NEW YORK COMMUNITY BANCORP INC
Form 8-K
August 09, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 9, 2007

NEW YORK COMMUNITY BANCORP, INC.

(Exact name of registrant as specified in its charter)

Delaware	1-31565	06-1377322
(State or other jurisdiction of incorporation or organization)	Commission File Number	(I.R.S. Employer Identification No.)

615 Merrick Avenue, Westbury, New York 11590

(Address of principal executive offices)

(516) 683-4100

(Registrant s telephone number, including area code)

Not applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

CURRENT REPORT ON FORM 8-K

Item 7.01 Regulation FD Disclosure

Beginning on August 9, 2007, New York Community Bancorp, Inc. (the Company) intends to distribute and make available to investors, and to post on its web site, a written presentation regarding its second quarter 2007 performance and its business model.

Item 9.01 Financial Statements and Exhibits

(d) Attached as Exhibit 99.1 is the text of a written presentation that the Company intends to distribute and make available to investors, and to post on its web site, beginning on August 9, 2007.

SIGNATURE

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 hereunto duly authorized.

Date: August 9, 2007

NEW YORK COMMUNITY BANCORP, INC.

/s/ Ilene A. Angarola
Ilene A. Angarola
First Senior Vice President and
Director, Investor Relations

EXHIBIT INDEX

Exhibit 99.1 Written presentation to be distributed and made available to investors, and posted on the Company s web site, beginning on August 9, 2007.

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The following is a summary of the status of the Company s non-vested options as of December 31, 2007 and 2006 and changes therein during the six months then ended:

	Six months ended December 31,			
	2007		2006	
	Number of Stock Options	Weighted Average Grant Date Fair Value	Number of Stock Options	Weighted Average Grant Date Fair Value
Non-vested at the beginning of period	4,437,401	$ 4.17		$
Granted			4,447,401	4.17
Vested	(887,480)	4.17		
Forfeited				
Non-vested at end of period	3,549,921	$ 4.17	4,447,401	$ 4.17

Expected future expense relating to the 3.5 million non-vested options outstanding as of December 31, 2007 is $14.1 million over a weighted average period of 3.9 years.

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Upon exercise of vested options, management expects to draw on treasury stock as the source of the shares.
The following is a summary of the status of the Company s restricted shares as of December 31, 2007 and 2006 and changes therein during the six months then ended:

	Six months ended December 31,			
	2007		2006	
	Number of Shares Awarded	Weighted Average Grant Date Fair Value	Number of Shares Awarded	Weighted Average Grant Date Fair Value
Non-vested at the beginning of period	1,666,959	$ 15.25		$
Granted			1,666,959	15.25
Vested	(333,389)	15.25		
Forfeited				
Non-vested at end of period	1,333,570	$ 15.25	1,666,959	$ 15.25

Expected future compensation expense relating to the 1.3 million restricted shares at December 31, 2007 is $19.3 million over a weighted average period of 3.9 years.
At the January 2008 Compensation and Benefits Committee meeting, the Committee approved the issuance of an additional 136,742 restricted stock awards and 341,851 stock options to the independent directors of the Board. The awards were made pursuant to the shareholder approved 2006 Equity Incentive Plan.

6. Net Periodic Benefit Plans Expense

The Company has a Supplemental Employee Retirement Plan (SERP). The SERP is a nonqualified, defined benefit plan which provides benefits to all employees of the Company 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 its directors. The SERP and the directors plan are unfunded and the costs of the plans are recognized over the period that services are provided.
Effective December 31, 2006, the Company limited participation in the Directors retirement plan to the current participants and placed a cap on director s fees for plan purposes at the December 31, 2006 rate.
The Company also provided (i) postretirement health care benefits to retired employees hired prior to April 1991 who attained at least ten years of service and (ii) certain life insurance benefits to all retired employees. During the quarter ended December 31, 2007, the Company curtailed the benefits to current employees and settled its obligations to retired employees related to the postretirement benefit plan and recognized a pre-tax gain of $2.3 million as a reduction of compensation and fringe benefits expense in the consolidated statements of income.
The components of net periodic benefit expense are as follows:

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	Three months ended December 31,			
	SERP and directors plan		Other Benefits	
	2007	2006	2007	2006
	(In thousands)			
Service cost	$ 135	296	4	40
Interest cost	252	225	77	135
Amortization of:				
Transition obligation			7	50
Prior service cost	(25)	5		
Net loss	49	37	1	
Total net periodic benefit expense	$ 411	563	89	225

	Six months ended December 31,			
	SERP and directors plan		Other Benefits	
	2007	2006	2007	2006
	(In thousands)			
Service cost	$ 270	592	47	80
Interest cost	505	449	217	270
Amortization of:				
Transition obligation			57	100
Prior service cost	(49)	10		
Net loss	107	75	1	
Total net periodic benefit expense	$ 833	1,126	322	450

Due to the unfunded nature of these plans, no contributions are expected to be made to the SERP and Directors plans and Other Benefits plan in fiscal year 2008.

The Company also maintains a defined benefit pension plan for employees. Since it is a multiemployer plan, costs of the pension plan are based on contributions required to be made to the pension plan. The Company contributed $1.0 million to the defined benefit pension plan during the first six months of fiscal year 2008. We anticipate contributing funds to the plan to meet any minimum funding requirements.

7. Income Taxes

Effective July 1, 2007, the Company adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109, or FIN 48, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and

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measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The provisions of FIN 48 are to be applied to all tax positions upon initial adoption of this standard. Tax positions must meet the more-likely-than-not recognition threshold at the effective date in order for the related tax benefits to be recognized or continue to be recognized upon adoption of FIN 48. As a result of the adoption of FIN 48, the Company recognized a $300,000 decrease in the liability for unrecognized tax benefits, which was accounted for as an addition to the July 1, 2007, balance of retained earnings. The Company recognizes accrued interest and penalties related to unrecognized tax benefits, where applicable, in income tax expense.

A deferred tax asset is recognized for the estimated future tax effects attributable to temporary differences and carryforwards. The measurement of deferred tax assets is reduced by the amount of any tax benefits that, based on available evidence, are more likely than not to be realized. On a quarterly basis the Company assesses the realizability of its deferred tax assets. During the three months ended December 31, 2006, the Company performed an assessment of its ability to realize certain deferred tax assets and concluded that, based on current facts and circumstances a portion of the associated valuation allowance was no longer required. Those facts and circumstances included, but were not limited to, the projected amount of taxable income the Company and its subsidiaries are expected to generate in future years, the Company s ability to generate capital gains, and the decision to discontinue the operations of the Company s Real Estate Investment Trust s (REIT) operations and transfer the REIT s assets to the Bank due to legislation passed in the State of New Jersey. As a result, the Company recognized a deferred tax benefit of $10.7 million during the three months ended December 31, 2006 primarily related to the reversal of the previously established deferred tax asset valuation allowance.

The Company files income tax returns in the United States federal jurisdiction and in the state of New Jersey jurisdiction. With few exceptions, we are no longer subject to federal and state income tax examinations by tax authorities for years prior to 2002. Currently, the Company is not under examination by any taxing authority.

8. Stock Repurchase Program

The Board of Directors approved a second share repurchase program at its April 2007 meeting, which authorized the repurchase of an additional 10% of the Company s publicly-held outstanding common stock. The second share repurchase program commenced upon completion of the first program in May 2007. Under this program, up to 10% of its publicly-held outstanding shares of common stock, or 4,785,831 shares of Investors Bancorp, Inc. common stock, may be purchased in the open market and through other privately negotiated transactions in accordance with applicable federal securities laws. During the six month period ended December 31, 2007, the Company repurchased 3,069,029 shares of its common stock at an average cost of $13.77 per share. Under the current share repurchase program, 560,697 shares remain available for repurchase. As of December 31, 2007, a total of 9,542,724 shares have been purchased, at a weighted average cost of $14.57 per share, under Board authorized share repurchase programs, of which 1,666,959 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, including stock option excercises.

At its January 2008 meeting, the Board of Directors approved a third stock repurchase program which authorizes the repurchase of an additional 10% of the Company s publicly-held

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outstanding common stock, or 4,307,248 shares. The newly approved stock repurchase program will commence immediately upon completion of the current program.

9. Recent Accounting Pronouncements

In February 2006, the FASB issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments-an amendment of FASB Statements No. 133 and 140. This statement permits fair value remeasurement of certain hybrid financial instruments, clarifies the scope of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities regarding interest-only and principal-only strips, and provides further guidance on certain issues regarding beneficial interests in securitized financial assets, concentrations of credit risk and qualifying special purpose entities. SFAS No. 155 is effective as of the beginning of the first fiscal year that begins after September 15, 2006. The adoption of SFAS No. 155 on July 1, 2007 did not impact the Company s financial condition or results of operations.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. This Statement defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 applies to other accounting pronouncements that require or permit fair value measurements, but does not require any new fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The Company does not expect that the adoption of SFAS No. 157 will have a material impact on its financial statements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is effective as of the beginning of an entity s first fiscal year that begins after November 15, 2007 with early adoption permitted as of the beginning of a fiscal year that begins on or before November 15, 2007. The Company did not elect early adoption. The Company does not expect that the adoption of SFAS No. 159 will have a material impact on its financial statements.

In December 2007, the FASB issued SFAS No.141R Business Combinations. SFAS 141R requires most identifiable assets, liabilities, noncontrolling interests, and goodwill acquired in a business combination to be recorded at full fair value. SFAS No. 141R applies to all business combinations, including combinations among mutual entities and combinations by contract alone. Under SFAS No. 141R, all business combinations will be accounted for by applying the acquisition method. SFAS No. 141R is effective for periods beginning on or after December 15, 2008. Earlier application is prohibited. SFAS No. 141R will be applied to business combinations occurring after the effective date.

In December 2007, the FASB issued SFAS No. 160 "Noncontrolling Interests in Consolidated Financial Statements. SFAS No. 160 will require noncontrolling interests (previously referred to as minority interests) to be treated as a separate component of equity, not as a liability or other item outside of permanent equity. SFAS No. 160 applies to the accounting for noncontrolling interests and transactions with noncontrolling interest holders in consolidated financial statements. SFAS No. 160 is effective for periods beginning on or after December 15, 2008.

Earlier application is prohibited. SFAS No. 160 will be applied prospectively to all noncontrolling interests.

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

Forward Looking Statements

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

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

Executive Summary

Investors Bancorp s fundamental business strategy is to be a well capitalized, full service, community bank and to provide high quality customer service and competitively priced products and services to individuals and businesses in the communities we serve. An integral part of this strategy is to continue to reposition the assets and liabilities on our balance sheet by adding more loans and deposits. Over the past few years we have been successful in this repositioning effort and remain committed to this strategy.

Total loans have increased from $3.57 billion at June 30, 2007 to $3.98 billion at December 31, 2007, an increase of 11.4%. The majority of that growth came from residential mortgage loans which grew 8.9%, or $281.3 million, from June 30, 2007 to $3.43 billion at December 31, 2007. As our loan portfolio grows we continue our expansion into commercial real estate lending because it may help increase net interest income, diversify our loan portfolio and improve our interest rate risk position. During the six months ended December 31, 2007 commercial real estate, construction and multi-family loans increased $116.3 million or 45%. This quarter we recorded a $1.8 million provision for loan losses reflecting the growth in our commercial real estate loan portfolio, the risk of this type of lending and an internal downgrade of two

construction loans. Nonperforming assets to total loans increased three basis points from the prior quarter to 0.14%. There continues to be significant disruption in the credit markets due primarily to the subprime mortgage crisis. While we do not originate or purchase subprime loans or option ARMs nor do we have those types of loans in our portfolio, we are closely monitoring the effect this turmoil may have on our borrowers.

Total deposits increased by $129.0 million to $3.79 billion at December 31, 2007, an increase of 3.5%. We continue to focus our attention on increasing core deposits, which remains difficult given the extreme competition in the New Jersey marketplace.

As a result of strong loan growth and stock repurchases, borrowed funds increased $172.5 million, or 16.6%, to $1.21 billion at December 31, 2007 from $1.04 billion at June 30, 2007, as funds needed exceeded the available cash flows from the investment and deposit portfolios. We may continue to use wholesale borrowings as replacement funding, rather than higher cost certificates of deposit, given the lower cost for this type of funding.

Since September 2007, the Federal Reserve Board of Governors has lowered rates by 225 basis points including the surprise 75 basis point rate cut on January 22, 2008. These recent rate reductions have helped stabilize net interest income and we believe will continue to improve both net interest margin and net interest spread. However, we remain concerned that the higher deposit rates being paid by some bank and non-bank competitors may offset the benefits of the interest rate reductions.

As part of our continued effort to control costs and reduce our efficiency ratio we curtailed the benefit to current employees and settled our obligation to retired employees related to our postretirement benefit plan. The changes to the plan resulted in the recognition of a $2.3 million pre-tax gain this quarter.

In August 2007, we announced the definitive agreement to acquire Summit Federal Bankshares, MHC, the parent company of Summit Federal Bankshares and Summit Federal Savings Bank (Summit). In this acquisition of a mutual thrift, we will acquire five new branch locations that complement our current geographic markets. This transaction will be accounted for using the pooling of interest method. As of December 31, 2007, Summit Federal Savings Bank had $114 million in assets. This transaction is expected to close during fiscal 2008.

Comparison of Financial Condition at December 31, 2007 and June 30, 2007

Total Assets. Total assets increased by $272.4 million, or 4.9%, to $5.87 billion at December 31, 2007 from $5.60 billion at June 30, 2007. This increase was largely the result of an increase in our loan portfolio partially offset by the decrease in the securities portfolio.

Securities. Securities, in aggregate, decreased by $143.8 million, or 8.1%, to $1.63 billion at December 31, 2007, from $1.77 billion at June 30, 2007. This decrease was a result of utilizing the cash flow from investments to fund the loan growth, rather than reinvest in securities, which is consistent with our strategic plan.

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Net Loans. Net loans, including loans held for sale, increased by $411.2 million, or 11.4%, to $4.00 billion at December 31, 2007 from $3.59 billion at June 30, 2007. This increase in loans reflects our continued focus on loan originations and purchases. The loans we originate and purchase are made primarily on properties in New Jersey. To a lesser degree we originate and purchase loans in states contiguous to New Jersey as a way to geographically diversify our residential loan portfolio.

We originate residential mortgage loans directly and through our mortgage subsidiary, ISB Mortgage Co. During the six months ended December 31, 2007 we originated $118.7 million in residential mortgage loans. In addition, we purchase residential mortgage loans from correspondent entities including other banks and mortgage bankers. Our agreements with these correspondent entities require them to originate loans that adhere to our underwriting standards. During the six months ended December 31, 2007 we purchased residential mortgage loans totaling $332.0 million from these entities. We also purchase pools of residential mortgage loans in the secondary market on a bulk purchase basis from several well-established financial institutions. During the six months ended December 31, 2007, we purchased residential mortgage loans totaling $14.3 million on a bulk purchase basis.

Additionally, for the six months ended December 31, 2007, we originated $45.6 million in multi-family and commercial real estate loans and $101.6 million in construction loans. This is consistent with our strategy to diversify our loan portfolio.

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 borrowers ability to repay the loan. The amount of interest-only one-to four-family mortgage loans at December 31, 2007 was $299.9 million compared to $287.9 million at June 30, 2007. The ability of borrowers to repay their obligations are dependent upon various factors including the borrowers income and net worth, cash flows generated by the underlying collateral, value of the underlying collateral and priority of the Company s lien on the property. Such factors are dependent upon various economic conditions and individual circumstances beyond the Company s control; the Company is, therefore, subject to risk of loss.

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

The allowance for loan losses increased by $1.9 million to $8.9 million at December 31, 2007 from $6.9 million at June 30, 2007. The increase in the allowance reflects the overall growth in the loan portfolio, particularly commercial real estate growth, and two potential problem construction loans internally downgraded this quarter. The construction loans total $12.5 million and involve two separate developers; one of whom is being adversely affected by the current real estate market and the other who is experiencing cost overruns. Payments on these loans are current and continue to perform in accordance with their contractual loan agreements. The allowance for loan losses also reflects the overall inherent credit risk in our loan portfolio, the level of our non-performing loans and our charge-off experience.

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Total non-performing loans, defined as non-accruing loans, increased by $469,000 to $5.6 million at December 31, 2007 from $5.1 million at June 30, 2007. The ratio of non-performing loans to total loans was 0.14% at both December 31, 2007 and June 30, 2007. The allowance for loan losses as a percentage of non-performing loans was 157.67% at December 31, 2007 compared with 134.33% at June 30, 2007. At December 31, 2007 our allowance for loan losses as a percentage of total loans was 0.22% compared to 0.19% at June 30, 2007.

Although we believe we have established and maintained an adequate level of allowance for loan losses, additions may be necessary based on growth of the loan portfolio, change in composition of the loan portfolio, and the impact the deterioration of the real estate and economic environments have on the area in which we lend. 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.

Deferred Tax Asset. The Company s net deferred tax asset decreased by $2.3 million to $37.1 million at December 31, 2007 from $39.4 million at June 30, 2007. This decrease is primarily the result of the curtailment of the postretirement benefit plan. (See discussion in *Comparison of Operating Results Non-interest Expense* .)

Bank Owned Life Insurance, Stock in the Federal Home Loan Bank and Other Assets. Bank owned life insurance increased by $2.0 million from $88.0 million at June 30, 2007 to $90.0 million at December 31, 2007. There was also an increase in accrued interest receivable of $2.1 million resulting from an increase in the yield on interest-earning assets and the timing of certain cash flows resulting from the change in the mix of our assets. The amount of stock we own in the Federal Home Loan Bank (FHLB) increased by $12.3 million from $33.9 million at June 30, 2007 to $46.1 million at December 31, 2007 as a result of an increase in our level of borrowings at December 31, 2007.

Deposits. Deposits increased by $129.0 million, or 3.5%, to $3.79 billion at December 31, 2007 from $3.66 billion at June 30, 2007. The increase was due primarily to an increase in certificates of deposits and to a lesser extent an increase in our money market account deposits. This was partially offset by the decrease in savings deposits and checking account deposits.

Borrowed Funds. Borrowed funds increased $172.5 million, or 16.6%, to $1.21 billion at December 31, 2007 from $1.04 billion at June 30, 2007. This increase in borrowed funds was the result of strong loan growth that exceeded the available cash flows from the investment and deposit portfolios.

Stockholders Equity. Stockholders equity decreased $25.5 million to $817.8 million at December 31, 2007 from $843.4 million at June 30, 2007. This decrease is attributed to the repurchase of our common stock totaling $42.4 million during the six months ended December 31, 2007, which was partially offset by $6.8 million in net income for the period, $4.7 million in stock-based compensation cost credited to paid-in capital and a decrease of $4.0 million in the accumulated other comprehensive loss.

Average Balance Sheets for the Three and Six Months ended December 31, 2007 and 2006

The following tables present certain information regarding Investors Bancorp, Inc. s financial condition and net interest income for the three and six months ended December 31, 2007 and 2006. The tables present the annualized average yield on interest-earning assets and the

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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.

	For Three Months Ended					
	December 31, 2007			December 31, 2006		
	Average Outstanding Balance	Interest Earned/Paid	Average Yield/Rate	Average Outstanding Balance	Interest Earned/Paid	Average Yield/Rate
	(Dollars in thousands)					
Interest-earning assets:						
Interest-bearing deposits	$ 14,097	$ 141	4.00%	$ 22,758	$ 222	3.90%
Securities available-for-sale (1)	234,917	2,693	4.59%	470,134	5,175	4.40%
Securities held-to-maturity	1,433,401	17,475	4.88%	1,648,891	19,697	4.78%
Net loans	3,940,812	56,688	5.75%	3,217,045	44,126	5.49%
Stock in FHLB	45,850	800	6.98%	45,252	753	6.66%
Total interest-earning assets	5,669,077	77,797	5.49%	5,404,080	69,973	5.18%
Non-interest-earning assets	178,738			154,837		
Total assets	$ 5,847,815			$ 5,558,917		
Interest-bearing liabilities:						
Savings	$ 306,873	1,642	2.14%	$ 243,693	907	1.49%
Interest-bearing checking	331,306	1,877	2.27%	298,288	1,790	2.40%
Money market accounts	207,385	1,425	2.75%	186,335	929	1.99%
Certificates of deposit	2,880,878	34,673	4.81%	2,633,188	30,418	4.62%
Borrowed funds	1,201,523	14,424	4.80%	1,210,038	14,935	4.94%
Total interest-bearing liabilities	4,927,965	54,041	4.39%	4,571,542	48,979	4.29%
Non-interest-bearing liabilities	100,018			83,732		
Total liabilities	5,027,983			4,655,274		
Stockholders equity	819,832			903,643		

Total liabilities and stockholders equity	$ 5,847,815			$ 5,558,917		
Net interest income		$ 23,756			$ 20,994	
Net interest rate spread (2)			1.10%			0.89%
Net interest-earning assets (3)	$ 741,112			$ 832,538		
Net interest margin (4)			1.68%			1.55%
Ratio of interest-earning assets to total interest-bearing liabilities	1.15X			1.18X		

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	For Six Months Ended					
	December 31, 2007			December 31, 2006		
	Average Outstanding Balance	Interest Earned/Paid	Average Yield/Rate	Average Outstanding Balance	Interest Earned/Paid	Average Yield/Rate
	(Dollars in thousands)					
Interest-earning assets:						
Interest-bearing deposits	$ 15,152	$ 301	3.97%	$ 21,398	$ 391	3.65%
Securities available-for-sale (1)	243,094	5,573	4.59%	502,636	10,897	4.34%
Securities held-to-maturity	1,464,307	35,684	4.87%	1,688,919	40,228	4.76%
Net loans	3,829,687	109,654	5.73%	3,149,672	86,038	5.46%
Stock in FHLB	42,674	1,393	6.53%	46,531	1,450	6.23%
Total interest-earning assets	5,594,914	152,605	5.46%	5,409,156	139,004	5.14%
Non-interest-earning assets	176,406			152,013		
Total assets	$ 5,771,320			$ 5,561,169		
Interest-bearing liabilities:						
Savings	$ 310,505	3,457	2.23%	$ 233,447	1,433	1.23%
Interest-bearing checking	342,535	4,325	2.53%	302,959	3,635	2.40%
Money market accounts	197,475	2,664	2.70%	196,799	1,802	1.83%
Certificates of deposit	2,837,637	68,473	4.83%	2,594,289	57,924	4.47%
Borrowed funds	1,160,360	28,527	4.92%	1,246,699	30,749	4.93%
Total interest-bearing liabilities	4,848,512	107,446	4.43%	4,574,193	95,543	4.18%
Non-interest-bearing liabilities	99,927			83,478		
Total liabilities	4,948,439			4,657,671		
Stockholders equity	822,881			903,498		
Total liabilities and stockholders equity	$ 5,771,320			$ 5,561,169		

Net interest income		$ 45,159		$ 43,461	
Net interest rate spread (2)			1.03%		0.96%
Net interest-earning assets (3)	$ 746,402			$ 834,963	
Net interest margin (4)			1.61%		1.61%
Ratio of interest-earning assets to total interest-bearing liabilities	1.15X			1.18X	

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

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

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

(4) Net interest margin represents net interest income divided

by average total
interest-earning
assets.

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Comparison of Operating Results for the Three Months Ended December 31, 2007 and 2006

Net Income. Net income was $4.0 million for the three months ended December 31, 2007 compared to net income of $12.0 million for the three months ended December 31, 2006. In the current quarter, the Company recognized a $2.3 million pre-tax gain related to its postretirement benefit plan and recorded a $1.8 million provision for loan losses. In the prior year quarter, the Company recognized $10.7 million in deferred tax benefits from the net reduction in previously established valuation allowances for deferred tax assets and realized a pretax loss of $3.7 million on the sale of securities.

Net Interest Income. Net interest income increased by $2.8 million, or 13.2%, to $23.8 million for the three months ended December 31, 2007 from $21.0 million for the three months ended December 31, 2006. The increase was caused primarily by a 31 basis point improvement in our yield on interest-earning assets to 5.49% for the three months ended December 31, 2007 from 5.18% for the three months ended December 31, 2006. This was partially offset by a 10 basis point increase in our cost of interest-bearing liabilities to 4.39% for the three months ended December 31, 2007 from 4.29% for the three months ended December 31, 2006. Our net interest margin also increased by 13 basis points from 1.55% for the three months ended December 31, 2006 to 1.68% for the three months ended December 31, 2007.

Interest and Dividend Income. Total interest and dividend income increased by $7.8 million, or 11.2%, to $77.8 million for the three months ended December 31, 2007 from $70.0 million for the three months ended December 31, 2006. This increase is due in part to a 31 basis point increase in the weighted average yield on interest-earning assets to 5.49% for the three months ended December 31, 2007 compared to 5.18% for the three months ended December 31, 2006. In addition, the average balance of interest-earning assets increased $265.0 million, or 4.9%, to $5.67 billion for the three months ended December 31, 2007 from $5.40 billion for the three months ended December 31, 2006.

Interest income on loans increased by $12.6 million, or 28.5%, to $56.7 million for the three months ended December 31, 2007 from $44.1 million for the three months ended December 31, 2006, reflecting a $723.8 million, or 22.5%, increase in the average balance of net loans to $3.94 billion for the three months ended December 31, 2007 from $3.22 billion for the three months ended December 31, 2006. In addition, the average yield on loans increased 26 basis points to 5.75% for the three months ended December 31, 2007 from 5.49% for the three months ended December 31, 2006.

Interest income on all other interest-earning assets, excluding loans, decreased by $4.7 million, or 18.3%, to $21.1 million for the three months ended December 31, 2007 from $25.8 million for the three months ended December 31, 2006. This decrease reflected a $458.8 million decrease in the average balance of all other interest-earning assets, excluding loans, partially offset by a 16 basis point increase in the average yield on all other interest-earning assets, excluding loans, to 4.89% for the three months ended December 31, 2007 from 4.73% for the three months ended December 31, 2006.

Interest Expense. Total interest expense increased by $5.1 million, or 10.3%, to $54.0 million for the three months ended December 31, 2007 from $49.0 million for the three months ended December 31, 2006. This increase was primarily due to the average balance of total interest-bearing liabilities increasing by $356.4 million, or 7.8%, to $4.93 billion for the three months

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ended December 31, 2007 from $4.57 billion for the three months ended December 31, 2006. In addition, the weighted average cost of total interest-bearing liabilities increased 10 basis points to 4.39% for the three months ended December 31, 2007 compared to 4.29% for the three months ended December 31, 2006.

Interest expense on interest-bearing deposits increased $5.6 million, or 16.4% to $39.6 million for the three months ended December 31, 2007 from $34.0 million for the three months ended December 31, 2006. This increase was due to the average balance of interest-bearing deposits increasing $364.9 million, or 10.9% to $3.73 billion for the three months ended December 31, 2007 from $3.36 billion for the three months ended December 31, 2006. In addition, there was a 20 basis point increase in the average cost of interest-bearing deposits to 4.25% for the three months ended December 31, 2007 from 4.05% for the three months ended December 31, 2006.

Interest expense on borrowed funds decreased by $511,000, or 3.4%, to $14.4 million for the three months ended December 31, 2007 from $14.9 million for the three months ended December 31, 2006. This decrease is primarily due to the average cost of borrowed funds decreasing by 14 basis points to 4.80% for the three months ended December 31, 2007 from 4.94% for the three months ended December 31, 2006. In addition, the average balance of borrowed funds decreased by $8.5 million or 0.7%, to $1.20 billion for the three months ended December 31, 2007 from $1.21 billion for the three months ended December 31, 2006.

Provision for Loan Losses. Our provision for loan losses was $1.8 million for the three month period ended December 31, 2007 compared to $100,000 for the three month period ended December 31, 2006. For the three months ended December 31, 2007, net charge-offs totaled $4,000 compared to net charge-offs of $138,000 for the three months ended December 31, 2006. The increase in our provision resulted from the growth in our commercial real estate loan portfolio and the internal downgrade of risk ratings on two construction loans. The construction loans total $12.5 million and involve two separate developers; one of whom is being adversely affected by the current real estate market and the other who is experiencing cost overruns. Payments on these loans are current and continue to perform in accordance with their contractual loan agreements. See discussion of the allowance for loan losses and non-accrual loans in *Comparison of Financial Condition at December 31, 2007 and June 30, 2007.*

Non-interest Income. Total non-interest income increased by $4.2 million to $2.0 million for the three months ended December 31, 2007 from a loss of $2.2 million for the three months ended December 31, 2006. This increase was largely the result of securities gains of $18,000 during the three months ended December 31, 2007 compared to a $3.7 million loss on the sale of securities recorded during the three months ended December 31, 2006 primarily attributed to a balance sheet restructuring transaction completed during that quarter. During the quarter ended December 31, 2006, the Company sold approximately $187.7 million in bonds yielding 3.90%, representing 9% of its mortgage-backed securities portfolio, at a pretax loss of $3.7 million. The proceeds from the sale of these securities were used to reduce wholesale borrowings costing 5.35%. In addition, income on our bank owned life insurance increased by $121,000 to $1.0 million for the three months ended December 31, 2007 from $924,000 for the three months ended December 31, 2006.

Non-interest Expenses. Total non-interest expenses decreased by $347,000, or 1.9%, to $17.9 million for the three months ended December 31, 2007 from $18.2 million for the three months ended December 31, 2006. This decrease was primarily due to a decrease in compensation and fringe benefits of $897,000, or 7.3%, to $11.4 million for the three months ended December 31,

2007. The decrease in compensation and fringe benefits was largely the result of a $2.3 million gain recognized for the curtailment and settlement of our postretirement benefit obligation, partially offset by a $1.2 million increase in costs associated with awards granted under the 2006 Equity Incentive Plan.

Income Taxes. Income tax expense was $2.2 million for the three months ended December 31, 2007 representing an effective tax rate of 38.9% for the period. There was an income tax benefit of $11.6 million for the three months ended December 31, 2006. The tax benefit was attributable to the reversal of a substantial portion of the previously established deferred tax asset valuation allowance, as management has determined that it is more likely than not that the deferred tax asset would be realized.

Comparison of Operating Results for the Six Months Ended December 31, 2007 and 2006

Net Income. Net income was $6.8 million for the six months ended December 31, 2007 compared to net income of $16.4 million for the six months ended December 31, 2006. In the six months ended December 31, 2007, the Company recognized a $2.3 million gain related to its postretirement benefit plan and recorded a $2.0 million provision for loan losses. In the prior year six months, the Company recognized $10.7 million in deferred tax benefits from the net reduction in previously established valuation allowances for deferred tax assets and realized a pretax loss of $3.7 million on the sale of securities.

Net Interest Income. Net interest income increased by $1.7 million, or 3.9%, to $45.2 million for the six months ended December 31, 2007 from $43.5 million for the six months ended December 31, 2006. The increase was caused primarily by a 32 basis point improvement in our yield on interest-earning assets to 5.46% for the six months ended December 31, 2007 from 5.14% for the six months ended December 31, 2006. This was partially offset by a 25 basis point increase in our cost of interest-bearing liabilities to 4.43% for the six months ended December 31, 2007 from 4.18% for the six months ended December 31, 2006. Our net interest margin remained consistent at 1.61% for the six months ended December 31, 2007 and 2006.

Interest and Dividend Income**.** Total interest and dividend income increased by $13.6 million, or 9.8%, to $152.6 million for the six months ended December 31, 2007 from $139.0 million for the six months ended December 31, 2006. This increase is due in part to a 32 basis point increase in the weighted average yield on interest-earning assets to 5.46% for the six months ended December 31, 2007 compared to 5.14% for the six months ended December 31, 2006. The average balance of interest-earning assets also increased $185.8 million, or 3.4%, to $5.59 billion for the six months ended December 31, 2007 from $5.41 billion for the six months ended December 31, 2006.

Interest income on loans increased by $23.6 million, or 27.4%, to $109.7 million for the six months ended December 31, 2007 from $86.0 million for the six months ended December 31, 2006, reflecting a $680.0 million, or 21.6%, increase in the average balance of net loans to $3.83 billion for the six months ended December 31, 2007 from $3.15 billion for the six months ended December 31, 2006. In addition, the average yield on loans increased 27 basis points to 5.73% for the six months ended December 31, 2007 from 5.46% for the six months ended December 31, 2006.

Interest income on all other interest-earning assets, excluding loans, decreased by $10.0 million, or 18.9%, to $43.0 million for the six months ended December 31, 2007 from $53.0 million for

the six months ended December 31, 2006. This decrease reflected a $494.3 million decrease in the average balance of all other interest-earning assets, excluding loans, partially offset by an 18 basis point increase in the average yield on all other interest-earning assets, excluding loans, to 4.87% for the six months ended December 31, 2007 from 4.69% for the six months ended December 31, 2006.

Interest Expense. Total interest expense increased by $11.9 million, or 12.5%, to $107.4 million for the six months ended December 31, 2007 from $95.5 million for the six months ended December 31, 2006. This increase was due in part to the average balance of total interest-bearing liabilities increasing by $274.3 million, or 6.0%, to $4.85 billion for the six months ended December 31, 2007 from $4.57 billion for the six months ended December 31, 2006. In addition, the weighted average cost of total interest-bearing liabilities increased 25 basis points to 4.43% for the six months ended December 31, 2007 compared to 4.18% for the six months ended December 31, 2006.

Interest expense on interest-bearing deposits increased $14.1 million, or 21.8% to $78.9 million for the six months ended December 31, 2007 from $64.8 million for the six months ended December 31, 2006. This increase was due in part to the average balance of interest-bearing deposits increasing $360.7 million, or 10.8% to $3.69 billion for the six months ended December 31, 2007 from $3.33 billion for the six months ended December 31, 2006. In addition, there was a 39 basis point increase in the average cost of interest-bearing deposits to 4.28% for the six months ended December 31, 2007 from 3.89% for the six months ended December 31, 2006.

Interest expense on borrowed funds decreased by $2.2 million, or 7.2%, to $28.5 million for the six months ended December 31, 2007 from $30.7 million for the six months ended December 31, 2006. This decrease is primarily attributed to the average balance of borrowed funds decreasing by $86.3 million or 6.9%, to $1.16 billion for the six months ended December 31, 2007 from $1.25 billion for the six months ended December 31, 2006. In addition, the average cost of borrowed funds decreased by 1 basis point to 4.92% for the six months ended December 31, 2007 from 4.93% for the six months ended December 31, 2006.

Provision for Loan Losses. Our provision for loan losses was $2.0 million for the six month period ended December 31, 2007 compared to $325,000 for the six month period ended December 31, 2006. For the six months ended December 31, 2007, net charge-offs totaled $44,000 compared to net charge-offs of $139,000 for the six months ended December 31, 2006. The increase in our provision resulted from the growth in our commercial real estate loan portfolio and the internal downgrade of risk ratings on two construction loans, as previously described. See discussion of the allowance for loan losses and non-accrual loans in *Comparison of Financial Condition at December 31, 2007 and June 30, 2007.*

Non-interest Income. Total non-interest income increased by $4.5 million to $3.8 million for the six months ended December 31, 2007 from a loss of $632,000 for the six months ended December 31, 2006. This increase was largely the result of the securities gains of $18,000 in the six months ended December 31, 2007 compared to a $3.7 million loss on the sale of securities recorded during the six months ended December 31, 2006 primarily attributed to the balance sheet restructuring transaction completed during that period. During the quarter ended December 31, 2006, the Company sold approximately $187.7 million in bonds yielding 3.90%, representing 9% of its mortgage-backed securities portfolio, at a pretax loss of $3.7 million. The proceeds from the sale of these securities were used to reduce wholesale borrowings costing 5.35%. Additionally, income associated with our bank owned life insurance contract increased by

$258,000 to $2.0 million for the six months ended December 31, 2007 from $1.7 million for the six months ended December 31, 2006.

Non-interest Expenses. Total non-interest expenses increased by $1.6 million, or 4.4%, to $36.9 million for the six months ended December 31, 2007 from $35.3 million for the six months ended December 31, 2006. This increase was primarily the result of compensation and fringe benefits increasing by $1.8 million, or 7.9%, to $24.4 million for the six months ended December 31, 2007. The six month period ended December 31, 2007 included a $3.6 million increase in expense for the 2006 Equity Incentive Plan compared to the six month period ended December 31, 2006. This increase was partially offset by the $2.3 million gain related to the curtailment and settlement of our postretirement benefit obligation recognized during the six months ended December 31, 2007.

Income Taxes. Income tax expense was $3.3 million for the six months ended December 31, 2007 representing a 34.8% effective tax rate for the period. For the six months ended December 31, 2006 there was an income tax benefit of $9.2 million. The tax benefit was primarily attributable to the valuation allowance reversal described above.

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 December 31, 2007 the Company had overnight borrowings outstanding of $89.0 million compared to $200.0 million of outstanding overnight borrowings at June 30, 2007. The Company utilizes the overnight line from time to time to fund short-term liquidity needs. The Company had total borrowings of $1.21 billion at December 31, 2007, an increase from $1.04 billion at June 30, 2007. This increase was primarily the result strong loan growth that exceeded the available cash flows from the investment and deposit portfolios.

In the normal course of business, the Company routinely enters into various commitments, primarily relating to the origination of loans. At December 31, 2007, outstanding commitments to originate loans totaled $157.1 million; outstanding unused lines of credit totaled $251.4 million; and outstanding commitments to sell loans totaled $16.1 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 $2.62 billion at December 31, 2007. Based upon historical experience, management estimates that a significant portion of such deposits will remain with the Company.

The Board of Directors approved a second share repurchase program at their April 2007 meeting, which authorized the repurchase of an additional 10% of the Company s publicly-held outstanding common stock. The second share repurchase program commenced upon completion of the first program in May 2007. Under this program, up to 10% of its publicly-held outstanding shares of common stock, or 4,785,831 shares of Investors Bancorp, Inc. common

stock may be purchased in the open market and through other privately negotiated transactions in accordance with applicable federal securities laws. During the six month period ended December 31, 2007, the Company repurchased 3,069,029 shares of its common stock at an average cost of $13.77 per share. Under the current share repurchase program, 560,697 shares remain available for repurchase. As of December 31, 2007, a total of 9,542,724 shares have been purchased, at an average cost of $14.57 per share, under Board authorized share repurchase programs, of which 1,666,959 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, including stock option exercises.

At its January 2008 meeting, the Board of Directors approved a third stock repurchase program which authorizes the repurchase of an additional 10% of the Company s publicly-held outstanding common stock, or 4,307,248 shares. The newly approved stock repurchase program will commence immediately upon completion of the current program.

As of December 31, 2007 the Bank exceeded all regulatory capital requirements as follows:

	As of December 31, 2007			
	Actual		Required	
	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)			
Total capital (to risk-weighted assets)	$704,284	23.4%	$240,932	8.0%
Tier I capital (to risk-weighted assets)	695,426	23.1	120,466	4.0
Tier I capital (to average assets)	695,426	11.9	233,676	4.0

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 due to the high degree of judgment involved, the subjectivity of the assumptions utilized, 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.

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Management performs a quarterly evaluation of the adequacy of the allowance for loan losses. The analysis of the allowance for loan losses has two components: specific and general allocations. Specific allocations are made for loans determined to be impaired. A loan is deemed to be impaired if it is a commercial real estate, multi-family or construction loan with an outstanding balance greater than $3.0 million and on non-accrual status. Impairment is measured by determining the present value of expected future cash flows or, for collateral-dependent loans, the fair value of the collateral adjusted for market conditions and selling expenses. The general allocation is determined by segregating the remaining loans 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, managements Allowance for Loan Loss Committee reviews the current status of various loan assets in order to evaluate the adequacy of the allowance for loan losses. In this evaluation process, specific loans are analyzed to determine their potential risk of loss. This process includes all loans, concentrating on non-accrual and classified loans. Each non-accrual or classified loan is evaluated for potential loss exposure. Any shortfall results in a recommendation of a specific allowance if the likelihood of loss is evaluated as probable. To determine the adequacy of collateral on a particular loan, an estimate of the fair market value of the collateral is based on the most current appraised value available. This appraised value is then reduced to reflect estimated liquidation expenses.

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

Our primary lending emphasis has been the origination and purchase of residential mortgage loans and, to a lesser extent, commercial real estate mortgages. We also originate home equity loans and home equity lines of credit. These activities resulted in a loan concentration in residential mortgages. We also have a concentration of loans secured by real property located in New Jersey. As a substantial amount of our loan portfolio is collateralized by real estate, appraisals of the underlying value of property securing loans are critical in determining the amount of the allowance required for specific loans. Assumptions for appraisal valuations are instrumental in determining the value of properties. Overly optimistic assumptions or negative changes to assumptions could significantly impact the valuation of a property securing a loan and the related allowance determined. The assumptions supporting such appraisals are carefully reviewed by management to determine that the resulting values reasonably reflect amounts realizable on the related loans. Based on the composition of our loan portfolio, we believe the primary risks are increases in interest rates, a decline in the general economy, and a decline in real estate market values in New Jersey. 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 provision for loan losses reflects probable losses resulting from the actual growth and change in composition of our loan portfolio. We believe the allowance for loan losses reflects the inherent credit risk in our portfolio, the level of our non-performing loans and our charge-off experience.

Although we believe we have established and maintained the allowance for loan losses at adequate levels, additions may be necessary if future economic and other conditions differ substantially from the current operating environment. Although management uses the best information available, 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 its judgments about information available to them at the time of their examination.

Deferred Income Taxes. We use the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. If current available information raises doubt as to the realization of the deferred tax assets, a valuation allowance is established. We consider the determination of this valuation allowance to be a critical accounting policy because of the need to exercise significant judgment in evaluating the amount and timing of recognition of deferred tax liabilities and assets, including projections of future taxable income. These judgments and estimates are reviewed on a continual basis as regulatory and business factors change. A valuation allowance for deferred tax assets may be required if the amounts of taxes recoverable through loss carry back declines, or if we project lower levels of future taxable income. The increase or decrease of a previously established valuation allowance may occur if our projection of future taxable income changes or other facts and circumstances change. Such changes in the valuation allowance would be recorded through income tax expense.

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. Our held-to-maturity portfolio, consisting of 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. If such decline is deemed other-than-temporary, we would adjust the cost basis of the security by

writing down the security to fair market value through a charge to current period operations. The market values of our securities are 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.

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 SFAS No. 123(R).

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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

The general objective of our interest rate risk management is to determine the appropriate level of risk given our business model and then manage that risk in a manner consistent with our policy to reduce, to the extent possible, the exposure of our net interest income to changes in 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. Variable-rate mortgage related assets can help to reduce exposure in a rising rate environment as the rate earned in the mortgage loans increase as prevailing market rates increase. However, the preferences of our customers have resulted in more of a demand for fixed-rate products. This may adversely impact our net interest income, particularly in a rising rate environment since our liabilities will reprice more quickly than our assets. In an effort to help mitigate our exposure, we have increased our focus on the origination of commercial real estate mortgage loans and adjustable-rate construction loans. Although we have limited our securities activity, we historically invested in shorter-to-medium duration securities, which generally have shorter average lives and lower yields compared to longer term securities. Shortening the average lives of our securities, along with originating more adjustable-rate mortgages and commercial real estate mortgages, will help to reduce interest rate risk.

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

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

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

Quantitative Analysis. The table below sets forth, as of December 31, 2007 the estimated changes in our NPV and our annual net interest income that would result from the designated changes in the interest rates. Such changes to interest rates are calculated as an immediate and permanent change for the purposes of computing NPV and a gradual change over a one year period for the purposes of computing net interest income. Computations of prospective effects of hypothetical interest rate changes are based on numerous assumptions including relative levels of market interest rates, loan prepayments and deposit decay, and should not be relied upon as indicative of actual results. We did not estimate changes in NPV or net interest income for an interest rate decrease or increase of greater than 200 basis points.

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Change in Interest Rates (basis points)	Net Portfolio Value (1),(2) Estimated NPV	Estimated Increase (Decrease) Amount	Estimated Increase (Decrease) Percent	Net Interest Income (3) Estimated Net Interest Income	Increase (Decrease) in Estimated Net Interest Income Amount	Increase (Decrease) in Estimated Net Interest Income Percent
	(Dollars in thousands)					
+200bp	510,604	(257,643)	(33.54)%	97,663	$(13,704)	(12.31)%
0bp	768,247			111,367		
-200bp	769,252	1,005	0.13%	122,766	11,399	10.24%

(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 December 31, 2007 in the event of a 200 basis points increase in interest rates, we would be expected to experience a 33.54% decrease in NPV and a $13.7 million or 12.31% decrease in annual net interest income. In the event of a 200 basis points decrease in interest rates, we would be expected to experience a 0.13% increase in NPV and an $11.4 million or 10.24% 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 to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms.

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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 2007 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 the second quarter of fiscal 2008 and the stock repurchase plans 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)
October 1, 2007 through October 31, 2007	20,500	$ 14.25	20,500	2,214,026
November 1, 2007 through November 30, 2007	944,301	14.45	944,301	1,269,725
December 1, 2007 through December 31, 2007	709,028	14.36	709,028	560,697
Total	1,673,829	$ 14.41	1,673,829	

(1) On April 26, 2007, the Company announced its second Share Repurchase Program, which authorized the purchase of an additonal 10% of its publicly-held outstanding shares of

common stock, or 4,785,831 shares. This stock repurchase program commenced upon completion of the first program on May 10, 2007. This program has no expiration date and has 560,697 shares yet to be purchased as of December 31, 2007. On January 28, 2008, the Company announced its third Share Repurchase Program, which authorized the purchase of an additonal 10% of its publicly-held outstanding shares of common stock, or 4,307,248 shares. This stock repurchase program will commenced upon completion of the second program. This program has no expiration date.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

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The Annual Meeting of Stockholders (the Meeting) of the Company was held on November 20, 2007. There were outstanding and entitled to vote at the Meeting 116,275,688 shares of Common Stock of the Company. Investors Bancorp, MHC voted its shares in favor of all proposals. There were present at the meeting or by proxy the holders of 104,074,721 shares of Common Stock representing 94.5% of the total eligible votes to be cast. Proposal 1 was to elect three directors of the Company. Proposal 2 was to ratify the appointment of the independent registered public accountants for the fiscal year ending June 30, 2008. The result of the voting at the Meeting is as follows:

Proposal 1: The election of three directors for terms of three years each.

Robert M. Cashill	For: 102,564,698	Withheld: 1,510,023
Brian D. Dittenhafer	For: 101,856,875	Withheld: 2,217,846
Vincent D. Manahan III	For: 101,741,606	Withheld: 2,333,115

Proposal 2: Ratification of the appointment of KPMG LLP as independent registered public accountants for the fiscal year ended June 30, 2008.

For:	103,271,737
Against:	617,622
Abstain:	185,362

Item 5. Other Information

Not applicable

Item 6. Exhibits

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

3.1	Certificate of Incorporation of Investors Bancorp, Inc.*
3.2	Bylaws of Investors Bancorp, Inc.*
4	Form of Common Stock Certificate of Investors Bancorp, Inc.*
10.1	Form of Employment Agreement between Investors Bancorp, Inc. and certain executive officers*
10.2	Form of Change in Control Agreement between Investors Bancorp, Inc. and certain executive officers *
10.3	Investors Savings Bank Director Retirement Plan*
10.4	Investors Savings Bank Supplemental Retirement Plan*
10.5	Investors Bancorp, Inc. Supplemental Wage Replacement Plan*

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

* Filed as exhibits to the Company s Registration Statement on Form S-1, and any amendments thereto, with the Securities and Exchange Commission (Registration No. 333-125703)

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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: February 11, 2008	/s/ Kevin Cummings Kevin Cummings President and Chief Executive Officer (Principal Executive Officer)
Dated: February 11, 2008	/s/ Thomas F. Splaine, Jr. Thomas F. Splaine Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

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