

# THE WALL STREET TRANSCRIPT

Connecting Market Leaders with Investors

## Investors Bancorp Inc. (ISBC)



**DOMENICK A. CAMA**, Senior Executive Vice President and Chief Operating Officer, was appointed to the board of directors of Investors Bancorp Inc. and Investors Bank in January 2011. He became Chief Operating Officer of Investors Bank effective January 1, 2008, and was appointed Senior Executive Vice President in January of 2010. Prior to this appointment, Mr. Cama served as Chief Financial Officer since April 2003. Prior to joining Investors Bank, Mr. Cama was employed for 13 years by the Federal Home Loan Bank of New York where he served as Vice President and Director of Sales. Mr. Cama is also a member of the board of directors for the Raritan Bay Medical Center Foundation and the Madison YMCA. Mr. Cama holds a bachelor's degree in economics and a master's degree in finance from Pace University.

### SECTOR — BANKING

**TWST:** Can you provide an overview of the bank and describe its core competencies?

**Mr. Cama:** Investors Bank is headquartered in Short Hills, New Jersey, with approximately 130 offices throughout New Jersey and the New York metropolitan region with approximately \$18 billion in assets. Investors Bank focuses on providing quality customer service, takes pride in its community outreach, and is intent on becoming a market leader in the New York and New Jersey metropolitan area.

**TWST:** In fiscal-year 2013, you had \$112 million in net income. Can you talk a little bit about how that's generated?

**Mr. Cama:** Investors Bank is very active in the commercial and the residential lending markets, namely multifamily, commercial real estate and C&I lending. We pride ourselves on service, flexibility and quick decisions.

**TWST:** Can you talk about, by general percentages, your loan portfolio?

**Mr. Cama:** We have over \$14 billion in loans, of which about 42% are residential mortgage loans, 33% are multifamily loans and about 16% are commercial real estate loans. C&I loans make up about 7% of the portfolio.

**TWST:** Are you intending to keep this mix or change it a bit?

**Mr. Cama:** In 2015, we intend to continue the shift toward more commercial lending with an emphasis on C&I. C&I loans are a good source of core deposits and help improve our interest rate risk position.

**TWST:** As a bank, aren't you coming from a thrift model, and if so, about when did you change the business model, and how have you changed?

**Mr. Cama:** We made a decision to change the business model back in 2003. When I joined Investors in 2003, the bank had about \$5.5 billion in assets with most of its assets in mortgage-backed securities. In October 2003, we presented a plan to our board to change the model to be more bank-like, and so we started on a path of reducing our reliance on securities and on making more loans. As we made more loans, we focused on making more commercial loans because our plan is to be more commercial-bank-like.

**TWST:** Am I correct in hearing that you used to be more of a thrift bank?

**Mr. Cama:** Yes, absolutely.

**TWST:** When you said mortgage-backed securities, it sounds like you deviated from the thrift model even before 2003 then?

**Mr. Cama:** That's true. Prior to 2003, Investors almost stopped making residential mortgage loans and began investing heavily in securities. While always chartered as a thrift, the bank became more of a bond fund.

**TWST:** Talk about your growth plan in the last two years and then going forward. It sounds like you've done some acquisitions. Are you going to do that to continue to grow, or are you going to do something different?

**Mr. Cama:** Since 2008, the bank completed eight acquisitions. The period between 2008 and 2012 was one of the worst economic times

since the Great Depression, and during that time, we took advantage of acquisition opportunities because of lower pricing for banks. In addition, four of the eight acquisitions were completed using our mutual holding company structure. I should point out, however, that 60% of our growth during the last 10 years has occurred organically. As we move forward and because we recently completed our second-step capital raise, our plan is to continue to grow. We believe the primary source of that growth will come through acquisitions.

**TWST: Other than profitability, what other quality metrics do you look to to tell you that you're conducting the business in the way that you want to?**

**Mr. Cama:** The number one metric we use to manage our company is return on equity. We also use efficiency ratio and certain credit metrics.

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**TWST: Do you find it difficult to manage through the rapidity with which you're doing the acquisitions? How do you manage costs in the sense that you're trying to get all of the branches up to date on having standardized processes and also perhaps even digitizing the banking if they are not where you need them to be?**

**Mr. Cama:** We've been fortunate and have been able to integrate all of the acquisitions efficiently. One of the problems we face here at Investors Bank is that we continue to manage our business on an older core thrift operating system. That will change in August 2015. We signed a contract with Fiserv to move our entire company over to a new processing platform that will enable us to continue our growth plans. It is going to be a relationship-based commercial banking platform, allowing us to provide more commercial bank services as we move forward.

This is a monumental effort that requires a lot of manpower, and as a result, we've made a decision not to enter the M&A market and bring new banks on because we want to make sure we can integrate this new core processing system properly and efficiently. By doing an acquisition between now and August, it could push back the date of any new core processing conversion, and we want to get this core processing conversion done because it will introduce many new efficiencies in our process.

**TWST: That processing system is throughout your 130 offices? Does it impact every aspect of your electronic functioning so to speak?**

**Mr. Cama:** It will impact every aspect of our business, not only the branches, but also lending, customer information and item processing. All aspects of the bank's processing will be impacted by this core conversion.

**TWST: How important is it for you to compete by taking market share, and if that's part of your strategy, how do you do that?**

**Mr. Cama:** We believe being in the New York metropolitan market with its concentration of very large national banks provides a perfect opportunity for a community bank like Investors Bank to take market share. We hear time and time again from customers of large commercial banks that they feel like they're being treated as a number

and not as a person. At Investors, we pride ourselves on the fact that we can treat people like people and can make decisions quickly.

**TWST: How far are you along in the digitization of the banking, including mobile banking?**

**Mr. Cama:** We have several mobile banking applications currently installed. However, they are not at the forefront of technology, and that's by design. We want to walk before we run and choose not to be at the forefront because generally there are bugs or fixes to be made to platforms, and we need to understand how these applications work and how the customer demographics accept them. We are convinced though that mobile banking is here to stay, and we are continuing to introduce upgrades to our mobile banking application packages so customers can utilize more of those applications. We are not there yet, but we will be by the end of next year.

**TWST: It sounds like that might be wise considering the degree to which you're doing the acquisitions and then the overhaul of the processing system. I can see why you'd want to take a wait-and-see approach to what's happening with technology. Is that what you're saying?**

**Mr. Cama:** Yes, I'm saying that from two perspectives: One, generally, we're never at the forefront of technology. We like to watch others implement, see what comes out of it, what errors may come and what changes may be necessary. Second, our current platforms don't allow us to efficiently use these applications, and that's why we're making such a big commitment to the processing change that's going to occur in August of 2015.

**TWST: How do you find out information about the technology? Where do you get that word on the street about what's working and what's not working? Do you hear it at conferences and talking to your peers? How do you get that information?**

**Mr. Cama:** We have a very experienced information technology team who are on top of new trends in the market. We provide them with opportunities for education and networking, so they can see what peers are doing. They also work with vendors who provide a lot of intelligence.

**TWST: How do you generally do marketing, particularly as a fast-growing bank? How do you distinguish yourself in the customer's mind through marketing?**

**Mr. Cama:** Three years ago, we underwent a successful brand change and use some typical marketing techniques. We make very good use of billboards and signs around the metropolitan market. We generally stay away from newspapers and use more of a grassroots approach to marketing. Rather than spend the money for newspapers, I would rather have more of our business people out in the market calling on customers and potential customers so the market can get to know who we are.

The fact that Investors has become the largest bank headquartered in New Jersey — assuming M&T and Hudson City merge — means the market has come to know who we are. It is being done by word of mouth, through the good work of our business people who are out

calling on customers, and it's being done by our marketing campaigns, such as billboards, bus and train advertising, direct communications to customers and our Internet presence. We are going to continue that strategy of branding the bank, especially in the New York markets.

**TWST: When you're growing as fast as you are, how do you make sure that you keep your current customer base happy and you're not just scrambling to get by? How is it that you're keeping quality at the same level?**

**Mr. Cama:** It's a challenge. Every day, we work on maintaining our level of quality customer service, and it's easier said than done. Every day, we focus on keeping employees engaged, because we recognize that when you have 1,600 employees, the level of quality can vary from branch to branch or from lending to cash management. So we have a very distinct tone from the top, and we put our money where our mouth is.

We conduct constant training for people, and provide opportunities for leadership and accountability classes. We allow people to be educated in the benefits of providing quality customer service. We know that, for the most part, we are in a commodity business, and the reason people choose one bank over another is because of the relationship they maintain with their bankers. So again, every day of the week we are focused on ensuring we have good-quality customer service throughout our organization.

**TWST: Can you give me an example of what that would mean on a weekly basis?**

**Mr. Cama:** We do a couple of things. We will contact the customer the day he or she conducted a transaction in one of our branches, and will send the person an e-mail or call him or her on the phone and ask the customer to rate the experience. We also conduct mystery shops where people on the outside, primarily outside contractors, will visit our branches and rate their experiences at that particular branch. We also have an internal process in which we monitor how we treat each other internally as customers, meaning that if you work in the loan servicing or accounting department, you may not have a retail customer trying to open a checking account, but you have other departments from around the company who need your assistance.

So on a daily basis, we send out 50 e-mails to individuals on their particular experience over the last few days with another internal department. This helps to have everyone understand that quality customer service is the only way we can distinguish ourselves in the market. The number one focus of this company is keeping employee morale at a very high level, keeping employees engaged and keeping the momentum going.

**TWST: If you could change anything about the regulatory climate, what would you change?**

**Mr. Cama:** That's a tough question. I recognize the regulators have come under a lot of pressure in the financial crisis that occurred in 2008. Whenever you have an organization that comes under that level of scrutiny, things are going to change. From my standpoint, it is always important to have a stable and consistent message from the regulators. It makes managing our business easier.

**TWST: Were you left with a lot of debt because of the mortgage-backed securities that you had to account for? How did you handle the degree to which you were involved in that or was it not so bad for the bank?**

**Mr. Cama:** The bank did not take any significant losses with its mortgage-backed securities portfolio because most of those securities were guaranteed by agencies of the federal government. We did take a loss in our TruPS portfolio but did not incur any significant losses.

**TWST: What advice do you have for banking investors in general and then in particular for investors in Investors Bancorp?**

**Mr. Cama:** We think slow and steady is a good message. Having a bank that runs too fast and gets into businesses it doesn't know well simply to generate more earnings is something we shy away from here at Investors Bank. We believe in being involved in businesses we know a lot about. A slow and steady approach to managing our capital has ultimately proved to be a good strategy. My advice to investors is to look for financial institutions that stick to their knitting, that believe in what they do and that manage the company properly.

**TWST: Is there anything else you want to add that we haven't talked about?**

**Mr. Cama:** No, I think you asked a lot of good questions.

**TWST: Thank you. (KJL)**

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