. Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)