kearnyfinancial corp.

NEWS RELEASE

Kearny Financial Corp. Reports Fourth Quarter 2005 Operating Results

8/10/2005

FAIRFIELD, N.J., Aug. 10 /PRNewswire-FirstCall/ -- Kearny Financial Corp. (Nasdaq: KRNY) (the "Company"), the holding company of Kearny Federal Savings Bank (the "Bank"), today reported net income for the quarter ended June 30, 2005 of $8.1 million compared with $3.7 million for the quarter ended June 30, 2004. Net income for the fiscal year ended June 30, 2005 was $18.9 million, an increase of 46.5%, from $12.9 million for the fiscal year ended June 30, 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.

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 retail branch offices located in Bergen, Hudson, Passaic, Morris, Middlesex, Essex, Union and Ocean counties, New Jersey. At June 30, 2005, Kearny Financial Corp. had total assets, deposits and stockholders' equity of $2.11 billion, $1.53 billion and $505.5 million, respectively.

The following is a financial overview for the quarter:

Net Interest Income

Net interest income for the quarter ended June 30, 2005 was $13.2 million. This compares to $12.4 million for the same quarter in 2004 and $13.3 million reported for the quarter ended March 31, 2005. The net interest margin of 2.72% for this quarter increased from 2.69% for the quarter ended March 31, 2005. The net interest spread of 2.25% for this quarter compares to 2.50% for the quarter ended March 31, 2005. Despite the decrease in net interest spread, net interest income remained relatively stable compared to the quarter ended March 31, 2005, due to an increase in the ratio of average interest-earning assets to average interest-bearing liabilities, improving to 127.66% for the quarter ended June 30, 2005, compared to 112.32% for the quarter ended March 31, 2005. The Company attributes the increase in the ratio to the proceeds from the initial public offering, which it began to deploy in the latest quarter.

Non-interest Income

Non-interest income attributed to fees, service charges and miscellaneous income decreased $19,000, or 3.9%, to $473,000 for the quarter ended June 30, 2005, compared to $492,000 for the quarter ended March 31, 2005. The decrease was due primarily to non-recurring loan fee income reported in the quarter ended March 31, 2005, partially offset by higher fee income from the Bank's retail branch network in the quarter ended June 30, 2005. Non-interest income from gains on the sale of securities was $7.6 million for the quarter as the result of the sale of 120,000 shares of Freddie Mac common stock. Concern about the future of government sponsored enterprises, triggered the sale of approximately 48% of the Company's Freddie Mac common stock investment, which were held in the Company's available for sale portfolio.

Non-interest Expenses

Non-interest expenses for the quarter ended June 30, 2005 were $9.5 million, up $684,000 as compared to the quarter ended March 31, 2005. The increase is attributed to higher salaries and employee benefits, advertising and miscellaneous expenses, partially offset by lower office occupancy and equipment expense. The increase in salaries and employee benefits, which represented 68.1% or $466,000 of the increase in non-interest expenses, resulted from employee stock ownership plan ("ESOP") compensation expense, partially offset by lower expenses for other components of this category. The ESOP plan was put into place following the initial public offering completed in February 2005.

Loans and Asset Quality

Loans receivable, net of deferred fees and the allowance for loan losses, increased $41.9 million, or 8.1% to $558.0 million at June 30, 2005, from $516.1 million at March 31, 2005. The increase came primarily in one-to-four family mortgage loans, particularly first mortgages and home equity loans, and in non-residential mortgage loans and construction loans, offset by decreases in home equity lines of credit and commercial business loans.

The provision for loan losses was $61,000 for the quarter ended June 30, 2005. Total loans increased to $562.6 million at June 30, 2005 from $520.7 million at March 31, 2005. Non-performing loans were $1.9 million, or 0.34% of total loans at June 30, 2005, as compared to $2.4 million, or 0.47% of total loans at March 31, 2005. The allowance for loan losses as a percentage of total loans outstanding was 0.96% at June 30, 2005 and 1.04% at March 31, 2005, reflecting allowance balances of $5.4 million and $5.4 million, respectively.

Securities

Mortgage-backed securities held to maturity increased by $30.5 million, or 4.2%, to $758.1 million at June 30, 2005, from $727.6 million at March 31, 2005. The increase resulted from the deployment of cash and cash equivalents.

Investment securities held to maturity increased $19.8 million, or 4.4%, to $470.1 million at June 30, 2005, from $450.3 million at March 31, 2005. The increase came primarily in the tax-exempt category, reflecting the purchase of bank-qualified municipal bonds, and resulted from the deployment of cash and cash equivalents.

The carrying value of securities available for sale decreased to $33.6 million at June 30, 2005, from $40.7 million at March 31, 2005, due primarily to the sale of Freddie Mac common stock.

Deposits

Deposits increased $77.8 million, or 5.4%, to $1.53 billion at June 30, 2005, from $1.45 billion at March 31, 2005. The Company reacted to competitive pressures in the market place by raising short-term interest rates during the quarter, which attracted new deposits. For the quarter ended March 31, 2005, excluding the effect of withdrawals to fund purchases of the Company's common stock, deposits remained nearly flat after recording a decrease of $18.1 million during the quarter ended December 31, 2004.

FHLB Advances

Federal Home Loan Bank (the "FHLB") advances decreased to $61.7 million at June 30, 2005, from $81.8 million at March 31, 2005 primarily resulting from maturing advances that were not renewed. Short-term advances borrowed earlier in the year to fund commitments to purchase securities were no longer needed following the initial public offering completed in February 2005.

Capital Management

During the quarter ended June 30, 2005, stockholders' equity increased $4.0 million to $505.5 million from $501.5 million at March 31, 2005. The increase is attributed to net income recorded during the quarter plus the release of

unearned ESOP shares offset by a decrease in accumulated other comprehensive income. The decrease in accumulated other comprehensive income resulted from a reduction in the carrying value, net of taxes, of the Company's available for sale portfolio due to the sale of Freddie Mac common stock.

The ratio of tangible equity to assets was 20.65% at June 30, 2005. The Tier 1 capital ratio was 58.06%, far in excess of the 6.00% level required to be considered "well-capitalized" under regulatory guidelines.

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 Company 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 Company.

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

	June 30, 2005	March 31, 2005
Balance Sheet Data:		
Assets	$2,107,005	$2,045,995
Loans receivable, net	558,018	516,109
Mortgage-backed securities held to maturity	758,121	727,628
Securities available for sale	33,591	40,680
Investment securities held to maturity	470,098	450,270
Cash and cash equivalents	139,865	164,592
Goodwill	82,263	82,263
Deposits	1,528,777	1,451,024
Federal Home Loan Bank advances	61,687	81,826
Total stockholders' equity	505,482	501,466

	For the Three Months Ended		
	June 30, 2005	March 31, 2005	June 30, 2004
Summary of Operations:			
Interest income	$21,626	$21,078	$19,554
Interest expense	8,383	7,764	7,147

Net interest income	13,243	13,314	12,407
Provision for loan losses	61	(110)	0
Net interest income after provision for loan losses	13,182	13,424	12,407
Non-interest income	473	492	364
Non-interest income from gain on sale of available for sale securities	7,634	0	0
Non-interest expenses	9,495	8,811	7,326
Income before taxes	11,794	5,105	5,445
Provision for income taxes	3,710	1,279	1,786
Net income	$8,084	$3,826	$3,659
Per Share Data:			
Net income per share - basic	$0.11	$0.05	$365.90
Net income per share - diluted	$0.11	$0.05	$365.90
Weighted average number of common shares outstanding - basic	71,016,446	70,991,935	10,000
Weighted average number of common shares outstanding - diluted	71,016,446	70,991,935	10,000

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	For the Year Ended	
	June 30, 2005	June 30, 2004
Summary of Operations:		
Interest income	$82,443	$78,654
Interest expense	30,424	32,100
Net interest income	52,019	46,554
Provision for loans losses	68	0
Net interest income after provision for loan losses	51,951	46,554
Non-interest income	1,798	1,560
Non-interest income from gain on sale of available for sale securities	7,705	0
Merger related expenses	0	592
Non-interest expenses, excluding merger related expenses	34,862	28,880
Income before taxes	26,592	18,642
Provisions for income taxes	7,694	5,745
Net income	$18,898	$12,897
Per Share Data:		

Net income per share - basic	$0.27	$1,289.70
Net income per share - diluted	$0.27	$1,289.70
Weighted average number of common shares outstanding - basic	70,997,978	10,000
Weighted average number of common shares outstanding - diluted	70,997,978	10,000

	For the Year Ended	
	June 30, 2005	June 30, 2004
Performance Ratios:		
Return on average assets	0.94%	0.67%
Return on average equity	5.40%	4.52%
Net interest rate spread (1)	2.52%	2.37%
Net interest margin (2)	2.79%	2.59%
Average interest-earning assets to average interest-bearing liabilities	116.93%	112.46%
Efficiency ratio (net of gain on sale of available for sale securities)	64.78%	61.25%
Non-interest expenses to average assets	1.73%	1.52%

(1) Interest income divided by average interest-earning assets less interest expense divided by average interest-bearing liabilities.
(2) Net interest income divided by average interest-earning assets.

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	For the Year Ended	
	June 30, 2005	June 30, 2004
Asset Quality Ratios:		
Non-performing loans to total loans	0.34%	0.46%
Non-performing assets to total assets	0.10%	0.13%
Net charge-offs to average loans outstanding	0.00%	0.01%
Allowance for loan losses to total loans	0.96%	1.01%
Allowance for loan losses to non-performing loans	281.79%	220.96%

For the Year Ended

	June 30, 2005	June 30, 2004
Capital Ratios:		
Average equity to average assets	17.36%	14.73%
Equity to assets at period end	23.99%	15.16%
Tangible equity to tangible assets at period end	20.65%	11.29%

	For the Three Months Ended		For the Year Ended	
	June 30, 2005	June 30, 2004	June 30, 2005	June 30, 2004
Average Balances:				
Loans receivable, net	$537,397	$503,499	$517,746	$499,510
Mortgage-backed securities held to maturity	763,223	760,503	740,417	713,422
Investment securities held to maturity and securities available for sale	502,697	471,457	490,253	425,338
Other interest-earning assets	141,119	45,635	114,916	156,270
Total interest earning assets	1,944,436	1,781,094	1,863,332	1,794,540
Non-interest-earning assets	151,714	145,409	151,055	144,698
Total assets	$2,096,150	$1,926,503	$2,014,387	$1,939,238
Deposits	$1,456,742	$1,498,123	$1,512,541	$1,521,428
FHLB advances	66,346	75,550	80,990	74,340
Total interest-bearing liabilities	1,523,088	1,573,673	1,593,531	1,595,768
Non-interest-bearing liabilities	71,130	61,008	71,119	57,846
Stockholders' equity	501,932	291,822	349,737	285,624
Total liabilities and stockholders' equity	$2,096,150	$1,926,503	$2,014,387	$1,939,238

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	For the Three Months Ended		For the Year Ended	
	June 30,	June 30,	June 30,	June 30,

	2005	2004	2005	2004
Spread and Margin Analysis:				
Average yield on:				
Loans receivable, net	5.71%	5.42%	5.66%	5.79%
Mortgage-backed securities held to maturity	4.54%	4.64%	4.59%	4.76%
Investment securities held to maturity and securities available for sale	3.44%	3.19%	3.37%	3.39%
Other interest-earning assets	2.76%	1.27%	2.30%	0.85%
Average cost of:				
Deposits	2.06%	1.66%	1.75%	1.85%
FHLB advances	5.34%	4.92%	4.80%	5.40%
Net interest rate spread	2.25%	2.57%	2.52%	2.37%
Net interest margin	2.72%	2.79%	2.79%	2.59%
Average interest-earning assets to average interest-bearing liabilities	127.66%	113.18%	116.93%	112.46%

SOURCE Kearny Financial Corp.
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