

Kearny Financial Corp.  
Form 10-Q  
May 10, 2010

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2010

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 000-51093

KEARNY FINANCIAL CORP.  
(Exact name of registrant as specified in its charter)

UNITED STATES  
(State or other jurisdiction of  
incorporation or organization)

22-3803741  
(I.R.S. Employer  
Identification  
Number)

120 Passaic Ave., Fairfield, New Jersey  
(Address of principal executive offices)

07004-3510  
(Zip Code)

Registrant's telephone number, including area code 973-244-4500

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required

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to submit and post such files). Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

The number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date: May 7, 2010.

\$0.10 par value common stock - 68,800,200 shares outstanding

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KEARNY FINANCIAL CORP. AND SUBSIDIARIES

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KEARNY FINANCIAL CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION  
(In Thousands, Except Share and Per Share Data, Unaudited)

	March 31, 2010	June 30, 2009
Assets		
Cash and amounts due from depository institutions	\$ 31,276	\$ 25,970
Interest-bearing deposits in other banks	75,409	185,555
Cash and Cash Equivalents	106,685	211,525
Securities available for sale (amortized cost \$31,036 and \$31,658)	29,381	28,027
Securities held to maturity (estimated fair value \$264,555 and \$0)	265,000	-
Loans receivable, including net deferred loan costs of \$524 and \$962	1,009,323	1,045,847
Less allowance for loan losses	(8,298)	(6,434)
Net Loans Receivable	1,001,025	1,039,413
Mortgage-backed securities available for sale (amortized cost \$663,265 and \$665,127)	684,534	683,785
Mortgage-backed securities held to maturity (estimated fair value \$3,350 and \$3,678)	3,463	4,321
Premises and equipment	35,222	35,495
Federal Home Loan Bank of New York ("FHLB") stock	12,950	12,950
Interest receivable	8,851	8,237
Goodwill	82,263	82,263
Bank owned life insurance	16,683	16,267
Deferred income tax assets, net	-	1,395
Other assets	5,843	1,243
Total Assets	\$ 2,251,900	\$ 2,124,921
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Non-interest bearing	\$ 55,372	\$ 51,210
Interest-bearing	1,488,185	1,369,991
Total Deposits	1,543,557	1,421,201
Advances from FHLB	210,000	210,000

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Advance payments by borrowers for taxes	5,551	5,714
Deferred income tax liabilities, net	590	-
Other liabilities	10,197	11,286
 Total Liabilities	 1,769,895	 1,648,201
 Stockholders' Equity		
Preferred stock \$0.10 par value, 25,000,000 shares authorized; none issued and outstanding	-	-
Common stock \$0.10 par value, 75,000,000 shares authorized; 72,737,500 shares issued; 68,838,500 and 69,241,600 shares outstanding, respectively	7,274	7,274
Paid-in capital	212,252	208,577
Retained earnings	311,649	309,687
Unearned Employee Stock Ownership Plan shares; 1,006,202 shares and 1,115,308 shares, respectively	(10,062)	(11,153)
Treasury stock, at cost; 3,899,000 shares and 3,495,900 shares, respectively	(50,109)	(45,985)
Accumulated other comprehensive income	11,001	8,320
 Total Stockholders' Equity	 482,005	 476,720
 Total Liabilities and Stockholders' Equity	 \$ 2,251,900	 \$ 2,124,921
See notes to consolidated financial statements.		

## KEARNY FINANCIAL CORP. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

(In Thousands, Except Per Share Data, Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2010	2009	2010	2009
Interest Income:				
Loans	\$ 14,450	\$ 15,227	\$ 44,068	\$ 45,774
Mortgage-backed securities	7,475	8,604	23,393	26,626
Securities:				
Taxable	985	85	1,499	340
Tax-exempt	158	158	474	476
Other interest-earning assets	216	174	661	1,109
 Total Interest Income	 23,284	 24,248	 70,095	 74,325
Interest Expense:				
Deposits	6,488	8,681	21,504	27,483
Borrowings	2,030	2,091	6,180	6,454
 Total Interest Expense	 8,518	 10,772	 27,684	 33,937
 Net Interest Income	 14,766	 13,476	 42,411	 40,388
 Provision for Loan Losses	 891	 208	 2,354	 317
 Net Interest Income after Provision for Loan Losses	 13,875	 13,268	 40,057	 40,071
Non-Interest Income:				
Fees and service charges	344	319	1,072	1,087
Loss on sale of securities	-	-	-	(415)
Other-than-temporary security impairment:				
Total	(86)	(570)	(446)	(570)
Less: Portion recognized in other comprehensive income	33	-	240	-
Portion recognized in earnings	(53)	(570)	(206)	(570)
Miscellaneous	219	269	679	960
 Total Non-Interest Income	 510	 18	 1,545	 1,062
Non-Interest Expenses:				

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Salaries and employee benefits	6,777	6,425	20,121	19,049
Net occupancy expense of premises	1,165	1,159	3,170	3,161
Equipment	1,094	1,184	3,283	3,353
Advertising	211	133	651	738
Federal deposit insurance premium	367	361	917	527
Directors' compensation	559	556	1,655	1,656
Miscellaneous	1,024	1,136	3,588	3,641
Total Non-Interest Expenses	\$ 11,197	\$ 10,954	\$ 33,385	\$ 32,125

KEARNY FINANCIAL CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME (Continued)  
(In Thousands, Except Per Share Data, Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2010	2009	2010	2009
Income Before Income Taxes	\$ 3,188	\$ 2,332	\$ 8,217	\$ 9,008
Income Taxes	1,324	1,028	3,417	3,730
Net Income	\$ 1,864	\$ 1,304	\$ 4,800	\$ 5,278
Net Income per Common Share (EPS):				
Basic	\$ 0.03	\$ 0.02	\$ 0.07	\$ 0.08
Diluted	0.03	0.02	0.07	0.08
Weighted Average Number of Common Shares Outstanding:				
Basic	67,875	68,485	67,989	68,843
Diluted	67,875	68,485	67,989	68,843
Dividends Declared Per Common Share (Excluding dividends waived by Kearny MHC)	\$ 0.05	\$ 0.05	\$ 0.15	\$ 0.15

See notes to consolidated financial statements.



KEARNY FINANCIAL CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
Nine Months Ended March 31, 2009  
(In Thousands, Except Per Share Data, Unaudited)

	Common Shares	Stock Amount	Paid-In Capital	Retained Earnings	Unearned ESOP Shares	Treasury Stock	Accumulated Other Comprehensive (Loss) Income	Total
Balance - June 30, 2008	70,489	\$ 7,274	\$ 203,266	\$ 307,186	\$ (12,608)	\$ (32,023)	\$ (1,724)	\$ 471,371
Comprehensive income:								
Net income	-	-	-	5,278	-	-	-	5,278
Realized loss on securities available for sale, net of income tax benefit of \$170	-	-	-	-	-	-	245	245
Unrealized gain on securities available for sale, net of deferred income tax expense of \$6,722	-	-	-	-	-	-	9,781	9,781
Benefit plans, net of deferred income tax expense of \$103	-	-	-	-	-	-	164	164
Total Comprehensive income								15,468
Adjustment to initially apply								

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benefit plan measurement date provisions, net of income tax benefit of \$34	-	-	-	(66)	-	-	16	(50)
Cumulative-effect adjustment to initially apply split-dollar life insurance guidance	-	-	-	(480)	-	-	-	(480)
ESOP shares committed to be released (108 shares)	-	-	190	-	1,091	-	-	1,281
Dividends contributed for payment of ESOP loan	-	-	56	-	-	-	-	56
Stock option expense	-	-	1,429	-	-	-	-	1,429
Treasury stock purchases	(959)	-	-	-	-	(10,778)	-	(10,778)

See notes to consolidated financial statements.

KEARNY FINANCIAL CORP. AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
 Nine Months Ended March 31, 2009  
 (In Thousands, Except Per Share Data, Unaudited)

	Common Stock Shares	Common Stock Amount	Paid-In Capital	Retained Earnings	Unearned ESOP Shares	Treasury Stock	Accumulated Other Comprehensive (Loss) Income	Total
Restricted stock plan shares earned (189 shares)	-	-	2,315	-	-	-	-	2,315
Tax effect from stock based compensation	-	-	2	-	-	-	-	2
Cash dividends declared (\$0.15/public share)	-	-	-	(2,654)	-	-	-	(2,654)
Balance - March 31, 2009	69,530	\$ 7,274	\$ 207,258	\$ 309,264	\$ (11,517)	\$ (42,801)	\$ 8,482	\$ 477,960