



DEAR FELLOW SHAREHOLDERS



Since our humble beginning in 1884, we have developed into a thriving banking institution with over \$7.3 billion in assets. We have stayed true to our roots of first and foremost being a community banking institution, and we are a vital part of the 48 communities in which we operate.

Our guiding principles and strong values consist of ethics, integrity and giving back to the communities we serve. Through our financial expertise, strong leadership and loyal relationships, we help our clients achieve their financial goals both for today and for tomorrow.

It is both our passion and our responsibility to improve lives throughout the communities that we serve. Through the KearnyBank Foundation we provide financial grants and support the hands-on contributions of our employees.

The COVID-19 pandemic strengthened our desire to support our employees, clients and shareholders during these unprecedented times. Our business continuity plans operated effectively and our front-line workers continued to support our clients in person while demonstrating tremendous resiliency. The pandemic also accelerated the use of digital channels for many of our clients, and we continue to expand our online capabilities. Additionally, we were able to seamlessly transition a large number of corporate employees to remote work. I could not be prouder of the remarkable dedication shown by our employees during these challenging times.

The Board of Directors is committed to providing leadership in areas pertaining to our long-term financial sustainability, including relevant environmental, social and governance risks and opportunities. As such, we are pleased to publish our first Environmental, Social and Governance ("ESG") Report highlighting some of our ESG efforts to date. Together, the Board and management look forward to sharing our progress while we move forward on our ESG journey.

Craig L. Montanaro
President and Chief Executive Officer

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) HIGHLIGHTS



SUSTAINABILITY GOVERNANCE

BOARD OF DIRECTORS

ESG COMMITTEE

In 2021, we established an ESG Committee of the Board that has primary oversight of all ESG matters within the Company and is responsible for reviewing ESG-related strategy, initiatives, policies and risk management.

ENTERPRISE RISK MANAGEMENT (ERM) COMMITTEE

The ERM Committee of the Board manages, contains and controls risk throughout the Company. Our Chief Risk Officer and Enterprise Risk Officer report to the ERM Committee on a quarterly basis and partner with the ESG Committee to manage ESG-related risk.

ESG MANAGEMENT TEAM

Our ESG Working Group has cross-functional representation, including members from the Compliance, Human Resources, Risk Management and Facilities departments as well as executive leadership. The ESG Working Group reports to the ESG Committee of the Board on an as-needed basis.



SUSTAINABILITY FRAMEWORK

Kearny Bank serves as a true financial partner to both consumers and businesses by subscribing to the belief that people, performance and relationships are what matter most. We serve our clients and shareholders through our deep-rooted principles of ethics and integrity, and by giving back to our community. We are committed to advancing our ESG strategy because we believe it drives long-term, sustainable value creation for our shareholders, clients and employees.



ENVIRONMENT

By focusing on paperless operations, digital banking services and energy efficient appliances in our office and branch locations, we have increased efficiency and decreased our environmental impact. We continue to look for ways to reduce our carbon footprint.



SOCIAL

As we have grown, we have never lost sight of our principles of personal service and community involvement. Our team has a long-standing history of service that has been enhanced by the establishment of the KearnyBank Foundation.



HUMAN CAPITAL

We invest our hearts and minds in the success and development of our employees, celebrating career milestones and longevity. We strive to create a diverse and inclusive culture reflective of our customers and the communities where we live and work.



GOVERNANCE

We are committed to transparency, integrity and effectiveness of policy and decision-making both at the Board and management level. We take legal and regulatory compliance very seriously and strive for the highest moral and ethical standards in conducting our business.





PERFORMANCE HIGHLIGHTS



ENVIRONMENT

ENERGY:

100% of outdoor lighting we control is LED, and 22% of locations have occupancy-sensor lighting. New HVAC systems meet the latest efficiency standards, and new office and IT equipment is ENERGY STAR certified. We are moving our server infrastructure to cloud data centers, estimated to be up to 93% more energy efficient and 98% more carbon efficient than on-premise.

OFFICE WASTE:

We responsibly recycle laptops, servers, hard drives, monitors, printers and cellphones. Through our Toner Recycling Program, we collect and recycle toner cartridges used in our office printers. We recycle paper and, to support our transition to a paperless workplace, we have eliminated or reduced courier services.

CLIENT CARBON FOOTPRINT:

Our digital banking services such as mobile banking, cash management tools and online retail deposit products eliminate the need to commute to a bank location. These deposit products also encourage paperless statements which reduces our overall paper usage. In 2021, we appointed a Director of Digital Banking to further improve our digital banking efforts.



SOCIAL

CUSTOMER DATA SECURITY:

Our Security Center has important information to educate clients on security best practices and how they can protect themselves and their business. Subject matter includes trending cybersecurity issues such as ransomware. Additionally, we provide clients with timely security alerts and host security seminars.

COMMUNITY REINVESTMENT & COVID-19:

From 2019 to 2020, we doubled the number of new community development loans and our investments, donations and grants increased by almost 100% to \$1,030,000. In response to COVID-19, we deferred loan payments for 18.2% of the portfolio. During the pandemic, we provided over 940 total Paycheck Protection Program (PPP) loans totaling approximately \$83 million.

ACCESS AND AFFORDABILITY:

To assist borrowers in underserved communities, the Kearny Bank First Time Homebuyer Program (FTHB) promotes home ownership through down payment assistance, rate reductions, lender-paid mortgage insurance and fee waivers.



HUMAN CAPITAL

TALENT DEVELOPMENT:

We offer many learning and development initiatives, including departmental budgets for certifications and professional development. Our dynamic Learning Center has over 1,000 classes in the course library, both self-paced and instructor-led. We provide eligible employees up to \$5,000 per year in tuition reimbursement.

EMPLOYEE ENGAGEMENT:

In order to give team members a chance to learn new skill sets, gain insights and receive advice from senior leaders, we are launching a Career Mentoring Program in 2021. We also have a Senior Women's Leadership Group, which provides a forum to exchange ideas and support initiatives.

DIVERSITY, EQUITY & INCLUSION:

In 2018 we established a Diversity and Inclusion (D&I) Action Plan and a Board-authorized D&I Committee, now renamed the Diversity, Equity & Inclusion Committee. The plan includes diversifying our recruiting pipeline, D&I certification for our recruiting staff, establishing programs aiming to retain diverse talent and collecting data to measure our progress. To ensure accountability, the Committee reports to the Board on an annual basis.



GOVERNANCE

CODE OF CONDUCT POLICY:

As stipulated in our Code of Conduct, we strive for the highest moral and ethical standards in conducting our business. The code applies to directors, officers and employees. We encourage employees to report any violations through our anonymous employee ethics hotline. All complaints are forwarded to the Audit and Compliance Committee.

COMPLIANCE TRAINING:

The compliance curriculum consists of 166 courses, which are assigned based upon specific job function, and includes Auditing, Bank Secrecy Act, Fair Lending, Fraud Awareness, Sexual Harassment, Ethical Behavior, Privacy, Data and Cybersecurity. We report completion statistics to the Audit and Compliance Committee of the Board.

BUSINESS CONTINUITY MANAGEMENT (BCM):

Our Board-approved program aims to protect employees, ensure client service and comply with regulations, incorporating risk assessments, disaster recovery plans, testing, employee training and use of different technologies to backup, replicate and retain our data.



OUR COMMUNITY

Through the KearnyBank Foundation we help not only with financial grants, but also through the hands-on efforts of many of our employees who are committed to improving lives throughout the areas we serve. The Foundation focuses on organizations active in four areas: Education, Housing, Community Betterment (Arts, Culture, Stewardship), and Quality of Life. In 2020, we donated approximately \$440,000 in charitable contributions to community organizations, and between 2019 and 2020, our employees volunteered 1,443 hours to 55 service activities.



CYBER SECURITY

Protecting the Bank and our clients' data has always been a priority and our Board-approved Cyber Defense program integrates people, process and layered technologies. We align with various security control frameworks to protect our cloud applications, networks, computers and facilities. We conduct Incident Response tests to evaluate and enhance our response to high-risk events. We provide annual mandatory security and fraud training to help employees identify threats, learn best practices and adhere to established policies.



RESPONSIBLE BUSINESS PRACTICES

CUSTOMER PRIVACY

Recognizing the significance of client privacy, our Board has designated a qualified Privacy Officer who, for purposes of the privacy program, oversees compliance, manages the training for all Bank personnel and supports the independent review. We adhere to all laws and regulations to safeguard personal information, as indicated in our Privacy Policy [<https://www.kearnybank.com/privacy-policy>].

STRESS TESTING

In partnership with a third-party, our Enterprise Risk Management team runs several stress tests including capital, liquidity and interest rate risk. We annually run two credit stress tests to establish our sensitivity to credit losses and potential impact to capital. This is a voluntary strategic decision and helps us estimate our capacity for risk and reserve requirements, and allows us to make more informed capital allocation decisions.

LEGAL AND REGULATORY ENVIRONMENT

We take our legal and regulatory compliance and the relationship with regulators very seriously, in particular those of our primary regulators including the FDIC, the Federal Reserve Board, the SEC and the State of New Jersey. We proactively ensure our team is aware of upcoming new and changing regulations and share insights through a monthly newsletter circulated to the Compliance and CRA Steering Committee.

FAIR LENDING COMPLIANCE

We collect and track data about our marketing activities across the organization. This includes data on the allocation of our marketing and lending efforts in regard to accessibility and inclusiveness, particularly looking at race and ethnicity. Results are presented quarterly to the Compliance and CRA Steering Committee.

BANK SECRECY ACT (BSA) AND ANTI-MONEY LAUNDERING PROGRAM

We use an enhanced transaction monitoring platform incorporating AI technology to detect, track and help prevent against fraud. Every employee receives BSA training, including our Board. Our system of internal controls includes daily, weekly and monthly reporting, automated watchlist screening and Suspicious Activity Reports (SARS) that are reported to the Audit and Compliance Committee monthly.

ENVIRONMENTAL RISK POLICY AND FLOOD DISASTER PROTECTION ACT POLICY

Our Board-approved Environmental Risk Policy requires environmental assessments and risk reports to be conducted prior to real estate loan transactions. Our Flood Disaster Protection Act Policy addresses flood hazard insurance requirements to ensure applicable loans are protected against flood hazards.



METHODOLOGY

To help inform our decision-making regarding the content to be included in this first sustainability report for the Company, we relied upon the Sustainability Accounting Standards Board (SASB) to help us understand the areas that may be most relevant to our investors. We also referred broadly to the Global Reporting Initiative (GRI), and we performed a benchmarking analysis to help us understand trends and best practices in the industry. We drew upon the subject matter expertise of our team to collect and organize the content relative to the areas we identified in our benchmarking.

