

Investors Bancorp Inc  
Form 10-KT/A  
April 30, 2010

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**SECURITIES AND EXCHANGE COMMISSION  
450 Fifth Street, N.W.  
Washington, D.C. 20549  
Form 10-K/A**

**o ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
For the Six Months Ended December 31, 2009**

**or**

**þ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
For the transition period from July 1, 2009 to December 31, 2009  
Commission File No. 000-51557  
Investors Bancorp, Inc.  
(Exact name of registrant as specified in its charter)**

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

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

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

**07078**  
*Zip Code*

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

**Securities Registered Pursuant to Section 12(b) of the Act:**

**Common Stock, par value \$0.01 per share**

**The NASDAQ Stock Market LLC**

*(Title of Class)*

*(Name of each exchange on which registered)*

**Securities Registered Pursuant to Section 12(g) of the Act:**

**None**

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

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such requirements for the past 90 days. Yes  No

Indicate by check mark 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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements

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incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

(Do not check if a 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

As of April 20, 2010, the registrant had 118,020,280 shares of common stock, par value \$0.01 per share, issued and 114,893,587 shares outstanding, of which 64,844,373 shares, or 56.4%, were held by Investors Bancorp, MHC, the registrant's mutual holding company.

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, computed by reference to the last sale price on June 30, 2009, as reported by the NASDAQ Global Select Market, was approximately \$458.6 million.

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**DOCUMENTS INCORPORATED BY REFERENCE**

None.

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**EXPLANATORY NOTE**

Investors Bancorp, Inc. (the Company ) is filing this Amendment No. 1 on Form 10-K/A for the purposes of (1) amending Item 1 of the Annual Report on Form 10-K for the six month transition period ended December 31, 2009, as filed with the Securities and Exchange Commission on March 1, 2010 ( Original Filing ), to correct an administrative error on the chart for delinquent loans set forth on page 13; and (2) including information required by Items 9, 10, 11, 12, and 13 of Part III.

Except as described above, this Form 10-K/A does not revise or in any way affect any information or disclosures contained in the Original Filing, and we have not updated the disclosures contained herein to reflect events that occurred at a later date.

**Table of Contents****ITEM 1. BUSINESS****Investors Bancorp, Inc.**

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

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

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

On October 16, 2009, the Company completed the acquisition of six New Jersey bank branches and approximately \$227.0 million of deposits from Banco Popular North America. The Company did not purchase any loans as part of the transaction. The transaction generated approximately \$4.9 million in goodwill.

On May 31, 2009, the Company completed the acquisition of American Bancorp of New Jersey, Inc. (American Bancorp), the holding company of American Bank of New Jersey (American Bank), a federal savings bank with approximately \$680.0 million in assets and five full-service branches in northern New Jersey. The acquisition was accounted for under the purchase method of accounting as prescribed by Accounting Standard Codification (ASC) 805, Business Combinations, as amended. Accordingly, American Bancorp's results of operations have been included in the Company's results of operations since the date of acquisition. Under this method of accounting, the purchase price is allocated to the respective assets acquired and liabilities assumed based on their estimated fair values, net of applicable income tax effects. The excess cost over fair value of net assets acquired is recorded as goodwill. The purchase price of \$98.2 million was paid through a combination of the Company's common stock (6,503,897 shares) and cash of \$47.5 million. The transaction generated approximately \$17.6 million in goodwill and \$3.9 million in core deposit intangibles subject to amortization beginning June 1, 2009. American Bank was merged into the Bank as of the acquisition date.

On June 6, 2008, Investors Bancorp, MHC, the Company's New Jersey chartered mutual holding Company, completed its merger of Summit Federal Bankshares, MHC, a federally chartered mutual holding company. The merger was a combination of mutual enterprises and therefore was accounted for using the pooling-of-interests method. All financial information prior to the merger date has been restated to include amounts for Summit Federal for all periods presented. At the merger date, Summit Federal had assets of \$110.0 million and five full service branches in northern New Jersey. The effect of the merger on the Company's consolidated financial condition and results of operations was immaterial. In connection with the merger, the Company, as required by the Office of Thrift Supervision (OTS) which regulated Summit Federal, issued 1,744,592 additional shares of its common stock to Investors Bancorp, MHC.

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### **Investors Savings Bank**

#### **General**

Investors Savings Bank is a New Jersey-chartered savings bank headquartered in Short Hills, New Jersey. Originally founded in 1926 as a New Jersey-chartered mutual savings and loan association, we have grown through acquisitions and internal growth, including de novo branching. In 1992, we converted our charter to a mutual savings bank, and in 1997 we converted our charter to a New Jersey-chartered stock savings bank. We conduct business from our main office located at 101 JFK Parkway, Short Hills, New Jersey, and 65 branch offices located in Essex, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Union and Warren Counties, New Jersey. The telephone number at our main office is (973) 924-5100. At December 31, 2009, our assets totaled \$8.36 billion and our deposits totaled \$5.84 billion.

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

Our results of operations are dependent primarily on our net interest income, which is the difference between the interest earned on our assets, primarily our loan and securities portfolios, and the interest paid on our deposits and borrowings. Our net income is also affected by our provision for loan losses, non-interest income, non-interest expense and income tax expense. Non-interest income includes fees and service charges; income from bank owned life insurance, or BOLI; net gain on sales of mortgage loans; net loss on securities; and other income. Non-interest expense consists of compensation and benefits expense; advertising and promotional expense; office occupancy and equipment expense; federal deposit insurance premiums; stationary, printing, supplies and telephone expense; professional fees; data processing fees; and other operating expenses. Our earnings are significantly affected by general economic and competitive conditions, particularly changes in market interest rates and U.S. Treasury yield curves, government policies and actions of regulatory authorities.

#### **Market Area**

We are headquartered in Short Hills, New Jersey, and our primary deposit gathering area is concentrated in the communities surrounding our headquarters and our 65 branch offices located in the communities of Essex, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Union and Warren Counties, New Jersey. Our primary lending area is broader than our deposit-gathering area and includes 14 counties in New Jersey. The economy in our primary market area has benefited from being varied and diverse. It is largely urban and suburban with a broad economic base as is typical for counties surrounding the New York metropolitan area. As one of the wealthiest states in the nation, New Jersey, with a population of 8.8 million, is considered one of the most attractive banking markets in the United States. The December 2009 unemployment rate for New Jersey of 9.8% was slightly lower than the national rate of 10.0%.

Many of the counties we serve are projected to experience strong to moderate population and household income growth through 2014. Though slower population growth is projected for some of the counties we serve, it is important to note that these counties are some of the most densely populated in the state. All of the counties we serve have a strong mature market with median household incomes greater than \$56,000. The household incomes in the counties we serve are all expected to increase in a range from 5.1% to 11.6% through 2014.

#### **Competition**

We face intense competition within our market area both in making loans and attracting deposits. Our market area has a high concentration of financial institutions, including large money center and regional banks, community banks and credit unions. Some of our competitors offer products and services that we currently do not offer, such as trust

services and private banking. As of June 30, 2009, the latest date for which statistics are available, our market share of deposits was 2.4% of total deposits in the State of New Jersey.



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Our competition for loans and deposits comes principally from commercial banks, savings institutions, mortgage banking firms and credit unions. We face additional competition for deposits from short-term money market funds, brokerage firms, mutual funds and insurance companies. Our primary focus is to build and develop profitable customer relationships across all lines of business while maintaining our role as a community bank.

**Lending Activities**

Our principal lending activity continues to be the origination and purchase of mortgage loans collateralized by residential real estate. Residential mortgage loans represented \$4.77 billion, or 71.76% of our total loans at December 31, 2009. At December 31, 2009, commercial real estate totaled \$730.0 million, or 10.97% of our total loan portfolio, multi-family loans totaled \$612.7 million, or 9.21% of our total loan portfolio and construction loans totaled \$334.5 million, or 5.03% of our total loan portfolio. We also offer consumer loans, which consist primarily of home equity loans and home equity lines of credit. At December 31, 2009, consumer loans totaled \$178.2 million or 2.68% of our total loan portfolio. In 2008, we began to offer commercial and industrial ( C&I ) loans which totaled \$23.2 million at December 31, 2009.

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

December 31, 2009		2009		2008		At June 30, 2007		2006		2005
Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount
<u>(Dollars in thousands)</u>										
\$ 4,756,042	71.50%	\$ 4,690,335	76.00%	\$ 3,989,334	85.54%	\$ 3,159,484	87.51%	\$ 2,669,726	89.49%	\$ 1,874,950
17,514	0.26	18,564	0.30	20,229	0.43	22,624	0.63	24,928	0.84	34,000
4,773,556	71.76	4,708,899	76.30	4,009,563	85.97	3,182,108	88.14	2,694,654	90.33	1,908,960
612,743	9.21	482,783	7.82	82,711	1.77	40,066	1.11	10,936	0.37	10,870
730,012	10.97	433,204	7.02	142,396	3.06	69,282	1.92	68,087	2.28	8,390
334,480	5.03	346,967	5.62	260,177	5.58	153,420	4.25	66,209	2.22	7,060
23,159	0.35	15,665	0.25	47	0.00					
104,864	1.58	119,193	1.93	139,587	2.99	139,524	3.86	113,572	3.80	45,590
70,341	1.06	61,664	1.00	27,270	0.59	23,927	0.66	28,063	0.94	38,340
2,972	0.04	3,341	0.06	1,962	0.04	1,993	0.06	1,721	0.06	1,330
178,177	2.68	184,198	2.99	168,819	3.62	165,444	4.58	143,356	4.80	85,270
\$ 6,652,127	100.00%	\$ 6,171,716	100.00%	\$ 4,663,713	100.00%	\$ 3,610,320	100.00%	\$ 2,983,242	100.00%	\$ 2,020,570
22,958		21,313		22,622		23,587		20,327		14,110
(4,574)		(3,252)		(2,620)		(1,958)		(1,765)		(910)
(55,052)		(46,608)		(13,565)		(6,951)		(6,369)		(5,720)

\$ 6,615,459                      \$ 6,143,169                      \$ 4,670,150                      \$ 3,624,998                      \$ 2,995,435                      \$ 2,028,04

**Loan Portfolio Maturities.** The following table summarizes the scheduled repayments of our loan portfolio at December 31, 2009. Overdraft loans are reported as being due in one year or less.

	<b>At December 31, 2009</b>						
	<b>Residential Mortgage</b>	<b>Multi-Family</b>	<b>Commercial</b>	<b>Construction Loans</b>	<b>Commercial and Industrial loans</b>	<b>Consumer and Other Loans</b>	<b>Total</b>
	<b>(In thousands)</b>						
<b>Amounts Due:</b>							
One year or less	\$ 740	731	4,316	257,270	16,740	1,186	280,983
After one year:							
One to three years	1,487	12,641	9,397	47,655	1,207	3,169	75,556
Three to five years	21,545	158,789	229,705	5,481	2,809	6,267	424,596
Five to ten years	184,434	372,404	430,713	17,004	1,025	36,001	1,041,581
Ten to twenty years	573,722	59,038	41,716	5,470	1,378	77,478	758,802
Over twenty years	3,991,628	9,140	14,165	1,600		54,076	4,070,609
Total due after one year	4,772,816	612,012	725,696	77,210	6,419	176,991	6,371,144
Total loans	\$ 4,773,556	612,743	730,012	334,480	23,159	178,177	6,652,127
Premiums on purchased loans, net							22,958
Deferred loan fees, net							(4,574)
Allowance for loan losses							(55,052)
Net loans							\$ 6,615,459

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The following table sets forth fixed- and adjustable-rate loans at December 31, 2009 that are contractually due after December 31, 2010.

	<b>Due After December 31, 2010</b>		
	<b>Fixed</b>	<b>Adjustable (In thousands)</b>	<b>Total</b>
<b>Residential mortgage loans</b>	2,681,257	2,091,559	4,772,816
<b>Multi-family</b>	252,060	359,952	612,012
<b>Commercial</b>	559,696	166,000	725,696
<b>Construction loans</b>	13,576	63,634	77,210
<b>Commercial and industrial</b>	6,160	259	6,419
<b>Consumer and other loans:</b>			
Home equity loans	104,458		104,458
Home equity credit lines		69,574	69,574
Other	2,959		2,959
Total consumer and other loans	107,417	69,574	176,991
Total loans	\$ 3,620,166	\$ 2,750,978	\$ 6,371,144

**Residential Mortgage Loans.** Currently, our primary lending activity is originating and purchasing residential mortgage loans, most of which are secured by properties located in our primary market area and most of which we hold in portfolio. At December 31, 2009, \$4.77 billion, or 71.76%, of our loan portfolio consisted of residential mortgage loans. Residential mortgage loans are originated by our mortgage subsidiary, ISB Mortgage Company LLC ( ISB Mortgage ), for our loan portfolio and for sale to third parties. Generally, residential mortgage loans are originated in amounts up to 80% of the lesser of the appraised value or purchase price of the property to a maximum loan amount of \$750,000. Loans over \$750,000 require a lower loan to value ratio. Loans in excess of 80% of value require private mortgage insurance and cannot exceed \$500,000. We will not make loans with a loan-to-value ratio in excess of 95% or 97% for programs to low or moderate-income borrowers. Fixed-rate mortgage loans are originated for terms of up to 30 years. Generally, all fixed-rate residential mortgage loans are underwritten according to Fannie Mae guidelines, policies and procedures. At December 31, 2009, we held \$2.68 billion in fixed-rate residential mortgage loans which represented 56.2% of our residential mortgage loan portfolio.

We also offer adjustable-rate residential mortgage loans, which adjust annually after three, five, seven or ten year initial fixed-rate periods. Our adjustable rate loans usually adjust to an index plus a margin, based on the weekly average yield on U.S. Treasuries adjusted to a constant maturity of one year. Annual caps of 2% per adjustment apply, with a lifetime maximum adjustment of 5% on most loans. Our adjustable-rate mortgage loans amortize over terms of up to 30 years. In addition, we originate 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 contractually required payments due to the required amortization of the principal amount after the interest-only period. The Company maintains stricter underwriting criteria for these interest-only loans than it does for its amortizing loans. Borrowers are qualified using the loan rate at the date of origination and the fully amortized payment amount.

Adjustable-rate mortgage loans decrease the Bank's risk associated with changes in market interest rates by periodically re-pricing, but involve other risks because, as interest rates increase, the underlying payments by the borrower increase, which increases the potential for default by the borrower. At the same time, the marketability of the underlying collateral may be adversely affected by higher interest rates or a decline in housing values. The maximum periodic and lifetime interest rate adjustments may limit the effectiveness of adjustable-rate mortgages during periods of rapidly rising interest rates. At December 31, 2009, we held \$2.09 billion of adjustable-rate residential mortgage

loans, of which \$560.7 million were interest-only one-to four-family mortgages. Adjustable-rate residential mortgage loans represented 43.8% of our residential mortgage loan portfolio.

To provide financing for low-and moderate-income home buyers, we also offer various loan programs some of which include down payment assistance for home purchases. Through these programs, qualified individuals receive a reduced rate of interest on most of our loan programs and have their application fee refunded at closing, as well as other incentives if certain conditions are met. In addition, if private mortgage insurance is required, a lower percentage of coverage is obtained, which will help lower their monthly carrying cost.

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All residential mortgage loans we originate include a due-on-sale clause, which gives us the right to declare a loan immediately due and payable if the borrower sells or otherwise disposes of the real property subject to the mortgage and the loan is not repaid. All borrowers are required to obtain title insurance, fire and casualty insurance and, if warranted, flood insurance on properties securing real estate loans.

***Multi-family and Commercial Real Estate Loans.*** As part of our strategy to add to and diversify our loan portfolio, we offer mortgages on multi-family and commercial real estate properties. At December 31, 2009, \$612.7 million, or 9.21%, of our total loan portfolio was multi-family and \$730.0 million or 10.97% of our total loan portfolio was commercial real estate loans. Our policy generally has been to originate multi-family and commercial real estate loans in New Jersey and surrounding states. Commercial real estate loans are secured by office buildings, mixed-use properties and other commercial properties. The multi-family and commercial real estate loans in our portfolio consist of both fixed rate and adjustable rate loans which were originated at prevailing market rates. Multi-family and commercial real estate loans are generally five to fifteen year term balloon loans amortized over fifteen to thirty years. The maximum loan-to-value ratio is 70% for our commercial real estate loans and 75% for multi-family loans. At December 31, 2009, our largest commercial real estate loan was \$30.0 million and is on a fully leased industrial warehouse and distribution center. Our largest multi-family loan was \$29.0 million and is on a thirteen story apartment building with 193 apartments and 19 commercial rental units in New Jersey.

We consider a number of factors when we originate multi-family and commercial real estate loans. During the underwriting process we evaluate the business qualifications and financial condition of the borrower, including credit history, profitability of the property being financed, as well as the value and condition of the mortgaged property securing the loan. When evaluating the business qualifications of the borrower, we consider the financial resources of the borrower, the borrower's experience in owning or managing similar property and the borrower's payment history with us and other financial institutions. In evaluating the property securing the loan, we consider the net operating income of the mortgaged property before debt service and depreciation, the ratio of the loan amount to the appraised value of the mortgaged property and the debt service coverage ratio (the ratio of net operating income to debt service) to ensure it is at least 120% of the monthly debt service for apartment buildings and 130% for commercial income-producing properties. All commercial real estate loans are appraised by outside independent appraisers who have been approved by our Board of Directors. Personal guarantees are obtained from commercial real estate borrowers although we will consider waiving this requirement based upon the loan-to-value ratio of the proposed loan and other factors. All borrowers are required to obtain title, fire and casualty insurance and, if warranted, flood insurance.

Loans secured by commercial real estate generally are larger than residential mortgage loans and involve greater credit risk. Commercial real estate loans often involve large loan balances to single borrowers or groups of related borrowers. Repayment of these loans depends to a large degree on the results of operations and management of the properties securing the loans or the businesses conducted on such property, and may be affected to a greater extent by adverse conditions in the real estate market or the economy in general. Accordingly, management annually evaluates the performance of all commercial loans in excess of \$1.0 million.

***Construction Loans.*** In April 2005, we began to offer loans directly to builders and developers on income properties and residential for-sale housing units. At December 31, 2009, we held \$334.5 million in construction loans representing 5.03% of our total loan portfolio. Construction loans are originated through our commercial lending department. If the loan applicant meets our criteria, we issue a letter of intent listing the terms and conditions of any potential loan. Primarily we offer adjustable-rate residential construction loans which can be structured with an option for permanent mortgage financing once the construction is completed. Generally, construction loans will be structured to be repaid over a three-year period and generally will be made in amounts of up to 70% of the appraised value of the completed property, or the actual cost of the improvements. Funds are disbursed based on inspections in accordance with a schedule reflecting the completion of portions of the project. Construction financing for sold units requires an executed sales contract.

Construction loans generally involve a greater degree of credit risk than residential mortgage loans. The risk of loss on a construction loan depends on the accuracy of the initial estimate of the property's value when the construction is completed compared to the estimated cost of construction. For all loans, we use outside independent appraisers

approved by our Board of Directors. We require all borrowers to obtain title insurance, fire and casualty insurance and, if warranted, flood insurance. A detailed plan and cost review by an outside engineering firm is required on loans in excess of \$2.5 million.

At December 31, 2009, the Bank's largest construction loan was a \$19.1 million note on a town home project in New Jersey. The loan had an outstanding balance at December 31, 2009 of \$13.7 million and was performing in accordance with contractual terms.

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**Commercial and Industrial Loans.** In May 2008 we began offering commercial and industrial loans. These loans include term loans, lines of credit and owner occupied commercial real estate loans. These loans are generally secured by real estate or business assets and include personal guarantees. The loan to value limit is 75% and businesses will typically have at least a 2 year history. At December 31, 2009, \$23.2 million, or 0.35%, of our loan portfolio consisted of these types of loans.

**Consumer Loans.** We offer consumer loans, most of which consist of home equity loans and home equity lines of credit. Home equity loans and home equity lines of credit are secured by residences located in New Jersey. At December 31, 2009, consumer loans totaled \$178.2 million or 2.68% of our total loan portfolio. The underwriting standards we use for home equity loans and home equity lines of credit include a determination of the applicant's credit history, an assessment of the applicant's ability to meet existing credit obligations, the payment on the proposed loan and the value of the collateral securing the loan. The combined (first and second mortgage liens) loan-to-value ratio for home equity loans and home equity lines of credit is generally limited to 80%. Home equity loans are offered with fixed rates of interest, terms up to 30 years and to a maximum of \$500,000. Home equity lines of credit have adjustable rates of interest, indexed to the prime rate, as reported in *The Wall Street Journal*.

**Loan Originations, Purchases, Sales and Servicing of Loans.** Residential mortgage loans are originated through our mortgage subsidiary, ISB Mortgage. During the six month period ended December 31, 2009 we originated \$359.1 million in residential mortgage loans to be held in our portfolio. We also originate multi-family, commercial real estate construction and C&I loans. During the six month period ended December 31, 2009, we originated \$301.6 million in commercial real estate loans, \$148.4 million in multi-family, \$56.3 million in construction loans, \$14.6 million in C&I loans, and \$34.3 million in consumer and other loans. As part of our strategic plan to increase our loan portfolio, we retain most of the loans we originate, although ISB Mortgage also sells loans without recourse in the secondary market when the loans it originates do not meet the criteria of our lending policies or for other reasons. During fiscal 2008 we began to retain a portion of the servicing rights pertaining to loans sold in the secondary market. If we are successful in continuing to increase the size of our loan portfolio, we may consider selling more of our residential loan originations in the future. We originate both adjustable-rate and fixed-rate loans and our ability to originate and purchase adjustable-rate or fixed-rate loans depends on customer demand for such loans, which is affected by, among other factors, the current and expected future levels of market interest rates.

We also purchase mortgage loans from correspondent entities including other banks and mortgage bankers. Our agreements call for these correspondent entities to originate loans that adhere to our underwriting standards. In most cases we acquire the loans with servicing rights, but we have some arrangements in which the correspondent entity will sell us the loan without servicing rights. During the six month period ended December 31, 2009, we purchased \$428.6 million of loans from these correspondent entities. We also purchase pools of mortgage loans in the secondary market on a bulk purchase basis from several well-established financial institutions. While some of these financial institutions retain the servicing rights for loans they sell to us, when presented with the opportunity to purchase the servicing rights as part of the loan, we may decide to purchase the servicing rights. This decision is generally based on the price and other relevant factors. During the six month period ended December 31, 2009, we purchased \$23.7 million of loans on a bulk purchase basis.

In addition, during the six month period ended December 31, 2009, we originated \$288.6 million of residential loans to be held-for-sale. During the six month period ended December 31, 2009, we sold \$323.3 million of loans from our held-for-sale portfolio, resulting in a \$2.6 million gain on sale.

The following table shows our loan originations, loan purchases and repayment activities with respect to our portfolio of loans receivable for the periods indicated. Origination, sale and repayment activities with respect to our loans-held-for-sale are excluded from the table.



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	<b>At December 31, 2009</b>	<b>2008 (Unaudited)</b>	<b>2009</b>	<b>At June 30, 2008</b>	<b>2007</b>
	<b>(In thousands)</b>				
<b>Loan originations and purchases:</b>					
<b>Loan originations:</b>					
Residential mortgage loans:					
One- to four-family	\$ 359,118	\$ 217,618	\$ 407,381	\$ 284,386	\$ 159,100
FHA		244	244	483	
Total residential mortgage loans	359,118	217,862	407,625	284,869	159,100
Multi-family	148,386	46,519	145,521	139,995	36,862
Commercial	301,603	87,059	221,964		
Construction loans	56,275	89,564	127,631	174,110	116,250
Commercial and industrial	14,637		9,961		
Consumer and other loans:					
Home equity loans	6,251	9,872	14,562	34,039	49,214
Home equity credit lines	26,018	12,144	32,190	21,759	18,442
Other	2,012	1,861	3,698	2,749	2,852
Total consumer and other loans	34,281	23,877	50,450	58,547	70,508
Total loan originations	914,300	464,879	963,152	657,521	382,720
<b>Loan purchases:</b>					
Residential mortgage loans:					
One- to four-family	452,295	720,922	1,063,616	995,753	665,166
FHA		274	274	567	
Multi-family		100,914	200,914		
Total loan purchases	452,295	822,110	1,264,804	996,320	665,166
Loan principal repayments	(882,200)	(324,721)	(1,190,114)	(599,547)	(415,886)
Other items, net(1)	(12,105)	(14,232)	(35,598)	(9,142)	(2,436)
Net loans acquired in acquisition			470,775		
Net increase in loan portfolio	\$ 472,290	\$ 948,036	\$ 1,473,019	\$ 1,045,152	\$ 629,564

(1) Other items include charge-offs, loan loss provisions, loans transferred to other real

estate owned,  
and  
amortization  
and accretion of  
deferred fees  
and costs and  
discounts and  
premiums.

We have purchased a significant amount of loans in the prior three years as a means of accomplishing our strategic goal of shifting assets from securities to loans. In future periods, the extent to which we will purchase loans will depend primarily on the volume of originations from our mortgage subsidiary, ISB Mortgage, and the success of our commercial real estate lending operations.

***Loan Approval Procedures and Authority.*** Our lending activities follow written, non-discriminatory underwriting standards and loan origination procedures established by our Board of Directors. In the approval process for residential loans we assess the borrower's ability to repay the loan and the value of the property securing the loan. To assess the borrower's ability to repay, we review the borrower's income and expenses and employment and credit history. In the case of commercial real estate loans we also review projected income, expenses and the viability of the project being financed. We generally require appraisals of all real property securing loans, except for home equity loans and home equity lines of credit, in which case we may use the tax-assessed value of the property securing such loan or a lesser form of valuation, by an approved appraisal company (such as drive-by value estimate). Appraisals are performed by independent licensed appraisers who are approved by our Board of Directors. We require borrowers, except for home equity loans and home equity lines of credit, to obtain title insurance, fire and casualty insurance and, if warranted, flood insurance in amounts at least equal to the principal amount of the loan or the maximum amount available.

Our loan approval policies and limits are also established by our Board of Directors. All residential mortgage loans including home equity loans and home equity lines of credit up to \$100,000 may be approved by loan underwriters, provided the loan meets all of our underwriting guidelines. If the loan does not meet all of our underwriting guidelines, but can be considered for approval because of other compensating factors, the loan must be approved by an authorized member of management. Residential mortgage loans in excess of \$100,000 and up to \$750,000 must be approved by an authorized member of management. Residential mortgage loans in excess of \$750,000 and up to \$1.25 million must be approved by any two authorized members of management. Residential mortgage loans in excess of \$1.25 million must be approved by three authorized members of management, one of whom must be the Chief Executive Officer, Chief Operating Officer, Chief Lending Officer or Chief Financial Officer.

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All commercial real estate, multi-family and construction loans in an amount up to \$1,000,000 may be approved by the Chief Lending Officer except for loans for which he is the originating loan officer. These loans will require approval of the Chief Executive Officer, Chief Operating Officer or Chief Financial Officer. All commercial real estate loan requests in excess of \$1,000,000 must be approved by the Commercial Real Estate Loan Committee, consisting of the Chief Executive Officer, Chief Operating Officer, Chief Lending Officer, Chief Financial Officer and an authorized manager of Loan Originations and Loan Servicing and the Executive Vice President of Retail Administration.

All business loans in an amount up to \$1,000,000 may be approved by the Manager of the Business Lending Department and the Chief Lending Officer. All loans in excess of \$1,000,000 may be approved by the Manager of the Business Lending Department, the Chief Lending Officer and either the Chief Executive Officer or Chief Operating Officer of the Bank. All commercial real estate loans in excess of \$2,000,000 require Commercial Loan Committee approval.

***Loans to One Borrower.*** The Bank's regulatory limit on total loans to any borrower or attributed to any one borrower is 15% of unimpaired capital and surplus. As of December 31, 2009, the regulatory lending limit was \$113.5 million. The Bank's internal policy limit is \$50.0 million, with the option to exceed that limit with the Board of Directors' approval, on total loans to a borrower or related borrowers. The Bank reviews these group exposures on a monthly basis. The Bank also sets additional limits on size of loans by loan type. At December 31, 2009, the Bank's largest relationship with an individual borrower and its related entities was \$58.0 million, consisting of three commercial real estate loans on properties located in the State of New Jersey. This relationship was approved by the Board of Directors and was performing in accordance with its terms and conditions as of December 31, 2009.

**Asset Quality**

One of the Bank's key operating objectives has been, and continues to be, maintaining a high level of asset quality. The Bank maintains sound credit standards for new loan originations and purchases. We do not originate or purchase sub-prime loans, negative amortization loans or option ARM loans. In addition, the Bank uses proactive collection and workout processes in dealing with delinquent and problem loans.

The underlying credit quality of our loan portfolio is dependent primarily on each borrower's ability to continue to make required loan payments and, in the event a borrower is unable to continue to do so, the value of the collateral securing the loan, if any. A borrower's ability to pay typically is dependent, in the case of one-to-four family mortgage loans and consumer loans, primarily on employment and other sources of income, and in the case of multi-family and commercial real estate loans, on the cash flow generated by the property, which in turn is impacted by general economic conditions. Other factors, such as unanticipated expenditures or changes in the financial markets, may also impact a borrower's ability to pay. Collateral values, particularly real estate values, are also impacted by a variety of factors including general economic conditions, demographics, maintenance and collection or foreclosure delays.

***Collection Procedures.*** We send system-generated reminder notices to start collection efforts when a loan becomes fifteen days past due. Subsequent late charge and delinquency notices are sent and the account is monitored on a regular basis thereafter. Direct contact with the borrower is attempted early in the collection process as a courtesy reminder and later to determine the reason for the delinquency and to safeguard our collateral. We provide the Board of Directors with a summary report of loans 30 days or more past due on a monthly basis. When a loan is more than 60 days past due, the credit file is reviewed and, if deemed necessary, information is updated or confirmed and collateral re-evaluated. We make every effort to contact the borrower and develop a plan of repayment to cure the delinquency. Loans are placed on non-accrual status when they are 90 days delinquent, but may be placed on non-accrual status earlier if the timely collection of principal and/or income is doubtful. When loans are placed on non-accrual status, unpaid accrued interest is fully reserved, and additional income is recognized in the period collected unless the ultimate collection of principal is considered doubtful. If our effort to cure the delinquency fails and a repayment plan is not in place, the file is referred to counsel for commencement of foreclosure or other collection efforts. We also own loans serviced by other entities and we monitor delinquencies on such loans using reports the servicers send to us. When we receive these past due reports, we review the data and contact the servicer to discuss the specific loans and the status of the collection process. We add the information from the servicer's delinquent loan reports to our own delinquent reports and provide a full summary report monthly to our Board of

Directors.

Our collection procedure for non mortgage related consumer and other loans includes sending periodic late notices to a borrower once a loan is past due. We attempt to make direct contact with the borrower once a loan becomes 30 days past due. The Collection Manager reviews loans 60 days or more delinquent on a regular basis. If collection activity is unsuccessful after 90 days, we may refer the matter to our legal counsel for further collection efforts or we may charge-off the loan. Non real estate related consumer loans that are considered uncollectible are proposed for charge-off by the Collection Manager on a monthly basis.

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**Delinquent Loans.** The following table sets forth our loan delinquencies by type and by amount at the dates indicated.

	Loans Delinquent For		90 Days and Over		Total	
	60-89 Days		90 Days and Over			
	Number	Amount	Number	Amount	Number	Amount
	(Dollars in thousands)					
<b>At December 31, 2009</b>						
Residential mortgage loans:						
One- to four-family	47	\$ 13,273	143	\$ 47,582	190	\$ 60,855
FHA	4	384	19	2,507	23	2,891
Total residential mortgage loans	51	13,657	162	50,089	213	63,746
Multi-family			4	553	4	553
Commercial			10	3,417	10	3,417
Construction loans	3	19,056	21	53,468	24	72,524
Commercial and industrial	3	734			3	734
Consumer and other loans:						
Home equity loans			4	81	4	81
Home equity credit lines	5	191	11	1,074	16	1,265
Other	7	7	8	11	15	18
Total consumer and other loans	12	198	23	1,166	35	1,364
Total	69	\$ 33,645	220	\$ 108,693	289	\$ 142,338
<b>At June 30, 2009</b>						
Residential mortgage loans:						
One- to four-family	30	\$ 8,165	82	\$ 27,837	112	\$ 36,002
FHA	6	721	15	1,904	21	2,625
Total residential mortgage loans	36	8,886	97	29,741	133	38,627
Multi-family	1	181	6	20,074	7	20,255
Commercial	3	784	6	2,820	9	3,604
Construction loans	3	11,263	17	58,550	20	69,813
Commercial and industrial						
Consumer and other loans:						
Home equity loans	1	2	2	60	3	62
Home equity credit lines	4	659	3	150	7	809
Other	4	4	10	15	14	19
Total consumer and other loans	9	665	15	225	24	890
Total	52	\$ 21,779	141	\$ 111,410	193	\$ 133,189

**At June 30, 2008**

## Residential mortgage loans:

One- to four-family	8	\$ 1,608	18	\$ 5,060	26	\$ 6,668
FHA	1	66	15	1,631	16	1,697
Total residential mortgage loans	9	1,674	33	6,691	42	8,365
Multi-family and commercial			4	1,600	4	1,600
Construction loans	1	10,960			1	10,960
Consumer and other loans:						
Home equity loans			3	88	3	88
Home equity credit lines			1	30	1	30
Other	2	2	2	2	4	4
Total consumer and other loans	2	2	6	120	8	122
Total	12	\$ 12,636	43	\$ 8,411	55	\$ 21,047

**At June 30, 2007**

## Residential mortgage loans:

One- to four-family	7	\$ 628	12	\$ 2,220	19	\$ 2,848
FHA	2	263	14	1,300	16	1,563
Total residential mortgage loans	9	891	26	3,520	35	4,411
Multi-family and commercial	1	579	3	452	4	1,031
Construction loans			1	1,146	1	1,146
Consumer and other loans:						
Home equity loans	1	7	1	28	2	35
Home equity credit lines	3	88			3	88
Other	1	1	4	3	5	4
Total consumer and other loans	5	96	5	31	10	127
Total	15	\$ 1,566	35	\$ 5,149	50	\$ 6,715

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**Non-Performing Assets.** Non-performing assets include non-accrual loans, mortgage loans delinquent 90 days or more and still accruing interest and real estate owned, or REO. We did not have any mortgage loans delinquent 90 days or more and still accruing interest or REO at December 31, 2009. At December 31, 2009, the Company moved an \$11.5 million construction loan that was 60 days delinquent to non-performing status. Non-performing loans decreased \$1.5 million to \$120.2 million at December 31, 2009, from \$121.7 million at June 30, 2009. The decrease in non-performing loans was attributed to the sale of a previously disclosed \$19.4 million multi-family loan for \$1.8 million gain and \$15.0 million in loan charge-offs. Although we have resolved a number of non-performing loans, the continued deterioration of the housing and real estate markets, as well as the overall weakness in the economy, continue to impact our non-performing loans. As a geographically concentrated residential lender, we have been affected by negative consequences arising from the ongoing economic recession and, in particular, the sharp downturn in the housing industry, as well as economic and housing industry weaknesses in the New Jersey/New York metropolitan area. We are particularly vulnerable to the impact of a severe job loss recession. We continue to closely monitor the local and regional real estate markets and other factors related to risks inherent in our loan portfolio. The ratio of non-performing loans to total loans decreased to 1.81% at December 31, 2009, from 1.97% at June 30, 2009. Our ratio of non-performing assets to total assets decreased to 1.44% at December 31, 2009, from 1.50% at June 30, 2009. The allowance for loan losses as a percentage of total non-performing loans increased to 45.80% at December 31, 2009, from 38.30% at June 30, 2009. For further discussion of our non-performing assets and non-performing loans and the allowance for loan losses, see Item 6, Management's Discussion and Analysis of Financial Condition and Results of Operations.

The table below sets forth the amounts and categories of our non-performing assets at the dates indicated. At each date, we had no troubled debt restructurings (such as loans for which a portion of interest or principal has been forgiven and loans modified at interest rates materially less than current market rates).

	<b>December 31, 2009(1)</b>	<b>2009(2)</b>	<b>2008(3)</b>	<b>June 30, 2007</b>	<b>2006</b>	<b>2005</b>
	<b>(Dollars in thousands)</b>					
Non-accrual loans:						
Residential mortgage loans:						
One- to four-family	\$ 47,582	\$ 27,837	\$ 5,060	\$ 2,220	\$ 1,346	\$ 3,237
FHA	2,507	1,904	1,631	1,300	1,440	3,825
Total residential mortgage loans	50,089	29,741	6,691	3,520	2,786	7,062
Multi-family and commercial	3,970	22,894	1,600	452	477	608
Construction loans	64,968	68,826	10,960	1,146		
Commercial and industrial						
Consumer and other loans:						
Home equity loans	81	60	88	28	6	193
Home equity credit lines	1,074	150	30		30	
Other	11	15	2	3		2
Total consumer and other loans	1,166	225	120	31	36	195
Total	120,193	121,686	19,371	5,149	3,299	7,865
Total non-performing loans	120,193	121,686	19,371	5,149	3,299	7,865

## Real estate owned

Total non-performing assets	\$ 120,193	\$ 121,686	\$ 19,371	\$ 5,149	\$ 3,299	\$ 7,865
Total non-performing loans to total loans	1.81%	1.97%	0.42%	0.14%	0.11%	0.39%
Total non-performing loans to total assets	1.44%	1.50%	0.30%	0.09%	0.06%	0.15%
Total non-performing assets to total assets	1.44%	1.50%	0.30%	0.09%	0.06%	0.15%

(1) An \$11.5 million construction loan that is 60-89 days delinquent at December 31, 2009 is classified as non-performing.

(2) Two construction loans totaling \$10.3 million are 60-89 days delinquent at June 30, 2009 are classified as non-performing.

(3) An \$11.0 million construction loan that is 60-89 days delinquent at June 30, 2008 is classified as non-performing.

For the six month period ended December 31, 2009, interest income that would have been recorded had our non-accruing loans been current in accordance with their original terms amounted to \$2.3 million.

**Real Estate Owned.** Real estate we acquire as a result of foreclosure or by deed in lieu of foreclosure is classified as real estate owned until sold. When property is acquired it is recorded at fair market value at the date of foreclosure, establishing a new cost basis. Holding costs and declines in fair value result in charges to expense after acquisition. At December 31, 2009, June 30, 2009 and 2008, we held no real estate owned.



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**Classified Assets.** Federal regulations provide that loans and other assets of lesser quality should be classified as substandard, doubtful or loss assets. An asset is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Substandard assets include those characterized by the distinct possibility we will sustain some loss if the deficiencies are not corrected. Assets classified as doubtful have all of the weaknesses inherent in those classified substandard, with the added characteristic the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. Assets classified as loss are those considered uncollectible and of such little value their continuance as assets without the establishment of a specific loss reserve is not warranted. We classify an asset as special mention if the asset has a potential weakness that warrants management's close attention. While such assets are not impaired, management has concluded that if the potential weakness in the asset is not addressed, the value of the asset may deteriorate, adversely affecting the repayment of the asset.

We are required to establish an allowance for loan losses in an amount that management considers prudent for loans classified substandard or doubtful, as well as for other problem loans. General allowances represent loss allowances which have been established to recognize the inherent losses associated with lending activities, but which, unlike specific allowances, have not been allocated to particular problem assets. When we classify problem assets as loss, we are required either to establish a specific allowance for losses equal to 100% of the amount of the asset so classified or to charge off such amount. Our determination as to the classification of our assets and the amount of our valuation allowances is subject to review by the New Jersey Department of Banking and Insurance and the Federal Deposit Insurance Corporation, which can require that we establish additional general or specific loss allowances.

We review the loan portfolio on a regular basis to determine whether any loans require classification in accordance with applicable regulations. Not all classified assets constitute non-performing assets.

**Impaired Loans.** The Company defines an impaired loan as a loan for which it is probable, based on current information, that the lender will not collect all amounts due under the contractual terms of the loan agreement. Loans we individually classify as impaired include commercial real estate, multi-family or construction loans with an outstanding balance greater than \$3.0 million and on non-accrual status. Impaired loans are individually assessed to determine that the loan's carrying value is not in excess of the fair value of the collateral or the present value of the expected future cash flows. A valuation allowance is established when it is determined there is a shortfall. At December 31, 2009, loans meeting the Company's definition of an impaired loan totaled \$48.4 million. The allowance for loan losses related to loans classified as impaired at December 31, 2009, amounted to \$8.9 million. Interest income received during the six month period ended December 31, 2009 on loans classified as impaired was \$680,000. For further detail on our impaired loans, see Note 1 and Note 5 of Notes to Consolidated Financial Statements in Item 7, Financial Statements and Supplementary Data.

**Allowance for Loan Losses**

Our allowance for loan losses is maintained at a level necessary to absorb loan losses that are both probable and reasonably estimable. In determining the allowance for loan losses, management considers the losses inherent in our loan portfolio and changes in the nature and volume of loan activities, along with the general economic and real estate market conditions. A description of our methodology in establishing our allowance for loan losses is set forth in the section Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies Allowance for Loan Losses. The allowance for loan losses as of December 31, 2009 was maintained at a level that represents management's best estimate of losses inherent in the loan portfolio. However, this analysis process is subjective, as it requires us to make estimates that are susceptible to revisions as more information becomes available. Although we believe we have established the allowance at levels to absorb probable and estimable losses, future additions may be necessary if economic or other conditions in the future differ from the current environment.

Furthermore, as an integral part of their examination processes, the New Jersey Department of Banking and Insurance and the Federal Deposit Insurance Corporation will periodically review our allowance for loan losses. Such agencies may require us to recognize additions to the allowance based on their judgments of information available to them at the time of their examination.



Construction loans							
Commercial & industrial loans							
Consumer and other loans				1	4	3	1
Total recoveries	44			1	4	199	26
Net (charge-offs) recoveries	(14,981)	(16)	(25)	(32)	(147)	46	(99)
Allowance acquired in acquisition			4,043				
Allowance balance (end of period)	\$ 55,052	\$ 26,549	\$ 46,608	\$ 13,565	\$ 6,951	\$ 6,369	\$ 5,723
Total loans outstanding	\$ 6,652,127	\$ 5,623,563	\$ 6,171,716	\$ 4,663,713	\$ 3,610,320	\$ 2,983,242	\$ 2,020,571
Average loans outstanding	6,370,350	5,241,754	5,482,009	4,043,398	3,305,807	2,462,270	1,533,741
Allowance for loan losses as a percent of total loans outstanding	0.83%	0.47%	0.76%	0.29%	0.19%	0.21%	0.28%
Net loans charged off as a percent of average loans outstanding	0.24%	%	%	%	%	%	0.01%
Allowance for loan losses to non-performing loans	45.80%	55.53%	38.30%	70.03%	135.00%	193.06%	72.77%

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**Allocation of Allowance for Loan Losses.** The following table sets forth the allowance for loan losses allocated by loan category and the percent of loans in each category to total loans at the dates indicated. The allowance for loan losses allocated to each category is not necessarily indicative of future losses in any particular category and does not restrict the use of the allowance to absorb losses in other categories.

	<b>December 31, 2009</b>		<b>June 30, 2009</b>		<b>June 30, 2008</b>	
	<b>Allowance for Loan Losses</b>	<b>Percent of Loans in Each Category to Total Loans</b>	<b>Allowance for Loan Losses (Dollars in thousands)</b>	<b>Percent of Loans in Each Category to Total Loans</b>	<b>Allowance for Loan Losses</b>	<b>Percent of Loans in Each Category to Total Loans</b>
<b>End of period allocated to:</b>						
Residential mortgage loans	\$ 13,741	71.76%	\$ 10,841	76.30%	\$ 4,585	85.97%
Multi-family	3,227	9.21%	1,518	7.82%	223	1.77%
Commercial	10,208	10.97%	6,223	7.02%	1,454	3.06%
Construction loans	25,194	5.03%	23,437	5.62%	4,836	5.58%
Commercial and industrial	558	0.35%	351	0.25%		%
Consumer and other loans	510	2.68%	459	2.99%	254	3.62%
Unallocated	1,614		3,779		2,213	
<b>Total allowance</b>	<b>\$ 55,052</b>	<b>100.00%</b>	<b>\$ 46,608</b>	<b>100.00%</b>	<b>\$ 13,565</b>	<b>100.00%</b>

	<b>December 31, 2007</b>		<b>June 30, 2006</b>		<b>June 30, 2005</b>	
	<b>Allowance for Loan Losses</b>	<b>Percent of Loans in Each Category to Total Loans</b>	<b>Allowance for Loan Losses (Dollars in thousands)</b>	<b>Percent of Loans in Each Category to Total Loans</b>	<b>Allowance for Loan Losses</b>	<b>Percent of Loans in Each Category to Total Loans</b>
<b>End of period allocated to:</b>						
Residential mortgage loans	\$ 3,444	88.14%	\$ 2,910	90.33%	\$ 4,249	94.48%
<b>Multi-family and commercial</b>	956	3.03%	1,591	2.65%	712	0.95%
<b>Construction loans</b>	1,896	4.25%	820	2.22%	28	0.35%
Consumer and other loans	247	4.58%	354	4.80%	248	4.22%

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Unallocated	408		694		486	
Total allowance	\$ 6,951	100.00%	\$ 6,369	100.00%	\$ 5,723	100.00%

**Table of Contents****Security Investments**

The Board of Directors has adopted our Investment Policy. This policy determines the types of securities in which we may invest. The Investment Policy is reviewed annually by management and changes to the policy are recommended to and subject to approval by the Board of Directors. The Board of Directors delegates operational responsibility for the implementation of the Investment Policy to the Interest Rate Risk Committee, which is comprised of senior officers. While general investment strategies are developed by the Interest Rate Risk Committee, the execution of specific actions rests primarily with our Chief Financial Officer. He is responsible for ensuring the guidelines and requirements included in the Investment Policy are followed and all securities are considered prudent for investment. He or his designee is authorized to execute transactions that fall within the scope of the established Investment Policy. Investment transactions are reviewed and ratified by the Board of Directors at their regularly scheduled meetings.

Our Investment Policy requires that investment transactions conform to Federal and New Jersey State investment regulations. Our investments include U.S. Treasury obligations, securities issued by various Federal Agencies, mortgage-backed securities, certain certificates of deposit of insured financial institutions, overnight and short-term loans to other banks, investment grade corporate debt instruments, and Fannie Mae and Freddie Mac equity securities. In addition, Investors Bancorp may invest in equity securities subject to certain limitations.

The Investment Policy requires that securities transactions be conducted in a safe and sound manner. Purchase and sale decisions are based upon a thorough analysis of each security to determine it conforms to our overall asset/liability management objectives. The analysis must consider its effect on our risk-based capital measurement, prospects for yield and/or appreciation and other risk factors.

While we currently continue to de-emphasize securities and emphasize loans as assets, securities still represent a significant asset class on our balance sheet. At December 31, 2009, our securities portfolio totaled \$1.19 billion representing 14.2% of our total assets. Securities are classified as held-to-maturity or available-for-sale when purchased. At December 31, 2009, \$717.4 million of our securities were classified as held-to-maturity and reported at amortized cost and \$471.2 million were classified as available-for-sale and reported at fair value.

***Mortgage-Backed Securities.*** We purchase mortgage-backed pass through and collateralized mortgage obligation ( CMO ) securities insured or guaranteed by Fannie Mae, Freddie Mac (government-sponsored enterprises) and Ginnie Mae (government agency), and to a lesser extent, a variety of federal and state housing authorities (collectively referred to below as agency-issued mortgage-backed securities ). At December 31, 2009, agency-issued mortgage-backed securities including CMOs, totaled \$981.9 million, or 82.6%, of our total securities portfolio.

Mortgage-backed pass through securities are created by pooling mortgages and issuing a security with an interest rate less than the interest rate on the underlying mortgages. Mortgage-backed pass through securities represent a participation interest in a pool of single-family or multi-family mortgages. As loan payments are made by the borrowers, the principal and interest portion of the payment is passed through to the investor as received. CMOs are also backed by mortgages; however, they differ from mortgage-backed pass through securities because the principal and interest payments of the underlying mortgages are financially engineered to be paid to the security holders of pre-determined classes or tranches of these securities at a faster or slower pace. The receipt of these principal and interest payments which depends on the proposed average life for each class is contingent on a prepayment speed assumption assigned to the underlying mortgages. Variances between the assumed payment speed and actual payments can significantly alter the average lives of such securities. To quantify and mitigate this risk, we undertake a payment analysis before purchasing these securities. We invest in CMO classes or tranches in which the payments on the underlying mortgages are passed along at a pace fast enough to provide an average life of two to four years with no change in market interest rates. The issuers of such securities, as noted above, pool and sell participation interests in security form to investors such as Investors Savings Bank and guarantee the payment of principal and interest. Mortgage-backed securities and CMOs generally yield less than the loans that underlie such securities because of the cost of payment guarantees and credit enhancements. However, mortgage-backed securities are usually more liquid than individual mortgage loans and may be used to collateralize borrowings and other liabilities.

Mortgage-backed securities present a risk that actual prepayments may differ from estimated prepayments over the life of the security, which may require adjustments to the amortization of any premium or accretion of any discount

relating to such instruments that can change the net yield on such securities. There is also reinvestment risk associated with the cash flows from such securities or if such securities are redeemed by the issuer. In addition, the market value of such securities may be adversely affected by changes in interest rates.

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Our mortgage-backed securities portfolio had a weighted average yield of 4.38% at December 31, 2009. The estimated fair value of our mortgage-backed securities at December 31, 2009 was \$1.13 billion, which is \$19.4 million greater than the amortized cost of \$1.11 billion.

We also invest in securities issued by non-agency or private mortgage originators, provided those securities are rated AAA by nationally recognized rating agencies at the time of purchase. At December 31, 2009, a significant portion of our non-agency portfolio is comprised of 28 securities issued by private mortgage originators that had an amortized cost of \$135.2 million and a fair value of \$130.1 million. These securities were originated in the period 2002-2004 and are performing largely in accordance with contractual terms. During the year, three securities with an aggregate amortized cost of \$17.2 million were downgraded by credit rating agencies to Aa, A and Ba. For securities with larger decreases in fair values, management estimates the loss projections for each security by stressing the individual loans collateralizing the security with a range of expected default rates, loss severities, and prepayment speeds, in conjunction with the underlying credit enhancement (if applicable) for each security. Based on those specific assumptions, a range of possible cash flows were identified to determine whether an other-than-temporary impairment, or OTTI, existed as of December 31, 2009. Under certain stress scenarios estimated future losses may arise. Management determined that one non-agency mortgage-backed security, which was classified as available for sale and had a rating of Ba, with an amortized cost of \$6.9 million and an estimated fair value of \$5.8 million at December 31, 2009 had expected cash flows such that it is probable that the full amortized cost will not be received and as such a credit-related OTTI charge of \$91,000 was recorded at December 31, 2009.

**Corporate and Other Debt Securities.** At December 31, 2009, our corporate and other debt securities portfolio consists of collateralized debt obligations (CDOs) backed by pooled trust preferred securities (TruPS), principally issued by banks (80.6%) and to a lesser extent insurance companies (17.5%) and real estate investment trusts (1.9%). The interest rates on these securities reset quarterly in relation to the 3 month Libor rate. These securities have been classified in the held to maturity portfolio since their purchase and the Company has the ability and intent to hold these securities until maturity.

At June 30, 2008, this portfolio contained 3 securities with an amortized cost of \$13.1 million which had an investment grade rating of AAA and 30 securities with an amortized cost of \$165.6 million with an investment grade rating of A. Over the past eighteen months, the market for CDOs became increasingly illiquid due to negative perceptions about the health of the financial sector in general, and more specifically the financial stability of the underlying issuers. The combination of the illiquidity, credit downgrades by credit rating agencies and the increase in payment deferrals and defaults by issuers resulted in a continued decline in the fair value of these securities. We perform extensive analysis to determine our risk associated with these securities. These instruments were over collateralized upon origination to absorb a level of possible future defaults over their anticipated lives. Due to the deteriorating economic conditions, the current estimated future deferrals and defaults have increased significantly.

At December 31, 2008, we recorded a pre-tax \$156.7 million other-than-temporary impairment, or OTTI, charge to reduce the carrying amount of our investment bank pooled trust preferred securities to the securities' market values totaling \$20.7 million. The decision to recognize the OTTI charge was based on the severity of the decline in the market values of these securities at that time and the unlikelihood of any near-term market value recovery. The significant decline in the market value occurred primarily as a result of deteriorating national economic conditions, rapidly increasing amounts of non-accrual and delinquent loans at some of the underlying issuing banks, and credit rating downgrades by Moody's. In March 2009, Moody's again downgraded substantially all of the credit ratings of these securities in our portfolio due to the continued credit crisis and weak economic conditions, as well as the sharp increase in the number of interest payment deferrals and defaults over the past year which are expected to continue to rise, resulting in only 2 securities maintaining investment grade (Baa and higher). Of the remaining securities, the majority are credit rated Ca which Moody's defines as highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest. Currently there are 42 issuers which have been taken into receivership by the FDIC, 10 issuers in default and 154 issuers deferring payments within the CDOs we own, which in the aggregate represent 28.8% of the collateral for these instruments.

The Company adopted ASC 320, Recognition and Presentation of Other-Than-Temporary Impairments, which was incorporated into ASC 320, Investments - Debt and Equity Securities, on April 1, 2009. Under this guidance, the



difference between the present value of the cash flows expected to be collected and the amortized cost basis is deemed to be the credit loss. The present value of the expected cash flows is calculated based on the contractual terms of each security, and is discounted at a rate equal to the effective interest rate implicit in the security at the date of acquisition. The guidance also required management to determine the amount of any previously recorded OTTI charges on the TruPS that were related to credit and all other non-credit factors. In accordance with ASC 320, management considered the deteriorating financial condition of the U.S. banking sector, the credit rating downgrades, the accelerating pace of banks deferring or defaulting on their trust preferred debt, and the increasing amounts of non-accrual and delinquent loans at the underlying issuing banks. The aforementioned analysis was incorporated into the present value of the cash flows expected to be collected for each of these securities and management determined that \$35.6 million of the previously

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recorded pre-tax OTTI charge was due to other non-credit factors and, in accordance with ASC 320, the Company recognized a cumulative effect of initially applying ASC 320 as a \$21.1 million after-tax adjustment to retained earnings with a corresponding adjustment to AOCI. At June 30, 2009, the Company recorded an additional \$1.3 million pre-tax credit related OTTI charge on these securities.

For December 31, 2009, we engaged an independent valuation firm to value our TruPS portfolio and prepare our OTTI analysis. The valuation firm assisted us in evaluating the credit and performance for each remaining issuer to derive probabilities and assumptions for default, recovery and prepayment/amortization for the expected cashflows for each security. At December 31, 2009, management deemed that there was no deterioration in projected discounted cashflows since the prior period for each of its TruPS and did not recognize an OTTI charge for the six months ended December 31, 2009. The Company has no intent to sell, nor is it more likely than not that the Company will be required to sell, the debt securities before the recovery of their amortized cost basis or maturity. At December 31, 2009, the corporate and other debt portfolio totaled \$21.4 million and had a fair value of \$37.8 million.

We continue to closely monitor the performance of the securities we own as well as the events surrounding this segment of the market. The Company will continue to evaluate for other-than-temporary impairment, which could result in a future non-cash charge to earnings.

***Government Sponsored Enterprises.*** At December 31, 2009, bonds issued by Government Sponsored Enterprises held in our security portfolio totaled \$40.3 million representing 3.4% of our total securities portfolio. While these securities may generally provide lower yields than other securities in our securities portfolio, we hold for liquidity purposes, as collateral for certain borrowings, to achieve positive interest rate spreads with minimal administrative expense, and to lower our credit risk as a result of the guarantees provided by these issuers.

***Marketable Equity Securities.*** At December 31, 2009, we had \$2.1 million in equity securities representing 0.2% of our total securities portfolio. Equity securities are not insured or guaranteed investments and are affected by market interest rates and stock market fluctuations. Such investments (when held) are carried at their fair value and fluctuations in the fair value of such investments, including temporary declines in value, directly affect our net capital position.

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**Securities Portfolios.** The following table sets forth the composition of our investment securities portfolios at the dates indicated.

	At December 31, 2009		2009		At June 30, 2008		2007	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
(In thousands)								
Available-for-sale:								
Equity securities	\$ 1,832	\$ 2,053	\$ 1,583	\$ 1,598	\$ 6,655	\$ 6,514	\$ 6,205	\$ 5,969
GSE debt securities	25,013	25,039	30,051	30,079				
Mortgage-backed securities:								
Federal Home Loan Mortgage Corporation	206,877	209,522	151,450	152,718	51,256	51,197	68,635	67,223
Federal National Mortgage Association	158,678	160,427	94,967	96,617	49,393	49,364	70,059	68,856
Government National Mortgage Association	10,504	10,450	275	300				
Non-agency securities	67,290	63,752	80,523	73,704	101,555	95,957	119,598	115,891
Total mortgage-backed securities available for sale	443,349	444,151	327,215	323,339	202,204	196,518	258,292	251,970
Total securities available-for-sale	\$ 470,194	\$ 471,243	\$ 358,849	\$ 355,016	\$ 208,859	\$ 203,032	\$ 264,497	\$ 257,939
Held-to-maturity:								
Debt securities:								
Government Sponsored Enterprises	\$ 15,226	\$ 15,956	\$ 18,238	\$ 19,161	\$ 46,703	\$ 47,052	\$ 131,900	\$ 127,370
Municipal bonds	10,259	10,451	10,420	10,624	10,574	10,773	14,048	14,236
Corporate and other debt securities	21,411	37,809	20,727	20,129	178,669	135,527	166,074	165,897
	46,896	64,216	49,385	49,914	235,946	193,352	312,022	307,503

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Mortgage-backed securities:								
Federal Home Loan Mortgage Corporation	358,998	369,404	429,969	440,088	551,708	544,834	684,839	660,478
Government National Mortgage Association	3,880	4,157	4,269	4,617	5,052	5,322	6,061	6,235
Federal National Mortgage Association	236,109	245,353	278,272	286,820	354,493	351,003	444,689	430,723
Federal housing authorities	2,549	2,780	2,654	2,908	2,849	3,077	3,027	3,251
Non-agency securities	69,009	67,495	81,494	76,955	105,006	100,465	128,284	123,686
Total mortgage-backed securities held-to-maturity	670,545	689,189	796,658	811,388	1,019,108	1,004,701	1,266,900	1,224,373
Total securities held-to-maturity	\$ 717,441	\$ 753,405	\$ 846,043	\$ 861,302	\$ 1,255,054	\$ 1,198,053	\$ 1,578,922	\$ 1,531,876
Total securities	\$ 1,187,635	\$ 1,224,648	\$ 1,204,892	\$ 1,216,318	\$ 1,463,913	\$ 1,401,085	\$ 1,843,419	\$ 1,789,815

At December 31, 2009, we had no investment that had an aggregate book value in excess of 10% of our equity.

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**Portfolio Maturities and Yields.** The composition and maturities of the securities portfolio at December 31, 2009 are summarized in the following table. Maturities are based on the final contractual payment dates, and do not reflect the impact of prepayments or early redemptions that may occur. State and municipal securities yields have not been adjusted to a tax-equivalent basis.

	One Year or Less Weighted Amortized Average		More than One Year through Five Years Weighted Amortized Average		More than Five Years through Five Years Weighted Amortized Average		More than Ten Years Weighted Amortized Average		Total Securities Weighted Amortized Average		
	Cost	Yield	Cost	Yield	Cost	Yield	Cost	Yield	Cost	Fair Value	
(Dollars in thousands)											
<b>Available-for-Sale:</b>											
Equity securities	\$	%		%		%	1,832	%	1,832	\$ 2,053	%
GSE debt securities	25,013	0.89%		%		%		%	25,013	25,039	%
Mortgage-backed securities:											
Federal Home Loan Mortgage Corporation Government National Mortgage Association		%	4,510	4.01%	38,461	4.01%	163,906	4.79%	206,877	209,522	4.63%
Federal National Mortgage Association Non-agency securities		%	15,031	4.04%	65,906	4.00%	77,741	4.45%	158,678	160,427	4.23%
		%		%		%	10,504	4.01%	10,504	10,450	4.01%
		%	89	0.41%	50,320	4.59%	16,881	4.07%	67,290	63,752	4.45%
Total mortgage-backed securities	\$	%	19,630	4.02%	154,687	4.19%	269,032	4.46%	443,349	444,151	4.44%
Total securities available-for-sale	\$ 25,013	0.89%	\$ 19,630	4.02%	\$ 154,687	4.19%	\$ 270,864	4.43%	\$ 470,194	\$ 471,243	4.19%
<b>Held-to-Maturity:</b>											
Debt securities:											
Government sponsored enterprises	\$	%	15,000	4.50%	\$ 226	1.25%	\$	%	15,226	\$ 15,956	4.45%
Municipal bonds		%	5,109	6.80%	20	7.17%	5,130	9.08%	10,259	10,451	7.94%
Corporate and other debt securities		%		%		%	21,411	1.81%	21,411	37,809	1.81%

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% 20,109 5.08% 246 1.73% 26,541 3.22% 46,896 64,216 4.01%

Mortgage-backed securities:												
Federal Home Loan Mortgage Corporation	4,803	3.65%	12,511	4.05%	188,328	4.22%	153,356	4.07%	358,998	369,404	4.00%	
Government National Mortgage Association		%	1	12.00%	2	10.00%	3,877	7.24%	3,880	4,157	7.24%	
Federal National Mortgage Association	1,259	4.25%	112	7.50%	116,268	4.65%	118,470	4.67%	236,109	245,353	4.64%	
Federal and state housing authorities		%	1,572	8.88%	977	8.90%		%	2,549	2,780	8.88%	
Non-agency securities					64,849	4.88%	4,160	2.91%	69,009	67,495	4.76%	
Total mortgage-backed securities	6,062	3.78%	14,196	4.61%	370,424	4.48%	279,863	4.35%	670,545	689,189	4.34%	
Total securities held-to-maturity	\$ 6,062	3.78%	\$ 34,305	4.89%	\$ 370,670	4.48%	\$ 306,404	4.25%	\$ 717,441	\$ 753,405	4.31%	

**Table of Contents****Sources of Funds**

**General.** Deposits, primarily certificates of deposit, have traditionally been the primary source of funds used for our lending and investment activities. In addition, we use a significant amount of borrowings, primarily reverse repurchase agreements from the Federal Home Loan Bank ( FHLB ) and various brokers; to supplement cash flow needs, to lengthen the maturities of liabilities for interest rate risk management and to manage our cost of funds. Additional sources of funds include principal and interest payments from loans and securities, loan and security prepayments and maturities, brokered certificates of deposit, income on other earning assets and retained earnings. While cash flows from loans and securities payments can be relatively stable sources of funds, deposit inflows and outflows can vary widely and are influenced by prevailing interest rates, market conditions and levels of competition.

**Deposits.** At December 31, 2009, we held \$5.84 billion in total deposits, representing 77.8% of our total liabilities. In prior years we emphasized a more wholesale strategy for generating funds, in particular, by offering high cost certificates of deposit. At December 31, 2009, \$3.29 billion, or 56.4%, of our total deposit balances were certificates of deposit. We had no brokered deposits at December 31, 2009. We continue to change the mix of our deposits from one focused on attracting certificates of deposit to one focused on core deposits. The impact of these efforts has been a continuing shift in deposit mix to lower cost core products. We remain committed to our plan of attracting more core deposits because core deposits represent a more stable source of low cost funds and are less sensitive to changes in market interest rates. At December 31, 2009, we held \$2.55 billion in core deposits, representing 43.6% of total deposits. This is an increase of \$347.8 million, or 15.8%, when compared to June 30, 2009, when our core deposits were \$2.20 billion. We intend to continue to invest in branch staff training and to aggressively market and advertise our core deposit products. We attempt to generate our deposits from a diverse client group within our primary market area. We are focusing on attracting the deposits from municipalities and C&I businesses which operate in our marketplace.

We have a suite of commercial deposit products, designed to appeal to small business owners and non-profit organizations. The interest rates we pay, our maturity terms, service fees and withdrawal penalties are all reviewed on a periodic basis. Deposit rates and terms are based primarily on our current operating strategies, market rates, liquidity requirements, rates paid by competitors and growth goals. We also rely on personalized customer service, long-standing relationships with customers and an active marketing program to attract and retain deposits.

The flow of deposits is influenced significantly by general economic conditions, changes in money market and other prevailing interest rates and competition. The variety of deposit accounts we offer allows us to respond to changes in consumer demands and to be competitive in obtaining deposit funds. Our ability to attract and maintain deposits and the rates we pay on deposits will continue to be significantly affected by market conditions.

The following table sets forth the distribution of total deposit accounts, by account type, at the dates indicated.

	At December 31, 2009			At June 30, 2009		
	Balance	Percent of Total Deposits	Weighted Average Rate (Dollars in thousands)	Balance	Percent of Total Deposits	Weighted Average Rate
Savings	\$ 877,421	15.02%	1.64%	\$ 779,678	14.16%	1.99%
Checking accounts	927,675	15.88	0.81	898,816	16.33	0.84
Money market deposits	742,618	12.72	1.26	521,425	9.47	1.76
Total transaction accounts	2,547,714	43.62	1.21	2,199,919	39.96	1.46
Certificates of deposit	3,292,929	56.38	2.18	3,305,828	60.04	2.80
Total deposits	\$ 5,840,643	100.00%	1.77%	\$ 5,505,747	100.00%	2.27%





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	<b>At June 30,</b>					
	<b>Balance</b>	<b>2008 Percent of Total Deposits</b>	<b>Weighted Average Rate (Dollars in thousands)</b>	<b>Balance</b>	<b>2007 Percent of Total Deposits</b>	<b>Weighted Average Rate</b>
Savings	\$ 417,196	10.51%	1.96%	\$ 358,866	9.52%	2.13%
Checking	401,100	10.10	1.28	406,231	10.78	2.30
Money market deposits	229,018	5.77	2.06	182,274	4.84	2.37
Total transaction accounts	1,047,314	26.38	1.72	947,371	25.14	2.25
Certificates of deposit	2,922,961	73.62	3.71	2,820,817	74.86	5.03
Total deposits	\$ 3,970,275	100.00%	3.18%	\$ 3,768,188	100.00%	4.33%

The following table sets forth, by rate category, the amount of certificates of deposit outstanding as of the dates indicated.

	<b>At December 31, 2009</b>		<b>At June 30, 2008</b>		<b>2007</b>
	<b>(Dollars in thousands)</b>				
<b>Certificates of Deposits</b>					
Less than 2%	\$ 1,872,168	\$ 598,759	\$ 45,284	\$ 18,813	
2.01% - 3.00%	850,129	1,501,821	566,007	19,910	
3.01% - 4.00%	267,519	866,050	1,188,461	441,633	
4.01% - 5.00%	268,460	311,509	769,010	1,070,531	
Over 5.00%	34,653	27,689	354,199	1,269,930	
Total	\$ 3,292,929	\$ 3,305,828	\$ 2,922,961	\$ 2,820,817	

The following table sets forth, by rate category, the remaining period to maturity of certificates of deposit outstanding at December 31, 2009.

	<b>Within Three Months</b>	<b>Over Three to Six Months</b>	<b>Over Six Months to One Year</b>	<b>Over One Year to Two Years</b>	<b>Over Two Years to Three Years</b>	<b>Over Three Years</b>	<b>Total</b>
	<b>(Dollars in thousands)</b>						
<b>Certificates of Deposits</b>							
Less than 2%	\$ 379,424	\$ 759,438	\$ 529,760	\$ 199,924	\$ 3,491	\$ 131	\$ 1,872,168
2.01% - 3.00%	181,412	137,958	170,627	311,655	15,153	33,324	850,129
3.01% - 4.00%	83,243	68,681	25,103	24,145	22,859	43,488	267,519

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4.01% - 5.00%	15,866	11,216	8,930	65,289	133,149	34,010	268,460
Over 5.00%	116	312	1,815	9,288	13,608	9,514	34,653
Total	\$ 660,061	\$ 977,605	\$ 736,235	\$ 610,301	\$ 188,260	\$ 120,467	\$ 3,292,929

As of December 31, 2009 the aggregate amount of outstanding certificates of deposit in amounts greater than or equal to \$100,000 was approximately \$1.10 billion. The following table sets forth the maturity of those certificates as of December 31, 2009.

	<b>At December 31, 2009 (In thousands)</b>
Three months or less	\$ 236,416
Over three months through six months	321,219
Over six months through one year	220,468
Over one year	324,131
Total	\$ 1,102,234

**Borrowings.** We borrow funds under repurchase agreements with the FHLB and various brokers. These agreements are recorded as financing transactions as we maintain effective control over the transferred or pledged securities. The dollar amount of the securities underlying the agreements continues to be carried in our securities portfolio while the obligations to repurchase the securities are reported as liabilities. The securities underlying the agreements are delivered to the party with whom each transaction

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is executed. Those parties agree to resell to us the identical securities we delivered to them at the maturity or call period of the agreement.

We also borrow directly from the FHLB and various financial institutions. Our FHLB borrowings, frequently referred to as advances, are collateralized by a blanket lien against our residential mortgage portfolio.

The following table sets forth information concerning balances and interest rates on our advances from the FHLB and other financial institutions at the dates and for the periods indicated.

	<b>At or for the Six Month Period Ended</b>		<b>At or for the Years Ended June 30,</b>		
	<b>December 31, 2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>(Unaudited)</b>				
	<b>(Dollars in thousands)</b>				
Balance at end of period	\$ 850,542	\$ 1,223,569	\$ 870,555	\$ 563,583	\$ 333,710
Average balance during period	819,585	1,280,026	989,855	208,866	196,417
Maximum outstanding at any month end	870,553	1,348,574	1,348,574	563,583	333,710
Weighted average interest rate at end of period	3.79%	2.90%	3.66%	3.50%	5.42%
Average interest rate during period	3.82%	3.05%	3.34%	4.41%	5.46%

The following table sets forth information concerning balances and interest rate on our securities sold under agreements to repurchase at the dates and for the periods indicated:

	<b>At or for the Six Month Period Ended</b>		<b>At or for the Years Ended June 30,</b>		
	<b>December 31, 2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>(Unaudited)</b>				
	<b>(Dollars in thousands)</b>				
Balance at end of period	\$ 750,000	\$ 910,000	\$ 860,000	\$ 1,000,000	\$ 705,000
Average balance during period	823,620	894,348	902,326	999,663	925,280
Maximum outstanding at any month end	860,000	1,085,000	960,000	1,109,500	1,095,000
Weighted average interest rate at end of period	4.36%	4.31%	4.32%	4.27%	4.78%
Average interest rate during period	4.43%	4.43%	4.38%	4.58%	4.80%

**Subsidiary Activities**

Investors Bancorp, Inc. has two direct subsidiaries: ASB Investment Corp and Investors Savings Bank.

**ASB Investment Corp.** ASB Investment Corp. is a New Jersey corporation, which was organized in June 2003 for the purpose of selling insurance and investment products, including annuities, to customers and the general public through a third party networking arrangement. This subsidiary was obtained in the acquisition of American Bancorp in May 2009. There has been very little activity at this subsidiary and sales are currently limited to the sale of fixed rate annuities.

Investors Savings Bank has the following subsidiaries.

**ISB Mortgage Company LLC.** ISB Mortgage Company LLC is a New Jersey limited liability company that was formed in 2001 for the purpose of originating loans for sale to both Investors Savings Bank and third parties. In recent years, as Investors Savings Bank has increased its emphasis on the origination of loans, ISB Mortgage Company LLC

has served as Investors Savings Bank's retail lending production arm throughout the branch network.

ISB Mortgage Company LLC sells all loans that it originates either to Investors Savings Bank or third parties.

**ISB Asset Corporation.** ISB Asset Corporation is a New Jersey corporation formed in 1997 for the sole purpose of acquiring mortgage loans and mortgage-backed securities from Investors Savings Bank. It operated as a real estate investment trust ( REIT ) through December 2006. During fiscal 2008, the REIT was liquidated due to tax law changes and its assets were transferred to the Bank.

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***ISB Holdings, Inc.*** ISB Holdings, Inc. is a New Jersey corporation, which is the 100% owner of ISB Asset Corporation.

***American Savings Investment Corp.*** American Savings Investment Corp. is a New Jersey corporation that was formed in 2004 as an investment company subsidiary. The purpose of this subsidiary is to invest in stocks, bonds, notes and all types of equity, mortgages, debentures and other investment securities. Holding investment securities in this subsidiary reduces our New Jersey state income tax rate. This subsidiary was obtained in the acquisition of American Bancorp in May 2009.

Investors Savings Bank has two additional subsidiaries which are inactive.

**Personnel**

As of December 31, 2009, we had 684 full-time employees and 47 part-time employees. The employees are not represented by a collective bargaining unit and we consider our relationship with our employees to be good.

**SUPERVISION AND REGULATION**

**General**

Investors Savings Bank is a New Jersey-chartered savings bank, and its deposit accounts are insured up to applicable limits by the Federal Deposit Insurance Corporation ( FDIC ) under the Deposit Insurance Fund ( DIF ). Investors Savings Bank is subject to extensive regulation, examination and supervision by the Commissioner of the New Jersey Department of Banking and Insurance (the Commissioner ) as the issuer of its charter, and, as a non-member state chartered savings bank, by the FDIC as the deposit insurer and its primary federal regulator. Investors Savings Bank must file reports with the Commissioner and the FDIC concerning its activities and financial condition, and it must obtain regulatory approval prior to entering into certain transactions, such as mergers with, or acquisitions of, other depository institutions and opening or acquiring branch offices. The Commissioner and the FDIC each conduct periodic examinations to assess Investors Savings Bank s compliance with various regulatory requirements. This regulation and supervision establishes a comprehensive framework of activities in which a savings bank may engage and is intended primarily for the protection of the deposit insurance fund and depositors. The regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes.

Investors Bancorp, Inc., as a bank holding company controlling Investors Savings Bank, is subject to the Bank Holding Company Act of 1956, as amended ( BHCA ), and the rules and regulations of the Federal Reserve Board under the BHCA and to the provisions of the New Jersey Banking Act of 1948 (the New Jersey Banking Act ) and the regulations of the Commissioner under the New Jersey Banking Act applicable to bank holding companies. Investors Savings Bank and Investors Bancorp, Inc. are required to file reports with, and otherwise comply with the rules and regulations of, the Federal Reserve Board, the Commissioner and the FDIC. The Federal Reserve Board and the Commissioner conduct periodic examinations to assess the Company s compliance with various regulatory requirements. Investors Bancorp, Inc. files certain reports with, and otherwise complies with, the rules and regulations of the Securities and Exchange Commission under the federal securities laws and the listing requirements of NASDAQ.

Any change in such laws and regulations, whether by the Commissioner, the FDIC, the Federal Reserve Board or through legislation, could have a material adverse impact on Investors Savings Bank and Investors Bancorp, Inc. and their operations and stockholders.

Some of the laws and regulations applicable to Investors Savings Bank and Investors Bancorp, Inc. are summarized below or elsewhere in this Form 10-K. These summaries do not purport to be complete and are qualified in their entirety by reference to such laws and regulations.

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### **New Jersey Banking Regulation**

**Activity Powers.** Investors Savings Bank derives its lending, investment and other powers primarily from the applicable provisions of the New Jersey Banking Act and its related regulations. Under these laws and regulations, savings banks, including Investors Savings Bank, generally may invest in:

real estate mortgages;

consumer and commercial loans;

specific types of debt securities, including certain corporate debt securities and obligations of federal, state and local governments and agencies;

certain types of corporate equity securities; and

certain other assets.

A savings bank may also invest pursuant to a leeway power that permits investments not otherwise permitted by the New Jersey Banking Act, subject to certain restrictions imposed by the FDIC. Leeway investments must comply with a number of limitations on the individual and aggregate amounts of leeway investments. A savings bank may also exercise trust powers upon approval of the Commissioner. New Jersey savings banks may exercise those powers, rights, benefits or privileges authorized for national banks or out-of-state banks or for federal or out-of-state savings banks or savings associations, provided that before exercising any such power, right, benefit or privilege, prior approval by the Commissioner by regulation or by specific authorization is required. The exercise of these lending, investment and activity powers are limited by federal law and the related regulations. See Federal Banking Regulation Activity Restrictions on State-Chartered Banks below.

**Loans-to-One-Borrower Limitations.** With certain specified exceptions, a New Jersey-chartered savings bank may not make loans or extend credit to a single borrower or to entities related to the borrower in an aggregate amount that would exceed 15% of the bank's capital funds. A savings bank may lend an additional 10% of the bank's capital funds if secured by collateral meeting the requirements of the New Jersey Banking Act and §5200 of the Revised Statutes (the National Bank Act). Investors Savings Bank currently complies with applicable loans-to-one-borrower limitations.

**Dividends.** Under the New Jersey Banking Act, a stock savings bank may declare and pay a dividend on its capital stock only to the extent that the payment of the dividend would not impair the capital stock of the savings bank. In addition, a stock savings bank may not pay a dividend unless the savings bank would, after the payment of the dividend, have a surplus of not less than 50% of its capital stock, or alternatively, the payment of the dividend would not reduce the surplus. Federal law may also limit the amount of dividends that may be paid by Investors Savings Bank. See Federal Banking Regulation Prompt Corrective Action below.

**Minimum Capital Requirements.** Regulations of the Commissioner impose on New Jersey-chartered depository institutions, including Investors Savings Bank, minimum capital requirements similar to those imposed by the FDIC on insured state banks. See Federal Banking Regulation Capital Requirements below.

**Examination and Enforcement.** The New Jersey Department of Banking and Insurance may examine Investors Savings Bank whenever it deems an examination advisable. The Department examines Investors Savings Bank at least every two years. The Commissioner may order any savings bank to discontinue any violation of law or unsafe or unsound business practice, and may direct any director, officer, attorney or employee of a savings bank engaged in an objectionable activity, after the Commissioner has ordered the activity to be terminated, to show cause at a hearing before the Commissioner why such person should not be removed.

### **Federal Banking Regulation**

**Capital Requirements.** FDIC regulations require banks to maintain minimum levels of capital. The FDIC regulations define two tiers, or classes, of capital.

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Tier 1 capital is comprised of the sum of:

common stockholders' equity, excluding the unrealized appreciation or depreciation, net of tax, from available for sale securities;

non-cumulative perpetual preferred stock, including any related retained earnings; and

minority interests in consolidated subsidiaries minus all intangible assets, other than qualifying servicing rights and any net unrealized loss on marketable equity securities.

The components of Tier 2 capital currently include:

cumulative perpetual preferred stock;

certain perpetual preferred stock for which the dividend rate may be reset periodically;

hybrid capital instruments, including mandatory convertible securities;

term subordinated debt;

intermediate term preferred stock;

allowance for loan losses; and

up to 45% of pretax net unrealized holding gains on available for sale equity securities with readily determinable fair market values.

The allowance for loan losses includible in Tier 2 capital is limited to a maximum of 1.25% of risk-weighted assets (as discussed below). Overall, the amount of Tier 2 capital that may be included in total capital cannot exceed 100% of Tier 1 capital. The FDIC regulations establish a minimum leverage capital requirement for banks in the strongest financial and managerial condition, with a rating of 1 (the highest examination rating of the FDIC for banks) under the Uniform Financial Institutions Rating System, of not less than a ratio of 3.0% of Tier 1 capital to total assets. For all other banks, the minimum leverage capital requirement is 4.0%, unless a higher leverage capital ratio is warranted by the particular circumstances or risk profile of the depository institution.

The FDIC regulations also require that banks meet a risk-based capital standard. The risk-based capital standard requires the maintenance of a ratio of total capital, which is defined as the sum of Tier 1 capital and Tier 2 capital, to risk-weighted assets of at least 8% and a ratio of Tier 1 capital to risk-weighted assets of at least 4%. In determining the amount of risk-weighted assets, all assets, plus certain off balance sheet items, are multiplied by a risk-weight of 0% to 100%, based on the risks the FDIC believes are inherent in the type of asset or item.

The federal banking agencies, including the FDIC, have also adopted regulations to require an assessment of an institution's exposure to declines in the economic value of a bank's capital due to changes in interest rates when assessing the bank's capital adequacy. Under such a risk assessment, examiners evaluate a bank's capital for interest rate risk on a case-by-case basis, with consideration of both quantitative and qualitative factors. Institutions with significant interest rate risk may be required to hold additional capital. According to the agencies, applicable considerations include:

the quality of the bank's interest rate risk management process;

the overall financial condition of the bank; and

the level of other risks at the bank for which capital is needed.

The following table shows Investors Savings Bank's Total capital, Tier 1 risk-based capital, and Total risk-based capital ratios as of December 31, 2009:

	<b>As of December 31, 2009</b>	
	<b>Capital</b>	<b>Percent of Assets(1)</b>
	<b>(Dollars in thousands)</b>	
Total capital	\$ 749,585	9.0%
Tier 1 risk-based capital	\$ 749,585	14.7%
Total risk-based capital	\$ 804,637	15.8%

(1) For purposes of calculating Total capital, assets are based on adjusted total average assets. In calculating Tier 1 risk-based capital and Total risk-based capital, assets are based on total risk-



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weighted assets.

As of December 31, 2009, Investors Savings Bank was considered well capitalized under FDIC guidelines.

**Activity Restrictions on State-Chartered Banks.** Federal law and FDIC regulations generally limit the activities and investments of state-chartered FDIC insured banks and their subsidiaries to those permissible for national banks and their subsidiaries, unless such activities and investments are specifically exempted by law or consented to by the FDIC.

Before making a new investment or engaging in a new activity that is not permissible for a national bank or otherwise permissible under federal law or FDIC regulations, an insured bank must seek approval from the FDIC to make such investment or engage in such activity. The FDIC will not approve the activity unless the bank meets its minimum capital requirements and the FDIC determines that the activity does not present a significant risk to the FDIC insurance funds. Certain activities of subsidiaries that are engaged in activities permitted for national banks only through a financial subsidiary are subject to additional restrictions.

Federal law permits a state-chartered savings bank to engage, through financial subsidiaries, in any activity in which a national bank may engage through a financial subsidiary and on substantially the same terms and conditions. In general, the law permits a national bank that is well-capitalized and well-managed to conduct, through a financial subsidiary, any activity permitted for a financial holding company other than insurance underwriting, insurance investments, real estate investment or development or merchant banking. The total assets of all such financial subsidiaries may not exceed the lesser of 45% of the bank's total assets or \$50 billion. The bank has policies and procedures to assess the financial subsidiary's risk and protect the bank from such risk and potential liability, must not consolidate the financial subsidiary's assets with the bank's and must exclude from its own assets and equity all equity investments, including retained earnings, in the financial subsidiary. State-chartered savings banks may retain subsidiaries in existence as of March 11, 2000 and may engage in activities that are not authorized under federal law. Although Investors Savings Bank meets all conditions necessary to establish and engage in permitted activities through financial subsidiaries, it has not yet determined whether or the extent to which it will seek to engage in such activities.

**Federal Home Loan Bank System.** Investors Savings Bank is a member of the Federal Home Loan Bank system, which consists of twelve regional Federal Home Loan Banks, each subject to supervision and regulation by the Federal Housing Finance Agency ( FHFA ). The Federal Home Loan Banks provide a central credit facility primarily for member thrift institutions as well as other entities involved in home mortgage lending. It is funded primarily from proceeds derived from the sale of consolidated obligations of the Federal Home Loan Banks. The Federal Home Loan Banks make loans to members (i.e., advances) in accordance with policies and procedures, including collateral requirements, established by the respective Boards of Directors of the Federal Home Loan Banks. These policies and procedures are subject to the regulation and oversight of the FHFA. All long-term advances are required to provide funds for residential home financing. The FHFA has also established standards of community or investment service that members must meet to maintain access to such long-term advances.

Investors Savings Bank, as a member of the FHLB is currently required to acquire and hold shares of FHLB Class B stock. The Class B stock has a par value of \$100 per share and is redeemable upon five years notice, subject to certain conditions. The Class B stock has two subclasses, one for membership stock purchase requirements and the other for activity-based stock purchase requirements. The minimum stock investment requirement in the FHLB Class B stock is the sum of the membership stock purchase requirement, determined on an annual basis at the end of each calendar year, and the activity-based stock purchase requirement, determined on a daily basis. For Investors Savings Bank, the membership stock purchase requirement is 0.2% of the Mortgage-Related Assets, as defined by the FHLB, which consists principally of residential mortgage loans and mortgage-backed securities, including CMOs, held by Investors Savings Bank. The activity-based stock purchase requirement for Investors Savings Bank is equal to the sum of: (1) 4.5% of outstanding borrowing from the FHLB; (2) 4.5% of the outstanding principal balance of Acquired Member Assets, as defined by the FHLB, and delivery commitments for Acquired

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Member Assets; (3) a specified dollar amount related to certain off-balance sheet items, for which Investors Savings Bank is zero; and (4) a specified percentage ranging from 0 to 5% of the carrying value on the FHLB balance sheet of derivative contracts between the FHLB and its members, which for Investors Savings Bank is also zero. The FHLB can adjust the specified percentages and dollar amount from time to time within the ranges established by the FHLB capital plan. At December 31, 2009, the amount of FHLB stock held by us satisfies these requirements.

***Safety and Soundness Standards.*** Pursuant to the requirements of FDICIA, as amended by the Riegle Community Development and Regulatory Improvement Act of 1994, each federal banking agency, including the FDIC, has adopted guidelines establishing general standards relating to internal controls, information and internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, asset quality, earnings and compensation, fees and benefits. In general, the guidelines require, among other things, appropriate systems and practices to identify and manage the risks and exposures specified in the guidelines. The guidelines prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director, or principal stockholder.

In addition, the FDIC adopted regulations to require a savings bank that is given notice by the FDIC that it is not satisfying any of such safety and soundness standards to submit a compliance plan to the FDIC. If, after being so notified, a savings bank fails to submit an acceptable compliance plan or fails in any material respect to implement an accepted compliance plan, the FDIC may issue an order directing corrective and other actions of the types to which a significantly undercapitalized institution is subject under the prompt corrective action provisions of FDICIA. If a savings bank fails to comply with such an order, the FDIC may seek to enforce such an order in judicial proceedings and to impose civil monetary penalties.

***Enforcement.*** The FDIC has extensive enforcement authority over insured savings banks, including Investors Savings Bank. This enforcement authority includes, among other things, the ability to assess civil money penalties, to issue cease and desist orders and to remove directors and officers. In general, these enforcement actions may be initiated in response to violations of laws and regulations and to unsafe or unsound practices.

***Prompt Corrective Action.*** The Federal Deposit Insurance Corporation Improvement Act also established a system of prompt corrective action to resolve the problems of undercapitalized institutions. The FDIC, as well as the other federal banking regulators, adopted regulations governing the supervisory actions that may be taken against undercapitalized institutions. The regulations establish five categories, consisting of well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. The FDIC's regulations define the five capital categories as follows:

An institution will be treated as well capitalized if:

its ratio of total capital to risk-weighted assets is at least 10%;

its ratio of Tier 1 capital to risk-weighted assets is at least 6%; and

its ratio of Tier 1 capital to total assets is at least 5%, and it is not subject to any order or directive by the FDIC to meet a specific capital level.

An institution will be treated as adequately capitalized if:

its ratio of total capital to risk-weighted assets is at least 8%; or

its ratio of Tier 1 capital to risk-weighted assets is at least 4%; and

its ratio of Tier 1 capital to total assets is at least 4% (3% if the bank receives the highest rating under the Uniform Financial Institutions Rating System) and it is not a well-capitalized institution.

An institution will be treated as undercapitalized if:

its total risk-based capital is less than 8%; or

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its Tier 1 risk-based-capital is less than 4%; and

its leverage ratio is less than 4%.

An institution will be treated as significantly undercapitalized if:

its total risk-based capital is less than 6%;

its Tier 1 capital is less than 3%; or

its leverage ratio is less than 3%.

An institution that has a tangible capital to total assets ratio equal to or less than 2% would be deemed to be critically undercapitalized.

The FDIC is required, with some exceptions, to appoint a receiver or conservator for an insured state bank if that bank is critically undercapitalized. For this purpose, critically undercapitalized means having a ratio of tangible capital to total assets of less than 2%. The FDIC may also appoint a conservator or receiver for a state bank on the basis of the institution's financial condition or upon the occurrence of certain events, including:

insolvency, or when a assets of the bank are less than its liabilities to depositors and others;

substantial dissipation of assets or earnings through violations of law or unsafe or unsound practices;

existence of an unsafe or unsound condition to transact business;

likelihood that the bank will be unable to meet the demands of its depositors or to pay its obligations in the normal course of business; and

insufficient capital, or the incurring or likely incurring of losses that will deplete substantially all of the institution's capital with no reasonable prospect of replenishment of capital without federal assistance.

Investors Savings Bank is in compliance with the Prompt Corrective Action rules.

**Liquidity.** Investors Savings Bank maintains sufficient liquidity to ensure its safe and sound operation, in accordance with FDIC regulations.

**Deposit Insurance.** Investors Savings Bank is a member of the Deposit Insurance Fund, which is administered by the Federal Deposit Insurance Corporation. Deposit accounts at Investors Savings Bank are insured by the Federal Deposit Insurance Corporation, generally up to a maximum of \$100,000 for each separately insured depositor and up to a maximum of \$250,000 for self-directed retirement accounts. However, the Federal Deposit Insurance Corporation increased the deposit insurance available on all deposit accounts to \$250,000, effective until December 31, 2013. In addition, certain noninterest-bearing transaction accounts maintained with financial institutions participating in the Federal Deposit Insurance Corporation's Transaction Account Guarantee (TAG) Program under the Temporary Liquidity Guarantee (TLG) Program are fully insured regardless of the dollar amount until June 30, 2010. Investors Savings Bank has opted to participate in the Federal Deposit Insurance Corporation's TAG Program. The purpose of the TLG is to strengthen confidence and encourage liquidity in the banking system. Under the TAG, funds in non-interest-bearing accounts, in interest-bearing transaction accounts with interest rate of 0.50% or less and in Interest on Lawyers Trust Accounts will have a temporary unlimited guarantee from the FDIC until June 30, 2010. The coverage of the TAG is in addition to and separate from coverage available under the FDIC's general deposit insurance rules, which insure accounts up to \$250,000.

The Federal Deposit Insurance Corporation imposes an assessment against all depository institutions for deposit insurance. This assessment is based on the risk category of the institution and, prior to 2009, ranged from 5 to 43 basis points of the institution's deposits. On February 27, 2009, the Federal Deposit Insurance Corporation published a final rule raising the current deposit insurance assessment rates to a range from 12 to 45 basis points beginning April 1, 2009.

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On May 22, 2009, the FDIC adopted a final rule imposing a 5 basis point special assessment on each insured depository institution's assets minus Tier 1 capital as of June 30, 2009. The special assessment of \$3.7 million was collected on September 30, 2009.

On November 12, 2009, the FDIC adopted a final rule amending the assessment regulations to require insured depository institutions to prepay their quarterly risk-based assessments for the fourth quarter of 2009, and for all of 2010, 2011, and 2012, on December 30, 2009. The amount of prepayments paid by the Company amounted to \$35.9 million.

The deposit insurance assessment rates are in addition to the assessments for payments on the bonds issued in the late 1980s by the Financing Corporation, or FICO, to recapitalize the now defunct Federal Savings and Loan Insurance Corporation. The FICO payments will continue until the FICO bonds mature in 2017 through 2019. Excluding the special assessment noted above, our expense for the assessment of deposit insurance and the FICO payments was \$4.7 million for the six month period ended December 31, 2009 and \$5.0 million for the year ended June 30, 2009. The FDIC also established 1.25% of estimated insured deposits as the designated reserve ratio of the DIF. The FDIC is authorized to change the assessment rates as necessary, subject to the previously discussed limitations, to maintain the required reserve ratio of 1.25%.

There was a One-Time Assessment Credit the FDIC gave to institutions that were in existence on December 31, 1996 and paid deposit insurance assessments prior to that date, or are a successor to such an institution. The Bank received a \$2.8 million One-Time Assessment Credit, all of which was used by September 30, 2008.

***Transactions with Affiliates of Investors Savings Bank.*** Transactions between an insured bank, such as Investors Savings Bank, and any of its affiliates are governed by Sections 23A and 23B of the Federal Reserve Act and implementing regulations. An affiliate of a bank is any company or entity that controls, is controlled by or is under common control with the bank. Generally, a subsidiary of a bank that is not also a depository institution or financial subsidiary is not treated as an affiliate of the bank for purposes of Sections 23A and 23B.

Section 23A:

limits the extent to which a bank or its subsidiaries may engage in covered transactions with any one affiliate to an amount equal to 10% of such bank's capital stock and retained earnings, and limits all such transactions with all affiliates to an amount equal to 20% of such capital stock and retained earnings; and

requires that all such transactions be on terms that are consistent with safe and sound banking practices.

The term covered transaction includes the making of loans, purchase of assets, issuance of guarantees and other similar types of transactions. Further, most loans by a bank to any of its affiliates must be secured by collateral in amounts ranging from 100% to 130% of the loan amounts. In addition, any covered transaction by a bank with an affiliate and any purchase of assets or services by a bank from an affiliate must be on terms that are substantially the same, or at least as favorable to the bank, as those that would be provided to a non-affiliate.

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***Prohibitions Against Tying Arrangements.*** Banks are subject to the prohibitions of 12 U.S.C. Section 1972 on certain tying arrangements. A depository institution is prohibited, subject to some exceptions, from extending credit to or offering any other service, or fixing or varying the consideration for such extension of credit or service, on the condition that the customer obtain some additional service from the institution or its affiliates or not obtain services of a competitor of the institution.

***Privacy Standards.*** FDIC regulations require Investors Savings Bank to disclose their privacy policy, including identifying with whom they share non-public personal information, to customers at the time of establishing the customer relationship and annually thereafter.

Investors Savings Bank is also required to provide its customers with the ability to opt-out of having Investors Savings Bank share their non-public personal information with unaffiliated third parties before they can disclose such information, subject to certain exceptions.

In addition, in accordance with the Fair Credit Reporting Act, Investors must provide its customers with the ability to opt-out of having Investors share their non-public personal information for marketing purposes with an affiliate or subsidiary before they can disclose such information.

The FDIC and other federal banking agencies adopted guidelines establishing standards for safeguarding customer information. The guidelines describe the agencies' expectations for the creation, implementation and maintenance of an information security program, which would include administrative, technical and physical safeguards appropriate to the size and complexity of the institution and the nature and scope of its activities. The standards set forth in the guidelines are intended to insure the security and confidentiality of customer records and information, protect against any anticipated threats or hazards to the security or integrity of such records and protect against unauthorized access to or use of such records or information that could result in substantial harm or inconvenience to any customer.

***Community Reinvestment Act and Fair Lending Laws.*** All FDIC insured institutions have a responsibility under the Community Reinvestment Act (CRA) and related regulations to help meet the credit needs of their communities, including low- and moderate-income individuals and neighborhoods. In connection with its examination of a state chartered savings bank, the FDIC is required to assess the institution's record of compliance with the CRA. Among other things, the current CRA regulations rates an institution based on its actual performance in meeting community needs. In particular, the current evaluation system focuses on three tests:

a lending test, to evaluate the institution's record of making loans in its service areas;

an investment test, to evaluate the institution's record of investing in community development projects, affordable housing, and programs benefiting low or moderate income individuals and/or census tracts and businesses; and

a service test, to evaluate the institution's delivery of services through its branches, ATMs and other offices.

An institution's failure to comply with the provisions of the CRA could, at a minimum, result in regulatory restrictions on its activities. Investors Savings Bank received an outstanding CRA rating in our most recently completed federal examination, which was conducted by the FDIC in June 2008.

In addition, the Equal Credit Opportunity Act and the Fair Housing Act prohibit lenders from discriminating in their lending practices on the basis of characteristics specified in those statutes. The failure to comply with the Equal Credit Opportunity Act and the Fair Housing Act could result in enforcement actions by the FDIC, as well as other federal regulatory agencies and the Department of Justice.

**Loans to a Bank's Insiders**

***Federal Regulation.*** A bank's loans to its insiders—executive officers, directors, principal shareholders (any owner of 10% or more of its stock) and any of certain entities affiliated with any such persons (an insider's related interest) are subject to the conditions and limitations imposed by Section 22(h)

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of the Federal Reserve Act and its implementing regulations. Under these restrictions, the aggregate amount of the loans to any insider and the insider's related interests may not exceed the loans-to-one-borrower limit applicable to national banks, which is comparable to the loans-to-one-borrower limit applicable to Investors Savings Bank. See New Jersey Banking Regulation Loans-to-One Borrower Limitations. All loans by a bank to all insiders and insiders related interests in the aggregate may not exceed the bank's unimpaired capital and unimpaired surplus. With certain exceptions, loans to an executive officer, other than loans for the education of the officer's children and certain loans secured by the officer's residence, may not exceed the lesser of (1) \$100,000 or (2) the greater of \$25,000 or 2.5% of the bank's unimpaired capital and surplus. Federal regulation also requires that any proposed loan to an insider or a related interest of that insider be approved in advance by a majority of the board of directors of the bank, with any interested directors not participating in the voting, if such loan, when aggregated with any existing loans to that insider and the insider's related interests, would exceed either (1) \$500,000 or (2) the greater of \$25,000 or 5% of the bank's unimpaired capital and surplus.

Generally, loans to insiders must be made on substantially the same terms as, and follow credit underwriting procedures that are not less stringent than, those that are prevailing at the time for comparable transactions with other persons. An exception is made for extensions of credit made pursuant to a benefit or compensation plan of a bank that is widely available to employees of the bank and that does not give any preference to insiders of the bank over other employees of the bank.

In addition, federal law prohibits extensions of credit to a bank's insiders and their related interests by any other institution that has a correspondent banking relationship with the bank, unless such extension of credit is on substantially the same terms as those prevailing at the time for comparable transactions with other persons and does not involve more than the normal risk of repayment or present other unfavorable features.

***New Jersey Regulation.*** Provisions of the New Jersey Banking Act impose conditions and limitations on the liabilities to a savings bank of its directors and executive officers and of corporations and partnerships controlled by such persons that are comparable in many respects to the conditions and limitations imposed on the loans and extensions of credit to insiders and their related interests under federal law, as discussed above. The New Jersey Banking Act also provides that a savings bank that is in compliance with federal law is deemed to be in compliance with such provisions of the New Jersey Banking Act.

**Federal Reserve System**

The Federal Reserve Board regulations require all depository institutions to maintain reserves at specified levels against their transaction accounts (primarily NOW and regular checking accounts). At December 31, 2009, Investors Savings Bank was in compliance with the Federal Reserve Board's reserve requirements. Savings banks, such as Investors Savings Bank, are authorized to borrow from the Federal Reserve Bank discount window. Investors Savings Bank is deemed by the Federal Reserve Board to be generally sound and thus is eligible to obtain primary credit from its Federal Reserve Bank. Generally, primary credit is extended on a very short-term basis to meet the liquidity needs of an institution. Loans must be secured by acceptable collateral and carry a rate of interest of 100 basis points above the Federal Open Market Committee's federal funds target rate.

***Interagency Guidance on Nontraditional Mortgage Product Risks.*** On October 4, 2006, the FDIC and other federal bank regulatory authorities published the Interagency Guidance on Nontraditional Mortgage Product Risks, or the Guidance. The Guidance describes sound practices for managing risk, as well as marketing, originating and servicing nontraditional mortgage products, which include, among other things, interest only loans. The Guidance sets forth supervisory expectations with respect to loan terms and underwriting standards, portfolio and risk management practices and consumer protection. For example, the Guidance indicates that originating interest only loans with reduced documentation is considered a layering of risk and that institutions are expected to demonstrate mitigating factors to support their underwriting decision and the borrower's repayment capacity. Specifically, the Guidance indicates that a lender may accept a borrower's statement as to the borrower's income without obtaining verification only if there are

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mitigating factors that clearly minimize the need for direct verification of repayment capacity and that, for many borrowers, institutions should be able to readily document income.

On June 29, 2007, the FDIC and other federal bank regulatory agencies issued a final Statement on Subprime Mortgage Lending (the Statement) to address the growing concerns facing the sub-prime mortgage market, particularly with respect to rapidly rising sub-prime default rates that may indicate borrowers do not have the ability to repay adjustable-rate sub-prime loans originated by financial institutions. In particular, the agencies express concern in the Statement that current underwriting practices do not take into account that many subprime borrowers are not prepared for payment shock and that the current subprime lending practices compound risk for financial institutions. The Statement describes the prudent safety and soundness and consumer protection standards that financial institutions should follow to ensure borrowers obtain loans that they can afford to repay. These standards include a fully indexed, fully amortized qualification for borrowers and cautions on risk-layering features, including an expectation that stated income and reduced documentation should be accepted only if there are documented mitigating factors that clearly minimize the need for verification of a borrower's repayment capacity. Consumer protection standards include clear and balanced product disclosures to customers and limits on prepayment penalties that allow for a reasonable period of time, typically at least 60 days, for borrowers to refinance prior to the expiration of the initial fixed interest rate period without penalty. The Statement also reinforces the April 17, 2007 Interagency Statement on Working with Mortgage Borrowers, in which the federal bank regulatory agencies encouraged institutions to work constructively with residential borrowers who are financially unable or reasonably expected to be unable to meet their contractual payment obligations on their home loans.

We originate and purchase interest only loans. We do not originate or purchase sub-prime loans, negative amortization loans or option ARM loans. At December 31, 2009, our residential mortgage loan portfolio included approximately \$560.7 million of interest only loans.

### **Anti-Money Laundering and Customer Identification**

Investors Savings Bank is subject to FDIC regulations implementing the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, or the USA PATRIOT Act. The USA PATRIOT Act gives the federal government powers to address terrorist threats through enhanced domestic security measures, expanded surveillance powers, increased information sharing, and broadened anti-money laundering requirements. By way of amendments to the Bank Secrecy Act, Title III of the USA PATRIOT Act takes measures intended to encourage information sharing among bank regulatory agencies and law enforcement bodies. Further, certain provisions of Title III impose affirmative obligations on a broad range of financial institutions, including banks, thrifts, brokers, dealers, credit unions, money transfer agents and parties registered under the Commodity Exchange Act.

Title III of the USA PATRIOT Act and the related FDIC regulations impose the following requirements with respect to financial institutions:

Establishment of anti-money laundering programs

Establishment of a program specifying procedures for obtaining identifying information from customers seeking to open new accounts, including verifying the identity of customers within a reasonable period of time.

Establishment of enhanced due diligence policies, procedures and controls designed to detect and report money-laundering.

Prohibitions on correspondent accounts for foreign shell banks and compliance with record keeping obligations with respect to correspondent accounts of foreign banks.

Bank regulators are directed to consider a holding company's effectiveness in combating money laundering when ruling on Federal Reserve Act and Bank Merger Act applications.

The bank regulatory agencies have increased the regulatory scrutiny of the Bank Secrecy Act and anti-money laundering programs maintained by financial institutions. Significant penalties and fines, as well as other supervisory

orders may be imposed on a financial institution for non-compliance with these



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requirements. In addition, the federal bank regulatory agencies must consider the effectiveness of financial institutions engaging in a merger transaction in combating money laundering activities. The Bank has adopted policies and procedures to comply with these requirements.

**Sarbanes-Oxley Act of 2002**

The Sarbanes-Oxley Act of 2002 was enacted to address, among other issues, corporate governance, auditing and accounting, executive compensation, and enhanced and timely disclosure of corporate information. Under Section 302(a) of the Sarbanes-Oxley Act, our Chief Executive Officer and Chief Financial Officer are required to certify that our quarterly and annual reports filed with the Securities and Exchange Commission do not contain any untrue statement of a material fact. Rules promulgated under the Sarbanes-Oxley Act require that these officers certify that: they are responsible for establishing, maintaining and regularly evaluating the effectiveness of our internal controls; they have made certain disclosures to our auditors and the audit committee of the Board of Directors about our internal controls; and they have included information in our quarterly and annual reports about their evaluation and whether there have been significant changes in our internal controls or in other factors that could significantly affect internal controls. Investors Bancorp, Inc. was required to report under Section 404 of the Sarbanes-Oxley Act beginning with the fiscal year ending June 30, 2008. Investors Bancorp, Inc. has existing policies, procedures and systems designed to comply with these regulations, and is further enhancing and documenting such policies, procedures and systems to ensure continued compliance with these regulations.

**Holding Company Regulation**

**Federal Regulation.** Bank holding companies, like Investors Bancorp, Inc., are subject to examination, regulation and periodic reporting under the Bank Holding Company Act, as administered by the Federal Reserve Board. The Federal Reserve Board has adopted capital adequacy guidelines for bank holding companies on a consolidated basis substantially similar to those of the FDIC for Investors Savings Bank. As of December 31, 2009, Investors Bancorp, Inc. s total capital and Tier 1 capital ratios exceeded these minimum capital requirements. See Regulatory Capital Compliance.

Regulations of the Federal Reserve Board provide that a bank holding company must serve as a source of strength to any of its subsidiary banks and must not conduct its activities in an unsafe or unsound manner. Under the prompt corrective action provisions of the Federal Deposit Insurance Act, a bank holding company parent of an undercapitalized subsidiary bank would be directed to guarantee, within limitations, the capital restoration plan that is required of an undercapitalized bank. See Federal Banking Regulation Prompt Corrective Action. If an undercapitalized bank fails to file an acceptable capital restoration plan or fails to implement an accepted plan, the Federal Reserve Board may prohibit the bank holding company parent of the undercapitalized bank from paying any dividend or making any other form of capital distribution without the prior approval of the Federal Reserve Board.

As a bank holding company, Investors Bancorp, Inc. is required to obtain the prior approval of the Federal Reserve Board to acquire all, or substantially all, of the assets of any bank or bank holding company. Prior Federal Reserve Board approval will be required for Investors Bancorp, Inc. to acquire direct or indirect ownership or control of any voting securities of any bank or bank holding company if, after giving effect to such acquisition, it would, directly or indirectly, own or control more than 5% of any class of voting shares of such bank or bank holding company.

A bank holding company is required to give the Federal Reserve Board prior written notice of any purchase or redemption of its outstanding equity securities if the gross consideration for the purchase or redemption, when combined with the net consideration paid for all such purchases or redemptions during the preceding 12 months, will be equal to 10% or more of the company s consolidated net worth. The Federal Reserve Board may disapprove such a purchase or redemption if it determines that the proposal would constitute an unsafe and unsound practice, or would violate any law, regulation, Federal Reserve Board order or directive, or any condition imposed by, or written agreement with, the Federal Reserve Board. Such notice and approval is not required for a bank holding company that would be treated as well capitalized under applicable regulations of the Federal Reserve Board, that has received a composite 1

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or 2 rating, as well as a satisfactory rating for management, at its most recent bank holding company examination by the Federal Reserve Board, and that is not the subject of any unresolved supervisory issues.

In addition, a bank holding company that does not elect to be a financial holding company under federal regulations, is generally prohibited from engaging in, or acquiring direct or indirect control of any company engaged in non-banking activities. One of the principal exceptions to this prohibition is for activities found by the Federal Reserve Board to be so closely related to banking or managing or controlling banks. Some of the principal activities that the Federal Reserve Board has determined by regulation to be closely related to banking are:

making or servicing loans;

performing certain data processing services;

providing discount brokerage services; or acting as fiduciary, investment or financial advisor;

leasing personal or real property;

making investments in corporations or projects designed primarily to promote community welfare; and

acquiring a savings and loan association.

A bank holding company that elects to be a financial holding company may engage in activities that are financial in nature or incident to activities which are financial in nature. Investors Bancorp, Inc. has not elected to be a financial holding company, although it may seek to do so in the future. A bank holding company may elect to become a financial holding company if:

each of its depository institution subsidiaries is well capitalized ;

each of its depository institution subsidiaries is well managed ;

each of its depository institution subsidiaries has at least a satisfactory Community Reinvestment Act rating at its most recent examination; and

the bank holding company has filed a certification with the Federal Reserve Board stating that it elects to become a financial holding company.

Under federal law, depository institutions are liable to the FDIC for losses suffered or anticipated by the FDIC in connection with the default of a commonly controlled depository institution, or for any assistance provided by the FDIC to such an institution in danger of default. This law would potentially be applicable to Investors Bancorp, Inc. if it ever acquired as a separate subsidiary a depository institution in addition to Investors Savings Bank.

It has been the policy of many mutual holding companies to waive the receipt of dividends declared by their savings bank subsidiaries. In connection with its approval of the 1997 reorganization, however, the Federal Reserve Board imposed certain conditions on the waiver by Investors Bancorp, MHC of dividends paid on the common stock of Investors Bancorp, Inc. In particular, Investors Bancorp, MHC will be required to obtain prior Federal Reserve Board approval before it may waive any dividends. Federal Reserve Board policy generally prohibits mutual holding companies from waiving the receipt of dividends. Accordingly, management does not expect that Investors Bancorp, MHC will be permitted to waive the receipt of dividends so long as Investors Bancorp, MHC is regulated by the Federal Reserve Board as a bank holding company.

In connection with the 2005 stock offering, the Federal Reserve Board required Investors Bancorp, Inc. to agree to comply with certain regulations issued by the Office of Thrift Supervision that would apply if Investors Bancorp, Inc., Investors Bancorp, MHC and Investors Savings Bank were Office of Thrift Supervision chartered entities, including regulations governing post-stock offering stock benefit plans and stock repurchases.

***Conversion of Investors Bancorp, MHC to Stock Form.*** Investors Bancorp, MHC is permitted to convert from the mutual form of organization to the capital stock form of organization (a Conversion Transaction ). There can be no

assurance when, if ever, a Conversion Transaction will occur, and the Board of Directors has no current intention or plan to undertake a Conversion Transaction. In a Conversion Transaction a new stock holding company would be formed as the successor to Investors Bancorp, Inc. (the New Holding Company ), Investors Bancorp, MHC s corporate existence would end, and certain depositors of Investors Savings Bank would receive the right to subscribe for additional shares of the New

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Holding Company. In a Conversion Transaction, each share of common stock held by stockholders other than Investors Bancorp, MHC ( Minority Stockholders ) would be automatically converted into a number of shares of common stock of the New Holding Company determined pursuant to an exchange ratio that ensures that Minority Stockholders own the same percentage of common stock in the New Holding Company as they owned in Investors Bancorp, Inc. immediately before the Conversion Transaction, subject to any adjustment required by regulation or regulatory policy. The FDIC's approval of Investors Savings Bank's initial mutual holding company reorganization in 1997 requires that any dividends waived by Investors Bancorp, MHC be taken into account in establishing the exchange ratio in any Conversion Transaction. The total number of shares held by Minority Stockholders after a Conversion Transaction also would be increased by any purchases by Minority Stockholders in the offering conducted as part of the Conversion Transaction.

In connection with our June 2008 merger of Summit Federal Savings Bank, we issued 1,744,592 shares of our common stock to Investors Bancorp, MHC, which represents the pro forma market value of Summit Federal Savings Bank, thereby increasing Investors Bancorp, MHC's ownership interest in Investors Bancorp, Inc. As a result, in the event of a Conversion Transaction of Investors Bancorp, MHC, there will be additional shares of New Holding Company available to depositors of Investors Savings Bank, including former depositors of Summit Federal Savings Bank who remain depositors of Investors Savings Bank at the time of the conversion.

Any Conversion Transaction would require the approval of a majority of the outstanding shares of Investors Bancorp, Inc. common stock held by Minority Stockholders and approval of a majority of the votes held by depositors of Investors Savings Bank.

***New Jersey Regulation.*** Under the New Jersey Banking Act, a company owning or controlling a savings bank is regulated as a bank holding company. The New Jersey Banking Act defines the terms "company" and "bank holding company" as such terms are defined under the BHCA. Each bank holding company controlling a New Jersey-chartered bank or savings bank must file certain reports with the Commissioner and is subject to examination by the Commissioner.

***Acquisition of Investors Bancorp, Inc.*** Under federal law and under the New Jersey Banking Act, no person may acquire control of Investors Bancorp, Inc. or Investors Savings Bank without first obtaining approval of such acquisition of control by the Federal Reserve Board and the Commissioner. See "Restrictions on the Acquisition of Investors Bancorp, Inc. and Investors Savings Bank."

***Federal Securities Laws.*** Investors Bancorp, Inc.'s common stock is registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. Investors Bancorp, Inc. is subject to the information, proxy solicitation, insider trading restrictions and other requirements under the Securities Exchange Act of 1934.

Investors Bancorp, Inc. common stock held by persons who are affiliates (generally officers, directors and principal stockholders) of Investors Bancorp, Inc. may not be resold without registration or unless sold in accordance with certain resale restrictions. If Investors Bancorp, Inc. meets specified current public information requirements, each affiliate of Investors Bancorp, Inc. is able to sell in the public market, without registration, a limited number of shares in any three-month period.

**Table of Contents****TAXATION****Federal Taxation**

**General.** Investors Bancorp, Inc. and Investors Savings Bank are subject to federal income taxation in the same general manner as other corporations, with some exceptions discussed below. Neither Investors Bancorp, Inc.'s nor Investors Savings Bank's federal tax returns are currently under audit, and neither entity has been audited during the past five years. The following discussion of federal taxation is intended only to summarize certain pertinent federal income tax matters and is not a comprehensive description of the tax rules applicable to Investors Bancorp, Inc. or Investors Savings Bank.

**Method of Accounting.** For federal income tax purposes, Investors Bancorp, Inc. currently reports its income and expenses on the accrual method of accounting and uses a tax year ending December 31 for filing its federal and state income tax returns.

**Bad Debt Reserves.** Historically, Investors Savings Bank was subject to special provisions in the tax law regarding allowable tax bad debt deductions and related reserves. Tax law changes were enacted in 1996 pursuant to the Small Business Protection Act of 1996 (the 1996 Act), which eliminated the use of the percentage of taxable income method for tax years after 1995 and required recapture into taxable income over a six year period all bad debt reserves accumulated after 1987. Investors Savings Bank has fully recaptured its post-1987 reserve balance.

Currently, the Investors Savings Bank consolidated group uses the specific charge off method to account for bad debt deductions for income tax purposes.

**Taxable Distributions and Recapture.** Prior to the 1996 Act, bad debt reserves created prior to January 1, 1988 (pre-base year reserves) were subject to recapture into taxable income if Investors Savings Bank failed to meet certain thrift asset and definitional tests.

As a result of the 1996 Act, bad debt reserves accumulated after 1987 are required to be recaptured into income over a six-year period. However, all pre-base year reserves are subject to recapture if Investors Savings Bank makes certain non-dividend distributions, repurchases any of its stock, pays dividends in excess of tax earnings and profits, or ceases to maintain a bank charter. At December 31, 2009, our total federal pre-base year reserve was approximately \$40.7 million.

**Alternative Minimum Tax.** The Internal Revenue Code imposes an alternative minimum tax (AMT) at a rate of 20% on a base of regular taxable income plus certain tax preferences (alternative minimum taxable income or AMTI). The AMT is payable to the extent such AMTI is in excess of an exemption amount and the AMT exceeds the regular income tax. Net operating losses can offset no more than 90% of AMTI. Certain payments of AMT may be used as credits against regular tax liabilities in future years. Investors Bancorp, Inc. and Investors Savings Bank have not been subject to the AMT and have no such amounts available as credits for carryover.

**Net Operating Loss Carryforwards and Charitable Contribution Carryforward.** A financial institution may carry back net operating losses to the preceding five taxable years and forward to the succeeding 20 taxable years. As of December 31, 2009, the Company has a \$4.0 million carryback claim and a federal net operating loss carryforward of approximately \$12.5 million.

At December 31, 2009, the Company had approximately \$1.0 million in charitable contribution carryforwards which are due to expire in 2010. It is more likely than not that we will be able to use the carryforward before it expires.

**Corporate Dividends-Received Deduction.** Investors Bancorp, Inc. may exclude from its federal taxable income 100% of dividends received from Investors Savings Bank as a wholly owned subsidiary. The corporate dividends-received deduction is 80% when the dividend is received from a corporation having at least 20% of its stock owned by the recipient corporation. A 70% dividends-received deduction is

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available for dividends received from a corporation having less than 20% of its stock owned by the recipient corporation.

**State Taxation**

***New Jersey State Taxation.*** Investors Savings Bank files New Jersey Corporate Business income tax returns. Generally, the income of savings institutions in New Jersey, which is calculated based on federal taxable income, subject to certain adjustments, is subject to New Jersey tax. Investors Savings Bank is not currently under audit with respect to its New Jersey income tax returns and Investors Savings Bank's state tax returns have not been audited for the past five years.

For tax years beginning after June 30, 2006, New Jersey savings banks, including Investors Savings Bank, are subject to a 9% corporate business tax ( CBT ). For tax years beginning before June 30, 2006, New Jersey savings banks, including Investors Savings Bank, paid the greater of a 9% CBT or an Alternative Minimum Assessment ( AMA ) tax. As of July 1, 2007, there is no longer a New Jersey AMA tax. The AMA tax paid in prior years is creditable against the CBT in future years limited to an amount such that the tax is not reduced by more than 50% of the tax otherwise due and other statutory minimums.

Investors Bancorp, Inc is required to file a New Jersey income tax return and will generally be subject to a state income tax at a 9% rate. However, if Investors Bancorp, Inc. meets certain requirements, it may be eligible to elect to be taxed as a New Jersey Investment Company, which would allow it to be taxed at a rate of 3.60%.

New Jersey tax law does not and has not allowed for a taxpayer to file a tax return on a combined or consolidated basis with another member of the affiliated group where there is common ownership. However, under recent tax legislation, if the taxpayer cannot demonstrate by clear and convincing evidence that the tax filing discloses the true earnings of the taxpayer on its business carried on in the State of New Jersey, the New Jersey Director of the Division of Taxation may, at the director's discretion, require the taxpayer to file a consolidated return for the entire operations of the affiliated group or controlled group, including its own operations and income.

At December 31, 2009 and June 30, 2009, the Company had state net operating loss carryforwards of approximately \$44.2 million and \$98.6 million, respectively. Based upon projections of future taxable income for the periods in which the temporary differences are expected to be deductible, management believes it is more likely than not the Company will realize the deferred tax asset.

***Delaware State Taxation.*** As a Delaware holding company not earning income in Delaware, Investors Bancorp, Inc. is exempted from Delaware corporate income tax but is required to file annual returns and pay annual fees and a franchise tax to the State of Delaware.

Table of Contents**PART III****ITEM 9. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE****Directors and Executive Officers**

The following table sets forth certain information, as of April 20, 2010, regarding the nominees for election as directors and the incumbent directors, including the terms of office of each director, as well as information regarding the executive officers of Investors Bancorp and its wholly owned subsidiary, Investors Savings Bank.

Name	Position(s) held with Investors Bancorp, Inc. and/or Investors	Age	Director Since	Expiration of Term
	Savings Bank			
Robert M. Cashill	Chairman	67	1998	2010
Brian D. Dittenhafer	Director	67	1997	2010
Vincent D. Manahan III	Director	72	2002	2010
James H. Ward, III	Director	61	2009	2010
Rose Sigler	Lead Director	75	1999	2011
Doreen R. Byrnes	Director	61	2002	2011
Richard J. Petroski	Director	71	2008	2011
Stephen J. Szabatin	Director	73	1994	2011
Joseph H. Shepard III	Director	75	1988	2012
Kevin Cummings	Director, President and Chief Executive Officer	55	2008	2012

The following information describes the business experience for each of the Company's directors and executive officers, as well as the qualifications, attributes and skills that led the Board of Directors to conclude that each director should serve on the Board.

**Directors*****Term to Expire 2010***

**Robert M. Cashill**, age 67, was first elected to the Board of Directors of Investors Savings Bank in February 1998 and has served as Chairman since January 2010. Mr. Cashill served as President and Chief Executive Officer of Investors Savings Bank from December 2002 up until his retirement on December 31, 2007. Prior to assuming such position, Mr. Cashill had served as Executive Vice President since January 2000. Prior to joining Investors Savings Bank, Mr. Cashill was employed as Vice President Institutional Sales by Salomon Smith Barney from 1977 to 1998, and at Hornblower, Weeks, Hemphill, Noyes from 1966 to 1977. Mr. Cashill has a Bachelor of Science degree in Economics from Saint Peter's College. Mr. Cashill's leadership skills, extensive background in the financial services industry and his experience working for Investors Savings Bank brings knowledge of industry management and local markets to the Board of Directors.

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**Brian D. Dittenhafer**, age 67, was first elected to the Board of Directors of Investors Savings Bank in 1997. He served as President and Chief Executive Officer of the Federal Home Loan Bank of New York from 1985 until his retirement in 1992. Mr. Dittenhafer joined the Federal Home Loan Bank of New York in 1976 where he also served as Vice President and Chief Economist, Chief Financial Officer and Executive Vice President. Previously, he was employed as a Business Economist at the Federal Reserve Bank of Atlanta from 1971 to 1976. From 1992 to 1995, Mr. Dittenhafer served as President and Chief Financial Officer of Collective Federal Savings Bank and as Chairman of the Resolution Funding Corporation from 1988 to 1992. From 1995 to 2007 Mr. Dittenhafer was Chairman of MBD Management Company. Mr. Dittenhafer has a Bachelor of Arts from Ursinus College and a Masters of Arts in Economics degree from Temple University where he subsequently taught economics. He was named to Omicron Delta Epsilon, the national honor society in Economics. Mr. Dittenhafer is a member of the National Association for Business Economics and the National Association of Corporate Directors (NACD). In 2007 he was awarded the Certificate of Director Education and continues his education through NACD where he has achieved Director Professional designation. Mr. Dittenhafer brings extensive knowledge of the banking industry and a strong background in economics to the Board of Directors.

**Vincent D. Manahan III**, age 72, was first elected to the Board of Directors of Investors Savings Bank in 2002. He is an attorney, and has been a solo practitioner since January 2006. Previously, Mr. Manahan was a partner in the law firm of Herrigel Bolan & Manahan LLP from 1969 through 2005 where he served as principal counsel to Investors Savings Bank from 1989 to 2002. He is a member of the New Jersey Bar Association, The Banking Law Section of the New Jersey Bar Association and the Essex County Bar Association. Mr. Manahan was a special counsel to the U.S. Department of Justice 9/11 Victims Compensation Fund. Mr. Manahan has a Bachelors degree in economics from Georgetown University, a Juris Doctor from Cornell Law School and received a Master of Laws degree from New York University's School of Law. Mr. Manahan has been given the highest rating (AV) of legal ability and ethical standards from Martindale-Hubbell. He is a member of the National Association of Corporate Directors (NACD) and continues his education through the NACD. Mr. Manahan's legal experience and expertise are valuable to the Board of Directors in matters of corporate governance, regulatory compliance and strategic acquisitions.

**James H. Ward, III**, age 61, was appointed to the Board of Directors of Investors Bancorp, Inc. and Investors Savings Bank in June 2009 upon consummation of Investors Bancorp Inc.'s acquisition of American Bancorp of New Jersey, Inc. Mr. Ward was a director of American Bancorp of New Jersey since 1991 and served as Vice Chairman since 2003. From 1998 to 2000, he was the majority stockholder and Chief Operating Officer of Rylyn Group, which operated a restaurant in Indianapolis, Indiana. Prior to that, he was the majority stockholder and Chief Operating Officer of Ward and Company, an insurance agency in Springfield, New Jersey, where he was employed from 1968 to 1998. He is now a retired investor. Mr. Ward brings a wide range of management experience and business knowledge that provides a valuable resource to the Board of Directors.

***Term to Expire 2011***

**Doreen R. Byrnes**, age 61, was elected to the Board of Directors of Investors Savings Bank in January 2002. Ms. Byrnes served as Executive Vice President-Human Resources from December 2001 until her retirement in March 2007. Previously, she served as Senior Vice President-Human Resources from 1980 until December 2001. She joined Investors Savings Bank in August 1979. Ms. Byrnes has a Bachelors degree from the University of Florida and a Masters degree from Fairleigh Dickinson University. Ms. Byrnes brings a strong knowledge of the employees and communities served by Investors Savings Bank, which provides a unique perspective to the Board of Directors.

**Richard J. Petroski**, age 71, was appointed to the Board of Directors of Investors Savings Bank in June 2008 upon consummation of Investors Bancorp MHC's acquisition of Summit Federal Bankshares MHC. Mr. Petroski was President and Chief Executive Officer of Summit Federal Savings Bank from 1979 until his retirement in February 2003. He served as chairman of Summit Federal Savings Bank's board of directors from 1988 until the acquisition in June 2008, and had been affiliated with Summit Federal Savings Bank since 1962. He is a member of the National Association of Corporate Directors (NACD). Mr.



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Petroski's extensive experience in the banking industry and local markets bring valuable expertise to the Board of Directors.

**Stephen J. Szabatin**, age 73, was first elected to the Board of Directors of Investors Savings Bank in 1994. He was employed by The New Jersey Department of Banking as the Deputy Commissioner-Division of Regulatory Affairs from 1993 until his retirement in 1994. Previously he served as Deputy Commissioner-Division of Supervision from 1989 to 1993, and in various other capacities from 1966 to 1994. He is a graduate of Seton Hall University, where he earned a Bachelor of Science degree in management. He is a member of the National Association of Corporate Directors (NACD). In 2007 he was awarded the Certificate of Director Education and continues his education through NACD where he has achieved Director Professional designation. Mr. Szabatin's experience is valuable to the Board of Directors in its oversight of risk management and regulatory compliance,

***Term to Expire 2012***

**Kevin Cummings**, age 55, was appointed President and Chief Executive Officer of Investors Savings Bank effective January 1, 2008 and was also appointed to serve on the Board of Directors of Investors Savings Bank at that time. He previously served as Executive Vice President and Chief Operating Officer of Investors Savings Bank since July 2003. Prior to joining Investors Savings Bank, Mr. Cummings had a 26-year career with the independent accounting firm of KPMG LLP, where he had been partner for 14 years. Immediately prior to joining Investors Savings Bank, he was an audit partner in KPMG's Financial Services practice in their New York City office and lead partner on a major commercial banking client. Mr. Cummings also worked in the New Jersey community bank practice for over 20 years. Mr. Cummings has a Bachelors degree in Economics from Middlebury College and a Masters degree in Business Administration from Rutgers University. He is a member of the Board of Governors for the NJ League of Community Bankers, Chairman of the Summit Speech School, a member of the Board of Trustees for St. Peter's Prep, a member of the Board of Trustees for the Independent College Fund and a member of the Board of Trustees for The Inner City Scholarship Fund. Mr. Cummings brings a vast knowledge of accounting, auditing and corporate governance in the financial services industry to the Board of Directors.

***Retiring Directors***

The current Bylaws of Investors Bancorp provide that a director shall retire from the Board at the annual meeting of the Board immediately following the year in which the director attains age seventy-five. Directors Sigler and Shepard III are retiring from the Board effective as of the Annual Meeting and the Board will be decreased to eight (8) members as of the Annual Meeting date.

**Rose Sigler**, age 75, was elected to the Board of Directors of Investors Savings Bank in November 1999. Ms. Sigler served as Senior Vice President of CRA Compliance and Community Relations of Investors Savings Bank from 1996 until her retirement in 1999. Previously, she served in various positions from the time she joined Investors Savings Bank in 1971. Ms. Sigler has a Graduate Degree from the Institute of Financial Education. She is a member of the National Association of Corporate Directors (NACD). In 2007 she was awarded the Certificate of Director Education and continues her education through NACD where she has achieved Director Professional designation.

**Joseph H. Shepard III**, age 75, was first elected to the Board of Directors of Investors Savings Bank in 1988. He served as Senior Vice President of Bollinger Insurance, Short Hills, New Jersey from July 1995 until his retirement in June 1997. Mr. Shepard was formerly President of Shepard, Caulfield & McCue Insurance Agency from 1965 to 1995. Mr. Shepard has a Bachelor of Science degree in Mathematics from Seton Hall University. He is a member of the National Association of Corporate Directors (NACD). In 2007 he was awarded the Certificate of Director Education and continues his education through NACD where he has achieved Director Professional designation.

**Table of Contents****Executive Officers of the Bank Who Are Not Also Directors**

**Domenick A. Cama**, age 54, was appointed Chief Operating Officer of Investors Savings Bank effective January 1, 2008. Prior to this appointment Mr. Cama served as Chief Financial Officer since April 2003. Prior to joining Investors Savings Bank, Mr. Cama was employed for 13 years by the Federal Home Loan Bank of New York where he served as Vice President and Director of Sales. Mr. Cama is also a member of the board of directors for the Raritan Bay Medical Center Foundation and the Madison YMCA. Mr. Cama holds a Bachelors degree in Economics and a Masters degree in Finance from Pace University.

**Richard S. Spengler**, age 48, was appointed Executive Vice President and Chief Lending Officer of Investors Savings Bank effective January 1, 2008. Mr. Spengler began working for Investors Savings Bank in September 2004 as Senior Vice President. Prior to joining Investors Savings Bank, Mr. Spengler had a 21-year career with First Savings Bank, Woodbridge, New Jersey where he served as Executive Vice President and Chief Lending Officer from 1999 to 2004. Mr. Spengler holds a Bachelors degree in Business Administration from Rutgers University.

**Paul Kalamaras**, age 51, was appointed Executive Vice President and Director of Retail Banking of Investors Savings Bank in January of 2010. Mr. Kalamaras joined Investors Savings Bank as a Senior Vice President and Director of Retail Banking in August of 2008. Before joining Investors, Mr. Kalamaras was Executive Vice President of Millennium bcp bank, N.A., in Newark, NJ where he was responsible for the retail, commercial banking and treasury lines of business. He served on the bank's Executive Committee and was a member of the Board of Directors. Mr. Kalamaras previously was President and CEO of The Barré Company, a manufacturer of precision engineered metal components for the electronics and telecommunications industry. Earlier, Mr. Kalamaras was Executive Vice President at Summit Bank, where he was responsible for the retail network and business banking. Mr. Kalamaras holds a Bachelors degree in Finance from the University of Notre Dame.

**Thomas F. Splaine, Jr.**, age 44, was appointed Senior Vice President and Chief Financial Officer of Investors Savings Bank effective January 1, 2008. Mr. Splaine previously served as Senior Vice President, Director of Financial Reporting for Investors Savings Bank since January 2006. He served as First Vice President, Director of Financial Reporting for Investors Savings Bank since December 2004. Prior to joining Investors Savings Bank, Mr. Splaine was employed by Hewlett-Packard Financial Services, Murray Hill, New Jersey as Director of Financial Reporting. Mr. Splaine holds a Bachelors degree in Accounting and a Masters of Business Administration from Rider University.

**Corporate Governance Matters**

Investors Bancorp is committed to maintaining sound corporate governance guidelines and very high standards of ethical conduct and is in compliance with applicable corporate governance laws and regulations.

***Section 16(a) Beneficial Ownership Reporting Compliance***

Investors Bancorp's common stock is registered with the Securities and Exchange Commission pursuant to Section 12(b) of the Securities Exchange Act of 1934, as amended. The executive officers and directors of Investors Bancorp, and beneficial owners of greater than 10% of Investors Bancorp's common stock are required to file reports on Forms 3, 4 and 5 with the Securities and Exchange Commission disclosing beneficial ownership and changes in beneficial ownership of Investors Bancorp's common stock. The Securities and Exchange Commission rules require disclosure in Investors Bancorp's Proxy Statement or Annual Report on Form 10-K of the failure of an executive officer, director or 10% beneficial owner of Investors Bancorp's common stock to file a Form 3, 4, or 5 on a timely basis. Based on Investors Bancorp's review of ownership reports and confirmations by executive officers and directors, the Company believes that, during 2009, its officers, directors and beneficial owners of greater than 10% timely filed all required reports with the exception of the inadvertent late filing of a Form 4 report on November 30, 2009 by Messrs. Cummings, Spengler, Splaine and Kalamaras to report the sale of stock to satisfy the tax liability on the November 2009 vesting of stock awards.

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### ***Board of Directors Meetings and Committees***

The Board of Directors of Investors Bancorp and Investors Savings Bank meet monthly, or more often as may be necessary. The Board of Directors of Investors Bancorp and Investors Savings Bank each met twelve times during calendar 2009. The Board of Directors of Investors Bancorp currently maintains three standing committees: the Nominating and Corporate Governance Committee, the Audit Committee and the Compensation and Benefits Committee.

All directors attended no fewer than 75% of the total number of Board meetings held by the Investors Bancorp Board of Directors and all committees of the Board on which they served (during the period they served) during calendar 2009. We do not have a specific policy regarding attendance at the annual meeting, however, ten of our directors attended the annual meeting of stockholders held on October 27, 2009, while one member was absent due to illness.

### ***Board Leadership Structure and Role in Risk Oversight***

The Board of Directors believes that having separate Chairman and Chief Executive Officer positions is the appropriate board leadership structure for Investors Bancorp. Management accountability and the board's independence from management is best served by maintaining a majority of independent directors and maintaining standing board committees comprised of independent members.

In January 2010, the Board of Directors elected Robert M. Cashill, Vice Chairman, as Chairman of the Board. Mr. Cashill succeeded Chairman Patrick J. Grant who passed away in December 2009. The board also elected Rose Sigler as Lead Director of the board to preside at executive sessions of independent directors. The Board of Directors was reduced to ten members.

The entire Board of Directors is engaged in risk management oversight. While at the present time the Board has not established a separate standing committee for enterprise risk management, the Audit Committee, in accordance with NASDAQ stock market listing requirements, assists the Board of Directors in its oversight of the Company's risk profile. It also establishes the organizational structure and processes used to identify, measure and manage risk including those related to major financial risks. In addition the Board and its standing committees receive reports on a regular basis regarding enterprise and/or committee specific risks and the actions implemented by management to address such risks. Moreover the Company is in process of creating a centralized risk management department.

### ***Corporate Governance Guidelines***

The Board of Directors has adopted Corporate Governance Guidelines, which are posted on the Governance Documents section of the Investor Relations page of Investors Savings Bank's website at [www.isbnj.com](http://www.isbnj.com). The Corporate Governance Guidelines cover the general operating policies and procedures followed by the Board of Directors including, among other things:

Mission of the Board;

Director responsibilities and qualifications;

Board nominating procedures and election criteria;

Stock ownership policies, Board size, director independence; and

Director compensation, education and code of ethics.

The Corporate Governance Guidelines provide for the independent directors of the Board of Directors to meet in regularly scheduled executive sessions at least quarterly. During calendar 2009, four executive sessions were conducted by the independent directors.

### ***Nominating and Corporate Governance Committee***

The current members of the Nominating and Corporate Governance Committee are: Ms. Sigler (Chair), Messrs. Dittenhafer, Manahan III, Petroski and Szabatin. Each member of the Nominating and Corporate Governance Committee is considered independent as defined in the NASDAQ corporate governance listing standards. The Nominating and Corporate Governance Committee's Charter and Corporate Governance Guidelines are posted on the



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Relations page of the Investors Savings Bank's website at [www.isbnj.com](http://www.isbnj.com). The Committee met three times during calendar 2009.

As noted in the Nominating and Corporate Governance Committee Charter, the purpose of the committee is to assist the Board in identifying individuals to become Board members; determine the size and composition of the Board and its committees; monitoring Board effectiveness and implementing Corporate Governance Guidelines.

In furtherance of this purpose, this committee, among other things, shall:

Lead the search for individuals qualified to become members of the Board of Directors and develop criteria (such as independence, experience relevant to the needs of the company, leadership qualities, diversity, stock ownership) for board membership;

Make recommendations to the Board concerning Board nominees and stockholders proposals;

Develop, recommend and oversee the annual self evaluation process of the board and its committees;

Develop and annually review corporate governance guidelines applicable to Investors Bancorp;

Review and monitor the Board's compliance with NASDAQ stock market listing standards for independence; and

Review, in consultation with the Compensation and Benefits Committee, directors' compensation and benefits.

In accordance with Corporate Governance Guidelines, the Committee considers all qualified director candidates identified by members of the Committee, by other members of the Board of Directors, by senior management and by stockholders. Stockholders recommending a director candidate to the Committee may do so by submitting the candidate's name, resume and biographical information to the attention of the Chairman of this Committee in accordance with procedures listed in this proxy statement (also available on the Company's website). All shareholder recommendations for director candidates the Chairman of the Committee receives in accordance with these procedures will be presented to the Committee for its consideration. The Committee's recommendations to the Board are based on its determination as to the suitability of each individual, and the slate as a whole, to serve as directors of the Company.

### ***Criteria for Election***

The Company's goal is to have a Board of Directors whose members have diverse professional backgrounds and have demonstrated professional achievement with the highest personal and professional ethics and integrity and whose values are compatible with those of the Company. Important factors considered in the selection of nominees for director include experience in positions that develop good business judgment, that demonstrate a high degree of responsibility, independence, and that show the individual's ability to commit adequate time and effort to serve as a director.

Nominees should have a familiarity with the communities in which the Company operates, be involved in activities that do not create a conflict with his/her responsibilities to the Company and its stockholders, and have the capacity and desire to represent the balanced, best interests of the stockholders of the Company as a group, and not primarily a special interest group or constituency.

The Nominating and Corporate Governance Committee will also take into account whether a candidate satisfies the criteria for independence as defined in the NASDAQ Corporate Governance Listing Standards, and, if a candidate with financial and accounting expertise is sought for service on the Audit Committee, whether the individual qualifies as an Audit Committee financial expert.

### ***Procedures for the Nomination of Directors by Stockholders***

As previously indicated, the Nominating and Corporate Governance Committee has adopted procedures for the consideration of Board candidates submitted by stockholders. Stockholders can submit the names of candidates for director by writing to the Chair of the Nominating and Corporate Governance

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Committee, at Investors Bancorp, Inc., 101 JFK Parkway, Short Hills New Jersey 07078. The submission must include the following information:

a statement that the writer is a stockholder and is proposing a candidate for consideration by the Nominating and Corporate Governance Committee;

the qualifications of the candidate and why this candidate is being proposed;

the name and address of the nominating stockholder as he/she appears on the Company's books, and number of shares of the Company's common stock that are owned beneficially by such stockholder (if the stockholder is not a holder of record, appropriate evidence of the stockholder's ownership will be required);

the name, address and contact information for the nominated candidate, and the number of shares of common stock of the Company that are owned by the candidate (if the candidate is not a holder of record, appropriate evidence of the stockholder's ownership should be provided);

a statement of the candidate's business and educational experience;

such other information regarding the candidate as would be required to be included in the proxy statement pursuant to SEC Regulation 14A;

a statement detailing any relationship between the candidate and the Company and between the candidate and any customer, supplier or competitor of the Company;

detailed information about any relationship or understanding between the proposing stockholder and the candidate; and

a statement that the candidate is willing to be considered and willing to serve as a director if nominated and elected.

A nomination submitted by a stockholder for presentation by the stockholder at an Annual Meeting of stockholders must comply with the procedural and informational requirements described in Advance Notice of Business to be Conducted at an Annual Meeting. The Company received no stockholder submission for Board nominees for this Annual Meeting.

***Stockholder and Interested Party Communication with the Board***

A stockholder of the Company, or an interested party, who wants to communicate with the Board or with any individual director can write to the Chair of the Nominating and Corporate Governance Committee at Investors Bancorp, Inc., 101 JFK Parkway, Short Hills, New Jersey 07078. The letter should indicate that the author is a stockholder and if shares are not held of record, should include appropriate evidence of stock ownership. Depending on the subject matter, the Chair will:

Forward the communication to the director(s) to whom it is addressed;

Handle the inquiry directly, for example where it is a request for information about the Company or it is a stock-related matter; or

Not forward the communication if it is primarily commercial in nature, relates to an improper or irrelevant topic, or is unduly hostile, threatening, illegal or otherwise inappropriate.

At each Board meeting, the Chair of the Nominating and Corporate Governance Committee shall present a summary of all communications received since the last meeting and make those communications available to the directors upon request.



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***Code of Ethics and Business Conduct***

The Board has adopted a code of ethics and business conduct for all employees and a code of ethics and business conduct for directors. These codes are designed to ensure the accuracy of financial reports, deter wrongdoing, promote honest and ethical conduct, the avoidance of conflicts of interest, and full and accurate disclosure and compliance with all applicable laws, rules and regulations. Both of these documents are available on the Company's website at [www.isbnj.com](http://www.isbnj.com). Amendments to and waivers from the codes of ethics and business conduct will be disclosed on the Company's website.

**Audit Committee Matters**

***Audit Committee***

The current members of the Audit Committee are: Messrs. Dittenhafer (Co-Chair), Szabatin (Co-Chair), Manahan III, Petroski, Shepard III, Ward III and Ms. Sigler. Mr. Kirkpatrick served as the Chair of the Audit Committee until his retirement on October 26, 2009. Each member of the Audit Committee is considered independent as defined in the NASDAQ corporate governance listing standards and under Securities and Exchange Commission Rule 10A-3. The Board considers Brain D. Dittenhafer, the Co-Chair of the Audit Committee, an audit committee financial expert as that term is used in the rules and regulations of the SEC.

The Audit Committee operates under a written charter adopted by the Board of Directors. The Audit Committee's Charter is posted on the Governance Documents section of the Investor Relations page of Investors Savings Bank's website at [www.isbnj.com](http://www.isbnj.com).

As noted in Audit Committee Charter, the primary purpose of the Audit Committee is to assist the Board in overseeing:

The integrity of Investors Bancorp's financial statements;

Investors Bancorp's compliance with legal and regulatory requirements;

The independent auditor's qualifications and independence;

The performance of Investors Bancorp's internal audit function and independent auditor, and

Investors Bancorp's system of disclosure controls and system of internal controls regarding finance, accounting, and legal compliance.

In furtherance of this purpose, this committee, among other things, shall:

Retain, oversee and evaluate a firm of independent registered public accountants to audit the annual financial statements;

Review the integrity of Investors Bancorp's financial reporting processes, both internal and external, in consultation with the independent registered public accounting firm and the internal auditor;

Review the financial statements and the audit report with management and the independent registered public accounting firm;

Review earnings and financial releases and quarterly and annual reports filed with the Securities and Exchange Commission; and

Approve all engagements for audit and non-audit services by the independent registered public accounting firm.

The Audit Committee met five times during calendar 2009. The Audit Committee reports to the Board of Directors on its activities and findings.



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**AUDIT COMMITTEE REPORT**

*Pursuant to rules and regulations of the Securities and Exchange Commission, this Audit Committee Report shall not be deemed incorporated by reference to any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that Investors Bancorp specifically incorporates this information by reference, and otherwise shall not be deemed soliciting material or to be filed with the Securities and Exchange Commission subject to Regulation 14A or 14C of the Securities and Exchange Commission or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended.*

Management has the primary responsibility for Investors Bancorp's internal control and financial reporting process, and for making an assessment of the effectiveness of Investors Bancorp's internal control over financial reporting. The independent registered public accounting firm is responsible for performing an independent audit of Investors Bancorp's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and to issue an opinion on those financial statements, and for providing an attestation report on management's assessment of internal control over financial reporting. The Audit Committee's responsibility is to monitor and oversee these processes.

As part of its ongoing activities, the Audit Committee has:

reviewed and discussed with management, and the independent registered public accounting firm, the audited consolidated financial statements of Investors Bancorp for the six months ended December 31, 2009;

discussed with the independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61, *Communications with Audit Committees*, as amended; and

received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the audit committee concerning independence, and has discussed with the independent registered public accounting firm its independence from Investors Bancorp.

Based on the review and discussions referred to above, the Audit Committee has recommended to Investors Bancorp's Board of Directors that the audited consolidated financial statements for the six months ended December 31, 2009 be included in Investors Bancorp's Annual Report on Form 10-K for filing with the Securities and Exchange Commission. In addition, the Audit Committee approved the re-appointment of KPMG LLP as the independent registered public accounting firm for the calendar year ending December 31, 2010, subject to the ratification of this appointment by the stockholders of Investors Bancorp.

**Compensation and Benefits Committee Matters**

***Compensation and Benefits Committee***

The current members of the Compensation and Benefits Committee are: Messrs. Manahan III (Chair), Dittenhafer, Shepard III, Szabatin, Ward III and Ms. Sigler. Each member of the Compensation and Benefits Committee is considered independent as defined in the NASDAQ corporate governance listing standards. The Compensation and Benefits Committee's Charter is posted on the Governance Documents section of the Investor Relations page of the Investors Savings Bank's website at [www.isbnj.com](http://www.isbnj.com). The Committee met seven times during calendar 2009.

As noted in Compensation and Benefits Committee Charter, the purpose of the committee is to assist the Board in carrying out the Board's overall responsibility relating to executive compensation, incentive compensation and equity and non equity based benefit plans.

In furtherance of this purpose, this committee, among other things, shall:

Review and recommend to the Board for approval the Chief Executive Officer's annual compensation, including salary, bonus, incentive and equity compensation;

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Review and recommend to the Board the evaluation process and compensation structure for the Company's executive officers, coordinate compensation determinations and benefit plans for all employees of the Company;

Review the Company's incentive compensation and other stock-based plans and make changes in such plans as needed; and

Review, as appropriate and in consultation with the Nominating and Corporate Governance Committee, director compensation and benefits;

In addition to these duties the committee shall assist the Board in recruiting and succession planning.

The Compensation and Benefits Committee retains responsibility for all compensation recommendations to the Board of Directors as to the executive officers. The Compensation and Benefits Committee may utilize information and benchmarks from an independent compensation firm, and from other sources, to determine how executive compensation levels compare to those companies within or outside of the industry. The Compensation and Benefits Committee may review published data for companies of similar size, location and stage of development among other factors.

In designing the compensation program for the Company, the Committee takes into consideration methods to avoid encouraging the taking of excess risk by executive management or by any other employees. The Committee assessed risks posed by the compensation plans maintained for the benefit of, and incentive compensation paid to, executive management and other employees and determined that the Company's compensation policies, practices and programs do not pose risks that are reasonably likely to have a material adverse effect on the Company.

The basic elements of Investors Bancorp's executive compensation program include base salary, annual cash incentives, equity incentives and certain other benefit arrangements, such as retirement programs. The Compensation and Benefits Committee shall review and recommend to the Board for its approval the compensation payable to the Chief Executive Officer based on corporate financial performance against established goals and the Chief Executive Officer's individual performance. The Compensation and Benefits Committee establishes corporate performance goals and individual goals for the Chief Executive Officer at the beginning of the year, and members of the Compensation and Benefits Committee meet with the Chief Executive Officer during the year to review progress against the goals. The Compensation and Benefits Committee also sets performance goals for, and determines the compensation payable to, the executive officers, including the named executive officers. The Chief Executive Officer provides the Compensation and Benefits Committee with performance assessments and compensation recommendations for each of the other executive officers. The Compensation and Benefits Committee considers those recommendations in arriving at its determinations.

The Compensation and Benefits Committee selected and engaged the services of GK Partners, an independent compensation consultant, to assist it in evaluating executive compensation programs and in making determinations regarding executive officer compensation. The independent compensation consultant reports directly to the Compensation and Benefits Committee, is available to advise the Compensation and Benefits Committee and does not perform any services for Investors Bancorp.

***Compensation and Benefits Committee Interlocks and Insider Participation***

Messrs. Dittenhafer, Manahan III, Shepard III, Ward III and Szabatin served as members of the Compensation and Benefits Committee in calendar 2009. Mr. Kirkpatrick also served as a member of the committee, until his retirement on October 26, 2009. None of these directors, has ever been an officer or employee of Investors Bancorp, is an executive officer of another entity at which one of Investors Bancorp's executive officers serves on the Board of Directors, or had any transactions or relationships with Investors Bancorp in calendar 2009 requiring specific disclosures under Securities and Exchange Commission rules. Ms. Sigler, who served as a member of the Compensation and Benefits Committee in calendar 2009, is neither an executive officer of another entity at which one of Investors Bancorp's executive officers serves on the Board of Directors, nor had transactions or relationships with Investors

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Bancorp in calendar 2009 requiring specific disclosures under Securities and Exchange Commission rules, however, she was an officer of Investors Savings Bank prior to her retirement in 1999.

**ITEM 10. EXECUTIVE COMPENSATION****Executive Compensation***Compensation Discussion and Analysis**Executive Compensation Philosophy*

Investors Bancorp's executive compensation program is designed to offer competitive cash and equity compensation and benefits that will attract, motivate and retain highly qualified and talented executives who will help maximize Investors Bancorp's financial performance and earnings growth. Investors Bancorp's executive compensation program is also intended to align the interests of its executive officers with stockholders by rewarding performance against established corporate financial goals, and by motivating strong executive leadership and superior individual performance. Our executive compensation program allocates portions of total compensation between long-term and currently paid out compensation and between cash and non-cash compensation by including competitive base salaries paid currently in cash, executive perquisites, an annual cash incentive plan, stock options and stock awards that are generally subject to a five-year vesting schedule, and supplemental executive retirement benefits, which encourage long term employment with us.

The compensation paid to each executive officer is based on the executive's level of job responsibility, corporate financial performance measured against corporate financial targets, and an assessment of the executive's individual performance. Annual incentive compensation is linked in part to corporate financial performance because these executives are in leadership roles that can significantly impact corporate results.

The Compensation and Benefits Committee engages GK Partners as an independent compensation consultant. GK Partners has compared Investors Bancorp's executive compensation program to peer group compensation data. The independent consultant provided the Compensation and Benefits Committee with relevant competitive cash and stock compensation information obtained from the proxy statement disclosures of a selected peer group of 14 banking institutions. These included thrift and banking institutions with assets of \$2 billion to \$54 billion, having an asset mix similar to Investors Bancorp and doing business in the Northeast region of the United States. This peer group may be modified from year-to-year as necessary based on mergers and acquisitions within the industry or other relevant factors. The peer group currently consists of the 14 banking institutions identified below. Based on this peer group comparison, base salaries and cash and equity incentives for certain of the named executive officers are positioned above the median of the range of this peer group while other named executives were below the median. The Company has no formal policy that requires the compensation of the named executive officers to attain any specific percentile position within the array of peer group compensation data among the selected comparator companies. The Committee believes the base salaries and cash and equity incentives for the named executives are appropriate because they reflect a combination of the sustained individual performance by the named executive officers, their experience and employment market conditions in this geographic market.

The peer group companies are:

Valley National Bancorp NJ  
 Dime Community Bancshares, Inc. NY  
 New Alliance Bancshares, Inc. CT  
 Hudson City Bancorp, Inc. NJ  
 Kearny Financial Corp. NJ  
 NBT Bancorp, Inc. NY  
 First Niagara Financial Group, Inc. NY  
 OceanFirst Financial Corp. NJ

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New York Community Bank NY  
 Northwest Bancorp, Inc. PA  
 Provident New York Bankcorp. NY  
 Provident Financial Services Inc. NJ  
 Astoria Financial Corp. NY  
 Webster Financial Corp. CT

***Elements of Executive Compensation for 2009***

The Compensation and Benefits Committee used a total compensation approach in establishing executive compensation opportunities, consisting of base salary, annual cash incentive compensation, long-term incentive awards (such as stock option and restricted stock awards and supplemental executive retirement plans), a competitive benefits package, and perquisites.

***Base Salary***

Executive officer base salary levels are evaluated by the Compensation and Benefits Committee on an annual basis. In general, salary ranges are developed considering the competitive base salary information furnished to the Compensation and Benefits Committee by the independent consultant. Each executive officer's base salary level is determined by the executive officer's sustained individual performance, leadership, operational effectiveness, tenure in office, and experience in the industry and employment market conditions in this geographic market.

In establishing base salaries for calendar 2009, the Compensation and Benefits Committee considered Investors Bancorp's financial performance, and peer group and market-based industry salary data provided by the independent consultant, as well as the individual factors identified above. Based on the analysis the Compensation and Benefits Committee decided not to increase the base salary of Messrs. Cummings and Cama for calendar 2009. The Compensation and Benefits Committee reviewed similar considerations for each of the other named officers and determined that increases were appropriate for Messrs. Spengler and Splaine. Mr. Kalamaras' base salary was not increased for calendar 2009 due to his short tenure with the Company.

***Executive Officer Annual Incentive Plan***

The Executive Officer Annual Incentive Plan provides annual cash incentive opportunities to Investors Bancorp's executives and other officers based upon the attainment of annual corporate financial targets and their individual performance. The Compensation and Benefits Committee assigns corporate financial targets and individual performance goals and a range of annual cash incentive award opportunities to each executive officer, or group of officers. The award opportunities are linked to specific targets and range of performance results for annual corporate financial performance and for attainment of certain individual goals.

The Compensation and Benefits Committee established, and the Board of Directors approved, the Executive Officer Annual Incentive Plan which provides for a cash incentive payment upon the attainment of established corporate financial targets and individual performance goals. The Committee feels strongly that executive compensation should be formally tied to the attainment of certain corporate financial targets and individual performance goals to more closely align the executive's performance with providing value for its stockholders. The cash incentive payments made under the 2009 Executive Officer Annual Incentive Plan were based on the Company's 2009 calendar year financial performance for net income and efficiency ratio. A portion of the payment of incentive compensation payable to each executive officer was also based on that executive's performance against his 2009 individual performance goals and was made whether or not the corporate financial targets were met.

For Messrs. Cummings and Cama, 55% of the incentive payment was based on Investors Bancorp's financial performance against the corporate financial targets and 45% on meeting personal goals. For Mr. Spengler, 50% of the incentive payment was based on Investors Bancorp's financial performance against the corporate financial targets and 50% was based on his individual performance against his individual performance goals and for Messrs. Splaine and Kalamaras, 40% of the incentive payment was based on

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Investors Bancorp's financial performance against the corporate financial targets and 60% was based on individual performance against individual performance goals. The Committee established the following Corporate Targets for calendar 2009:

Metric	Weighting	Threshold	Target	Maximum
		\$26	\$28	\$30
Net Income	55%	million	million	million
Efficiency Ratio	45%	59.0%	57.0%	55.0%

The Executive Officer Annual Incentive Plan established that cash incentive payments would be made if the Company's 2009 calendar year financial performance met or exceeded 88% of the corporate financial targets (Threshold). For Mr. Cummings the minimum bonus award opportunity was 41% of base salary upon the achievement of Threshold levels, increasing to 60% of base salary for Maximum achievement. For Mr. Cama bonus award opportunity ranged from 34% of base salary to 50% of base salary for Maximum achievement. For Mr. Spengler bonus award opportunity ranged from 29% of base salary to 40% of base salary for Maximum achievement. For Messrs. Splaine and Kalamaras bonus award opportunity ranged from 27% of base salary to 35% of base salary.

Based upon the attainment of the maximum corporate financial targets and the assessment of executive officer's individual performance, the Compensation and Benefits Committee approved the following cash incentive payments, which were made in February 2010, under the 2009 Executive Officer Annual Incentive Plan.

**2009 Executive Officer Annual Incentive Plan Payments**

Executive Officer	Cash Incentive (\$)
Kevin Cummings	465,000
Domenick A. Cama	250,000
Richard S. Spengler	126,000
Thomas F. Splaine, Jr.	71,400
Paul Kalamaras	83,642

**Stock Option and Stock Award Program.** At the October 24, 2006 Annual Meeting, the stockholders approved the Investors Bancorp, Inc. 2006 Equity Incentive Plan. Under this plan, individuals may receive awards of common stock and grants of options to purchase common stock. The Compensation and Benefits Committee believes that officer stock ownership provides a significant incentive in building stockholder value by further aligning the interests of officers and employees with stockholders. The importance of this long-term, non-cash component of compensation increases as Investors Bancorp's common stock appreciates in value. In addition, stock option grants and stock awards generally vest over five years, thereby aiding retention.

In November 2008, Mr. Kalamaras received an award of 60,000 shares of common stock and a grant of 140,000 options. During calendar 2009, there were no other awards of common stock or grants of options to purchase common stock made to executive officers of the Company. As of December 31, 2009, a total of 3,465,000 options and 1,250,000 shares of restricted stock have been granted to officers and employees and service vendors of the Company. These totals represent 87% of the stock options and 78% of the restricted shares available to management for granting purposes.

**Benefits.** Investors Bancorp provides its executives with medical and dental, disability insurance and group life insurance coverage consistent with the same benefits provided to all of its full-time employees. Similarly, the named executive officers are participants in the Employee Stock Ownership Plan and 401(k) Plan offered to all full-time employees. Additionally, Investors Savings Bank sponsors a long-term care program for certain of its executive officers, senior vice presidents and their spouses or spousal equivalents. Each individual policy is owned by the covered person. Investors Savings Bank pays all premiums under

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the long term care program but will stop paying premiums in the event of the participant's (i) termination for cause, (ii) retirement, (iii) relocation outside of the country, or (iv) death. Spousal coverage will be terminated upon (i) a participant's termination or retirement, (ii) divorce from the participant, (iii) the participant no longer qualifying for coverage, (iv) the spouse's permanent relocation outside of the country, or (v) death. Participants who cannot be insured through an insurance company under the long-term care program will be self-insured by Investors Savings Bank.

**Supplemental ESOP and Retirement Plan.** Investors Savings Bank maintains the Supplemental ESOP and Retirement Plan (the Plan). The Plan was amended and restated effective as of July 1, 2007, in order to comply with final regulations under Section 409A of the Internal Revenue Code of 1986, as amended (the Code). The Plan is intended to compensate executives participating in the Investors Savings Bank Retirement Plan (the Retirement Plan) and the Investors Savings Bank Employee Stock Ownership Plan (the ESOP) whose contributions or benefits are limited by Sections 415 or 401(a)(17) of the Code. As of December 31, 2009, Messrs. Cummings, Cama, Spengler, Splaine and Kalamaras were participants in the Plan. The Plan provides benefits attributable to participation in the Retirement Plan equal to the excess, if any, of the vested accrued benefit to which the executive would be entitled under the Retirement Plan, determined without regard to the limitation of Sections 415 or 401(a)(17) of the Code, over the vested accrued benefit to which the executive is actually entitled under the Retirement Plan, taking into account the limits of Sections 415 and 401(a)(17) of the Code (the Supplemental Retirement Plan Benefit). The Plan also provides benefits attributable to participation in the ESOP equal to the difference between the allocation of shares of stock the executive would have received under the ESOP without regard to the tax law limitations, and the number of shares of stock that are actually allocated as a result of the tax law limits (the Supplemental ESOP Benefit). The Supplemental ESOP Benefit under the Plan will be credited in phantom shares of stock. Each year, the dollar amount of earnings on the phantom shares deemed allocated to each participant's account will be converted into phantom shares and credited to each participant's account.

This plan is intended to be a long-term compensation plan, therefore, the executive's vested interest in the Supplemental Retirement Plan Benefit and in the Supplemental ESOP Benefit under the Plan is based on a 5 year cliff vesting schedule where participants with less than 5 years of employment will be 0% vested in their benefits, and will become 100% vested upon the completion of 5 years of employment. In the event of a participant's separation from service (as defined under Section 409A of the Code) prior to attainment of age 55, the participant's accrued Supplemental Retirement Plan Benefits shall be paid in a single lump sum payment within thirty (30) days of the participant's separation from service. In the event of separation from service after age 55, the participant's Supplemental Retirement Plan Benefits shall be payable upon the participant's early or normal retirement (as defined in the Plan) in the form elected by the participant subject to the requirements of Section 409A of the Code. In the event of a participant's separation from service within 2 years following a change in control (as defined in the Plan), the participant shall receive his Supplemental Retirement Plan Benefit in a lump sum within 30 days after his separation from service. Supplemental ESOP Benefits under the Plan will be payable in cash upon the executive's separation from service (as defined under Section 409A of the Code), disability or death, subject to the requirements of Section 409A of the Code.

**Executive Supplemental Retirement Wage Replacement Plan.** Investors Savings Bank maintains an Executive Supplemental Retirement Wage Replacement Plan (the Wage Replacement Plan) that was amended and restated effective May 1, 2007, in order to comply with the final regulations under Section 409A of the Code. The Wage Replacement Plan is designed to provide certain named executives with annual income generally equal to 60% of such executive's highest average annual base salary and bonus (over a consecutive 36-month period within the last 120 consecutive calendar months of employment) reduced by the sum of the benefits provided under the existing tax-qualified defined benefit pension plan and the annuitized value of his or her benefits payable from the defined benefit portion of the Supplemental ESOP and Retirement Plan sponsored by Investors Savings Bank. Upon separation from service (as defined in the Wage Replacement Plan) at or after the normal retirement date (age 65) with at least 120 months of employment, a participant is entitled to a normal retirement annual benefit equal to 60% of the participant's high three-year average salary and bonus, commencing on the first day of the month after separation from service, or if the participant is a specified employee (as defined in the Wage Replacement Plan), commencing on the

first day of the 7<sup>th</sup> month after separation from service, payable in the form

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elected by the participant. If the participant retires after the normal retirement date, but before completion of 120 months of employment, his or her annual retirement benefit at the normal retirement age will be equal to the normal retirement annual benefit multiplied by the ratio that the participant's actual months of employment bears to 120 months. The retirement benefit calculated under the Wage Replacement Plan is reduced by the sum of the annuitized value of the benefits provided under the tax-qualified defined benefit pension plan and the annuitized value of the benefit payable to the participant under the defined benefit portion of the Supplemental ESOP and Retirement Plan.

Upon separation from service on or after attaining age 55, the participant's accrued benefit payable as an early retirement benefit will be equal to the benefit at the normal retirement age, reduced by 2% for each year prior to age 65; however, if the participant separates from service on or after attaining age 55 with 25 years of vesting service, his or her accrued benefit will not be reduced. In the event of a participant's separation from service coincident with or within two (2) years following a change in control, the participant will be entitled to a benefit calculated as an early retirement benefit or a normal retirement benefit, as applicable. For these purposes, a participant with less than 120 months of employment will be entitled to a benefit calculated as if the participant had 120 months of employment and, a participant who has not yet attained age 55 will be deemed to have attained age 55.

A participant may defer payment of his or her benefits, in which case his or her annual retirement benefit payable at age 65 will be increased by 0.8% for each month of deferment after age 65. If a participant dies while in active service, a survivor benefit, calculated as if the participant had lived until his normal retirement date, will be payable to the participant's beneficiary. Upon termination of employment due to disability, the participant will be entitled to a disability retirement benefit at age 65.

At December 31, 2009, Messrs. Cummings and Cama were participants in the Wage Replacement Plan.

**Perquisites.** The Compensation and Benefits Committee believes that perquisites should be provided on a limited basis, and only to the most senior level of executive officers. As of December 31, 2009, the following perquisites were available for Messrs. Cummings, Cama and Spengler: club membership, automobile allowance, long term care insurance and an annual medical examination; and for Messrs. Splaine and Kalamaras: long term care insurance and an annual medical examination.

***Elements of Post-Termination Benefits***

**Employment Agreements.** Investors Bancorp entered into employment agreements with each of Messrs. Cummings and Cama. The agreements were amended and restated effective as of August 18, 2008, in order to conform to the requirements of Code Section 409A and the regulations promulgated thereunder. Each of these agreements has an initial term of three years. Unless notice of non-renewal is provided, the agreements renew annually. The executive's employment may be terminated for just cause at any time, in which event the executive would have no right to receive compensation or other benefits for any period after termination.

Each of the executives is entitled to severance payments and benefits in the event of his or her termination of employment under specified circumstances. In the event the executive's employment is terminated for reasons other than for just cause, disability or retirement, provided that such termination of employment constitutes a separation from service under Code Section 409A, or in the event the executive resigns during the term of the agreement following (1) the failure to elect or reelect or to appoint or reappoint the executive to his executive position, (2) a material change in the executive's functions, duties, or responsibilities, which change would cause the executive's position to become one of lesser responsibility, importance or scope, (3) the liquidation or dissolution of Investors Bancorp or Investors Savings Bank, other than a liquidation or dissolution caused by a reorganization that does not affect the status of the executive, (4) a change in control of Investors Bancorp or (5) a material breach of the employment agreement by Investors Bancorp, the executive would be entitled to a severance payment equal to three times the sum of the executive's base salary and the highest amount of bonus compensation awarded to the executive during the prior three years, payable in a lump sum. In addition, the executive would be entitled to, at Investors Bancorp's sole expense, the continuation of nontaxable life and medical, dental and disability coverage for 36 months after termination of employment. The executive would also



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receive a lump sum payment of the excess, if any, of the present value of the benefits he would be entitled to under the defined benefit pension plan if he had continued working for Investors Bancorp for 36 months over the present value of the benefits to which he is actually entitled as of the date of termination.

Should the executive become disabled, Investors Bancorp would continue to pay the executive his base salary for the longer of the remaining term of the agreement or one year, provided that any amount paid to the executive pursuant to any disability insurance would reduce the compensation he would receive. In the event the executive dies while employed by Investors Bancorp, the executive's estate will be paid the executive's base salary for one year and the executive's family will be entitled to continuation of medical and dental benefits for one year after the executive's death. The employment agreement terminates upon retirement (as defined therein), and the executive would only be entitled to benefits under any retirement plan of Investors Bancorp and other plans to which the executive is a party.

The employment agreements also provide for indemnification against any excise taxes which may be owed by the executive for any payments made in connection with a change in control that would constitute excess parachute payments under Section 280G of the Internal Revenue Code. The indemnification payment would be the amount necessary to ensure that the amount of such payments and the value of such benefits received by the executive equals the amount of such payments and the value of such benefits the executive would have received in the absence of such excise tax, including any federal, state and local taxes on Investors Bancorp's payment to the executive attributable to such taxes.

Upon any termination of the executive's employment, other than a termination (whether voluntary or involuntary) following a change in control as a result of which the Investors Bancorp has paid the executive severance benefits, the executive is prohibited from competing with the Investors Savings Bank and/or the Investors Bancorp for one year following such termination within 25 miles of any existing branch of the Bank or any subsidiary of Investors Bancorp or within 25 miles of any office for which the Bank, Investors Bancorp or a Bank subsidiary of Investors Bancorp has filed an application for regulatory approval to establish an office, determined as of the effective date of such termination, except as agreed to pursuant to a resolution duly adopted by the Board of Directors. The executive is also subject to confidentiality provisions during and after the term of the employment agreement.

Investors Bancorp has also entered into an employment agreement with Messrs. Spengler, Splaine and Kalamaras and three other senior officers, and each of these agreements have a two-year term. Unless notice of non-renewal is provided, the agreements renew annually. The officer's employment may be terminated for just cause at any time, in which event the officer would have no right to receive compensation or other benefits for any period after termination. In the event the officer's employment is terminated (for reasons other than for just cause, disability or retirement) or in the event the officer resigns during the term of the agreement for any of the same reasons as specified under the three-year employment agreements referenced above, the officer would be entitled to a severance payment equal to 1.5 times his highest rate of base salary and the highest amount of bonus compensation awarded to the officer during the prior two years, payable in a lump sum. In addition, the officer would be entitled, at Investors Bancorp's sole expense, to the continuation of life, nontaxable medical, dental and disability coverage for 18 months after termination of employment. The officer would also receive a lump sum payment of the excess, if any, of the present value of the benefits he or she would be entitled to under the defined benefit pension plan if he or she had continued working for Investors Bancorp for 18 months over the present value of the benefits to which he or she is actually entitled as of the date of termination. The officer would be entitled to no additional benefits under the employment agreement upon retirement at age 65. In the event payments to the officer include an excess parachute payment as defined in the Internal Revenue Code, payments would be reduced in order to avoid this result. Should the executive become disabled, Investors Bancorp would continue to pay the executive his base salary for the longer of the remaining term of the agreement or one year, provided that any amount paid to the executive pursuant to any disability insurance would reduce the compensation he would receive.

As of March 29, 2010 the employment agreements for Messrs. Spengler and Kalamaras were revised and restated to substantially resemble the employment agreements of Messrs. Cummings and Cama, but without the tax gross ups of those agreements. The complete contracts were filed with the SEC as exhibits to Form 8-K on April 1, 2010.

ISB Mortgage Company, LLC has employment agreements with its two executive officers. In the event of termination of the employment agreement by ISB Mortgage Company, LLC, the employee will be



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entitled to all accrued but unpaid salary, incentive compensation and bonus. In the event the employee is terminated for good cause or in the event of voluntary termination by the employee, the employee will receive his accrued but unpaid salary.

***Change-in-Control Agreements.*** Investors Bancorp entered into change-in-control agreements with certain officers at the level of vice president or higher that are not parties to an employment agreement, which would provide certain benefits in the event of a termination of employment following a change in control of Investors Bancorp or Investors Savings Bank. Each of the change-in-control agreements provides for a term of two years. Commencing on each anniversary date of the effective date of the change-in-control agreements, the agreements renew for an additional year so that the remaining term will be two years, subject to termination by the Board of Directors or notice of non-renewal. The change-in-control agreements enable Investors Bancorp to offer to designated officers certain protections against termination without just cause in the event of a change in control (as defined in the agreements).

Following a change in control of Investors Bancorp or Investors Savings Bank, the officer is entitled under the agreement to a payment if the officer's employment is terminated during the term of such agreement, other than for just cause, or if the officer voluntarily terminates employment during the term of such agreement as a result of a demotion, loss of title, office or significant authority (in each case, other than as a result of the fact that either Investors Savings Bank or Investors Bancorp is merged into another entity in connection with a change in control and will not operate as a stand-alone, independent entity), reduction in his or her annual compensation or benefits, or relocation of his or her principal place of employment by more than 30 miles from its location immediately prior to the change in control. In the event an officer who is a party to a change-in-control agreement is entitled to receive payments pursuant to the change-in-control agreement, he will receive a cash payment equal to 1.5 times the sum of (i) his or her highest rate of base salary and, (ii) the highest amount of bonus compensation awarded to the officer during the prior three years, payable in a lump sum. In addition to the cash payment, each covered officer is entitled to receive life and non-taxable medical and dental coverage for a period of 18 months from the date of termination. Notwithstanding any provision to the contrary in the change-in-control agreement, payments are limited so that they will not constitute an excess parachute payment under Section 280G of the Internal Revenue Code.

***Other Matters***

***Executive Stock Ownership Requirements.*** The Board believes Executive Officers (defined as the Chief Executive Officer and Executive Vice Presidents) should have a financial investment in the Company to further align their interests with stockholders. Executive Officers are expected to own at least \$100,000 in common stock value (excluding stock options), except for the Chief Executive Officer, who is expected to own at least \$500,000 in common stock value, within four years of becoming an officer. Each of the named executives currently meets or exceeds these requirements.

***Tax Deductibility of Executive Compensation.*** Under Section 162(m) of the Internal Revenue Code, companies are subject to limits on the deductibility of executive compensation. Deductible compensation is limited to \$1 million per year for each executive officer listed in the summary compensation table. Compensation that is performance-based under the Internal Revenue Code's definition is exempt from this limit. Stock option grants are intended to qualify as performance-based compensation.

The Compensation and Benefits Committee currently does not have a formal policy with respect to the payment of compensation in excess of the deduction limit. The Compensation and Benefits Committee's practice is to structure compensation programs offered to the named executive officers with a view to maximizing the tax deductibility of amounts paid. However, in structuring compensation programs and making compensation decisions, the Committee considers a variety of factors, including the Company's tax position, the materiality of the payment and tax deductions involved and the need for flexibility to address unforeseen circumstances and the Company's incentive and retention requirement for its management personnel. After considering these factors, the Committee may decide to authorize payments, all or part of which would be nondeductible for federal tax purposes.

**Table of Contents****COMPENSATION AND BENEFITS COMMITTEE REPORT**

Pursuant to rules and regulations of the Securities and Exchange Commission, this Compensation and Benefits Committee Report shall not be deemed incorporated by reference to any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that Investors Bancorp specifically incorporates this information by reference, and otherwise shall not be deemed soliciting material or to be filed with the Securities and Exchange Commission subject to Regulation 14A or 14C of the Securities and Exchange Commission or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended.

The Compensation and Benefits Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation and Benefits Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

**Executive Compensation**

The following table sets forth for the calendar year ended December 31, 2009 and the fiscal years ended June 30, 2009, 2008 and 2007 certain information as to the total remuneration paid to named executive officers.

**SUMMARY COMPENSATION TABLE**

Name and Principal Position	Calendar or Fiscal Year	Salary (\$)	Stock Awards (\$) <sup>(1)</sup>	Option Awards (\$) <sup>(2)</sup>	Change in Pension Value and Nonqualified Non-equity Deferred Incentive Plan Compensation			Total (\$) <sup>(6)</sup>
					Earnings (\$) <sup>(4)</sup>	All Compensation (\$) <sup>(5)</sup>	Other Compensation	
Kevin Cummings, President and Chief Executive Officer	2009 <sup>(7)</sup>	775,000			465,000	715,000	57,360	2,012,360
	2009 <sup>(8)</sup>	775,000			368,125	493,000	62,205	1,698,330
	2008 <sup>(9)</sup>	703,766			246,318	246,000	59,126	1,255,210
	2007 <sup>(10)</sup>	632,532	1,906,250	1,876,500	219,726	13,000	66,524	4,714,532
Domenick Cama, Executive Vice President and Chief Operating Officer	2009 <sup>(7)</sup>	500,000			250,000	472,000	56,491	1,278,491
	2009 <sup>(8)</sup>	500,000			212,500	344,000	60,565	1,117,065
	2008 <sup>(9)</sup>	437,500			153,125	135,000	63,847	789,472
	2007 <sup>(10)</sup>	375,000	1,677,500	1,668,000	130,266	29,000	51,075	3,930,841
Richard Spengler, Executive Vice President and Chief Lending Officer	2009 <sup>(7)</sup>	315,000			126,000	65,000	44,659	550,659
	2009 <sup>(8)</sup>	295,002			111,126	103,000	51,479	560,607
	2008 <sup>(9)</sup>	245,004			80,377	30,000	40,512	395,893
	2007 <sup>(10)</sup>	215,004	1,220,000	834,000	64,260	24,000	41,542	2,398,806
Thomas Splaine, Senior Vice President	2009 <sup>(7)</sup>	240,000			71,400	23,000	41,506	375,906
	2009 <sup>(8)</sup>	226,000			65,513	20,600	40,641	352,754
	2008 <sup>(9)</sup>	191,002			53,720	6,400	28,279	279,401

and Chief Financial Officer

Paul Kalamaras, Executive Vice President	2009 <sup>(7)</sup>	240,000			83,642	8,000	3,398	335,040
	2009 <sup>(8)</sup>	207,692	821,400	569,800	68,129		1,773	1,668,794

(1) The amounts in this column reflect the aggregate grant date fair value computed in accordance with FASB ASC 718, of restricted stock awards pursuant to the 2006 Equity Incentive Plan. No forfeitures occurred during the reported years. Assumptions used in the calculation of these amounts are included in footnote 11 to Investors Bancorp's audited financial statements for the calendar year ended December 31, 2009 included in Investors Bancorp's Annual Report on Form 10-K.

(2) The amounts in this column reflect the aggregate grant date fair value computed in accordance with FASB ASC 718,

of stock option awards pursuant to the 2006 Equity Incentive Plan. No forfeitures occurred during the reported years. Assumptions used in the calculation of this amount are included in footnote 11 to Investors Bancorp's audited financial statements for the calendar year

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ended  
December 31,  
2009 included in  
Investors  
Bancorp's Annual  
Report on Form  
10-K.

- (3) Bonuses are paid under our Executive Officer Annual Incentive Plan based on calendar year performance. The amounts reported in this column for our 2009 calendar year represent the bonus paid under our Executive Officer Annual Incentive Plan for the full twelve months of 2009. The amounts reported in this column for our 2009, 2008 and 2007 fiscal year represent the bonuses earned by the named executive officers in the twelve month period representing each such fiscal year. These numbers have been increased from that reported in our proxy statements for

each of the 2009,  
2008 and 2007  
fiscal year to  
take into  
consideration the  
full twelve  
months' bonus.

- (4) For each  
calendar year  
represented, the  
amount in this  
column reflects  
the aggregate  
change in the  
actuarial present  
value of the  
named executive  
officer's  
accumulated  
benefit under all  
defined benefit  
and actuarial  
pension plans  
(including  
supplemental  
plans) from the  
measurement  
date  
(December 31 or  
June 30) in the  
immediately  
preceding  
calendar or fiscal  
year to the  
measurement  
date in such  
calendar or fiscal  
year, determined  
using the interest  
rate and  
mortality rate  
assumptions  
consistent with  
those used in  
Investors  
Bancorp's  
financial  
statements. The  
amount reported  
may include



amounts in which the named executive officer is not yet vested. Earnings under the Supplemental ESOP Plan are not included in this amount because the earnings were not above market .

- (5) The amounts in this column represents all other compensation not properly reported in prior columns in this table, including perquisites the aggregate value of which exceeds \$10,000 and employer contributions to defined contribution plans. See the All Other Compensation and Perquisites tables below for a breakdown of these amounts.
- (6) The amount reported as Total compensation for our 2009, 2008 and 2007 fiscal year has been increased from that reported in the 2009, 2008 and 2007 annual proxy statements to reflect the full

bonus paid during the applicable fiscal year under the Non-equity Incentive Plan Compensation column.

- (7) In November 2009, the Company changed its fiscal year end from June 30 to December 31. In accordance with guidance from the SEC, the Company is presenting information for the 12-month period ended December 31, 2009.
- (8) Information presented for the 12-month period ended June 30, 2009.
- (9) Information presented for the 12-month period ended June 30, 2008.
- (10) Information presented for the 12-month period ended June 30, 2007.

**ALL OTHER COMPENSATION**

<b>Perquisites and Other Personal</b>	<b>Dividends on Unvested Stock</b>	<b>Company Contribution on Employee</b>	<b>Company Contributions</b>
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Name	Calendar or Fiscal Year	Benefits (\$)	Awards (\$)	Medical and	to ESOP	Total (\$)
				Insurance Benefits (\$) <sup>(1)</sup>	and 401(k) Plans (\$)	
Kevin Cummings	2009 <sup>(2)</sup>	19,427		13,468	24,465	57,360
	2009 <sup>(3)</sup>	19,288		13,488	29,429	62,205
	2008 <sup>(4)</sup>	16,697		11,863	30,566	59,126
	2007 <sup>(5)</sup>	17,949		6,875	41,700	66,524
Domenick A. Cama	2009 <sup>(2)</sup>	18,558		13,468	24,465	56,491
	2009 <sup>(3)</sup>	19,831		11,805	28,929	60,414
	2008 <sup>(4)</sup>	19,525		12,756	31,566	63,847
	2007 <sup>(5)</sup>	9,492		5,659	35,924	51,075
Richard S. Spengler	2009 <sup>(2)</sup>	6,827		13,367	24,465	44,659
	2009 <sup>(3)</sup>	8,694		13,256	29,529	51,479
	2008 <sup>(4)</sup>	5,355		4,991	30,166	40,512
	2007 <sup>(5)</sup>	3,131		4,109	34,302	41,542
Thomas F. Splaine, Jr.	2009 <sup>(2)</sup>	5,302		12,789	23,415	41,506
	2009 <sup>(3)</sup>			12,682	27,959	40,641
	2008 <sup>(4)</sup>			1,471	26,808	28,279
Paul Kalamaras	2009 <sup>(2)</sup>			2,844	554	3,398
	2009 <sup>(3)</sup>			1,773		1,773

(1) Excluded from this amount are medical and dental benefits for fiscal 2007 and July 1, 2007 through November 30, 2007 of fiscal 2008 as Investors Savings Bank paid for those benefits on a claims submitted basis during that time.

(2) In November 2009, the Company changed its fiscal year end from June 30 to

December 31. In accordance with guidance from the SEC, the Company is presenting information for the 12-month period ended December 31, 2009.

(3) Information presented for the 12-month period ended June 30, 2009.

(4) Information presented for the 12-month period ended June 30, 2008.

(5) Information presented for the 12-month period ended June 30, 2007.

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<b>Name</b>	<b>Calendar or Fiscal Year</b>	<b>Automobile Allowance (\$)</b>	<b>Long Term Care (\$)</b>	<b>Club Dues (\$)</b>	<b>Executive Health Exam (\$)</b>	<b>Total Perquisites and Other Personal Benefits (\$)</b>
Kevin Cummings	2009 <sup>(1)</sup>	10,257	8,107	1,063		19,427
	2009 <sup>(2)</sup>	10,023	8,107	1,158		19,288
	2008 <sup>(3)</sup>	4,528	8,243	576	3,350	16,697
	2007 <sup>(4)</sup>	9,124	8,270	555		17,949
Domenick A. Cama	2009 <sup>(1)</sup>	5,037	9,899	1,022	2,600	18,558
	2009 <sup>(2)</sup>	6,272	9,899	1,060	2,600	19,831
	2008 <sup>(3)</sup>	6,791	9,899	900	1,935	19,525
	2007 <sup>(4)</sup>	6,524	2,066	902		9,492
Richard S. Spengler	2009 <sup>(1)</sup>	3,696	3,131			6,827
	2009 <sup>(2)</sup>	4,760	3,131	803		8,694
	2008 <sup>(3)</sup>	1,184	3,131	1,040		5,355
	2007 <sup>(4)</sup>		3,131			3,131
Thomas F. Splaine, Jr.	2009 <sup>(1)</sup>		5,302			5,302
	2009 <sup>(2)</sup>					
	2008 <sup>(3)</sup>					
Paul Kalamaras	2009 <sup>(1)</sup>					
	2009 <sup>(2)</sup>					

(1) In November 2009, the Company changed its fiscal year end from June 30 to December 31. In accordance with guidance from the SEC, the Company is presenting information for the 12-month period ended December 31, 2009.

- (2) Information presented for the 12-month period ended June 30, 2009.
- (3) Information presented for the 12-month period ended June 30, 2008.
- (4) Information presented for the 12-month period ended June 30, 2007.

**Plan-Based Awards.** The following table sets forth certain information as to grants during calendar 2009 of plan-based awards to the named executive officers under the Executive Officer Annual Incentive Plan.

**GRANTS OF PLAN BASED AWARDS TABLE FOR CALENDAR YEAR 2009**

Name	Grant Date	Estimated Payouts Under Non-Equity Incentive Plan Awards (1)			All Other Stock Awards Number of Shares or Units (#)	All Other Securities Underlying Options (#)	Option Exercise Base Price of (\$/Sh)	Option Awards (\$)	Grant Date Fair Value of Stock and Option Awards (\$)
		Threshold (\$)	Target (\$)	Maximum (\$)					
Kevin Cummings	2/17/2009	319,223	390,832	465,000					
Domenick A. Cama	2/17/2009	171,625	210,125	250,000					
Richard S. Spengler	2/17/2009	90,090	107,730	126,000					
Thomas F. Splaine	2/17/2009	64,800	74,400	84,000					
Paul Kalamaras	2/17/2009	64,800	74,400	84,000					

(1) Estimated future payouts under non-equity

incentive plan  
awards assume  
100%  
achievement of  
individual  
personal  
performance  
goals.

For a narrative description of the material factors necessary to an understanding of the information disclosed in the Summary Compensation Table and in the Grants of Plan-Based Awards Table, please see the Compensation Discussion and Analysis above.

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**Outstanding Equity Awards at Year End.** The following table sets forth information with respect to outstanding equity awards as of December 31, 2009 for the named executive officers.

**OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2009**

Name	Grant Date	Option Awards				Stock Awards	
		Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date <sup>(1)</sup>	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(2)</sup>
Kevin Cummings	11/20/06	270,000	180,000	15.25	11/20/16	50,000	547,000
Domenick A. Cama	11/20/06	240,000	160,000	15.25	11/20/16	44,000	481,360
Richard S. Spengler	11/20/06	120,000	80,000	15.25	11/20/16	32,000	350,080
Thomas F. Splaine, Jr.	11/20/06	105,000	70,000	15.25	11/20/16	28,000	306,320
Paul Kalamaras	11/18/08	28,000	112,000	13.69	11/18/18	48,000	525,120

(1) Stock options expire if unexercised 10 years after the grant date.

(2) This amount is based on the fair market value of Investors Bancorp common stock on December 31, 2009 of \$10.94.

**Option Exercises and Stock Vested.** The following table provides information concerning stock option exercises and the vesting of stock awards for each named executive officer during 2009. None of the Company's named executive officers exercised any stock options during the calendar year ended December 31, 2009.

**OPTION EXERCISES AND STOCK VESTED AT DECEMBER 31, 2009**

Option Awards	Stock Awards
Number of	Number of



Name	Shares	Value	Shares	Value
	Acquired on Exercise (#)	Realized on Exercise (\$)	Acquired on Vesting (#)	Realized on Vesting (\$) <sup>(1)</sup>
Kevin Cummings			25,000	269,250
Domenick A. Cama			22,000	236,940
Richard S. Spengler			16,000	172,320
Thomas F. Splaine, Jr.			14,000	150,780
Paul Kalamaras			12,000	131,400

(1) The value realized on vesting represents the market value on the day the stock vested.

**Defined Benefit Pension Plan.** Investors Savings Bank participates in the Pentegra Defined Benefit Plan for Financial Institutions, formerly known as the Financial Institutions Retirement Fund, which is a qualified, tax-exempt defined benefit plan (the Retirement Plan). All employees age 21 or older who have completed one year of employment with Investors Savings Bank are eligible for participation in the Retirement Plan; however, only employees who have been credited with 1,000 or more hours of service with Investors Savings Bank are eligible to accrue benefits under the Retirement Plan. Investors Savings Bank annually contributes an amount to the plan necessary to satisfy the minimum funding requirements established under the Employee Retirement Income Security Act of 1974, as amended (ERISA).

The retirement benefit formula under the Retirement Plan provides for a nonintegrated unit accrual formula with an annual accrual rate of 1.25% of the participant's high 5-year average salary with a 30-year salary cap. A participant's average annual compensation is the average annual compensation over the 5 consecutive calendar years out of the last 10 calendar years in which the participant's compensation was the greatest, or over all calendar years if less than 5.

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The regular form of retirement benefit is a straight life annuity (if single) and a joint and survivor annuity (if married). However, various alternative forms of joint and survivor annuities may be selected instead. If a participant dies while in active service and after having become fully vested, a qualified 100% survivor benefit will be payable to the participant's beneficiary. Benefits payable upon death may be paid in a lump sum, installments, or in the form of a life annuity. Upon termination of employment due to disability, the participant will be entitled to a disability retirement benefit at age 65.

The table below shows the present value of accumulated benefits payable to each of the named executive officers, including the number of years of service credited to each such named executive officer, under the pension plan determined using interest rate and mortality rate assumptions consistent with those used in Investors Bancorp's financial statements. For a narrative description of the supplemental retirement plans, please see the Compensation Discussion and Analysis above.

**PENSION BENEFITS AT OR FOR THE YEAR ENDED DECEMBER 31, 2009**

<b>Name</b>	<b>Plan Name</b>	<b>Number of Years Credited Service (#)<sup>(1)</sup></b>	<b>Present Value of Accumulated Benefit (\$)<sup>(2)</sup></b>	<b>Payments During Last Calendar Year (\$)</b>
Kevin Cummings	Investors Savings Bank Pension Plan	5.5	148,000	
	Supplemental Retirement and Wage Replacement Plan		1,475,000	
Domenick A. Cama	Investors Savings Bank Pension Plan	19	348,000	
	Supplemental Retirement and Wage Replacement Plan		842,000	
Richard S. Spengler	Investors Savings Bank Pension Plan	26	299,000	
	Supplemental Retirement and Wage Replacement Plan		31,000	
Thomas F. Splaine, Jr.	Investors Savings Bank Pension Plan	4	38,000	
	Supplemental Retirement and Wage Replacement Plan		11,000	
Paul Kalamaras <sup>(3)</sup>	Investors Savings Bank Pension Plan	<1	5,000	
	Supplemental Retirement and Wage Replacement Plan		3,000	

(1) The number of years of credited service represents all years of service including years following the change in benefit formula

for the Investors  
Savings Bank  
Pension Plan on  
January 1, 2006.  
For  
Messrs. Cama  
and Spengler  
credited service  
years include  
qualified years  
served at other  
financial  
institutions that  
participated in  
the Financial  
Institutions  
Retirement  
Fund.

- (2) The figures shown are determined as of the plan's measurement date of December 31, 2009 for purposes of Investors Bancorp, Inc.'s audited financial statements. For discount rate and other assumptions used for this purpose, please refer to note 11 in the audited financial statements included in the December 31, 2009 Annual Report on Form 10-K. The aggregate balance reported for the Supplemental Retirement and

Wage  
Replacement  
Plan is the value  
of account  
balances under  
Supplemental  
Executive  
Retirement Plan  
and the Wage  
Replacement  
Plan, because  
benefits for one  
plan are offset  
against the other  
plan's benefits..

- (3) Mr. Kalamaras  
was hired in  
August 2008  
and became  
eligible for the  
plan in  
August 2009.

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**Nonqualified Deferred Compensation.** The following table sets forth information with respect to the nonqualified deferred compensation plans at and for the year ended December 31, 2009 for the named executive officers. For a narrative description of the Supplemental ESOP Plan, please see the Compensation Discussion and Analysis above.

**NONQUALIFIED DEFERRED COMPENSATION AT OR FOR THE YEAR ENDED  
DECEMBER 31, 2009**

Name	Plan Name	Executive Contributions in Last Calendar Year (\$)	Registrant Contributions in Last Calendar Year (\$) <sup>(1)</sup>	Aggregate Earnings (Loss) in Last Calendar Year (\$) <sup>(2)</sup>	Aggregate Withdrawals / Distributions (\$)	Aggregate Balance at Last Calendar Year-End (\$) <sup>(3)</sup>
Kevin Cummings	Supplemental ESOP Plan		48,866	(37,018)		211,505
Domenick A. Cama	Supplemental ESOP Plan		25,776	(14,902)		91,249
Richard S. Spengler	Supplemental ESOP Plan		9,372	(1,992)		18,125
Thomas F. Splaine, Jr.	Supplemental ESOP Plan		2,429	(242)		3,490
Paul Kalamaras	Supplemental ESOP Plan					

(1) The value of the non-qualified Supplemental ESOP contribution made in calendar 2009 is based on the fair market value of Investors Bancorp common stock on December 31, 2009 of \$10.94.

(2) The aggregate earnings (loss) for the non-qualified Supplemental ESOP Plan reflect the change in value of phantom

shares issued prior to calendar 2009 based on the fair market value of Investors Bancorp common stock in December 31, 2009 of \$10.94. This amount is not included in the Summary Compensation Table because the rate of earnings was not above market .

- (3) The aggregate balances reported for the Supplemental ESOP Plan are based on the market value of Investors Bancorp common stock on December 31, 2009 of \$10.94.

**Potential Payments Upon Termination or Change in Control.** At December 31, 2009, Investors Bancorp had three-year employment agreements with Messrs. Cummings and Cama, and two-year employment agreements with Messrs. Spengler, Splaine and Kalamaras. A narrative description of the material terms of the agreements is set forth in the Compensation Discussion and Analysis. The tables below reflect the amount of compensation to each of the named executive officers of Investors Bancorp pursuant to such individual s employment agreement, as applicable, in the event of termination of such executive s employment. No payments are required due to a voluntary termination under the employment agreements (prior to a change in control). The amount of compensation payable to each named executive officer upon involuntary termination (other than for cause), termination following a change of control and in the event of disability (with respect to employment agreements) is shown below. The amounts shown assume that such termination was effective as of December 31, 2009, and thus includes amounts earned through such time and are estimates of the amounts which would be paid out to the executives upon their termination. However, the amounts shown do not include any reduction that would be required to avoid an excess parachute payment under Code Section 280G for Messrs. Spengler, Splaine and Kalamaras. Messrs. Cummings and Cama are entitled to tax indemnification payments for any excess parachute payments under Code Section 280G. The amounts shown relating to unvested options and stock awards are based on the fair market value of Investors Bancorp common stock on December 31, 2009 of \$10.94. Using that fair market value, all unvested options have no value. The actual amounts to be paid out can only be determined at the time of such executive s separation from Investors Bancorp. The following table does not include amounts payable upon termination of employment under the Supplemental ESOP Plan,

Supplemental Retirement Plan, and Executive Supplemental Retirement Wage Replacement Plan because the present value of the accumulated benefits under each of those plans is set forth in the tables above.

**Table of Contents****POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL  
AS OF DECEMBER 31, 2009**

	Mr. Cummings	Mr. Cama	Mr. Spengler	Mr. Splaine	Mr. Kalamaras
<b>Retirement (1)</b>					
Retiree Health/Life Insurance					
Stock Option Vesting					
Restricted Stock Vesting					
<b>Early Retirement (1)</b>					
Retiree Health/Life Insurance					
Stock Option Vesting					
Restricted Stock Vesting					
<b>Disability</b>					
Salary Continuation (2)	1,710,804	885,804	248,293	185,796	185,796
Stock Option Vesting					
Restricted Stock Vesting	547,000	481,360	350,080	306,320	525,120
Other benefits (3)	12,647	13,497	9,940	13,677	1,921
<b>Death</b>					
Salary Continuation (5)	775,000	500,000	315,000	240,000	240,000
Stock Option Vesting					
Restricted Stock Vesting	547,000	481,360	350,080	306,320	525,120
Other benefits(3)	13,057	13,054	13,057	13,057	149
<b>Discharge w/o Cause or Resignation w/ Good Reason no Change in Control</b>					
Stock Option Vesting					
Restricted Stock Vesting					
Salary and Cash Incentive (6)	3,720,000	2,250,000	661,500	467,100	485,463
Other benefits (3)	42,842	74,034	29,193	31,583	4,265
Excess Pension Benefit (6)	1,603,287	840,268	30,551	21,042	43,487
<b>Discharge w/o Cause or Resignation w/ Good Reason Change in Control related</b>					
Stock Option Vesting					
Restricted Stock Vesting	547,000	481,360	350,080	306,320	525,120
Salary and Cash Incentive (6)	3,720,000	2,250,000	661,500	467,100	485,463
Other benefits (3)	42,842	74,034	29,193	31,583	4,265
Excess Pension Benefit (6)	1,603,287	840,268	30,551	21,042	43,487
Tax Indemnification Payment (7)	341,733	210,613			

(1) As of December 31, 2009, none of the named executives



were eligible for early retirement or retirement.

- (2) Upon disability, the named executive is entitled to three years salary. Such benefit is reduced by the amount paid by the insurance companies under disability policies.
- (3) Other benefits include amounts for benefits in effect prior to termination; life, medical, dental, disability and long term care, and is calculated based on the terms specified in the employment agreements.
- (4) The employment agreements in effect provide that Investors Bancorp will pay the excess, if any of: the present value of benefits to which the named executive would be entitled to under the defined benefit plans if he had continued working for the company for, 36 months in the case if Messrs. Cummings and Cama, and 18 months for Messrs. Spengler, Splaine and Kalamaras, and the present value of the

benefits which he is actually entitled.

- (5) This amount is payable according to normal payroll practices for one year following the executive's date of death.
- (6) This amount is paid in a lump sum on the date of termination.
- (7) This amount is generally payable in a lump sum to the executive on the date of termination, but it may be timely paid directly to the applicable taxing authorities on behalf of the executive.

**Table of Contents****Director Compensation*****Elements of Director Compensation***

***Director Fees.*** Each of the individuals who serve as a director of Investors Bancorp also serves as a director of Investors Savings Bank. The non-employee directors of Investors Bancorp and Investors Savings Bank are compensated separately for service on each entity's board. Each non-employee director of Investors Bancorp is paid a monthly retainer of \$2,000 (\$4,000 per month for the Chairman), and \$1,500 for each committee meeting attended (\$2,500 for the Audit Committee). The Chairman of the Audit Committee is paid an annual retainer of \$10,000 (\$5,000 each for Co-Chairs). The Chairman of the Compensation and Benefits Committee and the Chairman of the Nominating and Corporate Governance Committee are each paid an annual retainer of \$8,500. Each non-employee director of Investors Savings Bank is paid a monthly retainer of \$4,000 (\$8,000 per month for the Chairman) and \$2,100 for each Board meeting attended (\$4,200 per meeting for the Chairman).

The Board of Directors establishes non-employee director compensation based on recommendations of the Compensation and Benefits Committee. Periodically, the Compensation and Benefits Committee will engage the services of a third party and will consult external surveys to assist it in a review of director compensation. The Compensation and Benefits Committee recommended the following changes to the compensation payable to non-employee directors in 2009 that are already disclosed above; increased the annual retainer for the Audit Committee Chair from \$8,500 to \$10,000 and established an annual retainer of \$8,500 for the Nominating and Corporate Governance Committee Chair.

***Stock Option and Stock Award Program.*** At the October 24, 2006 Annual Meeting, the stockholders approved the Investors Bancorp, Inc. 2006 Equity Incentive Plan. The Compensation and Benefits Committee engaged GK Partners, an independent compensation consultant, in calendar 2007 to assess the Committee's recommendations for granting stock options and restricted stock awards to non-employee directors. In determining the amount of restricted stock awards and stock options non-employee directors would receive, the Compensation and Benefits Committee considered the Board's role in setting the strategic direction for the Company, most notably, their role in completing the conversion to a public company in 2005. The Committee also considered the directors' past contributions, their industry knowledge, their financial expertise and the role they would play in the Company's future. The Committee also reviewed survey data regarding awards made to directors of other companies that had undertaken a mutual to stock public offering. GK Partners concluded that the Committee's recommendations for the awards were fair and reasonable and intended to align the economic interest of the directors with that of other shareholders consistent with prevailing director compensation practices in the competitive marketplace for similarly situated public companies.

On November 20, 2006 the Compensation and Benefits Committee of the Board of Directors granted stock options and restricted stock awards to non-employee directors of the Company equal to 80% of the amount approved by shareholders. The options generally vest in equal installments over a five-year period, commencing one year from the date of the grant (November 20, 2007) and have an exercise price of \$15.25 per share, which was the closing market price/last sale price of the Company's common stock on November 20, 2006, the date of the grant. The restricted stock awards also generally vest in equal installments over a five-year period, commencing one year from the date of the grant (November 20, 2007). On January 21, 2008 the Compensation and Benefits Committee of the Board of Directors again consulted with GK Partners and granted the additional 20% of stock options and restricted stock awards to non-employee directors of the Company that was approved by the shareholders. The options generally vest in equal installments over a five-year period, commencing one year from the date of the grant (January 21, 2009) and have an exercise price of \$13.38 per share, which was the closing market price/last sale price of the Company's common stock on January 18, 2008. The restricted stock awards also generally vest in equal installments over a five-year period, commencing one year from the date of the grant (January 21, 2009). The vesting of the options and restricted stock awards accelerate upon death or disability, retirement, involuntary termination of service following a change in control, and upon consummation of a second step conversion of Investors Bancorp. The grants have other terms and conditions consistent with the 2006 Equity Incentive Plan. A total of 1,709,252 stock options and 683,701 shares of restricted stock were granted to non-employee directors of the Company. These totals represent 100% of the stock options and restricted shares available to non-employee directors for granting purposes.



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**Director Benefits.** For directors and their spouses or spousal equivalents as of 2007, Investors Savings Bank sponsors a long-term care program. Directors become eligible to participate after one year of service either on the Board of Directors, through past employment or as counsel prior to becoming a director. Each individual policy is owned by the covered person. Investors Savings Bank pays all premiums under the long term care program but will stop paying premiums in the event of the participant's (i) resignation from the Board of Directors prior to attaining normal retirement age (except for health reasons), (ii) relocation outside of the country, or (iii) death. Spousal coverage will be terminated upon (i) a participant's resignation prior to normal retirement age (except for health reasons), (ii) divorce from the participant, (iii) the participant no longer qualifying for coverage, (iv) the spouse's permanent relocation outside of the country, or (v) death. Participants who cannot be insured through an insurance company under the long-term care program will be self-insured by Investors Savings Bank.

**Retirement Plan for the Board of Directors of Investors Savings Bank.** Investors Savings Bank maintains a director retirement plan. In December 2006, the Director Plan was amended to cap compensation at the current level and close the plan to new participants. A director who is not an active employee of Investors Savings Bank upon retirement from board service, has provided at least ten years of cumulative service (service on the board and, if applicable, as an employee or counsel), retires at age 65 or later, or as a result of disability, is eligible to participate in the plan. An eligible director with at least 15 years of cumulative service will be entitled to an annual retirement benefit equal to the sum of 60% of the annual retainer and 13 times the regular board meeting fee in effect for the calendar year preceding the director's year of retirement. A director with at least ten years of cumulative service but less than 15 years will be entitled to 40% of the sum of the annual retainer and 13 times the regular meeting fee in effect for the calendar year preceding the director's year of retirement, plus a pro-rated percentage of 20% of the sum of the annual retainer and 13 times the regular board meeting fee in effect for the calendar year preceding the director's year of retirement. In connection with the stock offering, the retirement plan was amended to include the annual retainer and board fees, if any, paid by Investors Bancorp in determining a director's retirement benefit. Directors who retired on or prior to March 1, 1997 are entitled to different retirement benefits.

In the event of a change in control, directors who have not yet attained ten years of service will be deemed to have ten years of service in order to qualify for a benefit under the director retirement plan. In the event a director dies prior to retirement, the director's beneficiary will be entitled to benefit payments in the form of a joint and survivor benefit payable at 100% of the amount paid to the director. Retirement benefits may be paid, at the director's election, either in monthly payments until the eligible director's death, or as a joint and survivor form of benefit payable for the lifetime of the eligible director and, upon the eligible director's death, at 50% of the benefit amount, to the director's beneficiary, or a joint and survivor form of benefit payable for the lifetime of the director and, upon the director's death, at 100% of the amount, to the director's beneficiary during the beneficiary's lifetime. In order to receive retirement benefits under the plan, the director must remain a director emeritus in good standing after retirement and must not engage in any business enterprise which competes with Investors Savings Bank nor disclose any confidential information relative to the business of Investors Savings Bank.

**Deferred Directors Fee Plans.** Since 1988, Investors Savings Bank has maintained a deferred directors fee plan, pursuant to which each director of Investors Savings Bank has the right to defer the payment of all or any part of his or her board or committee fees. Compensation deferred under the plan and interest (at the rate equal to one and one-half percent below the prime rate) thereon are payable upon a director's death, disability, resignation or removal from office. Such payment is made in a lump sum, unless the director has elected payment in monthly installments over a period of up to ten years. In the event of a change in control, the Board of Directors or an acquirer may, in its sole discretion, terminate the plan and pay the undisbursed portion of benefits under the plan in a lump sum within 12 months of the change in control. As of the year ended December 31, 2009, no directors are making deferrals in the deferred director fee plan.

***Summary of Directors Compensation***

The following table sets forth for the year ended December 31, 2009 certain information as to total compensation earned by non-employee directors. The amounts reported under the stock awards and option

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awards columns were granted on November 20, 2006 and January 21, 2008 pursuant to the 2006 Equity Incentive Plan.

**DIRECTORS COMPENSATION TABLE**

Name	Investors Bancorp Fees Earned	Investors Savings Bank Fees Earned	Change in Pension Value and		Nonqualified Deferred Compensation Earnings	All Other Compensation	Total (\$)
	or Paid in Cash (\$)	or Paid in Cash (\$)	Stock Awards (\$) <sup>(1)</sup>	Option Awards (\$) <sup>(2)</sup>	(\$) <sup>(3)</sup>	(\$) <sup>(4)</sup>	
Patrick J. Grant <sup>(5)</sup>	52,500	146,400			(10,000)	27,586	216,486
Robert M. Cashill	22,000	67,100			22,000	11,278	122,378
Doreen R. Byrnes	24,000	73,200				7,073	104,273
Brian D. Dittenhafer	48,500	73,200			75,000	9,570	206,270
John A. Kirkpatrick <sup>(6)</sup>	50,500	67,100			122,000	4,894	244,494
Vincent D. Manahan III	57,000	73,200			(1,000)	7,671	136,871
Richard J. Petroski	41,000	73,200				19,250	133,450
Joseph H. Shepard III	44,000	73,200			(5,000)	7,608	119,808
Rose Sigler	57,000	73,200				12,863	143,063
Stephen J. Szabatin	48,500	73,200			29,000	10,563	161,263
James H. Ward, III <sup>(7)</sup>	13,500	36,600					50,100

(1) The amounts in this column reflect the aggregate grant date fair value computed in accordance with FASB ASC 718. Mr. Cashill and Ms. Byrnes had

unvested stock awards of 100,000 and 36,000, respectively, for awards received as employees of Investors Savings Bank. Messrs. Dittenhafer, Manahan III, Shephard III and Szabatin and Ms. Sigler had unvested stock awards of 46,883 at December 31, 2009. All unvested awards relate to grants made pursuant to the 2006 Equity Incentive Plan, which vest over the shorter of five years or the period to the mandatory director retirement age. Assumptions used in the calculation of these amounts are included in footnote 11 to Investors Bancorp's audited financial statements for the calendar year ended December 31, 2009 included in Investors Bancorp's Annual Report on Form 10-K.

- (2) The amounts in this column reflect the aggregate grant date fair value computed in accordance with FASB ASC 718. Mr. Grant had unexercised stock option awards of 244,184 at December 31, 2009.

Mr. Cashill and Ms. Byrnes had unexercised stock option awards of 350,000 and 225,000, respectively, for stock option awards received as employees of Investors Savings Bank.

Messrs. Dittenhafer, Kirkpatrick, Manahan III, Shephard III and Szabatin and Ms. Sigler had unexercised stock option awards of 244,178 at December 31, 2009.

All unexercised stock option awards relate to grants made pursuant to the 2006 Equity Incentive Plan, which vest over the shorter of five years or the period to the mandatory director retirement age.

Assumptions used in the calculation of these amounts are included in footnote 11 to Investors Bancorp's audited financial statements for the calendar year ended December 31, 2009 included in Investors Bancorp's Annual Report on Form 10-K.

- (3) This amount represents the aggregate change in the present value of



a director's accumulated benefit under the Retirement Plan.

- (4) This amount includes perquisites and other personal benefits, or property, if the aggregate amount for each director is at least \$10,000.

Specifically, this amount represents the premiums paid for long term care coverage for certain directors and their spouses or spousal equivalents.

Messrs. Kirkpatrick and Shepard III are self-insured by Investors Savings Bank. In addition, the amount includes life insurance premiums for Mr. Grant and automobile allowance and club membership for Mr. Petroski.

- (5) Mr. Grant, the former Chairman, passed away on December 26, 2009.

- (6) Mr. Kirkpatrick, a former Director, retired on October 26, 2009.

- (7) Mr. Ward became a member of the Board upon the completion of the acquisition of American Bancorp

of New Jersey, Inc.  
in May 2009,  
therefore, his  
directors fees  
represent a partial  
year for calendar  
year 2009.

***Other Matters***

***Director Stock Ownership Requirements.*** The Board believes its directors should have a financial investment in the Company to further align their interests with stockholders. Directors are expected to own at least \$100,000 in common stock value (excluding stock options), within a reasonable time subsequent to their appointment as a director.

**Table of Contents****ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS****Security Ownership of Certain Beneficial Owners and Management**

Persons and groups who beneficially own in excess of five percent of Investors Bancorp's common stock are required to file certain reports with the Securities and Exchange Commission regarding such beneficial ownership. The following table sets forth, as of April 20, 2010, certain information as to the shares of Investors Bancorp common stock owned by persons who beneficially own more than five percent of Investors Bancorp's issued and outstanding shares of common stock. We know of no persons, except as listed below, who beneficially owned more than five percent of the outstanding shares of Investors Bancorp common stock as of April 20, 2010. For purposes of the following table and the table included under the heading "Management," in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended, a person is deemed to be the beneficial owner of any shares of common stock (i) over which he or she has, or shares, directly or indirectly, voting or investment power or (ii) as to which he or she has the right to acquire beneficial ownership at any time within 60 days after April 20, 2010.

***Principal Stockholders***

<b>Name and Address of Beneficial Owner</b>	<b>Number of Shares Owned and Nature of Beneficial Ownership</b>	<b>Percent of Shares of Common Stock Outstanding<sup>(1)</sup></b>
Investors Bancorp, MHC 101 JFK Parkway Short Hills, NJ 07078	64,844,373 <sup>(2)</sup>	56.4%
Advisory Research, Inc. 180 N Stetson St., Suite 5500 Chicago, IL 60601	9,398,519 <sup>(3)</sup>	8.2%

(1) Based on 114,893,587 shares of Investors Bancorp common stock outstanding as of April 20, 2010.

(2) This information is based on Schedule 13D (Amendment No. 1) filed by Investors Bancorp, MHC with the SEC on June 25, 2008. The Board of

Directors of  
Investors  
Bancorp, MHC  
consists of those  
persons who  
serve on the  
Board of  
Directors of  
Investors  
Bancorp, Inc.

- (3) This  
information is  
based on  
Schedule 13G  
filed by  
Advisory  
Research, Inc.  
with the SEC on  
February 12,  
2010.

**Table of Contents****Management**

The following table sets forth information about shares of Investors Bancorp common stock owned by each nominee for election as director, each incumbent director, each named executive officer identified in the summary compensation table included elsewhere in this Proxy Statement, and all nominees, incumbent directors and executive officers as a group, as of April 20, 2010.

Name	Position(s) held with Investors Bancorp Inc. and/or Investors Savings Bank	Shares		Options		Percent of Class	Unvested Stock Awards Included in Beneficial Ownership
		Owned Directly and Indirectly (1)	Options Exercisable within 60 days	Beneficial Ownership			
Robert M. Cashill	Chairman	255,501	210,000	465,501		*	100,000
Brian D. Dittenhafer	Director	108,207	136,740	244,947		*	42,976
Vincent D. Manahan III	Director	149,671	136,740	286,411		*	42,976
James H. Ward, III <sup>(2)</sup>	Director	126,102		126,102		*	
Doreen R. Byrnes	Director	80,976	135,000	215,976		*	36,000
Richard J. Petroski	Director	12,000		12,000		*	
Rose Sigler	Lead Director	122,671	136,740	259,411		*	42,976
Stephen J. Szabatin	Director	127,671	136,740	264,411		*	42,976
Kevin Cummings	Director, President and Chief Executive Officer	282,329	270,000	552,329		*	175,000
Joseph H. Shepard III	Director	157,671	136,740	294,411		*	42,976

**EXECUTIVE OFFICERS WHO  
ARE NOT DIRECTORS**

Domenick A. Cama	Executive Vice President and Chief Operating Officer	247,957	240,000	487,957		*	144,000
Richard S. Spengler	Executive Vice President and Chief Lending Officer	163,475	120,000	283,475		*	97,000

Thomas F. Splaine, Jr.	Senior Vice President and Chief Financial Officer	116,074	105,000	221,074	*	63,000
Paul Kalamaras	Executive Vice President	115,706	28,000	143,706	*	93,000
All directors and executive officers as a group (14 persons) <sup>(3)</sup>		2,066,010	1,791,700	3,857,710	3.4%	922,880

\* Less than 1%

(1) Unless otherwise indicated, each person effectively exercises sole, or shared with spouse, voting and dispositive power as to the shares reported.

(2) Mr. Ward was appointed to the Board of Directors in June 2009 upon consummation of Investors Bancorp Inc. s acquisition of American Bancorp of New Jersey, Inc.

(3) Includes 29,055 shares of common stock allocated to the accounts of executive officers under the Investors Savings Bank

Employee Stock Ownership Plan ( ESOP ) and excludes the remaining 4,225,017 shares of common stock of which 3,545,059 are unallocated and held for the future benefit of all employee participants. Under the terms of the ESOP, shares of common stock allocated to the account of employees are voted in accordance with the instructions of the respective employees. Unallocated shares are voted by the ESOP Trustee in the same proportion as the vote obtained from participants on allocated shares.

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**ITEM 12. CERTAIN RELATIONSHIPS, RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE**

***Transactions With Certain Related Persons***

Federal laws and regulations generally require that all loans or extensions of credit to executive officers and directors must be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with the general public and must not involve more than the normal risk of repayment or present other unfavorable features. However, regulations also permit executive officers and directors to receive the same terms through benefit or compensation plans that are widely available to other employees, as long as the executive officer or director is not given preferential treatment compared to the other participating employees. Pursuant to such a program, loans have been extended to executive officers, which loans are on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with the general public. These loans do not involve more than the normal risk of collectability or present other unfavorable features. As of December 31, 2009, Investors Savings Bank had a loan in the amount of \$620,000 to one named executive officer.

Section 402 of the Sarbanes-Oxley Act of 2002 generally prohibits an issuer from: (1) extending or maintaining credit; (2) arranging for the extension of credit; or (3) renewing an extension of credit in the form of a personal loan for an officer or director. There are several exceptions to this general prohibition, one of which is applicable to Investors Bancorp. The provisions of the Sarbanes-Oxley Act of 2002 that prohibit loans do not apply to loans made by a depository institution, such as Investors Savings Bank, that is insured by the Federal Deposit Insurance Corporation and is subject to the insider lending restrictions of the Federal Reserve Act. All loans to Investors Bancorp's and Investors Savings Bank's officers are made in conformity with the Federal Reserve Act and Regulation O.

***Director Independence***

A majority of the Board of Directors and each member of the Compensation and Benefits, Nominating and Corporate Governance, and Audit Committees are independent, as affirmatively determined by the Board consistent with the listing standards of the NASDAQ Stock Market.

The Board of Directors conducts an annual review of director independence for all current nominees for election as directors and all continuing directors. In connection with this review, the Board of Directors considers all relevant facts and circumstances relating to relationships that each director, his or her immediate family members and their related interests had with Investors Bancorp and its subsidiaries.

As a result of this review, the Board of Directors affirmatively determined that Messrs. Shepard III, Dittenhafer, Manahan III, Petroski, Szabatin and Ward III and Ms. Sigler are independent. The Board of Directors determined that Mr. Cummings is not independent as he is an Investors Savings Bank employee and Mr. Cashill is not independent because he was an employee of Investors Savings Bank until retiring on December 31, 2007 and Ms. Byrnes is not independent as she was an employee of Investors Savings Bank until retiring on March 1, 2007.

**ITEM 13. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Investors Bancorp's independent registered public accounting firm for calendar year ended December 31, 2009 was KPMG LLP. The Audit Committee has re-appointed KPMG LLP to continue as the independent registered public accounting firm for Investors Bancorp for calendar year ending December 31, 2010, subject to the ratification by Investors Bancorp's stockholders at the Annual Meeting. Representatives of KPMG LLP are expected to attend the Annual Meeting. They will be given an opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.



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Stockholder ratification of the appointment of KPMG LLP is not required by Investors Bancorp's Bylaws or otherwise. However, the Board of Directors is submitting the appointment of the independent registered public accounting firm to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the appointment of KPMG LLP, the Audit Committee will reconsider whether it should select another independent registered public accounting firm. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change is in the best interests of Investors Bancorp and its stockholders.

**Audit Fees.** The aggregate fees billed to Investors Bancorp for professional services rendered by KPMG LLP for the audit of the Investors Bancorp's annual financial statements, review of the financial statements included in the Investors Bancorp's Quarterly Reports on Form 10-Q and services that are normally provided by KPMG LLP in connection with statutory and regulatory filings and engagements were \$612,500, \$519,500 and \$520,800 during the six months ended December 31, 2009 and the fiscal years ended June 30, 2009 and 2008, respectively.

**Audit Related Fees.** The aggregate fees billed to Investors Bancorp for assurance and related services rendered by KPMG LLP that are reasonably related to the performance of the audit of and review of the financial statements and that are not already reported in Audit Fees, above, were \$25,000 during the fiscal year ended June 30, 2009. These fees related to audit services in conjunction with the acquisition of American Bancorp of New Jersey, Inc. There were no such fees during the six months ended December 31, 2009 and the fiscal years ended June 30, 2009 and 2008, respectively.

**Tax Fees.** The aggregate fees billed to Investors Bancorp for professional services rendered by KPMG LLP for tax compliance, tax advice and tax planning were \$29,700, \$64,860 and \$50,500 during the six months ended December 31, 2009 and the fiscal years ended June 30, 2009 and 2008, respectively.

**All Other Fees.** There were no Other Fees for calendar 2009 and 2008.

The Audit Committee has considered whether the provision of non-audit services is compatible with maintaining the independence of KPMG LLP. The Audit Committee concluded that performing such services does not affect the independence of KPMG LLP in performing its function as Investors Bancorp's independent registered public accounting firm of Investors Bancorp.

The Audit Committee has delegated to the Chair of the Audit Committee the authority to pre-approve audit and audit-related services between meetings of the Audit Committee, provided the Chair reports any such approvals to the full Audit Committee at its next meeting. The full Audit Committee pre-approves all other services to be performed by the independent registered public accounting firm and the related fees.