kearnyfinancial corp.

NEWS RELEASE

Kearny Financial Corp. Reports Third Quarter 2005 Operating Results

5/5/2005

FAIRFIELD, N.J., May 5 /PRNewswire-FirstCall/ -- Kearny Financial Corp. (Nasdaq: KRNY) (the "Company"), the holding company of Kearny Federal Savings Bank, today reported net income for the quarter ended March 31, 2005 of $3.8 million compared with $3.7 million for the quarter ended March 31, 2004. Net income for nine months ended March 31, 2005 was $10.8 million, an increase of 17.4%, from $9.2 million for the nine months ended March 31, 2004.

The Company completed its initial public offering during the quarter ended March 31, 2005. A total of 21,821,250 shares, representing 30% of the outstanding common stock, were sold to eligible subscribers, including 1,745,700 shares issued to the Kearny Federal Savings Bank Employee Stock Ownership Plan. The remaining 70% of the Company continues to be held by Kearny MHC, the mutual holding company parent of the Company. Net proceeds of the offering were $214.6 million. Shares of the Company began trading on the Nasdaq National Market under the symbol "KRNY" on February 24, 2005.

John N. Hopkins, President and CEO of the Company, commented, "After over 120 years of serving the community as a mutual institution, we were excited to be able to offer our eligible depositors the opportunity to subscribe for stock and invest in Kearny. We look forward to enhancing the value of our new shareholders' investment, and we would like to thank our depositors for their overwhelming support of our initial public offering."

Kearny Financial Corp. is the holding company for Kearny Federal Savings Bank, which operates from its administrative headquarters building in Fairfield, New Jersey, and twenty-five branch offices located in Bergen, Hudson, Passaic, Morris, Middlesex, Essex, Union and Ocean Counties, New Jersey. At March 31, 2005, Kearny Financial Corp. had total assets, deposits and stockholders' equity of $2.05 billion, $1.45 billion and $501.5 million, respectively.

The following is a financial overview of the quarter:

Net Interest Income

Net interest income for the quarter ended March 31, 2005 was $13.3 million. This compares to $12.2 million for the same quarter in 2004 and $12.7 million reported for the quarter ended December 31, 2004. The net interest margin percentage of 2.69% for this quarter declined from 2.89% for the quarter ended December 31, 2004. The net interest spread of 2.50% for this quarter compares to 2.66% for the quarter ended December 31, 2004. During this quarter, net interest income was helped by the substantial increase in cash during the initial public offering subscription period -- the average balance of interest bearing deposits in other banks was $244.0 million for this quarter as compared to $20.5 million for the quarter ended December 31, 2004. The average yield on such deposits was helped by rising short-term interest rates.

Noninterest Income

Total noninterest income increased $82,000, or 20%, to $492,000 for the quarter ended March 31, 2005, compared to $410,000 for the quarter ended December 31, 2004. The increase was primarily the result of increased fee income from the Bank's retail branch network.

Noninterest Expense

Noninterest expense for the quarter ended March 31, 2005 was $8.8 million, up $44,000 as compared to the quarter ended December 31, 2004. The increase is attributable mainly to higher office occupancy and equipment expense, offset by lower salaries and employee benefits, advertising and miscellaneous expenses.

Loans and Asset Quality

Loans receivable, net of deferred fees and the allowance for loan losses, increased $6.7 million, or 1.3%, to $516.1 million at March 31, 2005, from $509.4 million at December 31, 2004. The increase came primarily in one-to-four family mortgage loans, particularly first mortgages and home equity loans, and in non-residential mortgage loans, offset by decreases in home equity lines of credit, commercial business loans and construction loans.

The Company made a $110,000 reduction in the provision for loan losses during the quarter ended March 31, 2005. A $213,000 recovery was made during the quarter in connection with a loan previously charged off. Total loans increased to $520.7 million at March 31, 2005 from $513.8 million at December 31, 2004. Non-performing loans were $2.4 million, or 0.47%, of total loans at March 31, 2005, as compared to $1.7 million, or 0.33%, of total loans at

December 31, 2004. The allowance for loan losses as a percentage of gross loans outstanding was 1.04% at March 31, 2005 and 1.03% at December 31, 2004, reflecting balances of $5.4 million and $5.3 million, respectively.

Securities

Investment securities held to maturity increased $9.6 million, or 2.2%, to $450.3 million at March 31, 2005, from $440.7 million at December 31, 2004. The increase came primarily in the tax-exempt category, emphasizing the purchase of bank-qualified municipal bonds and resulted from the deployment of cash and cash equivalents.

Mortgage-backed securities increased by $21.6 million, or 3.1%, to $727.6 million at March 31, 2005, from $706.0 million at December 31, 2004. The increase resulted from the deployment of cash and cash equivalents.

Deposits

Deposits decreased $41.7 million, or 2.8%, to $1.45 billion at March 31, 2005, from $1.49 billion at December 31, 2004. Initial stock offering subscriptions funded from deposit withdrawals were $40.4 million. Thus, excluding the effect of withdrawals to fund purchases of the Company's common stock, deposits remained nearly flat for the quarter after decreases of $18.1 million and $26.7 million in the quarters ended December 31, 2004 and September 30, 2004, respectively.

FHLB Advances

Federal Home Loan Bank (the "FHLB") advances decreased slightly to $81.8 million at March 31, 2005, from $82.0 million at December 31, 2004 primarily resulting from maturing advances that were not renewed.

Capital Management

During the quarter ended March 31, 2005, the Company completed its initial public offering, selling 21,821,250 shares, representing 30% of the outstanding common stock, to eligible subscribers, including 1,745,700 shares issued to the Kearny Federal Savings Bank Employee Stock Ownership Plan. The remaining 70% of the Company continues to be held by Kearny MHC, the mutual holding company parent of the Company. Net proceeds of the offering were $214.6 million.

The ratio of tangible equity to assets was 20.93% at March 31, 2005. The Tier 1 capital ratio was 59.42%, which is far in excess of the 6.00% level required to be considered "well-capitalized" under regulatory definitions.

Statements contained in this news release, which are not historical facts, are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject

to risks and uncertainties which could cause actual results to differ materially from those currently anticipated due to a number of factors, which include, but are not limited to, factors discussed in documents filed by Kearny Financial Corp. with the Securities and Exchange Commission from time to time. The Corporation does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of the Corporation.

KEARNY FINANCIAL CORP.
FINANCIAL HIGHLIGHTS
(Dollars in thousands, except per share data)
(Unaudited)

	March 31, 2005	December 31, 2004
Summary of Operations:		
Assets	$2,045,995	$1,888,176
Loans receivable, net	516,109	509,364
Mortgage-backed securities held to maturity	727,628	705,967
Securities available for sale	40,680	43,295
Investment securities held to maturity	450,270	440,693
Cash and cash equivalents	164,592	38,911
Goodwill	82,263	82,263
Deposits	1,451,024	1,492,656
FHLB borrowings	81,826	81,964
Total stockholders' equity	501,466	302,236

	Three Months Ended		
	March 31, 2005	December 31, 2004	March 31, 2004
Summary of Operations:			
Interest income	$21,078	$ 19,832	$19,780
Interest expense	7,764	7,174	7,597
Net interest income	13,314	12,658	12,183
Provision for loan losses	(110)	(34)	-
Net interest income after provision for loan losses	13,424	12,692	12,183
Noninterest income	492	410	403
Noninterest expense	8,811	8,767	7,310
Income before income taxes	5,105	4,335	5,276
Income taxes	1,279	1,143	1,583
Net income	$3,826	$3,192	$3,693

Nine Months Ended

	March 31, 2005	March 31, 2004
Summary of Operations:		
Interest income	$60,817	$59,100
Interest expense	22,041	24,953
Net interest income	38,776	34,147
Provision for loan losses	7	-
Net interest income after provision for loan losses	38,769	34,147
Noninterest income	1,396	1,196
Noninterest expense	25,367	22,146
Income before income taxes	14,798	13,197
Income taxes	3,984	3,959
Net income	$10,814	$9,238

KEARNY FINANCIAL CORP.
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(Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2005	2004	2005	2004
Average Balances:				
Loans	$510,947	$500,600	$511,220	$498,174
Mortgage-backed securities held to maturity	724,620	738,516	732,843	698,856
Investment and available for sale securities	488,273	439,580	486,120	410,561
Other interest-earnings assets	255,429	98,471	106,213	191,041
Total interest-earnings assets	1,979,269	1,777,167	1,836,396	1,798,632
Non-interest-earnings assets	160,185	148,126	150,833	124,048
Total assets	2,139,454	1,925,293	1,987,229	1,922,680
Deposits	1,673,586	1,510,233	1,531,056	1,529,058
FHLB advances	88,529	70,681	85,854	73,359
Total interest-bearing liabilities assets	1,762,115	1,580,914	1,616,910	1,602,417
Non-interest-bearing liabilities	377,339	344,379	370,319	320,263
Total liabilities	2,193,454	1,925,293	1,987,229	1,922,680

	Three Months Ended	Nine Months Ended

	March 31, 2005	March 31, 2004	2005	2004
Spread and Margin Analysis:				
Average yield on:				
Loans	5.63%	5.76%	5.64%	5.92%
Mortgage-backed securities held to maturity	4.60	4.72	4.60	4.80
Investment and available for sale securities	3.38	3.47	3.35	3.46
Other interest-earnings assets	2.23	0.16	2.10	0.83
Average cost of:				
Deposits	1.61	1.75	1.66	1.91
FHLB advances	4.63	5.52	4.67	5.61
Interest rate spread	2.50	2.53	2.60	2.30
Net interest margin	2.69	2.74	2.82	2.53
Average interest-earning assets to average interest-bearing liabilities	1.12x	1.12x	1.14x	1.12x

	March 31, 2005	December 31, 2004
Asset Quality Ratios:		
Nonperforming loans to total loans, net	0.47%	0.33%
Nonperforming assets to total assets	0.13	0.10
Net charge-offs to average loans outstanding	0.00	0.00
Allowance for loan losses to total loans	1.04	1.03
Allowance for loan losses to non-performing loans	219.61	315.11
Capital Ratios:		
Average equity to average assets (average equity divided by average total assets)	15.06%	15.50%
Equity to assets at period end	24.51	16.01

SOURCE Kearny Financial Corp.
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