Investors Bancorp Inc
Form 10-Q
August 06, 2010

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For the quarterly period ended: June 30, 2010

Commission file number: 0-51557

Investors Bancorp, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**22-3493930**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

101 JFK Parkway, Short Hills, New Jersey 07078

(Address of principal executive offices)

(973) 924-5100

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all the reports to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such report), and (2) has been subject to such filing requirements for the past 90 days. YES þ NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes o No þ

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

As of July 30, 2010 there were 114,893,587 shares of the Registrant s common stock, par value $0.01 per share, outstanding, of which 64,844,373 shares, or 56.44% of the Registrant s outstanding common stock, were held by Investors Bancorp, MHC, the Registrant s mutual holding company.

Investors Bancorp, Inc.
FORM 10-Q
Index

Table of Contents

INVESTORS BANCORP, INC. AND SUBSIDIARY
Consolidated Balance Sheets
June 30, 2010 (unaudited) and December 31, 2009

	June 30, 2010	December 31, 2009
	(In thousands)	
Assets		
Cash and cash equivalents	$ 100,008	73,606
Securities available-for-sale, at estimated fair value	483,748	471,243
Securities held-to-maturity, net (estimated fair value of $647,148 and $753,405 at June 30, 2010 and December 31, 2009, respectively)	604,642	717,441
Loans receivable, net	7,174,222	6,615,459
Loans held-for-sale	32,978	27,043
Stock in the Federal Home Loan Bank	79,469	66,202
Accrued interest receivable	39,210	36,942
Other Real Estate Owned	751	
Office properties and equipment, net	52,588	49,384
Net deferred tax asset	119,644	117,143
Bank owned life insurance	115,722	114,542
Intangible assets	31,945	31,668
Other assets	31,212	37,143
Total assets	$ 8,866,139	8,357,816
Liabilities and Stockholders Equity		
Liabilities:		
Deposits	$ 6,056,351	5,840,643
Borrowed funds	1,825,528	1,600,542
Advance payments by borrowers for taxes and insurance	34,543	29,675
Other liabilities	60,001	36,743
Total liabilities	7,976,423	7,507,603
Stockholders equity:		
Preferred stock, $0.01 par value, 50,000,000 authorized shares; none issued		
Common stock, $0.01 par value, 200,000,000 shares authorized; 118,020,280 issued; 114,893,587 and 114,448,888 outstanding at June 30, 2010 and December 31, 2009, respectively	532	532
Additional paid-in capital	528,874	530,133
Retained earnings	449,836	422,211
Treasury stock, at cost; 3,126,693 and 3,571,392 shares at June 30, 2010 and December 31, 2009, respectively	(38,183)	(44,810)
Unallocated common stock held by the employee stock ownership plan	(34,742)	(35,451)
Accumulated other comprehensive loss	(16,601)	(22,402)

Total stockholders equity	889,716	850,213
Total liabilities and stockholders equity	$ 8,866,139	8,357,816

See accompanying notes to consolidated financial statements.

Table of Contents

INVESTORS BANCORP, INC. AND SUBSIDIARY
Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2010	2009	2010	2009
	(Dollars in thousands, except per share data)			
Interest and dividend income:				
Loans receivable and loans held-for-sale	$ 94,300	79,184	185,328	155,907
Securities:				
Government-sponsored enterprise obligations	174	292	372	596
Mortgage-backed securities	9,493	11,312	19,539	23,259
Municipal bonds and other debt	1,009	1,331	1,804	4,317
Interest-bearing deposits	117	235	190	354
Federal Home Loan Bank stock	778	1,010	1,706	1,680
Total interest and dividend income	105,871	93,364	208,939	186,113
Interest expense:				
Deposits	22,906	32,525	46,666	66,425
Secured borrowings	17,818	17,509	35,196	35,200
Total interest expense	40,724	50,034	81,862	101,625
Net interest income	65,147	43,330	127,077	84,488
Provision for loan losses	15,450	8,025	28,500	16,025
Net interest income after provision for loan losses	49,697	35,305	98,577	68,463
Non-interest income				
Fees and service charges	1,610	816	3,200	1,722
Income on bank owned life insurance	659	670	1,180	926
Gain on sales of loans, net	1,737	2,114	3,484	4,277
Gain (loss) on securities transactions	37	(1,297)	(11)	(1,295)
Other income	96	108	219	198
Total non-interest income	4,139	2,411	8,072	5,828
Non-interest expense				
Compensation and fringe benefits	17,371	14,672	34,507	30,342
Advertising and promotional expense	1,475	1,235	2,347	1,875
Office occupancy and equipment expense	4,379	3,124	8,735	6,122
Federal insurance premiums	2,475	5,400	5,700	7,200
Stationery, printing, supplies and telephone	645	565	1,280	1,053
Professional fees	1,095	530	2,177	1,129

Data processing service fees		1,475	1,240	2,906	2,353
Other operating expenses		1,858	1,397	3,547	2,544
Total non-interest expenses		30,773	28,163	61,199	52,618
Income before income tax expense		23,063	9,553	45,450	21,673
Income tax expense		7,787	4,081	16,864	9,123
Net income	$	15,276	5,472	28,586	12,550
Basic and diluted earnings per share	$	0.14	0.05	0.26	0.12
Weighted average shares outstanding					
Basic		110,160,916	106,194,322	110,153,944	105,199,182
Diluted		110,396,858	106,224,400	110,276,464	105,229,301

See accompanying notes to consolidated financial statements.

Table of Contents

INVESTORS BANCORP, INC.
Consolidated Statements of Stockholders Equity
Six months ended June 30, 2010 and 2009
(Unaudited)

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Unallocated Common Stock Held by ESOP	Accumulated other comprehensive loss	Total stockholders equity
				(In thousands)			
Balance at December 31, 2008	$ 532	518,457	408,534	(128,121)	(36,869)	(8,734)	753,799
Comprehensive income:							
Net income			12,550				12,550
Change in funded status of retirement obligations, net of tax expense of $311						(464)	(464)
Unrealized gain on securities available-for-sale, net of tax benefit of $955						3,529	3,529
Total comprehensive income							15,615
Cummulative effect of initial application of new OTTI guidance under ASC 320, net of tax benefit of $14,577			21,108			(21,108)	
Common stock issued from treasury to finance acquisition (6,503,897 shares)			(42,520)	93,250			50,730
Purchase of treasury stock (864,806 shares)				(7,576)			(7,576)
Compensation cost for stock options and restricted stock		6,061					6,061
ESOP shares allocated or committed to be released		(55)			709		654

Balance at June 30, 2009	$ 532	524,463	399,672	(42,447)	(36,160)	(26,777)	819,283
Balance at December 31, 2009	$ 532	530,133	422,211	(44,810)	(35,451)	(22,402)	850,213
Comprehensive income:							
Net income			28,586				28,586
Change in funded status of retirement obligations, net of tax expense of $68						99	99
Unrealized gain on securities available-for-sale, net of tax expense of $3,375						5,191	5,191
Other-than-temporary impairment accretion on debt securities, net of tax expense of $353						511	511
Total comprehensive income							34,387
Purchase of treasury stock (50,500 shares)				(608)			(608)
Treasury stock allocated to restricted stock plan		(6,272)	(961)	7,233			
Compensation cost for stock options and restricted stock		4,806					4,806
ESOP shares allocated or committed to be released		207		2	709		918
Balance at June 30, 2010	$ 532	528,874	449,836	(38,183)	(34,742)	(16,601)	889,716

See accompanying notes to consolidated financial statements.

3

Table of Contents

INVESTORS BANCORP, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows
(Unaudited)

	For the Six Months Ended June 30, 2010	2009
	(In thousands)	
Cash flows from operating activities:		
Net income	$ 28,586	12,550
Adjustments to reconcile net income to net cash provided by operating activities:		
ESOP and stock-based compensation expense	5,724	6,715
Accretion and (amortization) on securities, net	1,861	(778)
Amortization of premium and accretion of fees and costs on loans, net	3,062	5,350
Amortization of intangible assets	360	70
Provision for loan losses	28,500	16,025
Depreciation and amortization of office properties and equipment	1,143	1,720
Loss on securities transactions	11	1,295
Mortgage loans originated for sale	(247,374)	(549,536)
Proceeds from mortgage loan sales	243,903	515,622
Gain on sales of loans, net	(2,464)	(4,277)
Income on bank owned life insurance contract	(1,180)	(926)
Increase in accrued interest	(2,268)	(1,908)
Deferred tax (expense) benefit	(6,296)	928
Decrease (increase) in other assets	5,293	(9)
Increase in other liabilities	23,426	7,747
Total adjustments	53,701	(1,962)
Net cash provided by operating activities	82,287	10,588
Cash flows from investing activities:		
Purchases of loans receivable	(413,863)	(442,694)
Net (originations) repayments of loans receivable	(179,177)	367,110
Mortgage-backed securities available for sale received in like-kind exchange		3,911
Proceeds from sale of non performing loan	2,984	
Gain on disposition of loans held for investment	(1,020)	
Purchases of mortgage-backed securities held to maturity	(3,690)	
Purchases of mortgage-backed securities available-for-sale	(100,908)	(104,245)
Purchases of other investments available-for-sale	(150)	
Proceeds from paydowns/maturities on mortgage-backed securities held-to-maturity	117,276	126,244
Proceeds from calls/maturities on debt securities held-to-maturity	1,507	
Proceeds from paydowns/maturities on mortgage-backed securities available-for-sale	68,816	35,548
Proceeds from maturities of US Government and agency obligations available-for-sale	25,000	
Purchase of maturities of US Government and Agency Obligations held to maturity		(109,997)
		120,120

Proceeds from maturities of US Government and Agency Obligations held to maturity		
Redemption of equity secruties available-for-sale		(4,774)
Proceeds from sale of equity securities available-for-sale		863
Proceeds from redemptions of Federal Home Loan Bank stock	5,941	22,771
Purchases of Federal Home Loan Bank stock	(19,208)	(5,722)
Purchases of office properties and equipment	(4,347)	(4,250)
Cash received, net of consideration paid for acquisition		(4,225)
Net cash (used in) provided by investing activities	(500,839)	660
Cash flows from financing activities:		
Net increase in deposits	215,708	754,893
Proceeds from funds borrowed under other repurchase agreements		35,000
Repayments of funds borrowed under other repurchase agreements	(125,000)	(85,000)
Net increase (decrease) in other borrowings	349,986	(424,737)
Net increase in advance payments by borrowers for taxes and insurance	4,868	3,043
Purchase of treasury stock	(608)	(3,382)
Net cash provided by financing activities	444,954	279,817
Net increase in cash and cash equivalents	26,402	291,065
Cash and cash equivalents at beginning of the period	73,606	26,692
Cash and cash equivalents at end of the period	$ 100,008	317,757
Supplemental cash flow information:		
Noncash investing activities:		
Real estate acquired through foreclosure	$ 751	
Cash paid during the year for:		
Interest	81,831	102,955
Income taxes	25,601	14,174
Fair value of assets acquired		628,847
Goodwill and core deposit intangible		21,549
Liabilities assumed		595,440
Common stock issued for American Bancorp of NJ acquisition		50,730

See accompanying notes to consolidated financial statements.

INVESTORS BANCORP, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

1. Basis of Presentation

The consolidated financial statements are comprised of the accounts of Investors Bancorp, Inc. and its wholly owned subsidiary, Investors Savings Bank Bank (collectively, the Company) and the Bank s wholly-owned subsidiaries. In the opinion of management, all the adjustments (consisting of normal and recurring adjustments) necessary for the fair presentation of the consolidated financial condition and the consolidated results of operations for the unaudited periods presented have been included. The results of operations and other data presented for the six-month period ended June 30, 2010 are not necessarily indicative of the results of operations that may be expected for subsequent periods.

Certain information and note disclosures usually included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) for the preparation of the Form 10-Q. The consolidated financial statements presented should be read in conjunction with the Company s audited consolidated financial statements and notes to consolidated financial statements included in the Company s December 31, 2009 Annual Report on Form 10-K.

2. Business Combinations

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition for American Bancorp of New Jersey, Inc. (American):

	At May 31, 2009 (In millions)
Cash and cash equivalents	$ 43.2
Securities available-for-sale	103.9
Loans receivable	474.8
Allowance for loan loss	(4.0)
Loans held-for-sale	6.6
Accrued interest receivable	2.5
Office properties and equipment, net	8.1
Goodwill	17.6
Intangible assets	3.9
Other assets	37.0
Total assets acquired	693.6
Deposits	(518.2)
Borrowed funds	(71.7)
Other liabilities	(5.5)
Total liabilities assumed	(595.4)
Net assets acquired	$ 98.2

The Company has not identified any material changes to the provisional amounts recorded in the American acquisition. In the event material changes to the recorded amounts are identified, the Company will disclose information as required.

The Company announced on March 30, 2010 that it has signed a Purchase and Assumption Agreement with Millennium bcpbank (Millennium) to acquire approximately $600 million of

5

Table of Contents

deposits and seventeen branch offices in New Jersey, New York and Massachusetts for a deposit premium of 0.11%. Under the purchase and assumption agreement the parties intend to enter into a Loan Purchase Agreement in which Investors will purchase a portion of Millennium s performing loan portfolio. Also, under the Purchase and Assumption Agreement, the parties will negotiate a Loan Servicing Agreement for Investors to service those loans it does not purchase. The Company is evaluating its options for the Massachusetts branch offices. This transaction has received approvals from the boards of directors of both companies, and remains subject to regulatory approval. The transactions with Millennium are expected to close during the fourth quarter of 2010.

3. Earnings Per Share

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

	For the Three Months Ended June 30,					
	2010			2009		
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
	(Dollars in thousands, except per share data)					
Net Income	$ 15,276			$ 5,472		
Basic earnings per share: Income available to common stockholders	$ 15,276	110,160,916	$ 0.14	$ 5,472	106,194,322	$ 0.05
Effect of dilutive common stock equivalents		235,942			30,078	
Diluted earnings per share: Income available to common stockholders	$ 15,276	110,396,858	$ 0.14	$ 5,472	106,224,400	$ 0.05

For the three months ended June 30, 2010 and June 30, 2009, there were 4.9 million and 6.1 million equity awards, respectively, that could potentially dilute basic earning 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.

	For the Six Months Ended June 30,					
	2010			2009		
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
	(Dollars in thousands, except per share data)					
Net Income	$ 28,586			$ 12,550		
Basic earnings per share: Income available to common stockholders	$ 28,586	110,153,944	$ 0.26	$ 12,550	105,199,182	$ 0.12
		122,520			30,119	

Effect of dilutive common stock equivalents								
Diluted earnings per share:								
Income available to common stockholders	$ 28,586	110,276,464	$	0.26	$ 12,550	105,229,301	$	0.12

For the six months ended June 30, 2010 and June 30, 2009, there were 5.6 million and 6.1 million equity awards, respectively, that could potentially dilute basic earning 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.

Table of Contents

4. Securities

The amortized cost, gross unrealized gains and losses and estimated fair value of securities available-for-sale and held-to-maturity for the dates indicated are as follows:

	June 30, 2010			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
	(In thousands)			
Available-for-sale:				
Equity securities	$ 2,002	484		2,486
Mortgage-backed securities:				
Federal Home Loan Mortgage Corporation	193,825	4,484	11	198,298
Federal National Mortgage Association	209,617	5,519	2	215,134
Government National Mortgage Association	9,934	178		10,112
Non-agency securities	58,755	972	2,009	57,718
	472,131	11,153	2,022	481,262
Total securities available-for-sale	474,133	11,637	2,022	483,748
Held-to-maturity:				
Debt securities:				
Government-sponsored enterprises	15,213	534		15,747
Municipal bonds	10,252	199	2	10,449
Corporate and other debt securities	22,451	20,108	1,289	41,270
	47,916	20,841	1,291	67,466
Mortgage-backed securities:				
Federal Home Loan Mortgage Corporation	288,149	11,367	24	299,492
Federal National Mortgage Association	203,980	11,357	203	215,134
Government National Mortgage Association	3,571	270		3,841
Federal housing authorities	2,439	217		2,656
Non-agency securities	58,587	380	408	58,559
	556,726	23,591	635	579,682
Total securities held-to-maturity	604,642	44,432	1,926	647,148
Total securities	$ 1,078,775	56,069	3,948	1,130,896

Table of Contents

	December 31, 2009			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
	(In thousands)			
Available-for-sale:				
Equity securities	$ 1,832	221		2,053
Debt securities:				
Government-sponsored enterprises	25,013	26		25,039
Mortgage-backed securities:				
Federal Home Loan Mortgage Corporation	206,877	2,725	80	209,522
Federal National Mortgage Association	158,678	2,197	448	160,427
Government National Mortgage Association	10,504	25	79	10,450
Non-agency securities	67,290	284	3,822	63,752
	443,349	5,231	4,429	444,151
Total securities available-for-sale	470,194	5,478	4,429	471,243
Held-to-maturity:				
Debt securities:				
Government-sponsored enterprises	15,226	731	1	15,956
Municipal bonds	10,259	196	4	10,451
Corporate and other debt securities	21,411	18,015	1,617	37,809
	46,896	18,942	1,622	64,216
Mortgage-backed securities:				
Federal Home Loan Mortgage Corporation	358,998	10,565	159	369,404
Federal National Mortgage Association	236,109	9,268	24	245,353
Government National Mortgage Association	3,880	277		4,157
Federal housing authorities	2,549	231		2,780
Non-agency securities	69,009	47	1,561	67,495
	670,545	20,388	1,744	689,189
Total securities held-to-maturity	717,441	39,330	3,366	753,405
Total securities	$ 1,187,635	44,808	7,795	1,224,648

Table of Contents

Gross unrealized losses on securities available-for-sale and held-to-maturity and the estimated fair value of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at June 30, 2010 and December 31, 2009, was as follows:

	June 30, 2010					
	Less than 12 months		12 months or more		Total	
	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses
	(In thousands)					
Available-for-sale:						
Mortgage-backed securities:						
Federal Home Loan Mortgage Association	$ 2,884	11			2,884	11
Federal National Mortgage Association	2,883	2			2,883	2
Non-agency securities	128	78	25,785	1,931	25,913	2,009
	5,895	91	25,785	1,931	31,680	2,022
Total available-for-sale:	5,895	91	25,785	1,931	31,680	2,022
Held-to-maturity:						
Debt securities:						
Municipal bonds			1,035	2	1,035	2
Corporate and other debt securities	248	955	208	334	456	1,289
	248	955	1,243	336	1,491	1,291
Mortgage-backed securities:						
Federal Home Loan Mortgage Corporation	11,346	24			11,346	24
Federal National Mortgage Association	8,934	200	703	3	9,637	203
Non-agency securities			31,738	408	31,738	408
	20,280	224	32,441	411	52,721	635
Total held-to-maturity	20,528	1,179	33,684	747	54,212	1,926
Total	$ 26,423	1,270	59,469	2,678	85,892	3,948

Table of Contents

	December 31, 2009					
	Less than 12 months		12 months or more		Total	
	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses
	(In thousands)					
Available-for-sale:						
Mortgage-backed securities:						
Federal Home Loan Mortgage Corporation	$ 33,595	80			33,595	80
Federal National Mortgage Association	63,527	446	16	2	63,543	448
Government National Mortgage Association	10,168	79			10,168	79
Non-agency securities	4,563	370	26,736	3,452	31,299	3,822
	111,853	975	26,752	3,454	138,605	4,429
Total available-for-sale:	111,853	975	26,752	3,454	138,605	4,429
Held-to-maturity:						
Debt securities:						
Government-sponsored enterprises			225	1	225	1
Municipal bonds			1,035	4	1,035	4
Corporate and other debt securities	1,024	1,617			1,024	1,617
	1,024	1,617	1,260	5	2,284	1,622
Mortgage-backed securities:						
Federal Home Loan Mortgage Corporation	5,860	159			5,860	159
Federal National Mortgage Association	2,699	5	5,392	19	8,091	24
Non-agency securities	16,352	257	42,308	1,304	58,660	1,561
	24,911	421	47,700	1,323	72,611	1,744
Total held-to-maturity:	25,935	2,038	48,960	1,328	74,895	3,366
Total	$ 137,788	3,013	75,712	4,782	213,500	7,795

For our securities that have a estimated fair value less than the amortized cost basis, the gross unrealized losses were primarily in our non-agency mortgage-backed securities and our corporate and other debt securities portfolios, which accounted for 93.9% of the gross unrealized losses at June 30, 2010. The total estimated fair value of our non-agency mortgage-backed securities and our corporate and other debt securities portfolios represented 13.9% of our total investment portfolio at June 30, 2010. The estimated fair value of our non-agency mortgage-backed and our corporate and other debt securities portfolios have been adversely impacted by the current economic environment and credit deterioration subsequent to the purchase of these securities. As such, the Company previously recognized credit related other-than-temporary impairment charges on certain non-agency mortgage backed and corporate debt securities.

Our non-agency mortgage-backed securities are not guaranteed by GSE entities and complied with the investment and credit standards set forth in the investment policy of the Company at the time of purchase. At June 30, 2010, the significant portion of the portfolio was comprised of 28 non-agency mortgage-backed securities with an amortized cost of $116.3 million and an estimated fair value of $115.2 million. These securities were originated in the period 2002-2004

Table of Contents

and substantially all are performing in accordance with contractual terms. For securities with larger decreases in fair values, management estimates the loss projections for each security by stressing the individual loans collateralizing the security with a range of expected default rates, loss severities, and prepayment speeds, in conjunction with the underlying credit enhancement (if applicable) for each security. Based on those specific assumptions, a range of possible cash flows were identified to determine whether other-than-temporary impairment existed as of June 30, 2010. Under certain stress scenarios estimated future losses may arise. Management determined that no additional other-than-temporary impairment existed as of June 30, 2010.

Our corporate and other debt securities portfolio consists of 33 pooled trust preferred securities, (TruPS) principally issued by banks, of which 3 securities were rated AAA and 30 securities were rated A at the date of purchase and through June 30, 2008. Subsequently, due to adverse economic conditions, the majority of these securities have been downgraded below investment grade. At June 30, 2010, the amortized cost and estimated fair values of the trust preferred portfolio was $22.5 million and $41.3 million, respectively. Through the use of a valuation specialist, we evaluated the credit and performance of each underlying issuer by deriving probabilities and assumptions for default, recovery and prepayment/ amortization for the expected cashflows for each security. At June 30, 2010, management deemed that the present value of projected cashflows for each security was greater than the book value and did not recognize any OTTI charges for the six months ended June 30, 2010. The Company has no intent to sell, nor is it more likely than not that the Company will be required to sell, the debt securities before the recovery of their amortized cost basis or maturity.

Table of Contents

The following table summarizes the Company s pooled trust preferred securities which are at least one rating below investment grade as of June 30, 2010. In addition, at June 30, 2010 the Company held 2 pooled trust preferred securities with a book value of $4.0 million and a fair value of $6.0 million which are investment grade. The Company does not own any single-issuer trust preferred securities.

(Dollars in 000 s) Description	Class	Book Value	Fair Value	Unrealized Gains (Losses)	Number of Issuers Currently Performing	Current Deferrals and Defaults as a % of Total Collateral (1)	Expected Deferrals and Defaults as % of Remaining Collateral (2)	Excess Subordination as a % of Performing Collateral (3)	Moody s/ Fitch Credit Ratings
Alesco PF II	B1	$ 165.6	$ 353.2	$ 187.6	34	21.3%	14.6%	0.0%	Ca / C
Alesco PF III	B1	341.4	649.0	307.6	38	25.5	18.5	0.0	Ca / C
Alesco PF III	B2	136.7	259.6	122.9	38	25.5	18.5	0.0	Ca / C
Alesco PF IV	B1	233.3	235.4	2.1	47	25.4	18.4	0.0	Ca / C
Alesco PF VI	C2	290.7	597.5	306.8	46	30.9	17.2	0.0	Ca / C
MM Comm III	B	1,380.8	3,835.3	2,454.5	7	41.2	13.8	12.8	Baa3 / B /*
MM Comm IX	B1	47.9	110.1	62.2	21	25.9	29.6	0.0	Caa3 / C
MMCaps XVII	C1	700.2	2,129.4	1,429.2	43	7.5	18.3	0.0	Ca / C
MMCaps XIX	C	401.4	10.0	(391.4)	33	30.6	21.9	0.0	Ca / C
Tpref I	B	1,180.7	2,865.8	1,685.1	15	37.4	15.1	0.0	Caa3 / D
Tpref II	B	2,240.4	4,576.0	2,335.6	21	26.9	25.3	0.0	Caa3 / C
US Cap I	B2	502.6	1,278.6	776.0	36	8.3	16.3	0.0	Caa1 / C
US Cap I	B1	1,485.9	3,835.8	2,349.9	36	8.3	16.3	0.0	Caa1 / C
US Cap II	B1	715.7	2,313.5	1,597.8	49	11.7	17.3	0.0	Ca / C
US Cap III	B1	899.9	2,010.2	1,110.3	37	20.4	14.2	0.0	Ca / C
US Cap IV	B1	749.6	195.0	(554.6)	50	30.6	21.7	0.0	C / D
Trapeza XII	C1	720.1	754.4	34.3	35	18.9	23.8	0.0	Ca / C
Trapeza XIII	C1	660.8	1,245.0	584.2	45	15.5	26.8	0.0	Ca / C
Pretsl IV	Mezzanine	108.9	129.0	20.1	5	27.1	20.4	19.0	Ca / CCC
Pretsl V	Mezzanine	51.5	43.1	(8.4)	3	43.1	26.4	0.0	Ba3 / C
Pretsl VII	Mezzanine	982.9	1,359.0	376.1	6	46.3	62.3	0.0	Ca / C
Pretsl XV	B1	570.2	972.9	402.7	59	20.0	19.7	0.0	Ca / C
Pretsl XVII	C	313.5	398.1	84.6	42	18.0	21.0	0.0	Ca / C
Pretsl XVIII	C	655.0	1,361.6	706.6	62	17.4	15.8	0.0	Ca / C
Pretsl XIX	C	237.2	399.5	162.3	57	19.3	15.8	0.0	Ca / C
Pretsl XX	C	154.6	128.5	(26.1)	51	22.8	16.2	0.0	C / C
Pretsl XXI	C1	192.9	297.8	104.9	57	23.7	20.6	0.0	Ca / C
Pretsl XXIII	A-FP	1,685.2	2,494.9	809.7	99	19.1	19.9	18.3	B1 / BB /*
Pretsl XXIV	C1	388.2	79.9	(308.3)	68	25.3	22.7	0.0	Ca / C
Pretsl XXV	C1	137.9	144.6	6.7	56	21.8	23.7	0.0	C / C
Pretsl XXVI	C1	113.6	165.5	51.9	56	24.2	19.3	0.0	C / C
		$ 18,445.3	$ 35,228.2	$ 16,782.9					

(1) At June 30, 2010, assumed recoveries for current deferrals and defaulted issuers ranged from 0.0% to 9.5%.

(2) At June 30, 2010, assumed recoveries for expected deferrals and defaulted issuers ranged from 10.0% to 13.4%.

(3) Excess subordination represents the amount of remaining performing collateral that is in excess of the amount needed to payoff a specified class of bonds and all classes senior to the specified class. Excess subordination reduces an investor s potential risk of loss on their investment as excess subordination absorbs principal and interest shortfalls in the event underlying issuers are not able to make their contractual payments.

* Ratings watch negative

Table of Contents

The following table presents the changes in the credit loss component of the amortized cost of debt securities that the Company has written down for such loss as an other-than-temporary impairment recognized in earnings.

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
	(In thousands)			
Balance of credit related OTTI, beginning of period	$ 122,410	121,110	122,410	121,110
Additions:				
Initial credit impairments				
Subsequent credit impairments		1,300		1,300
Reductions				
Balance of credit related OTTI, end of period	$ 122,410	122,410	122,410	122,410

The credit loss component of the amortized cost represents the difference between the present value of expected future cash flows and the amortized cost basis of the security prior to considering credit losses. The beginning balance represents the credit loss component for debt securities for which other-than-temporary impairment occurred prior to the period presented. If other-than-temporary impairment is recognized in earnings for credit impaired debt securities, they would be presented as additions in two components based upon whether the current period is the first time the debt security was credit impaired (initial credit impairment) or is not the first time the debt security was credit impaired (subsequent credit impairments). The credit loss component is reduced if the Company sells, intends to sell or believes it will be required to sell previously credit impaired debt securities. Additionally, the credit loss component is reduced if (i) the Company receives the cash flows in excess of what it expected to receive over the remaining life of the credit impaired debt security, (ii) the security matures or (iii) the security is fully written down.

At June 30, 2010, noncredit-related OTTI was $34.1 million ($20.2 million after-tax) on securities not expected to be sold and for which it is not more likely than not that we will be required to sell the securities before recovery of their amortized cost basis. As of April 1, 2009, we reclassified $21.1 million after-tax as a cumulative effect adjustment for the noncredit-related portion of OTTI losses previously recognized in earnings.

There were no sales from the securities portfolio during the quarter ended June 30, 2010. A portion of the Company s securities are pledged to secure borrowings.

The contractual maturities of mortgage-backed securities generally exceed 20 years; however, the effective lives are expected to be shorter due to anticipated prepayments. Expected maturities may differ from contractual maturities due to prepayment or early call privileges of the issuer. The amortized cost and estimated fair value of debt securities at June 30, 2010, by contractual maturity, are shown below.

Table of Contents

	June 30, 2010	
	Amortized cost	Estimated fair value
	(In thousands)	
Due in one year or less	$ 16,165	16,727
Due after one year through five years	3,937	4,003
Due after five years through ten years	233	233
Due after ten years	27,581	46,503
Total	$ 47,916	67,466

5. Loans Receivable, Net

Loans receivable, net are summarized as follows:

	June 30, 2010	December 31, 2009
	(In thousands)	
Residential mortgage loans	$ 4,956,203	4,773,556
Multi-family loans	768,317	612,743
Commercial real estate loans	905,347	730,012
Construction loans	394,607	334,480
Consumer and other loans	176,015	178,177
Commercial and industrial loans	26,626	23,159
Total loans	7,227,115	6,652,127
Premiums on purchased loans	25,609	22,958
Deferred loan fees, net	(6,178)	(4,574)
Allowance for loan losses	(72,324)	(55,052)
Net loans	$ 7,174,222	6,615,459

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

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
	(In thousands)			
Balance at beginning of period	$ 62,943	34,540	55,052	26,548
Charge-offs:				
Construction loans	(3,629)		(6,879)	
Residential mortgage loans	(2,358)		(3,804)	
Multi-family loans			(454)	
Consumer and other loans	(10)		(19)	(8)
Commercial and industrial loans	(166)		(166)	

Loan charge-offs	(6,163)		(11,322)	(8)
Recoveries	94		94	
Net charge-offs	(6,069)		(11,228)	(8)
Provision for loan losses	15,450	8,025	28,500	16,025
Allowance acquired in acquisition		4,043		4,043
Balance at end of period	$ 72,324	46,608	72,324	46,608

Table of Contents

6. Deposits

Deposits are summarized as follows:

	June 30, 2010	December 31, 2009
	(In thousands)	
Savings acounts	$ 910,099	877,421
Checking accounts	1,157,872	927,675
Money market accounts	730,357	742,618
Total core deposits	2,798,328	2,547,714
Certificates of deposit	3,258,023	3,292,929
	$ 6,056,351	5,840,643

7. Equity Incentive Plan

During the six months ended June 30, 2010, the Company recorded $4.8 million of share-based expense, comprised of stock option expense of $1.9 million and restricted stock expense of $2.9 million.

During the six months ended June 30, 2010, no options were forfeited and 5,000 options with a weighted average grant date fair value of $4.40 were granted. At June 30, 2010, 5,151,752 options, with a weighted average exercise price of $15.00 and a weighted average grant date fair value of $4.09 were outstanding, of which 2,001,193 were unvested. Expected future expense relating to the unvested options outstanding as of June 30, 2010 is $5.5 million over a weighted average period of 1.8 years.

During the six months ended June 30, 2010, 495,000 shares of restricted stock with a weighted average grant date fair value of $12.67 were granted. At June 30, 2010, 1,234,880 shares of restricted stock, with a weighted average grant date fair value of $14.19, are unvested. Expected future compensation expense relating to the unvested restricted shares at June 30, 2010 is $13.2 million over a weighted average period of 3.8 years.

8. Net Periodic Benefit Plans Expense

The Company has a Supplemental Employee Retirement Plan (SERP). The SERP is a nonqualified, defined benefit plan which provides benefits to employees of the Company if their benefits and/or contributions under the pension plan are limited by the Internal Revenue Code. For the Company s active directors as of December 31, 2006, the Company has a non-qualified, defined benefit plan which provides pension benefits. The SERP and the Directors plan are unfunded and the costs of the plans are recognized over the period that services are provided.

Table of Contents

The components of net periodic benefit expense for the SERP and Directors Plan are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2010	2009	2010	2009
	(In thousands)			
Service cost	$ 179	136	360	272
Interest cost	221	263	440	526
Amortization of:				
Prior service cost	25	24	49	49
Net loss	14	35	27	69
Total net periodic benefit expense	$ 439	458	876	916

Due to the unfunded nature of these plans, no contributions are expected to be made to the SERP and Directors plans during the year ending December 31, 2010.

The Company also maintains a defined benefit pension plan. Since it is a multiemployer plan, costs of the pension plan are based on contributions required to be made to the pension plan. We did not contribute to the defined benefit pension plan during the six months ended June 30, 2010. We anticipate contributing funds to the plan to meet any minimum funding requirements.

Summit Federal, at the time of merger, had a funded non-contributory defined benefit pension plan covering all eligible employees and an unfunded, non-qualified defined benefit SERP for the benefit of certain key employees. At June 30, 2010 and December 31, 2009, the pension plan had an accrued liability of $894,000 and $990,000, respectively. At June 30, 2010 and December 31, 2009, the charges recognized in accumulated other comprehensive loss for the pension plan were $1.2 million. At June 30, 2010 and December 31, 2009, the SERP plan had an accrued liability of $904,000 and $911,000, respectively. At June 30, 2010 and December 31, 2009, the charges recognized in accumulated other comprehensive loss for the SERP plan were $88,000 and $98,000, respectively. For the six-month periods ended June 30, 2010 and 2009, the expense related to these plans was $148,000 and $152,000, respectively.

9. 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, or MSR, loans receivable and real estate owned, or 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) Accounting Standards Codification (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:

Table of Contents

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.

The following is a description of valuation methodologies used for 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. Approximately 99% of our securities available-for-sale portfolio consists of mortgage-backed and government-sponsored enterprise securities. The fair values of these securities are obtained from an independent nationally recognized pricing service, which is then compared to a second independent pricing source for reasonableness. Our independent pricing service provides us with prices which are categorized as Level 2, as quoted prices in active markets for identical assets are generally not available for the majority of securities in our portfolio. Various modeling techniques are used to determine pricing for our mortgage-backed and government sponsored enterprise securities, including option pricing and discounted cash flow models. The inputs to these models include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data. The remaining 1% of our securities available-for-sale portfolio is comprised primarily of private fund investments for which the issuer provides us prices which are categorized as Level 2, as quoted prices in active markets for identical assets are generally not available.

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 June 30, 2010.

Table of Contents

	Carrying Value at June 30, 2010			
	Total	Level 1	Level 2	Level 3

The following is a description of valuation methodologies used for assets measured at fair value on a non-recurring basis.

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. We conduct a periodic review and evaluation of the held-to-maturity portfolio to determine if the value of any security has declined below its cost or amortized cost, and whether such decline is other-than-temporary. Management utilizes various inputs to determine the fair value of the portfolio. To the extent they exist, unadjusted quoted market prices in active markets (level 1) or quoted prices on similar assets (level 2) are utilized to determine the fair value of each investment in the portfolio. In the absence of quoted prices and in an illiquid market, valuation techniques, which require inputs that are both significant to the fair value measurement and unobservable (level 3), are used to determine fair value of the investment. Valuation techniques are based on various assumptions, including, but not limited to cash flows, discount rates, rate of return, adjustments for nonperformance and liquidity, and liquidation values. If a determination is made that a debt security is other-than-temporarily impaired, the Company will estimate the amount of the unrealized loss that is attributable to credit and all other non-credit related factors. The credit related component will be recognized as an other-than-temporary impairment charge in non-interest income as a component of gain (loss) on securities, net. The non-credit related component will be recorded as an adjustment to accumulated other comprehensive income, net of tax.

Mortgage Servicing Rights, net

Mortgage Servicing Rights 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 and, as such, are classified as Level 3.

Loans Receivable

Loans which meet certain criteria are evaluated individually for impairment. A loan is deemed to be impaired if it is a commercial real estate, multi-family or construction loan with an outstanding balance greater than $3.0 million and on non-accrual status and all loans subject to a troubled debt restructuring. 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

Table of Contents

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. Therefore, these adjustments are generally classified as Level 3.

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 considered Level 3 inputs. When an asset is acquired, the excess of the loan balance over fair value, less estimated selling costs, is charged to the allowance for loan losses. If the estimated fair value of the asset declines, a writedown is recorded through expense. The valuation of foreclosed assets is subjective in nature and may be adjusted in the future because of changes in economic conditions. Operating costs after acquisition are generally expensed.

The following table provides the level of valuation assumptions used to determine the carrying value of our assets measured at fair value on a non-recurring basis at June 30, 2010.

	Total	Level 1	Level 2	Level 3
		(In thousands)		
Impaired loans	$ 39,969			39,969
Other real estate owned	751			751
Total	$ 40,720			40,720

10. Fair Value of Financial Instruments

Fair value estimates, methods and assumptions for the Company s financial instruments are set forth below.

Cash and Cash Equivalents

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

Securities

The fair values of securities are estimated based on market values provided by an independent pricing service, where prices are available. If a quoted market price was not available, the fair value was estimated using quoted market values of similar instruments, adjusted for differences between the quoted instruments and the instruments being valued.

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.

Table of Contents

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 market values, when available, or estimated using discounted contractual cash flows using rates which approximate the rates offered for borrowings of similar remaining maturities.

Commitments to Extend Credit

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

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

	June 30, 2010		**December 31, 2009**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	(In thousands)			
Financial assets:				
Cash and cash equivalents	$ 100,008	100,008	73,606	73,606
Securities available-for-sale	483,748	483,748	471,243	471,243
Securities held-to-maturity	604,642	647,148	717,441	753,405
Stock in FHLB	79,469	79,469	66,202	66,202
Loans	7,207,200	7,471,056	6,642,502	6,821,767
Financial liabilities:				
Deposits	6,056,351	6,106,264	5,840,643	5,881,083
Borrowed funds	1,825,528	1,904,446	1,600,542	1,666,513

Table of Contents

Limitations

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

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

11. Recent Accounting Pronouncements

In June 2009, the FASB issued ASC 860, an amendment to the accounting and disclosure requirements for transfers of financial assets. The guidance defines the term participating interest to establish specific conditions for reporting a transfer of a portion of a financial asset as a sale. If the transfer does not meet those conditions, a transferor should account for the transfer as a sale only if it transfers an entire financial asset or a group of entire financial assets and surrenders control over the entire transferred asset(s). The guidance requires that a transferor recognize and initially measure at fair value all assets obtained (including a transferor s beneficial interest) and liabilities incurred as a result of a transfer of financial assets accounted for as a sale. This Statement is effective as of the beginning of each reporting entity s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. The adoption of ASC 860 did not have a material impact on the Company s financial condition, results of operations or financial statement disclosures.

In January 2010, the FASB issued Accounting Standards Update (ASU) 2010-06 to improve disclosures about fair value measurements. This guidance requires new disclosures on transfers into and out of Level 1 and 2 measurements of the fair value hierarchy and requires separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosures relating to the level of disaggregation and inputs and valuation techniques used to measure fair value. It is effective for the first reporting period (including interim periods) beginning after December 15, 2009, except for the requirement to provide the Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010. The adoption of this pronouncement did not have a material impact on the Company s financial condition, results of operations or financial statement disclosures.

In February 2010, the FASB issued ASU 2010-09, which amended the subsequent events pronouncement issued in May 2009. The amendment removed the requirement to disclose the

Table of Contents

date through which subsequent events have been evaluated. This pronouncement became effective immediately upon issuance and is to be applied prospectively. The adoption of this pronouncement did not have a material impact on the Company s financial condition, results of operations or financial statement disclosures.

In April 2010, the FASB issued ASU 2010-18, which states that modifications of loans that are accounted for within a pool under ASC 310-30 do not result in the removal of those loans from the pool even if the modification of those loans would otherwise be considered a troubled debt restructuring. An entity will continue to be required to consider whether the pool of assets in which the loan is included is impaired if expected cash flows for the pool change. The amendments do not affect the accounting for loans under the scope of ASC 310-30 that are not accounted for within pools. Loans accounted for individually under ASC 310-30 continue to be subject to the troubled debt restructuring accounting provisions within ASC 310-40, *Receivables Troubled Debt Restructurings by Creditors* . The amendments are effective for modifications of loans accounted for within pools under Subtopic 310-30 occurring in the first interim or annual period ending on or after July 15, 2010. The Company does not expect that the adoption of this pronouncement will have a material impact on the Company s financial condition, results of operations or financial statement disclosures.

In July 2010, the FASB issued ASU 2010-20 to provide financial statement users with greater transparency about an entity s allowance for credit losses and the credit quality of its financing receivables. The objective of the ASU is to provide disclosures that assist financial statement users in their evaluation of (1) the nature of an entity s credit risk associated with its financing receivables, (2) how the entity analyzes and assesses that risk in arriving at the allowance for credit losses and (3) the changes in the allowance for credit losses and the reasons for those changes. Disclosures provided to meet the objective above should be provided on a disaggregated basis. The disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010. The disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010. 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.