HELBLING PAUL A
Form 4
January 21, 2009

# FORM 4

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

OMB APPROVAL

| | |
|---|---|
| OMB Number: | 3235-0287 |
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## STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
HELBLING PAUL A

(Last) (First) (Middle)

13947 SOUTH MINUTEMAN DRIVE

(Street)

DRAPER, UT 84020

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
THINKORSWIM GROUP INC. [SWIM]

3. Date of Earliest Transaction (Month/Day/Year)
01/18/2009

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Sr. VP & Chief Admin. Off.

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1.Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | | | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Code | V | Amount | (A) or (D) | Price | | | |
| Common Stock | 01/18/2009 | | F | | 1,633 (1) | D | $ 8.12 | 248,768 | D | |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**
**(*e.g.*, puts, calls, warrants, options, convertible securities)**

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | | 6. Date Exercisable and Expiration Date (Month/Day/Year) | | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | | 8. Price of Derivative Security (Instr. 5) | 9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Code | V | (A) | (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares | | |

# Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---|---|---|---|
| | Director | 10% Owner | Officer | Other |
| HELBLING PAUL A<br>13947 SOUTH MINUTEMAN DRIVE<br>DRAPER, UT 84020 | | | Sr. VP & Chief Admin. Off. | |

# Signatures

| /s/PAUL A. HELBLING | 01/20/2009 |
|---|---|
| **Signature of Reporting Person | Date |

# Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

**(1)** Represents shares withheld to satisfy the repoting person's tax withholding obligation upon vesting of Restricted Stock.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. -size:10pt;">—

18,876

18,876

205,940

224,816

Commercial and industrial
631

2,639

375

3,645

165,298

168,943

Consumer and other
881

196

1,238

2,315

236,607

238,922

Total
$
51,623

21,516

108,473

181,612

10,250,115

10,431,727

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

| | December 31, 2013 | | December 31, 2012 | |
|---|---|---|---|---|
| | # of loans | Amount | # of loans | Amount |
| | (Dollars in thousands) | | | |
| Non-accrual: | | | | |
| Residential and consumer | 304 | $74,282 | 354 | $82,533 |
| Construction | 18 | 16,181 | 9 | 25,764 |
| Multi-family | 5 | 5,905 | 5 | 11,143 |
| Commercial real estate | 12 | 2,711 | 4 | 753 |
| Commercial and industrial | 4 | 1,281 | 2 | 375 |
| Total Non-accrual Loans | 343 | $100,360 | 374 | $120,568 |

Included in the non-accrual table above are TDR loans whose payment status is current but the Company has classified as non-accrual as the loans have not maintained current payment status for six consecutive months and therefore do not meet the criteria for accrual status. As of December 31, 2013, these loans are comprised of 1 multi-family loan for $2.3 million, 1 commercial loan for $620,000, 1 commercial and industrial loan for $506,000 and 14 residential loans totaling $4.6 million. There were 5 residential TDR loans totaling $1.6 million which were 30-89 delinquent classified as non-accrual. The Company has no loans past due 90 days or more delinquent that are still accruing interest. PCI loans are excluded from non accrual loans, as they are recorded at fair value based on the present value of expected future cash flows. As of December 31, 2013, PCI loans totaled $36.0 million of which $19.6 million were current and $16.4 million were 90 days or more delinquent. As of December 31, 2012, PCI loans totaled $6.7 million of which $5.7 million were current and $966,000 were 90 days or more delinquent.

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At December 31, 2013 and 2012, loans meeting the Company’s definition of an impaired loan were primarily collateral dependent and totaled $66.7 million and $57.4 million, respectively, with allocations of the allowance for loan losses of $2.1 million for both periods. During the years ended December 31, 2013 and 2012, interest income received and recognized on these loans totaled $2.4 million and $1.6 million, respectively.

The following tables present loans individually evaluated for impairment by class of loans as of December 31, 2013 and
December 31, 2012:

| | December 31, 2013 | | | | |
|---|---|---|---|---|---|
| | Recorded Investment | Unpaid Principal Balance | Related Allowance | Average Recorded Investment | Interest Income Recognized |
| | (In thousands) | | | | |
| With no related allowance: | | | | | |
| Residential mortgage | $3,924 | 5,607 | — | 3,330 | 190 |
| Multi-family | 15,313 | 28,681 | — | 15,405 | 428 |
| Commercial real estate | 11,713 | 12,223 | — | 11,538 | 679 |
| Construction | 17,037 | 26,642 | — | 19,157 | 198 |
| Commercial and industrial | 1,612 | 1,612 | — | 1,490 | 105 |
| With an allowance recorded: | | | | | |
| Residential mortgage | 17,063 | 17,457 | 2,066 | 15,880 | 753 |
| Multi-family | — | — | — | — | — |
| Commercial real estate | — | — | — | — | — |
| Construction | — | — | — | — | — |
| Commercial and industrial | — | — | — | — | — |
| Total: | | | | | |
| Residential mortgage | 20,987 | 23,064 | 2,066 | 19,210 | 943 |
| Multi-family | 15,313 | 28,681 | — | 15,405 | 428 |
| Commercial real estate | 11,713 | 12,223 | — | 11,538 | 679 |
| Construction | 17,037 | 26,642 | — | 19,157 | 198 |
| Commercial and industrial | 1,612 | 1,612 | — | 1,490 | 105 |
| Total impaired loans | $66,662 | 92,222 | 2,066 | 66,800 | 2,353 |

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| | December 31, 2012 | | | | |
|---|---|---|---|---|---|
| | Recorded Investment | Unpaid Principal Balance | Related Allowance | Average Recorded Investment | Interest Income Recognized |
| | (In thousands) | | | | |
| With no related allowance: | | | | | |
| Residential mortgage | $ 1,448 | 2,176 | — | 1,375 | 20 |
| Multi-family | 10,574 | 19,336 | — | 6,764 | 310 |
| Commercial real estate | 7,075 | 7,476 | — | 5,081 | 492 |
| Construction | 26,314 | 43,945 | — | 25,557 | 384 |
| Commercial and industrial | 1,208 | 1,208 | — | 641 | 90 |
| With an allowance recorded: | | | | | |
| Residential mortgage | 10,787 | 11,075 | 2,142 | 9,569 | 283 |
| Multi-family | — | — | — | 2,316 | — |
| Commercial real estate | — | — | — | — | — |
| Construction | — | — | — | 17,054 | — |
| Commercial and industrial | — | — | — | — | — |
| Total: | | | | | |
| Residential mortgage | 12,235 | 13,251 | 2,142 | 10,944 | 303 |
| Multi-family | 10,574 | 19,336 | — | 9,080 | 310 |
| Commercial real estate | 7,075 | 7,476 | — | 5,081 | 492 |
| Construction | 26,314 | 43,945 | — | 42,611 | 384 |
| Commercial and industrial | 1,208 | 1,208 | — | 641 | 90 |
| Total impaired loans | $ 57,406 | 85,216 | 2,142 | 68,357 | 1,579 |

The average recorded investment is the annual average calculated based upon the ending quarterly balances. The interest income recognized is the year to date interest income recognized on a cash basis.

Troubled Debt Restructurings

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

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

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The following tables present the total troubled debt restructured loans at December 31, 2013 and December 31, 2012 excluding the PCI loans:

| | December 31, 2013 | | | | | |
|---|---|---|---|---|---|---|
| | Accrual | | Non-accrual | | Total | |
| | # of loans | Amount | # of loans | Amount | # of loans | Amount |
| | (Dollars in thousands) | | | | | |
| Residential mortgage | 35 | $12,975 | 26 | $8,021 | 61 | $20,996 |
| Multi-family | 4 | 9,844 | 1 | 2,317 | 5 | 12,161 |
| Commercial real estate | 7 | 11,093 | 1 | 620 | 8 | 11,713 |
| Commercial and industrial | 1 | 1,106 | 1 | 506 | 2 | 1,612 |
| Construction | 3 | 4,552 | — | — | 3 | 4,552 |
| | 50 | $39,570 | 29 | $11,464 | 79 | $51,034 |

| | December 31, 2012 | | | | | |
|---|---|---|---|---|---|---|
| | Accrual | | Non-accrual | | Total | |
| | # of loans | Amount | # of loans | Amount | # of loans | Amount |
| | (Dollars in thousands) | | | | | |
| Residential mortgage | 18 | $7,178 | 21 | $5,057 | 39 | $12,235 |
| Commercial real estate | 3 | 7,471 | — | — | 3 | 7,471 |
| Commercial and industrial | 1 | 1,107 | — | — | 1 | 1,107 |
| Construction | — | — | 3 | 6,888 | 3 | 6,888 |
| | 22 | $15,756 | 24 | $11,945 | 46 | $27,701 |

The following tables present information about troubled debt restructurings which occurred during the years ended December 31, 2013 and 2012:

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2013 | | | 2012 | | |
| | Number of Loans | Pre-modification Recorded Investment | Post-modification Recorded Investment | Number of Loans | Pre-modification Recorded Investment | Post-modification Recorded Investment |
| | (Dollars in thousands) | | | | | |
| Troubled Debt Restructings: | | | | | | |
| Residential mortgage | 23 | $ 10,031 | $9,463 | 20 | $ 5,477 | $ 5,523 |
| Multi-family | 5 | 20,677 | 13,060 | — | — | — |
| Commercial real estate | 4 | 5,080 | 4,679 | 1 | 4,901 | 4,901 |
| Commercial and industrial | 1 | 521 | 521 | 1 | 1,107 | 1,107 |

Post-modification recorded investment represents the balance immediately following modification. Residential mortgage loan modifications primarily involved the reduction in loan interest rate and extension of loan maturity dates.

All TDRs are impaired loans, which are individually evaluated for impairment, as discussed above. Collateral dependant impaired loans classified as TDRs were written down to the estimated fair value of the collateral. There were $1.6 million and $3.5 million in charges-offs for collateral dependant TDRs during the years ended December 31, 2013 and 2012. The allowance for loan losses associated with the TDRs presented in the above tables totaled $2.1 million for both periods at December 31, 2013 and 2012, respectively.

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Explanation of Responses:

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Residential TDRs were modified to reflect a reduction in interest rates to current market rates. Several residential TDRs include step up interest rates in their modified terms which will impact their weighted average yield in the future. For the year ended December 31, 2013, there were 23 residential TDRs that had a weighted average modified interest rate of approximately 3.33% compared to a yield of 5.05% prior to modification. For the year ended December 31, 2012, there were 20 residential TDRs that had a weighted average modified interest rate of approximately 3.15% compared to a yield of 5.67% prior to modification.
Commercial loan modifications which qualified as a TDR comprised of terms of maturity being extended and reduction in interest rates to current market terms. For the year ended December 31, 2013, there were 4 commercial real estate TDRs had a weighted average modified interest rate of approximately 5.41% as compared to a yield of 7.29% prior to modification, 5 multi-family TDRs that had a weighted average modified interest rate of approximately 3.79% as compared to a rate of 7.66% prior to modification and 1 commercial and industrial TDR that had a weighted average modified interest rate of approximately 4.00% as compared to a rate of 6.00% prior to modification. For the year ended December 31, 2012, commercial real estate TDRs that had a weighted average modified interest rate of approximately 5.75% compared to a yield of 5.82% prior to modification.
Loans modified as TDRs in the previous 12 months to December 31, 2013, for which there was a payment default consisted of two residential loans with a recorded investment of $763,000 at December 31, 2013. Loans modified as TDRs in the previous 12 months to December 31, 2012, for which there was a payment default consisted of 1 construction loan with a recorded investment of $2.9 million and three residential loans with a recorded investment of $413,000 at December 31, 2012.

6. Office Properties and Equipment, Net
Office properties and equipment are summarized as follows:

| | December 31, 2013 (In thousands) | 2012 |
|---|---|---|
| Land | $12,728 | 10,728 |
| Office buildings | 73,770 | 27,715 |
| Leasehold improvements | 44,587 | 42,419 |
| Furniture, fixtures and equipment | 54,610 | 33,577 |
| Construction in process | 24,299 | 20,062 |
| | 209,994 | 134,501 |
| Less accumulated depreciation and amortization | 71,889 | 43,093 |
| | $138,105 | 91,408 |

Depreciation and amortization expense for the years ended December 31, 2013, 2012 and 2011 was $8.5 million, $7.2 million and $6.4 million, respectively.

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7. Goodwill and Other Intangible Assets

The carrying amount of goodwill for the years ended December 31, 2013 and December 31, 2012 was approximately $77.6 million and $77.1 million. For the year ended December 31, 2013, the increase in goodwill primarily reflects the acquisition of Roma Financial.

The following table summarizes other intangible assets as of December 31, 2013 and December 31, 2012:

| | Gross Intangible Asset (In thousands) | Accumulated Amortization | Valuation Allowance | Net Intangible Assets |
|---|---|---|---|---|
| December 31, 2013 | | | | |
| Mortgage Servicing Rights | $44,801 | (30,018) | (81) | 14,702 |
| Core Deposit Premiums | 23,205 | (6,569) | — | 16,636 |
| Other | 300 | (80) | — | 220 |
| Total other intangible assets | $68,306 | (36,667) | (81) | 31,558 |
| December 31, 2012 | | | | |
| Mortgage Servicing Rights | $37,838 | (24,107) | (1,705) | 12,026 |
| Core Deposit Premiums | 14,338 | (4,455) | — | 9,883 |
| Other | 300 | (50) | — | 250 |
| Total other intangible assets | $52,476 | (28,612) | (1,705) | 22,159 |

Mortgage servicing rights are accounted for using the amortization method. Under this method, the Company amortizes the loan servicing asset in proportion to, and over the period of, estimated net servicing revenues. During 2008, the Company began selling loans on a servicing-retained basis. Loans that were sold on this basis, amounted to $1.71 billion and $1.40 billion at December 31, 2013 and December 31, 2012 respectively, all of which relate to residential mortgage loans. At December 31, 2013 and 2012, the servicing asset, included in intangible assets, had an estimated fair value of $14.7 million and $12.0 million, respectively. Fair value was based on expected future cash flows considering a weighted average discount rate of 10.20% , a weighted average constant prepayment rate on mortgages of 8.48% and a weighted average life of 7.4 years.

Core deposit premiums are amortized using an accelerated method and having a weighted average amortization period of 10 years. For the year ended December 31, 2013, the Company recorded $8.9 million in core deposit premiums resulting from the acquisitions of Roma Financial.

The following presents the estimated future amortization expense of other intangible assets for the next five years:

| | Mortgage Servicing Rights (In thousands) | Core Deposit Premiums | Other |
|---|---|---|---|
| 2014 | $3,469 | $4,076 | $30 |
| 2015 | 3,047 | 3,588 | 30 |
| 2016 | 2,611 | 3,158 | 30 |
| 2017 | 2,191 | 2,779 | 30 |
| 2018 | 1,772 | 2,444 | 30 |

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8. Deposits
Deposits are summarized as follows:

| | December 31, 2013 Weighted Average Rate | | Amount | % of Total | | 2012 Weighted Average Rate | | Amount | % of Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | (In thousands) | | | | | | | | | |
| Savings | 0.28 | % | $2,212,034 | 20.64 | % | 0.37 | % | $1,718,199 | 19.59 | % |
| Checking accounts | 0.17 | % | 3,163,250 | 29.50 | % | 0.21 | % | 2,498,829 | 28.50 | % |
| Money market deposits | 0.34 | % | 1,958,982 | 18.28 | % | 0.37 | % | 1,585,865 | 18.09 | % |
| Total transaction accounts | 0.25 | % | 7,334,266 | 68.42 | % | 0.30 | % | 5,802,893 | 66.18 | % |
| Certificates of deposit | 0.83 | % | 3,384,545 | 31.58 | % | 1.19 | % | 2,965,964 | 33.82 | % |
| Total Deposits | 0.43 | % | $10,718,811 | 100.00 | % | 0.60 | % | $8,768,857 | 100.00 | % |

Scheduled maturities of certificates of deposit are as follows:

| | December 31, 2013 | 2012 |
|---|---|---|
| | (In thousands) | |
| Within one year | $2,170,493 | 1,632,705 |
| One to two years | 552,127 | 586,001 |
| Two to three years | 376,172 | 225,973 |
| Three to four years | 179,774 | 284,634 |
| After four years | 105,979 | 236,651 |
| | $3,384,545 | 2,965,964 |

The aggregate amount of certificates of deposit in denominations of $100,000 or more totaled approximately $1.58 billion and $1.30 billion at December 31, 2013 and December 31, 2012.

Interest expense on deposits consists of the following:

| | For the Year Ended December 31, 2013 | 2012 | 2011 |
|---|---|---|---|
| | (In thousands) | | |
| Savings | $6,320 | 7,859 | 9,713 |
| Checking accounts | 6,245 | 6,586 | 5,999 |
| Money market deposits | 7,537 | 7,937 | 7,275 |
| Certificates of deposit | 29,867 | 41,200 | 56,902 |
| Total | $49,969 | 63,582 | 79,889 |

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9. Borrowed Funds

Borrowed funds are summarized as follows:

| | December 31, 2013 | | 2012 | |
|---|---|---|---|---|
| | Principal | Weighted Average Rate | Principal | Weighted Average Rate |
| | | (Dollars in thousands) | | |
| Funds borrowed under repurchase agreements: | | | | |
| FHLB | $23,000 | 3.90% | $55,000 | 3.94% |
| Other brokers | 244,681 | 1.35% | — | — |
| Total funds borrowed under repurchase agreements | 267,681 | 1.60% | 55,000 | 3.94% |
| Other borrowed funds: | | | | |
| FHLB advances | 3,094,494 | 1.83% | 2,645,500 | 2.14% |
| Other | 5,099 | 1.91% | 5,152 | 1.92% |
| Total other borrowed funds: | 3,099,593 | 1.83% | 2,650,652 | 2.14% |
| Total borrowed funds | $3,367,274 | 1.81% | $2,705,652 | 2.18% |

Borrowed funds had scheduled maturities as follows:

| | December 31, 2013 | | 2012 | |
|---|---|---|---|---|
| | Principal | Weighted Average Rate | Principal | Weighted Average Rate |
| | | (Dollars in thousands) | | |
| Within one year | $1,214,204 | 0.64% | $915,500 | 1.26% |
| One to two years | 311,500 | 3.49% | 109,000 | 3.07% |
| Two to three years | 325,000 | 2.79% | 301,000 | 3.50% |
| Three to four years | 250,730 | 3.01% | 325,000 | 2.79% |
| Four to five years | 714,246 | 2.26% | 225,000 | 2.90% |
| After five years | 551,594 | 1.73% | 830,152 | 2.16% |
| Total borrowed funds | $3,367,274 | 1.81% | $2,705,652 | 2.18% |

Mortgage-backed securities have been sold, subject to repurchase agreements, to the FHLB and various brokers. Mortgage-backed securities sold, subject to repurchase agreements, are held by the FHLB for the benefit of the Company. Repurchase agreements require repurchase of the identical securities. Whole mortgage loans have been pledged to the FHLB as collateral for advances, but are held by the Company.

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The amortized cost and fair value of the underlying securities used as collateral for securities sold under agreements to repurchase are as follows:

| | December 31, 2013 | 2012 |
|---|---|---|
| | (Dollars in thousands) | |
| Amortized cost of collateral: | | |
| Mortgage-backed securities | $325,392 | 98,401 |
| Total amortized cost of collateral | $325,392 | 98,401 |
| Fair value of collateral: | | |
| Mortgage-backed securities | $322,563 | 102,673 |
| Total fair value of collateral | $322,563 | 102,673 |

In addition to the above securities, the Company has also pledged mortgage loans as collateral for these borrowings. During the years ended December 31, 2013, 2012 and 2011, the maximum month-end balance of the repurchase agreements was $261.2 million, $250.0 million and $500.0 million, respectively. The average amount of repurchase agreements outstanding during the years ended December 31, 2013, 2012 and 2011 was $165.4 million, $156.1 million and $347.3 million, respectively, and the average interest rate was 1.50%, 3.93% and 4.26%, respectively. At December 31, 2013, the Company participated in the FHLB's Overnight Advance program. This program allows members to borrow overnight up to their maximum borrowing capacity at the FHLB. At December 31, 2013, our borrowing capacity at the FHLB was $6.89 billion, of which the Company had outstanding borrowings of $3.12 billion and outstanding letters of credit of $1.18 billion. The overnight advances are priced at the federal funds rate plus a spread (generally between 20 and 30 basis points) and re-price daily. In addition, the Bank had an effective commitment for unsecured discretionary overnight borrowings with other institutions totaling $100 million, of which no balance was outstanding at December 31, 2013.

10. Income Taxes

The components of income tax expense are as follows:

| | Year Ended December 31, 2013 | 2012 | 2011 |
|---|---|---|---|
| | (In thousands) | | |
| Current tax expense: | | | |
| Federal | $76,692 | 62,331 | 54,258 |
| State | 7,881 | 4,491 | 3,630 |
| | 84,573 | 66,822 | 57,888 |
| Deferred tax (benefit) expense: | | | |
| Federal | (16,887) | (11,331) | (11,550) |
| State | (3,931) | 592 | (57) |
| | (20,818) | (10,739) | (11,607) |
| Total income tax expense | $63,755 | 56,083 | 46,281 |

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The following table presents the reconciliation between the actual income tax expense and the "expected" amount computed using the applicable statutory federal income tax rate of 35%:

| | Year Ended December 31, 2013 | 2012 | 2011 |
|---|---|---|---|
| | | (In thousands) | |
| "Expected" federal income tax expense | $61,525 | 50,698 | 43,808 |
| State tax, net | 2,567 | 3,304 | 2,322 |
| Bank owned life insurance | (1,014) | (972) | (1,098) |
| Expiration of loss carryforward | 645 | 2 | 36 |
| Change in valuation allowance for federal deferred tax assets | (645) | (2) | (36) |
| ESOP fair market value adjustment | 538 | 295 | 189 |
| Non-deductible compensation | 411 | 454 | 566 |
| Non-deductible acquisition related expenses | 297 | 866 | — |
| Expiration of stock options | — | 1,267 | — |
| Other | (569) | 171 | 494 |
| Total income tax expense | $63,755 | 56,083 | 46,281 |

The temporary differences and loss carryforwards which comprise the deferred tax asset and liability are as follows:

| | December 31, 2013 | 2012 |
|---|---|---|
| | (In thousands) | |
| Deferred tax asset: | | |
| Employee benefits | $25,882 | 21,165 |
| Deferred compensation | 1,265 | 1,403 |
| Premises and equipment | — | 907 |
| Allowance for loan losses | 67,135 | 53,308 |
| Net unrealized loss on securities | 14,631 | 1,888 |
| Net other than temporary impairment loss on securities | 44,945 | 46,384 |
| Capital losses on securities | — | 762 |
| ESOP | 2,279 | 1,840 |
| Allowance for delinquent interest | 18,340 | 11,677 |
| Fair value adjustments related to acquisition | 38,131 | 8,209 |
| Discount Accretion | 89 | — |
| Other | 4,480 | 3,910 |
| Gross deferred tax asset | 217,177 | 151,453 |
| Valuation allowance | — | (762) |
| | 217,177 | 150,691 |
| Deferred tax liability: | | |
| Intangible assets | 381 | 550 |
| Discount accretion | - | 135 |
| Premises and equipment | 590 | — |
| Gross deferred tax liability | 971 | 685 |
| Net deferred tax asset | $216,206 | 150,006 |

A deferred tax asset is recognized for the estimated future tax effects attributable to temporary differences and carryforwards. The measurement of deferred tax assets is reduced by the amount of any tax benefits that, based on available

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evidence, are more likely than not to be realized. The ultimate realization of the deferred tax asset is dependent upon the generation of future taxable income during the periods in which those temporary differences and carryforwards become deductible.

At December 31, 2013, the Company had gross unrealized losses totaling $143.5 million pertaining to our trust preferred securities which were recognized as OTTI charges during the year ended June 30, 2009. Based upon projections of future taxable income and the ability to carry back losses for two years, management believes it is more likely than not the Company will realize the deferred tax asset.

A valuation allowance is recorded for tax benefits which management has determined are not more likely than not to be realized. Due to the expiration of its remaining capital loss carryforwards, the Company no longer maintains a valuation allowance at December 31, 2013. At December 31, 2012, the valuation allowance was $762,000, all of which was related to capital losses on securities.

Retained earnings at December 31, 2013 included approximately $42.3 million for which deferred income taxes of approximately $17.1 million have not been provided. The retained earnings amount represents the base year allocation of income to bad debt deductions for tax purposes only. Base year reserves are subject to recapture if the 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. Under ASC 740, this amount is treated as a permanent difference and deferred taxes are not recognized unless it appears that it will be reduced and result in taxable income in the foreseeable future. Events that would result in taxation of these reserves include failure to qualify as a bank for tax purposes or distributions in complete or partial liquidation.

The Company had no unrecognized tax benefits or related interest or penalties at December 31, 2013 and 2012.

The Company files income tax returns in the United States federal jurisdiction and in the states of New Jersey and New York. With few exceptions, the Company is no longer subject to federal and state income tax examinations by tax authorities for years prior to 2009. At December 31, 2013, the Company is being audited by New York City in relation to an acquired entity. In February 2014, Investors Bank was notified by New York State that they would be conducting an audit of its tax returns for the years 2010 through 2012.

## 11. Benefit Plans

### Defined Benefit Pension Plan

The Company participates in the Pentegra Defined Benefit Plan for Financial Institutions (“Pentegra DB Plan”), a tax-qualified defined-benefit pension plan. The Pentegra DB Plan’s Employer Identification Number is 13-5645888 and the Plan Number is 333. The Pentegra DB Plan operates as a multi-employer plan for accounting purposes and as a multiple-employer plan under the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code. There are no collective bargaining agreements in place that require contributions to the Pentegra DB Plan.

The Pentegra DB Plan is a single plan under Internal Revenue Code Section 413(c) and, as a result, all of the assets stand behind all of the liabilities. Accordingly, under the Pentegra DB Plan contributions made by a participating employer may be used to provide benefits to participants of other participating employers.

The funded status (fair value of plan assets divided by funding target) as of July 1, 2013 and 2012 was 98.38% and 103.01%, respectively. The fair value of plan assets reflects any contributions received through June 30, 2013.

The Company’s required contribution and pension cost was $5.9 million, $5.2 million and $5.2 million in the years ended December 31, 2013, 2012 and 2011, respectively. The accrued pension liability was $247,000 and $1.1 million at December 31, 2013 and 2012, respectively. The Company’s contributions to the Pentegra DB Plan are not more than 5% of the total contributions to the plan. The Company's expected contribution for the 2014 year is approximately $6.0 million.

In connection with the acquisition of Roma Financial on December 6, 2013, the Company assumed their defined benefit pension plan. In May 2013, the board of directors of Roma Financial approved the termination of the defined benefit pension plan, effective upon the closing of the acquisition. The unfunded status as of December 31, 2013 is $6.3 million which was fully accrued for at December 6, 2013, the closing of the acquisition.

SERP, Directors’ Plan and Other Postretirement Benefits Plan

The Company has a Supplemental Executive Retirement Wage Replacement Plan (SERP). The SERP is a nonqualified, defined benefit plan which provides benefits to employees as designated by the Compensation Committee of the Board of Directors if their benefits and/or contributions under the pension plan are limited by the Internal Revenue Code. The Company also has a nonqualified, defined benefit plan which provides benefits to certain directors. The SERP and the directors’ plan are unfunded and the costs of the plans are recognized over the period that services are provided.

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The following table sets forth information regarding the SERP and the directors' defined benefit plan:

| | December 31, 2013 | 2012 |
|---|---|---|
| | (In thousands) | |
| Change in benefit obligation: | | |
| Benefit obligation at beginning of year | $25,526 | 19,791 |
| Service cost | 1,799 | 1,313 |
| Interest cost | 908 | 796 |
| (Gain) loss due to change in discount rate | (3,634) | 1,360 |
| Loss due to demographic changes | 5,647 | 2,795 |
| Actuarial (gain) loss | (330) | 235 |
| Benefits paid | (764) | (764) |
| Benefit obligation at end of year | 29,152 | 25,526 |
| Funded status | $(29,152) | (25,526) |

The underfunded pension benefits of $29.2 million and $25.5 million at December 31, 2013 and 2012 , respectively, are included in other liabilities in the consolidated balance sheets. The components of accumulated other comprehensive loss related to pension plans, on a pre-tax basis, at December 31, 2013 and 2012, are summarized in the following table.

| | December 31, 2013 | 2012 |
|---|---|---|
| | (In thousands) | |
| Prior service cost | $146 | 244 |
| Net actuarial gain | 8,956 | 7,933 |
| Total amounts recognized in accumulated other comprehensive income | $9,102 | 8,177 |

The accumulated benefit obligation for the SERP and directors' defined benefit plan was $20.1 million and $17.3 million at December 31, 2013 and 2012, respectively. The measurement date for our SERP, directors' plan is December 31 for the years ended December 31, 2013, 2012 and 2011.

The weighted-average actuarial assumptions used in the plan determinations at December 31, 2013 and 2012 were as follows:

| | December 31, 2013 | 2012 |
|---|---|---|
| Discount rate | 4.53 % | 3.56 % |
| Rate of compensation increase | 4.00 % | 3.87 % |

The components of net periodic benefit cost are as follows:

| | Year Ended December 31, 2013 | 2012 | 2011 |
|---|---|---|---|
| | (In thousands) | | |
| Service cost | $1,799 | 1,313 | 1,061 |
| Interest cost | 908 | 796 | 811 |
| Amortization of: | | | |
| Prior service cost | 98 | 98 | 98 |
| Net gain | 660 | 145 | — |
| Total net periodic benefit cost | $3,465 | 2,352 | 1,970 |

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The following are the weighted average assumptions used to determine net periodic benefit cost:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2013 | 2012 | 2011 |
| Discount rate | 3.56 % | 4.08 % | 5.18 % |
| Rate of compensation increase | 3.87 % | 3.74 % | 3.63 % |

Estimated future benefit payments, which reflect expected future service, as appropriate for the next ten calendar years are as follows:

| | Amount (In thousands) |
|---|---|
| 2014 | $985 |
| 2015 | 980 |
| 2016 | 976 |
| 2017 | 973 |
| 2018 | 974 |
| 2019 through 2023 | 14,398 |

401(k) Plan

The Company has a 401(k) plan covering substantially all employees providing they meet the eligibility age requirement of age 21. The Company matches 50% of the first 6% contributed by the participants. The Company's aggregate contributions to the 401(k) plan for the years ended December 31, 2013, 2012 and 2011 were $1.5 million, $1.2 million and $1.0 million, respectively.

Employee Stock Ownership Plan

The ESOP is a tax-qualified plan designed to invest primarily in the Company's common stock that provides employees with the opportunity to receive a funded retirement benefit from the Bank, based primarily on the value of the Company's common stock. The ESOP was authorized to purchase, and did purchase, 4,254,072 shares of the Company's common stock at a price of $10.00 per share with the proceeds of a loan from the Company to the ESOP. The outstanding loan principal balance at December 31, 2013 was $33.5 million. Shares of the Company's common stock pledged as collateral for the loan are released from the pledge for allocation to participants as loan payments are made.

At December 31, 2013, shares allocated to participants were 1,276,221 since the plan inception. ESOP shares that were unallocated or not yet committed to be released totaled 2,977,851 at December 31, 2013, and had a fair value of $76.2 million. ESOP compensation expense for the years ended December 31, 2013, 2012 and 2011 was $3.0 million, $2.3 million and $2.0 million, respectively, representing the fair value of shares allocated or committed to be released during the year.

The Company also has established an Amended and Restated Supplemental ESOP and Retirement Plan, which is a non-qualified plan that provides supplemental benefits to certain executives as designated by the Compensation Committee of the Board of Directors who are prevented from receiving the full benefits contemplated by the retirement plan and/or employee stock ownership plan's benefit formula. With regards to the Supplemental ESOP, the supplemental benefits consist of payments representing shares that cannot be allocated to participants under the ESOP due to the legal limitations imposed on tax-qualified plans. During the years ended December 31, 2013, 2012 and 2011, compensation expense (benefit) related to this plan amounted to $782,000, $240,000 and $200,000, respectively.

Equity Incentive Plan

At the annual meeting held on October 24, 2006, stockholders of the Company approved the Investors Bancorp, Inc. 2006 Equity Incentive Plan. The Company adopted ASC 718, “Compensation- Stock Compensation”, upon approval of the Plan, and began to expense the fair value of all share-based compensation granted over the requisite service periods.

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During the year ended December 31, 2013, the Compensation and Benefits Committee approved the issuance of an additional 3,000 restricted stock awards and 197,920 stock options to certain officers. In addition, as part of the Roma Financial acquisition 621,269 stock awards were granted for the conversion of outstanding Roma Financial stock awards. These shares had a weighted average exercise price of $15.59 per share and were fully vested upon acquisition. The company will not recognize compensation expense in the future on these awards as they have been accounted for as part of the acquisition.

During the year ended December 31, 2012, the Compensation and Benefits Committee approved the issuance of an additional 484,000 restricted stock awards and 7,000 stock options to certain officers. During the year ended December 31, 2011, the Compensation and Benefits Committee approved the issuance of an additional 500,000 restricted stock awards and 15,000 stock options to certain officers.

ASC 718 also requires the Company to report as a financing cash flow the benefits of realized tax deductions in excess of the deferred tax benefits previously recognized for compensation expense. There were no such excess tax benefits in the years ended December 31, 2013, 2012 and 2011. In accordance with this guidance the Company classified share-based compensation for employees and outside directors within “compensation and fringe benefits” in the consolidated statements of income to correspond with the same line item as the cash compensation paid.

Stock options generally vest over a five-year service period. The Company recognizes compensation expense for all option grants over the awards’ respective requisite service periods. Management estimated the fair values of all option grants using the Black-Scholes option-pricing model. Since there is limited historical information on the volatility of the Company’s stock, management also considered the average volatilities of similar entities for an appropriate period in determining the assumed volatility rate used in the estimation of fair value. Management estimated the expected life of the options using the simplified method allowed under ASC 718. The seven-year Treasury yield in effect at the time of the grant provides the risk-free rate for periods within the contractual life of the option, which is ten years. The Company recognizes compensation expense for the fair values of these awards, which have graded vesting, on a straight-line basis over the requisite service period of the awards.

Restricted shares generally vest over a five-year service period or seven year performance based period. The product of the number of shares granted and the grant date market price of the Company’s common stock determines the fair value of restricted shares under the Company’s restricted stock plan. The Company recognizes compensation expense for the fair value of restricted shares on a straight-line basis over the requisite service period.

During the years ended December 31, 2013, 2012 and 2011, the Company recorded $3.4 million, $3.7 million and $8.7 million respectively, of share-based compensation expense, comprised of stock option expense of $365,000, $424,000 and $3.0 million, respectively, and restricted stock expense of $3.1 million, $3.2 million and $5.7 million, respectively.

The following is a summary of the status of the Company’s restricted shares as of December 31, 2013 and changes therein during the year then ended:

| | Number of Shares Awarded | Weighted Average Grant Date Fair Value |
|---|---|---|
| Non-vested at December 31, 2012 | 1,292,739 | $13.69 |
| Granted | 3,000 | 18.18 |
| Vested | (246,832) | 13.54 |
| Forfeited | (7,501) | 13.80 |
| Non-vested at December 31, 2013 | 1,041,406 | $13.70 |

Expected future compensation expense relating to the non-vested restricted shares at December 31, 2013 is $11.5 million over a weighted average period of 4.26 years.

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The following is a summary of the Company’s stock option activity and related information for its option plan for the year ended December 31, 2013:

| | Number of Stock Options | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Outstanding at December 31, 2012 | 4,320,068 | $14.98 | 4.1 | $12,083 |
| Granted | 819,189 | 16.85 | | |
| Exercised | (696,139) | 15.28 | | |
| Forfeited | (12,000) | 16.23 | | |
| Expired | — | — | | |
| Outstanding at December 31, 2013 | 4,431,118 | $15.28 | 3.7 | $45,652 |
| Exercisable at December 31, 2013 | 4,225,898 | $15.03 | 3.4 | $44,604 |

The fair value of the option grants was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

| | | December 31, | |
|---|---|---|---|
| | 2013 | 2012 | 2011 |
| Expected dividend yield | 0.16 % | 1.12 % | — % |
| Expected volatility | 33.20 % | 30.40 % | 31.59 % |
| Risk-free interest rate | 1.38 % | 0.67 % | 2.08 % |
| Expected option life | 6.5 years | 10.0 years | 6.5 years |

The weighted average grant date fair value of options granted during the years ended December 31, 2013 and 2012 was $9.51 and $6.04 per share, respectively. Expected future expense relating to the non-vested options outstanding as of December 31, 2013 is $1.3 million over a weighted average period of 6.45 years. Upon exercise of vested options, management expects to draw on treasury stock as the source of the shares.

12. Commitments and Contingencies

The Company is a defendant in certain claims and legal actions arising in the ordinary course of business. Management and the Company’s legal counsel are of the opinion that the ultimate disposition of these matters will not have a material adverse effect on the Company’s financial condition, results of operations or liquidity.

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At December 31, 2013, the Company was obligated under various non-cancelable operating leases on buildings and land used for office space and banking purposes. These operating leases contain escalation clauses which provide for increased rental expense, based primarily on increases in real estate taxes and cost-of-living indices. Rental expense under these leases aggregated approximately $15.2 million, $13.9 million and $10.4 million for the year ended December 31, 2013, 2012 and 2011, respectively.

The projected annual minimum rental commitments are as follows:

| | Amount (In thousands) |
|---|---|
| 2014 | $15,470 |
| 2015 | 15,644 |
| 2016 | 14,740 |
| 2017 | 14,010 |
| 2018 | 13,040 |
| Thereafter | 86,575 |
| | $159,479 |

Financial Transactions with Off-Balance-Sheet Risk and Concentrations of Credit Risk

The Company is a party to transactions with off-balance-sheet risk in the normal course of business in order to meet the financing needs of its customers. These transactions consist of commitments to extend credit. These transactions involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the accompanying consolidated balance sheets.

At December 31, 2013, the Company had commitments to originate commercial loans and commercial and industrial loans of $447.8 million and $94.5 million, respectively. Additionally, the Company had commitments to originate residential loans of approximately $84.7 million, respectively; commitments to purchase residential loans of $121.7 million, respectively; and unused home equity and overdraft lines of credit, and undisbursed business and construction loans, totaling approximately $519.5 million. No commitments are included in the accompanying consolidated financial statements. The Company has no exposure to credit loss if the customer does not exercise its rights to borrow under the commitment.

The Company uses the same credit policies and collateral requirements in making commitments and conditional obligations as it does for on-balance-sheet loans. Commitments to extend credit are agreements to lend to customers as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer’s creditworthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Company upon extension of credit is based on management’s credit evaluation of the borrower. Collateral held varies but primarily includes residential properties.

The Company principally grants residential mortgage loans, commercial real estate, multi-family, construction, C&I and consumer loans to borrowers throughout New Jersey, New York and states in close proximity. Its borrowers’ abilities to repay their obligations are dependent upon various factors, including the borrowers’ income and net worth, cash flows generated by the underlying collateral, value of the underlying collateral and priority of the Company’s lien on the property. Such factors are dependent upon various economic conditions and individual circumstances beyond the Company’s control; the Company is, therefore, subject to risk of loss. The Company believes its lending policies and procedures adequately minimize the potential exposure to such risks, and adequate provisions for loan losses are provided for all probable and estimable losses. Collateral and/or government or private guarantees are required for virtually all loans.

The Company also holds in loan portfolio 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. These payment increases could affect the borrower’s ability to repay the loan. The amount of interest-only one-to four-family mortgage loans at December 31, 2013 and December 31, 2012 was $341.7 million, and $384.9 million, respectively. The Company maintains stricter underwriting criteria for these interest-only loans than it does for its amortizing loans. The Company believes these criteria adequately control the potential exposure to such risks and that adequate provisions for loan losses are provided for all known and inherent risks.

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In the normal course of business the Company sells residential mortgage loans to third parties. These loan sales are subject to customary representations and warranties. In the event that we are found to be in breach of these representations and warranties, we may be obligated to repurchase certain of these loans.

In connection with its mortgage banking activities, the Company has certain freestanding derivative instruments. At December 31, 2013 the Company had commitments of approximately $16.9 million to fund loans which will be classified as held-for-sale with a like amount of commitments to sell such loans which are considered derivative instruments under ASC 815, "Derivatives and Hedging." The Company also had commitments of $15.0 million to sell loans at December 31, 2013. The fair values of these derivative instruments are immaterial to the Company's financial condition and results of operations.

Standby letters of credit are conditional commitments issued by us to guarantee the performance of a customer to a third party. The guarantees generally extend for a term of up to one year and are fully collateralized. For each guarantee issued, if the customer defaults on a payment or performance to the third party, we would have to perform under the guarantee. Outstanding standby letters of credit totaled $21.6 million at December 31, 2013. The fair values of these obligations were immaterial at December 31, 2012. In addition, at December 31, 2013, we had $118,000 in commercial letters of credit outstanding.

13. Fair Value Measurements

We use fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Our securities available-for-sale are recorded at fair value on a recurring basis. Additionally, from time to time, we may be required to record at fair value other assets or liabilities on a non-recurring basis, such as held-to-maturity securities, mortgage servicing rights ("MSR"), loans receivable and real estate owned ("REO"). These non-recurring fair value adjustments involve the application of lower-of-cost-or-market accounting or write-downs of individual assets. Additionally, in connection with our mortgage banking activities we have commitments to fund loans held for sale and commitments to sell loans, which are considered free-standing derivative instruments, the fair values of which are not material to our financial condition or results of operations.

In accordance with Financial Accounting Standards Board ("FASB") ASC 820, "Fair Value Measurements and Disclosures", we group our assets and liabilities at fair value in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect our own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include the use of option pricing models, discounted cash flow models and similar techniques. The results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability.

We base our fair values on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Assets Measured at Fair Value on a Recurring Basis

Securities available-for-sale

Our available-for-sale portfolio is carried at estimated fair value on a recurring basis, with any unrealized gains and losses, net of taxes, reported as accumulated other comprehensive income/loss in stockholders' equity. The fair values of available-for-sale securities are based on quoted market prices (Level 1), where available. The Company obtains one price for each security primarily from a third-party pricing service (pricing service), which generally uses quoted or other observable inputs for the determination of fair value. The pricing service normally derives the security prices through recently reported trades for identical or similar securities, making adjustments through the reporting date based upon available observable market information. For securities not actively traded (Level 2), the pricing service may use quoted market prices of comparable instruments or discounted cash flow analyses, incorporating inputs that are currently observable in the markets for similar securities. Inputs that are often used in the valuation methodologies include, but are not limited to, benchmark yields, credit spreads, default rates, prepayment speeds and non-binding broker quotes. As the Company is responsible for the determination of fair value, it performs quarterly analyses on the prices received from the pricing service to determine whether the prices are reasonable estimates of fair value. Specifically, the Company compares the prices received from the pricing service to a secondary pricing source. Additionally, the Company compares changes in the reported market values and returns to relevant market indices to test the reasonableness of the

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reported prices. The Company's internal price verification procedures and review of fair value methodology documentation provided by independent pricing services has not historically resulted in adjustment in the prices obtained from the pricing service.

The following table provides the level of valuation assumptions used to determine the carrying value of our assets measured at fair value on a recurring basis at December 31, 2013 and December 31, 2012, respectively.

| | Carrying Value at December 31, 2013 | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| | (In thousands) | | | |
| Securities available for sale: | | | | |
| Equity securities | $8,444 | — | 8,444 | — |
| Debt securities: | | | | |
| Government-sponsored enterprises | 3,004 | — | 3,004 | — |
| Corporate and other debt securities | 670 | — | — | 670 |
| Mortgage-backed securities: | | | | |
| Federal Home Loan Mortgage Corporation | 363,088 | — | 363,088 | — |
| Federal National Mortgage Association | 409,559 | — | 409,559 | — |
| Government National Mortgage Association | 267 | — | 267 | — |
| Total mortgage-backed securities available-for-sale | 772,914 | — | 772,914 | — |
| Total securities available-for-sale | $785,032 | — | 784,362 | 670 |

| | Carrying Value at December 31, 2012 | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| | (In thousands) | | | |
| Securities available for sale: | | | | |
| Equity securities | $4,161 | — | 4,161 | — |
| Debt securities: | | | | |
| Government-sponsored enterprises | 3,035 | — | 3,035 | — |
| Mortgage-backed securities: | | | | |
| Federal Home Loan Mortgage Corporation | 667,517 | — | 667,517 | — |
| Federal National Mortgage Association | 706,128 | — | 706,128 | — |
| Government National Mortgage Association | 4,487 | — | 4,487 | — |
| Total mortgage-backed securities available-for-sale | 1,378,132 | — | 1,378,132 | — |
| Total securities available-for-sale | $1,385,328 | — | 1,385,328 | — |

There have been no changes in the methodologies used at December 31, 2013 from December 31, 2012, and there were no transfers between Level 1 and Level 2 during the year ended December 31, 2013.

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The changes in Level 3 assets measured at fair value on a recurring basis for the years ended December 31, 2013 and 2012 are summarized below:

| | December 31, 2013 | 2012 |
|---|---|---|
| | (Dollars in thousands) | |
| Balance beginning of period | $— | — |
| Transfers from held-to-maturity (1) | 670 | — |
| Total net (losses) gains for the period included in: | | |
| Net Income | — | — |
| Other Comprehensive Income (loss) | — | — |
| Sales | — | — |
| Settlements | — | — |
| Balance end of period | $670 | — |

(1) Represents a trust preferred security transferred to available for sale at its fair value on December 31, 2013 due to the impact of the Volcker Rule adopted in December 2013. The Volcker Rule requires specific treatment of certain collateralized debt obligation backed by trust preferred securities.

Assets Measured at Fair Value on a Non-Recurring Basis

Mortgage Servicing Rights, net

Mortgage servicing rights (MSR) are carried at the lower of cost or estimated fair value. The estimated fair value of MSR is obtained through independent third party valuations through an analysis of future cash flows, incorporating estimates of assumptions market participants would use in determining fair value including market discount rates, prepayment speeds, servicing income, servicing costs, default rates and other market driven data, including the market's perception of future interest rate movements. The prepayment speed and the discount rate are considered two of the most significant inputs in the model. At December 31, 2013, the fair value model used prepayment speeds ranging from 2.31% to 22.98% and a discount rate of 10.20% for the valuation of the mortgage servicing rights. A significant degree of judgment is involved in valuing the mortgage servicing rights using Level 3 inputs. The use of different assumptions could have a significant positive or negative effect on the fair value estimate.

Loans Receivable

Loans which meet certain criteria are evaluated individually for impairment. A loan is deemed to be impaired if it is a commercial loan with an outstanding balance greater than $1.0 million and on non-accrual status, loans modified in a troubled debt restructuring, and other commercial loans with $1.0 million in outstanding principal if management has specific information that it is probable they will not collect all amounts due under the contractual terms of the loan agreement. Our impaired loans are generally collateral dependent and, as such, are carried at the estimated fair value of the collateral less estimated selling costs. In order to estimate fair value, once interest or principal payments are 90 days delinquent or when the timely collection of such income is considered doubtful an updated appraisal is obtained. Thereafter, in the event the most recent appraisal does not reflect the current market conditions due to the passage of time and other factors, management will obtain an updated appraisal or make downward adjustments to the existing appraised value based on their knowledge of the property, local real estate market conditions, recent real estate transactions, and for estimated selling costs, if applicable. At December 31, 2013 appraisals were discounted in a range of 0%-25%.

Other Real Estate Owned

Other Real Estate Owned is recorded at estimated fair value, less estimated selling costs when acquired, thus establishing a new cost basis. Fair value is generally based on independent appraisals. These appraisals include adjustments to comparable assets based on the appraisers' market knowledge and experience, and are discounted an additional 0%-25% for estimated costs to sell. When an asset is acquired, the excess of the loan balance over fair value, less estimated selling costs, is charged to the allowance for loan losses. If the estimated fair value of the asset declines, a writedown is recorded through expense. The valuation of foreclosed assets is subjective in nature and may be adjusted in the future because of changes in economic conditions. Operating costs after acquisition are generally expensed.

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The following table provides the level of valuation assumptions used to determine the carrying value of our assets measured at fair value on a non-recurring basis at December 31, 2013 and December 31, 2012, respectively. For the year ended December 31, 2013 there was no change to carrying value of MSR and impaired loans measured at fair value on a non-recurring basis.

| Security Type | Valuation Technique | Unobservable Input | Range | Weighted Average | Carrying Value at December 31, 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Total (In thousands) | Level 1 | Level 2 | Level 3 |
| Other real estate owned | Market comparable | Lack of marketability | 0.0% - 25.0% | 2.42% | $929 | — | — | 929 |
| | | | | | $929 | — | — | 929 |

| Security Type | Valuation Technique | Unobservable Input | Range | Weighted Average | Carrying Value at December 31, 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Total (In thousands) | Level 1 | Level 2 | Level 3 |
| MSR, net | Estimated cash flow | Prepayment speeds | 4.30% - 30.1% | 13.50% | $12,025 | — | — | 12,025 |
| Impaired loans | Market comparable | Probability of default | 0.0% - 25.0% | 33.00% | 50,470 | — | — | 50,470 |
| Other real estate owned (1) | Market comparable | Lack of marketability | 0.0% - 25.0% | —% | 8,093 | — | — | 8,093 |
| | | | | | $70,588 | — | — | 70,588 |

(1) Other real estate owned for December 31, 2012 represents the balance transferred in, no subsequent charge offs were recorded during the period subsequent to the property being transferred.

Other Fair Value Disclosures

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

Cash and Cash Equivalents

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

Securities held-to-maturity

Our held-to-maturity portfolio, consisting primarily of mortgage backed securities and other debt securities for which we have a positive intent and ability to hold to maturity, is carried at amortized cost. Management utilizes various inputs to determine the fair value of the portfolio. The Company obtains one price for each security primarily from a third-party pricing service, which generally uses quoted or other observable inputs for the determination of fair value. The pricing service normally derives the security prices through recently reported trades for identical or similar securities, making adjustments through the reporting date based upon available observable market information. For securities not actively traded, the pricing service may use quoted market prices of comparable instruments or discounted cash flow analyses, incorporating inputs that are currently observable in the markets for similar securities. Inputs that are often used in the valuation methodologies include, but are not limited to, benchmark yields, credit spreads, default rates, prepayment speeds and non-binding broker quotes. In the absence of quoted prices and in an illiquid market, valuation techniques, which require inputs that are both significant to the fair value measurement and unobservable, are used to determine fair value of the investment. Valuation techniques are based on various assumptions, including, but not limited to cash flows, discount rates, rate of return, adjustments for nonperformance and liquidity, and liquidation values. As the Company is responsible for the determination of fair value, it performs quarterly analyses on the prices received from the pricing service to determine whether the prices are reasonable estimates of fair value. Specifically, the Company compares the prices received from the pricing service to a secondary pricing source. Additionally, the Company compares changes in the reported market values and returns to relevant market indices to test the reasonableness of the reported prices. The Company's internal price verification procedures and review of fair value methodology documentation provided by independent pricing services has not historically resulted in adjustment in the prices obtained from the pricing service.

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FHLB Stock

The fair value of FHLB stock is its carrying value, since this is the amount for which it could be redeemed. There is no active market for this stock and the Bank is required to hold a minimum investment based upon the unpaid principal of home mortgage loans and/or FHLB advances outstanding.

Loans

Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type such as residential mortgage and consumer. Each loan category is further segmented into fixed and adjustable rate interest terms and by performing and nonperforming categories.

The fair value of performing loans, except residential mortgage loans, is calculated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect the credit and interest rate risk inherent in the loan. For performing residential mortgage loans, fair value is estimated by discounting contractual cash flows adjusted for prepayment estimates using discount rates based on secondary market sources adjusted to reflect differences in servicing and credit costs, if applicable. Fair value for significant nonperforming loans is based on recent external appraisals of collateral securing such loans, adjusted for the timing of anticipated cash flows. Fair values estimated in this manner do not fully incorporate an exit price approach to fair value, but instead are based on a comparison to current market rates for comparable loans.

Deposit Liabilities

The fair value of deposits with no stated maturity, such as savings, checking accounts and money market accounts, is equal to the amount payable on demand. The fair value of certificates of deposit is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates which approximate currently offered for deposits of similar remaining maturities.

Borrowings

The fair value of borrowings are based on securities dealers’ estimated fair values, when available, or estimated using discounted contractual cash flows using rates which approximate the rates offered for borrowings of similar remaining maturities.

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Commitments to Extend Credit

The fair value of commitments to extend credit is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For commitments to originate fixed rate loans, fair value also considers the difference between current levels of interest rates and the committed rates. Due to the short-term nature of our outstanding commitments, the fair values of these commitments are immaterial to our financial condition.

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

| | December 31, 2013 | | | | |
|---|---|---|---|---|---|
| | Carrying value | Estimated Fair Value Total | Level 1 | Level 2 | Level 3 |
| | (In thousands) | | | | |
| Financial assets: | | | | | |
| Cash and cash equivalents | $250,689 | 250,689 | 250,689 | — | — |
| Securities available-for-sale | 785,032 | 785,032 | — | 784,362 | 670 |
| Securities held-to-maturity | 831,819 | 839,064 | — | 790,460 | 48,604 |
| Stock in FHLB | 178,126 | 178,126 | 178,126 | — | — |
| Loans held for sale | 8,273 | 8,273 | — | 8,273 | — |
| Net loans | 12,882,544 | 12,598,551 | — | — | 12,598,551 |
| Financial liabilities: | | | | | |
| Deposits, other than time deposits | 7,334,266 | 6,769,857 | 6,769,857 | — | — |
| Time deposits | 3,384,545 | 3,410,202 | — | 3,410,202 | — |
| Borrowed funds | 3,367,274 | 3,337,419 | — | 3,337,419 | — |

| | December 31, 2012 | | | | |
|---|---|---|---|---|---|
| | Carrying value | Estimated Fair Value Total | Level 1 | Level 2 | Level 3 |
| | (In thousands) | | | | |
| Financial assets: | | | | | |
| Cash and cash equivalents | $155,153 | 155,153 | 155,153 | — | — |
| Securities available-for-sale | 1,385,328 | 1,385,328 | — | 1,385,328 | — |
| Securities held-to-maturity | 179,922 | 198,893 | — | 159,599 | 39,294 |
| Stock in FHLB | 150,501 | 150,501 | 150,501 | — | — |
| Loans held for sale | 28,233 | 28,233 | — | 28,233 | — |
| Net loans | 10,306,786 | 10,379,358 | — | — | 10,379,358 |
| Financial liabilities: | | | | | |
| Deposits, other than time deposits | 5,802,893 | 5,852,821 | 5,852,821 | — | — |
| Time deposits | 2,965,964 | 3,009,237 | — | 3,009,237 | — |
| Borrowed funds | 2,705,652 | 2,804,113 | — | 2,804,113 | — |

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company’s entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company’s financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

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Fair value estimates are based on existing on- and off-balance-sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Significant assets that are not considered financial assets include deferred tax assets, premises and equipment and bank owned life insurance. Liabilities for pension and other postretirement benefits are not considered financial liabilities. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

14. Regulatory Capital

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. Capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios of total and Tier I capital (as defined in the regulations) to risk- weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2013 and December 31, 2012, that the Company and the Bank met all capital adequacy requirements to which they are subject.

As of December 31, 2013, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

The following is a summary of the Bank's actual capital amounts and ratios as of December 31, 2013 compared to the FDIC minimum capital adequacy requirements and the FDIC requirements for classification as a well-capitalized institution.

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Minimum Requirements | | | | | |
| | Actual | | | For Capital Adequacy Purposes | | | To be Well Capitalized Under Prompt Corrective Action Provisions | | |
| | Amount | Ratio | | Amount | Ratio | | Amount | Ratio | |
| | (Dollars in thousands) | | | | | | | | |
| As of December 31, 2013: | | | | | | | | | |
| Total risk-based capital (to risk-weighted assets) | $1,319,973 | 11.39 | % | $926,817 | 8.00 | % | $1,158,521 | 10.00 | % |
| Tier I capital (to risk-weighted assets) | 1,174,799 | 10.14 | % | 463,408 | 4.00 | % | 695,113 | 6.00 | % |
| Total capital (to average assets) | 1,174,799 | 8.20 | % | 573,180 | 4.00 | % | 716,475 | 5.00 | % |

| | | | |
|---|---|---|---|
| | | Minimum Requirements | |
| | Actual | For Capital Adequacy Purposes | To be Well Capitalized Under Prompt |

| | (Dollars in thousands) | | | Amount | Ratio | | Amount | Ratio | | Corrective Action Provisions Amount | Ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| As of December 31, 2012: | | | | | | | | | | | |
| Total risk-based capital (to risk-weighted assets) | $1,021,674 | 11.24 | % | $727,475 | 8.00 | % | $909,344 | 10.00 | % | | |
| Tier I capital (to risk-weighted assets) | 907,654 | 9.98 | % | 363,737 | 4.00 | % | 545,606 | 6.00 | % | | |
| Total capital (to average assets) | 907,654 | 7.59 | % | 478,642 | 4.00 | % | 598,303 | 5.00 | % | | |

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15. Parent Company Only Financial Statements

The following condensed financial statements for Investors Bancorp, Inc. (parent company only) reflect the investment in its wholly-owned subsidiary, Investors Bank, using the equity method of accounting.

Balance Sheets

| | December 31, 2013 (In thousands) | 2012 |
|---|---|---|
| Assets: | | |
| Cash and due from bank | $6,515 | 7,104 |
| Securities available-for-sale, at estimated fair value | 3,910 | 3,611 |
| Investment in subsidiary | 1,243,679 | 987,596 |
| ESOP loan receivable | 33,491 | 34,592 |
| Other assets | 52,974 | 39,528 |
| Total Assets | $1,340,569 | 1,072,431 |
| Liabilities and Stockholders' Equity: | | |
| Total liabilities | $6,242 | 5,615 |
| Total stockholders' equity | 1,334,327 | 1,066,816 |
| Total Liabilities and Stockholders' Equity | $1,340,569 | 1,072,431 |

Statements of Operations

| | Year Ended December 31, 2013 | 2012 (In thousands) | 2011 |
|---|---|---|---|
| Income: | | | |
| Interest on ESOP loan receivable | $1,176 | 1,167 | 1,192 |
| Dividend from subsidiary | 10,000 | 135,000 | 30,000 |
| Interest on deposit with subsidiary | — | — | 8 |
| Gain (loss) on securities transactions | 89 | (41) | 92 |
| | 11,265 | 136,126 | 31,292 |
| Expenses: | | | |
| Other expenses | 1,473 | 1,413 | 899 |
| Income before income tax expense | 9,792 | 134,713 | 30,393 |
| Income tax (benefit) expense | 233 | (112) | 148 |
| Income before undistributed earnings of subsidiary | 9,559 | 134,825 | 30,245 |
| Equity in undistributed earnings of subsidiary (dividend in excess of earnings) | 102,472 | (46,058) | 48,641 |
| Net income | $112,031 | 88,767 | 78,886 |

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Other Comprehensive Income

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2013 | 2012 | 2011 |
| | (in thousands) | | |
| Net income | $112,031 | 88,767 | 78,886 |
| Other comprehensive income (loss), net of tax: | | | |
| Unrealized gain on securities available-for-sale | 1,316 | 826 | (184) |
| Total other comprehensive income | 1,316 | 826 | (184) |
| Total comprehensive income | $113,347 | 89,593 | 78,702 |

Statements of Cash Flows

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2013 | 2012 | 2011 |
| | | (In thousands) | |
| Cash flows from operating activities: | | | |
| Net income | $112,031 | 88,767 | 78,886 |
| Adjustments to reconcile net income to net cash (used in) provided by operating activities: | | | |
| (Equity in undistributed earnings of subsidiary)Dividend in excess of earning | (102,472) | 46,058 | (48,641) |
| Loss (Gain) on securities transactions | 89 | 41 | (92) |
| (Increase) decrease in other assets | 2,235 | (670) | 143 |
| Increase (decrease) in other liabilities | 1,834 | 1,820 | (71) |
| Net cash provided by operating activities | 13,717 | 136,016 | 30,225 |
| Cash flows from investing activities: | | | |
| Cash received net of cash paid for acquisition | 738 | (135,000) | — |
| Purchase of investments available-for-sale | (668) | (1,000) | — |
| Redemption of equity securities available-for-sale | 280 | 85 | 176 |
| Principal collected on ESOP loan | 1,101 | 1,064 | 1,032 |
| Net cash (used in) provided by investing activities | 1,451 | (134,851) | 1,208 |
| Cash flows from financing activities: | | | |
| Proceeds from sale of treasury stock | 8,184 | 2,726 | 4,855 |
| Purchase of treasury stock | (1,537) | (902) | (32,489) |
| Dividends paid | (22,404) | (5,595) | — |
| Net cash used in financing activities | (15,757) | (3,771) | (27,634) |
| Net (decrease) increase in cash and due from bank | (589) | (2,606) | 3,799 |
| Cash and due from bank at beginning of year | 7,104 | 9,710 | 5,911 |
| Cash and due from bank at end of year | $6,515 | 7,104 | 9,710 |

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16. Selected Quarterly Financial Data (Unaudited)

The following tables are a summary of certain quarterly financial data for the years ended December 31, 2013 and 2012.

| | 2013 Quarter Ended | | | |
|---|---|---|---|---|
| | March 31 | June 30 | September 30 | December 31 |
| | (In thousands, except per share data) | | | |
| Interest and dividend income | $129,434 | 132,194 | 137,397 | 146,043 |
| Interest expense | 27,393 | 27,485 | 26,973 | 27,791 |
| Net interest income | 102,041 | 104,709 | 110,424 | 118,252 |
| Provision for loan losses | 13,750 | 13,750 | 13,750 | 9,250 |
| Net interest income after provision for loan losses | 88,291 | 90,959 | 96,674 | 109,002 |
| Non-interest income | 10,089 | 9,538 | 9,491 | 7,453 |
| Non-interest expenses | 56,124 | 56,897 | 60,831 | 71,859 |
| Income before income tax expense | 42,256 | 43,600 | 45,334 | 44,596 |
| Income tax expense | 15,089 | 15,524 | 16,053 | 17,089 |
| Net income | $27,167 | 28,076 | 29,281 | 27,507 |
| Basic and diluted earnings per common share | $0.25 | 0.26 | 0.27 | 0.24 |

| | 2012 Quarter Ended | | | |
|---|---|---|---|---|
| | March 31 | June 30 | September 30 | December 31 |
| | (In thousands, except per share data) | | | |
| Interest and dividend income | $121,216 | 122,937 | 121,875 | 130,161 |
| Interest expense | 33,485 | 31,377 | 29,938 | 28,644 |
| Net interest income | 87,731 | 91,560 | 91,937 | 101,517 |
| Provision for loan losses | 13,000 | 19,000 | 16,000 | 17,000 |
| Net interest income after provision for loan losses | 74,731 | 72,560 | 75,937 | 84,517 |
| Non-interest income | 10,355 | 10,580 | 12,705 | 10,472 |
| Non-interest expenses | 54,455 | 44,876 | 48,217 | 59,459 |
| Income before income tax expense | 30,631 | 38,264 | 40,425 | 35,530 |
| Income tax expense | 11,696 | 14,292 | 15,936 | 14,159 |
| Net income | $18,935 | 23,972 | 24,489 | 21,371 |
| Basic and diluted earnings per common share | $0.18 | 0.22 | 0.23 | 0.20 |

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17. Earnings Per Share
The following is a summary of our earnings per share calculations and reconciliation of basic to diluted earnings per share.

| | For the Year Ended December 31, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2013 | | | 2012 | | | 2011 | | |
| | Income | Shares | Per Share Amount | Income | Shares | Per Share Amount | Income | Shares | Per Share Amount |
| | (Dollars in thousands, except per share data) | | | | | | | | |
| Net Income | $112,031 | | | $88,767 | | | $78,886 | | |
| Basic earnings per share: | | | | | | | | | |
| Income available to common stockholders | $112,031 | 109,659,827 | $1.02 | $88,767 | 107,371,685 | $0.83 | $78,886 | 107,839,000 | $0.73 |
| Effect of dilutive common stock equivalents (1) | — | 1,334,622 | | — | 719,837 | | — | 205,786 | |
| Diluted earnings per share: | | | | | | | | | |
| Income available to common stockholders | $112,031 | 110,994,449 | $1.01 | $88,767 | 108,091,522 | $0.82 | $78,886 | 108,044,786 | $0.73 |

(1) For the years ended December 31, 2013, 2012 and 2011, there were 3.9 million, 4.9 million, and 4.1 million equity awards, respectively, that could potentially dilute basic earnings per share in the future that were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive for the periods presented.

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18. Comprehensive Income (Loss)

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

| | Year ended December 31, 2013 | | | Year ended December 31, 2012 | | | Year ended December 31, 2011 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gross | Tax | Net | Gross | Tax | Net | Gross | Tax | Net |
| Net income | $175,786 | (63,755) | 112,031 | 144,850 | (56,083) | 88,767 | 125,167 | (46,281) | 78,886 |
| Other comprehensive loss: | | | | | | | | | |
| Change in funded status of retirement obligations | 16 | (6) | 10 | (4,267) | 1,707 | (2,560) | (2,859) | 1,144 | (1,715) |
| Unrealized (loss) gain on securities available-for-sale | (21,930) | 9,103 | (12,827) | 7,973 | (2,893) | 5,080 | 16,188 | (6,686) | 9,502 |
| Net Loss on Securities reclassified from available for sale to held to maturity | (12,243) | 5,001 | (7,242) | — | — | — | — | — | — |
| Accretion of loss on securities reclassified to held to maturity available for sale | 1,670 | (682) | 988 | — | — | — | — | — | — |
| Unrealized gain on security reclassified from held to maturity to available for sale | 233 | (95) | 138 | — | — | — | — | — | — |
| Reclassification adjustment for (gain) losses included in net income | (684) | 279 | (405) | 177 | (72) | 105 | (1,168) | 477 | (691) |
| Noncredit related component other-than-temporary impairment on security | 38 | (16) | 22 | — | — | — | — | — | — |
| Other-than-temporary impairment accretion on debt securities | 2,075 | (848) | 1,227 | 1,478 | (604) | 874 | 3,338 | (1,364) | 1,974 |
| Total other comprehensive income | (30,825) | 12,736 | (18,089) | 5,361 | (1,862) | 3,499 | 15,499 | (6,429) | 9,070 |
| Total comprehensive income | $144,961 | (51,019) | 93,942 | 150,211 | (57,945) | 92,266 | 140,666 | (52,710) | 87,956 |

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The following table presents the after-tax changes in the balances of each component of accumulated other comprehensive loss for the years ended December 31, 2013 and 2012:

| | Change in funded status of retirement obligations | | Net Unrealized gains (losses) on investment securities | | Total accumulated other comprehensive loss | |
|---|---|---|---|---|---|---|
| Balance - December 31, 2012 | $(5,879 | ) | (1,728 | ) | (7,607 | ) |
| Net change | 10 | | (18,099 | ) | (18,089 | ) |
| Balance - December 31, 2013 | $(5,869 | ) | (19,827 | ) | (25,696 | ) |
| | | | | | | |
| Balance - December 31, 2011 | $(3,319 | ) | (7,787 | ) | (11,106 | ) |
| Net change | (2,560 | ) | 6,059 | | 3,499 | |
| Balance - December 31, 2012 | $(5,879 | ) | (1,728 | ) | (7,607 | ) |

The following table sets for information about amounts reclassified from accumulated other comprehensive loss to the consolidated statement of income and the affected line item in the statement where net income is presented.

| | Year Ended December 31, 2013 (In thousands) | |
|---|---|---|
| Reclassification adjustment for gains included in net income | | |
| Gain on security transactions | $(684 | ) |
| Noncredit-related gains on securities not expected to be sold (recognized in other comprehensive income) | 38 | |
| Change in funded status of retirement obligations (1) | | |
| Compensation and fringe benefits: | | |
| Adjustment of net obligation | (941 | ) |
| Amortization of net obligation or asset | 33 | |
| Amortization of prior service cost | 147 | |
| Amortization of net gain | 777 | |
| Compensation and fringe benefits | 16 | |
| Total before tax | (630 | ) |
| Income tax (expense) benefit | (257 | ) |
| Net of tax | $(373 | ) |

(1) These accumulated other comprehensive loss components are included in the computations of net periodic cost for our defined benefit plans and other post-retirement benefit plan. See Note 11 for additional details.

19. Recent Accounting Pronouncements

In December 2011, the FASB issued ASU 2011-11, Disclosures about Offsetting Assets and Liabilities, in conjunction with the IASB's issuance of amendments to Disclosures—Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7). While the Boards retained the existing offsetting models under U.S. GAAP and IFRS, the new standards require disclosures to allow investors to better compare financial statements prepared under U.S. GAAP with financial statements prepared under IFRS. The new standards are effective for annual periods beginning January 1, 2013, and interim periods within those annual periods. Retrospective application is required. The adoption of this pronouncement did not have a material impact on the Company's financial condition or results of

operations.
In January 2013, the FASB issued ASU 2013-01, Scope of Disclosures about Offsetting Assets and Liabilities. The main provision of ASU 2013-1 is to clarify the scope of the new offsetting disclosures required under ASU 2011-11 to derivatives,

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including bifurcated embedded derivatives; repurchase and reverse repurchase agreements and securities borrowing and lending transactions that are either offset in the statement of financial position or subject to an enforceable master netting arrangement regardless of their presentation in the financial statements. The Company does not expect that the adoption of this pronouncement will have a material impact on the Company’s financial condition or results of operations.

In February 2013, the FASB issued ASU 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income". This ASU requires entities to disclose the effect of items reclassified out of accumulated other comprehensive income (AOCI) on each affected net income line item. For AOCI reclassification items that are not reclassified in their entirety into net income, a cross reference to other required US GAAP disclosures. This information may be provided either in the notes or parenthetically on the face of the financials. For public entities, the guidance is effective for annual reporting periods beginning after December 15, 2012 and interim periods within those years. The Company has presented comprehensive income in a separate Consolidated Statements of Comprehensive Income and in Note 18 of the Notes to Consolidated Financial Statements.

In July 2013, the FASB issued ASU 2013-11, "Income Taxes, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists". The amendments of this update state that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. This ASU applies to all entities that have unrecognized tax benefits when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists at the reporting date. The amendments in this ASU are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Retrospective application is permitted. The Company does not expect that the adoption of this pronouncement will have a material impact on the Company’s financial condition or results of operations.

In January 2014, the FASB issued ASU 2014-04, “Receivables - Troubled Debt Restructurings by Creditors (Subtopic 310-40) Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure,” which applies to all creditors who obtain physical possession of residential real estate property collateralizing a consumer mortgage loan in satisfaction of a receivable. The amendments in this update clarify when an in substance repossession or foreclosure occurs and requires disclosure of both (1) the amount of foreclosed residential real estate property held by a creditor and (2) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. The amendments in ASU 2014-04 are effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2014. Early adoption is permitted and entities can elect to adopt a modified retrospective transition method or a prospective transition method. The Company does not expect that the adoption of this pronouncement will have a material impact on the Company’s financial condition or results of operations.

In January 2014, the FASB, issued ASU, 2014-01, “Investments - Equity Method and Joint Ventures (Subtopic 323) Accounting for Investments in Qualified Affordable Housing Projects,” which applies to all reporting entities that invest in flow-through limited liability entities that manage or invest in affordable housing projects that qualify for the low-income housing tax credit. Currently under GAAP, a reporting entity that invests in a qualified affordable housing project may elect to account for that investment using the effective yield method if all of the conditions are met. For those investments that are not accounted for using the effective yield method, GAAP requires that they be accounted for under either the equity method or the cost method. Certain of the conditions required to be met to use the effective yield method were restrictive and thus prevented many such investments from qualifying for the use of the effective yield method. The amendments in this update modify the conditions that a reporting entity must meet to be eligible to use a method other than the equity or cost methods to account for qualified affordable housing project investments. If the modified conditions are met, the amendments permit an entity to use the proportional amortization method to amortize the initial cost of the investment in proportion to the amount of tax credits and other tax benefits received and recognize the net investment performance in the income statement as a component of income tax expense (benefit). Additionally, the amendments introduce new recurring disclosures about all investments in qualified affordable housing projects irrespective of the method used to account for the investments. The amendments in ASU 2014-01 are effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2014. Early adoption is permitted. The Company does not expect that the adoption of this pronouncement will have a material impact on the Company’s financial condition or results of operations.

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20. Subsequent Events

As defined in FASB ASC 855, "Subsequent Events", subsequent events are events or transactions that occur after the balance sheet date but before financial statements are issued or available to be issued. Financial statements are considered issued when they are widely distributed to shareholders and other financial statement users for general use and reliance in a form and format that complies with GAAP.

On January 10, 2014, the Company completed its acquisition of Gateway Community Financial Corp., the federally-chartered holding company for GCF Bank. As the merger had not been completed as of December 31, 2013, the transaction is not reflected in the consolidated balance sheets or consolidated statement of income at and for the periods presented.

On January 30, 2014, the Company declared its cash dividend of $0.05 per share to stockholders of record as of February 10, 2014, payable on February 25, 2014.

On February 12, 2014, the Company received a non-objection letter from the State of New Jersey Department of Banking and Insurance regarding the proposed acquisition of Investors Bank by New Investors Bancorp, Inc., a Delaware corporation.  On February 25, 2014, the Company received approval from the Federal Reserve Bank of New York for the  Plan of Conversion and Reorganization to become a bank holding company by acquiring 100% of the shares of Investors Bank, and the application by Investors Bancorp, MHC to convert from mutual to stock form.

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(a)(3) Exhibits

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

| | |
|---|---|
| 3.1 | Certificate of Incorporation of Investors Bancorp, Inc. (1)* |
| 3.2 | Bylaws of Investors Bancorp, Inc. (1)* |
| 4 | Form of Common Stock Certificate of Investors Bancorp, Inc. (1)* |
| 10.1 | Amended and Restated Employment Agreement between Investors Bancorp, Inc. and Kevin Cummings* |
| 10.2 | Amended and Restated Employment Agreement between Investors Bancorp, Inc. and Domenick A. Cama* |
| 10.3 | Amended and Restated Employment Agreement Investors Bancorp, Inc. and Richard S. Spengler (2) |
| 10.4 | Amended and Restated Employment Agreement Investors Bancorp, Inc. and Paul Kalamaras (3) |
| 10.5 | Amended and Restated Employment Agreement Investors Bancorp, Inc. and Thomas F. Splaine, Jr. |
| 10.6 | Investors Bancorp, Inc. 2006 Equity Incentive Plan (4) |
| 10.7 | Roma Financial Corporation 2008 Equity Incentive Plan (5) |
| 10.8 | Investors Bank Executive Officer Annual Incentive Plan (6) |
| 10.9 | Investors Bank Amended and restated Supplemental ESOP and Retirement Plan |
| 10.10 | Amended and Restated Investors Bank Executive Supplemental Retirement Wage Replacement Plan |
| 10.11 | Investors Bank Amended and Restated Director Retirement Plan |
| 10.12 | Investors Bancorp, Inc. Deferred Directors Fee Plan |
| 10.13 | Investors Bank Deferred Directors Fee Plan |
| 10.14 | Split Dollar Life Insurance Agreement between Roma Bank and Robert C. Albanese, as assumed by Investors Bank |

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| 10.15 | Split Dollar Life Insurance Agreement between Roma Bank and Dennis M. Bone, assumed by Investors Bank |
| 10.16 | Split Dollar Life Insurance Agreement between Roma Bank and Michele N. Siekerka, as assumed by Investors Bank |

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| 14 | Code of Ethics******** |
| 21 | Subsidiaries of Registrant(1)* |
| 23.1 | Consent of Independent Registered Public Accounting Firm |
| 31.1 | Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification of Principal Financial and Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1 | Certification of Principal Executive Officer and Principal Financial and Accounting Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101 | 101.INS (1) XBRL Instance Document 101.SCH (1) XBRL Taxonomy Extension Schema Document 101.CAL (1) XBRL Taxonomy Extension Calculation Linkbase Document 101.DEF (1) XBRL Taxonomy Extension Definition Linkbase Document 101.LAB (1) XBRL Taxonomy Extension Labels Linkbase Document 101.PRE (1) XBRL Taxonomy Extension Presentation Linkbase Document (1) These interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not file for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under these sections. |

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| (1) | Incorporated by reference to the Registration Statement on Form S-1 of Investors Bancorp, Inc. (Commission File no. 333-125703), originally filed with the Securities and Exchange Commission on June 10, 2005. |
| (2) | Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Investors Bancorp, Inc. (Commission File No. 000-51557) filed with the Securities and Exchange Commission on April 1, 2010. |
| (3) | Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of Investors Bancorp, Inc. (Commission File No. 000-51557) filed with the Securities and Exchange Commission on April 1, 2010. |
| (4) | Incorporated by reference to Appendix B to the Definitive Proxy Statement for Investors Bancorp, Inc.'s 2006 Annual Meeting of Stockholders (Commission File No. 000-51557) filed with the Securities and Exchange Commission on September 15, 2006. |
| (5) | Incorporated by reference to Exhibit 10.1 to the Registration Statement on Form S-8 of Investors Bancorp, Inc. (Commission File No. 333-192717) filed with the Securities and Exchange Commission on December 9, 2013. |
| (6) | Incorporated by reference to Annex D to the Definitive Proxy Statement for Investors Bancorp, Inc.'s 2013 Annual Meeting of Stockholders (Commission File No. 000-51557) filed with the Securities and Exchange Commission on April 29, 2013. |
| ********* | Furnished, not filed |

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

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| | | INVESTORS BANCORP, INC. |
| Date: March 3, 2014 | By: | /s/ Kevin Cummings |
| | | Kevin Cummings |
| | | Chief Executive Officer and President |
| | | (Principal Executive Officer) |
| | | (Duly Authorized Representative) |

Pursuant to the requirements of the Securities Exchange of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

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| Signatures | Title | Date |
|---|---|---|
| /s/ Kevin Cummings<br>Kevin Cummings | Chief Executive Officer and President<br>(Principal Executive Officer) | March 3, 2014 |
| /s/ Domenick Cama<br>Domenick Cama | Director, Chief Operating Officer<br>and Senior Executive Vice President | March 3, 2014 |
| /s/ Thomas F. Splaine, Jr.<br>Thomas F. Splaine, Jr. | Chief Financial Officer and<br>Senior Vice President<br>(Principal Financial and Accounting Officer) | March 3, 2014 |
| /s/ Robert M. Cashill<br>Robert M. Cashill | Director, Chairman | March 3, 2014 |
| /s/ Robert C. Albanese<br>Robert C. Albanese | Director | March 3, 2014 |
| /s/ Dennis M. Bone<br>Dennis M. Bone | Director | March 3, 2014 |
| /s/ Doreen R. Byrnes<br>Doreen R. Byrnes | Director | March 3, 2014 |
| /s/ William Cosgrove<br>William Cosgrove | Director | March 3, 2014 |
| /s/ Brian D. Dittenhafer<br>Brian D. Dittenhafer | Director | March 3, 2014 |
| /s/ Brendan J. Dugan<br>Brendan J. Dugan | Director | March 3, 2014 |
| /s/ James Garibaldi<br>James Garibaldi | Director | March 3, 2014 |
| /s/ Michele N. Siekerka<br>Michele N. Siekerka | Director | March 3, 2014 |

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| /s/ James H. Ward III<br>James H. Ward III | Director | March 3, 2014 |

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