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Investors Bancorp Inc
Form 10-Q
November 09, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: September 30, 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 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 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

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 No

As of November 1, 2012 there were 111,905,861 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

September 30, 2012 (unaudited) and December 31, 2011

	September 30, 2012	December 31, 2011
	(In thousands)	
ASSETS		
Cash and cash equivalents	\$ 120,403	90,139
Securities available-for-sale, at estimated fair value	1,260,977	983,715
Securities held-to-maturity, net (estimated fair value of \$206,028 and \$311,860 at September 30, 2012 and December 31, 2011, respectively)	187,042	287,671
Loans receivable, net	9,303,919	8,794,211
Loans held-for-sale	30,134	18,847
Stock in the Federal Home Loan Bank	131,799	116,813
Accrued interest receivable	40,323	40,063
Other real estate owned	8,377	3,081
Office properties and equipment, net	79,010	60,555
Net deferred tax asset	136,569	133,526
Bank owned life insurance	111,678	112,990
Intangible assets	56,442	39,225
Other assets	13,456	20,749
	\$ 11,480,129	10,701,585
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits	\$ 7,892,301	\$ 7,362,003
Borrowed funds	2,361,000	2,255,486
Advance payments by borrowers for taxes and insurance	57,772	43,434
Other liabilities	120,442	73,222
Total liabilities	10,431,515	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; 111,905,861 and 110,937,672 outstanding at September 30, 2012 and December 31, 2011, respectively	532	532
Additional paid-in capital	532,886	536,408
Retained earnings	623,498	561,596
Treasury stock, at cost; 6,114,419 and 7,082,608 shares at September 30, 2012 and December 31, 2011, respectively	(73,817)	(87,375)
Unallocated common stock held by the employee stock ownership plan	(31,551)	(32,615)
Accumulated other comprehensive loss	(2,934)	(11,106)
Total stockholders' equity	1,048,614	967,440
Total liabilities and stockholders' equity	\$ 11,480,129	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 September 30,		For the Nine Months Ended September 30,	
	2012	2011	2012	2011
	(Dollars in thousands, except per share data)			
Interest and dividend income:				
Loans receivable and loans held-for-sale	\$ 111,909	110,933	\$ 334,438	\$ 323,251
Securities:				
Equity	4	—	10	—
Government-sponsored enterprise obligations	1	1	13	268
Mortgage-backed securities	7,111	7,164	23,530	22,309
Municipal bonds and other debt	1,426	1,319	3,939	3,947
Interest-bearing deposits	9	7	30	30
Federal Home Loan Bank stock	1,415	1,124	4,069	3,100
Total interest and dividend income	121,875	120,548	366,029	352,905
Interest expense:				
Deposits	14,882	20,083	49,621	59,904
Secured borrowings	15,056	16,291	45,180	48,675
Total interest expense	29,938	36,374	94,801	108,579
Net interest income	91,937	84,174	271,228	244,326
Provision for loan losses	16,000	20,000	48,000	55,500
Net interest income after provision for loan losses	75,937	64,174	223,228	188,826
Non-interest income				
Fees and service charges	3,586	2,962	12,769	10,544
Income on bank owned life insurance	678	716	1,893	2,432
Gain on loan transactions, net	7,191	2,475	15,874	6,385
Gain (loss) on securities transactions	255	24	286	(294)
Loss on sale of other real estate owned, net	(51)	—	(122)	(106)
Other income	1,046	1,108	2,940	1,314
Total non-interest income	12,705	7,285	33,640	20,275
Non-interest expense				
Compensation and fringe benefits	25,221	21,702	76,242	64,376
Advertising and promotional expense	1,852	1,825	5,294	4,591
Office occupancy and equipment expense	7,733	6,274	25,206	20,140
Federal deposit insurance premiums	3,470	1,950	7,370	7,350
Stationery, printing, supplies and telephone	968	694	3,049	2,324
Professional fees	1,707	1,473	7,591	3,632
Data processing service fees	3,093	2,095	10,603	6,159
Other operating expenses	4,173	3,081	12,193	8,995
Total non-interest expenses	48,217	39,094	147,548	117,567
Income before income tax expense	40,425	32,365	109,320	91,534
Income tax expense	15,936	12,398	41,924	33,730
Net income	\$ 24,489	19,967	\$ 67,396	\$ 57,804
Basic earnings per share	0.23	0.19	0.63	0.53
Diluted earnings per share	0.23	0.19	0.62	0.53
Weighted average shares outstanding				

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Basic	107,409,451	107,596,260	107,347,608	108,212,113
Diluted	108,276,407	107,913,971	107,937,805	108,414,970

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 September 30,		For the Nine Months Ended September 30,	
	2012	2011	2012	2011
	(In thousands)			
Net income	\$24,489	19,967	\$67,396	\$57,804
Other comprehensive income (loss), net of tax:				
Change in funded status of retirement obligations	72	52	215	154
Unrealized gain on securities available-for-sale	2,949	5,680	7,198	9,242
Reclassification adjustment for security gains (losses) included in net income	82	—	104	(691)
Other-than-temporary impairment accretion on debt securities	218	219	655	655
Total other comprehensive income	3,321	5,951	8,172	9,360
Total comprehensive income	\$27,810	25,918	\$75,568	\$67,164
See accompanying notes to consolidated financial statements.				

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INVESTORS BANCORP, INC. & SUBSIDIARIES

Consolidated Statements of Stockholder's Equity

Nine months ended September 30, 2012 and 2011

(Unaudited)

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Unallocated Common Stock Held by ESOP	Accumulated other comprehensive loss	Total stockholders' equity
	(In thousands)						
Balance at December 31, 2010	\$532	533,720	483,269	(62,033)	(34,033)	(20,176)	901,279
Net income	—	—	57,804	—	—	—	57,804
Other comprehensive income, net of tax	—	—	—	—	—	9,360	9,360
Purchase of treasury stock (1,876,601 shares)	—	—	—	(25,423)	—	—	(25,423)
Treasury stock allocated to restricted stock plan	—	(6,588)	(559)	7,147	—	—	—
Compensation cost for stock options and restricted stock	—	7,150	—	—	—	—	7,150
ESOP shares allocated or committed to be released	—	418	—	—	1,064	—	1,482
Balance at September 30, 2011	\$532	534,700	540,514	(80,309)	(32,969)	(10,816)	951,652
Balance at December 31, 2011	\$532	536,408	561,596	(87,375)	(32,615)	(11,106)	967,440
Net income	—	—	67,396	—	—	—	67,396
Other comprehensive income, net of tax	—	—	—	—	—	8,172	8,172
Common stock issued from treasury to finance acquisition (551,862 shares)	—	—	(142)	7,703	—	—	7,561
Purchase of treasury stock (54,673 shares)	—	—	—	(806)	—	—	(806)
Treasury stock allocated to restricted stock plan	—	(6,904)	243	6,661	—	—	—
Compensation cost for stock options and restricted stock	—	2,722	—	—	—	—	2,722
Net tax benefit from stock-based compensation	—	83	—	—	—	—	83
Cash dividend declared (\$0.05 per common share)	—	—	(5,595)	—	—	—	(5,595)
	—	577	—	—	1,064	—	1,641

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ESOP shares allocated or
committed to be released

Balance at September 30, 2012, \$532 532,886 623,498 (73,817) (31,551) (2,934) 1,048,614

See accompanying notes to
consolidated financial statements

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

	Nine Months Ended September 30,	
	2012	2011
	(In thousands)	
Cash flows from operating activities:		
Net income	\$67,396	57,804
Adjustments to reconcile net income to net cash provided by operating activities:		
ESOP and stock-based compensation expense	4,363	8,632
Amortization of premiums and accretion of discounts on securities, net	9,358	4,284
Amortization of premiums and accretion of fees and costs on loans, net	7,107	4,446
Amortization of intangible assets	1,058	1,151
Provision for loan losses	48,000	55,500
Depreciation and amortization of office properties and equipment	5,015	4,955
(Gain) loss on securities, net	(286) 294
Mortgage loans originated for sale	(629,985) (321,924
Proceeds from mortgage loan sales	632,400	338,602
Gain on sales of mortgage loans, net	(13,702) (4,532
Loss on sale of other real estate owned	122	106
Gain on sale of branches	—	(72
Income on bank owned life insurance	(1,893) (2,432
Decrease (increase) in accrued interest receivable	820	(462
Deferred tax benefit	(4,531) (9,537
Decrease in other assets	9,886	9,132
Increase (decrease) in other liabilities	37,202	(6,725
Total adjustments	104,934	81,418
Net cash provided by operating activities	172,330	139,222
Cash flows from investing activities:		
Purchases of loans receivable	(496,290) (555,384
Net repayments (originations) of loans receivable	25,232	(369,952
Proceeds from sale of loans held for investment	77,302	4,017
Gain on disposition of loans held for investment	(2,172) (1,853
Net proceeds from sale of foreclosed real estate	3,207	1,068
Purchases of debt securities held-to-maturity	(5,138) (1,337
Purchases of mortgage-backed securities available-for-sale	(524,055) (346,982
Proceeds from paydowns/maturities on mortgage-backed securities held-to-maturity	81,004	127,066
Proceeds from calls/maturities on debt securities held-to-maturity	12,769	20,756
Proceeds from paydowns/maturities on mortgage-backed securities available-for-sale	242,650	131,891
Proceeds from sale of mortgage-backed securities held-to-maturity	14,871	21,355