NEWS RELEASE

# Kearny Financial Corp. Reports Fourth Quarter 2017 Operating Results

7/28/2017

FAIRFIELD, N.J., July 28, 2017 (GLOBE NEWSWIRE) -- Kearny Financial Corp. (NASDAQ:KRNY) (the "Company"), the holding company of Kearny Bank (the "Bank"), today reported net income for the quarter ended June 30, 2017 of $4.4 million, or $0.05 per basic and diluted share. The results represent an increase in net income of $336,000 compared to net income of $4.1 million, or $0.05 per basic and diluted share, for the quarter ended March 31, 2017.

For the fiscal year ended June 30, 2017, the Company reported net income of $18.6 million, or $0.22 per basic and diluted share. The results represent an increase of $2.8 million compared to net income of $15.8 million, or $0.18 per basic and diluted share, for the fiscal year ended June 30, 2016.

Overview

The Company continued to execute strategies throughout fiscal 2017 intended to grow and diversify its balance sheet while increasing earnings and prudently managing capital to promote long-term growth in shareholder value. These strategies resulted in several incremental balance sheet growth and diversification achievements that are included among the following noteworthy highlights for the quarter and year ended June 30, 2017:

- The Company's aggregate loan portfolio, excluding loans held for sale and the allowance for loan losses, increased by $122.6 million, or 3.9%, to $3.25 billion, or 67.4% of total assets, at June 30, 2017 from $3.12 billion, or 65.1% of total assets, at March 31, 2017. For the year ended June 30, 2017, the Company's aggregate loan portfolio increased by $571.3 million, or 21.4%, from $2.67 billion, or 59.4% of total assets, at June 30, 2016.

The growth in the loan portfolio largely reflected the Company's continued strategic focus on commercial loans, which increased by $121.2 million, or 4.9%, for the quarter ended June 30, 2017, while growth in commercial loans totaled $622.9 million, or 32.0%, for the year ended June 30, 2017.

- Nonperforming loans decreased by $2.1 million to $18.9 million, or 0.58% of total loans, at June 30, 2017 from $21.0 million, or 0.67% of total loans, at March 31, 2017. For the year ended June 30, 2017, nonperforming loans decreased by $2.2 million from $21.1 million, or 0.79% of total loans, at June 30, 2016.
- The allowance for loan losses increased by $1.7 million to $29.3 million, or 0.90% of total loans, at June 30, 2017 from $27.6 million, or 0.88% of total loans, at March 31, 2017. For the year ended June 30, 2017, the allowance for loan losses increased by $5.1 million from $24.2 million, or 0.91% of total loans, at June 30, 2016.
- The "nonperforming loan coverage ratio", representing the balance of the allowance for loan losses as a percentage of nonperforming loans, increased to 155.2% at June 30, 2017 from 131.4% at March 31, 2017 and 115.1% at June 30, 2016.
- The Company's securities portfolio decreased by $9.9 million, or 0.9%, to $1.11 billion, or 23.0% of total assets, at June 30, 2017 from $1.12 billion, or 23.3% of total assets, at March 31, 2017. For the year ended June 30, 2017, the securities portfolio decreased by $143.7 million, or 11.5%, from $1.25 billion, or 27.8% of total assets at June 30, 2016.

  The net decrease in the securities portfolio for the quarter ended June 30, 2017 partly reflected normal principal repayments arising from amortization, calls and maturities of securities. A portion of the security repayments were used to fund growth in loans while the remainder was reinvested into uncapped, floating-rate securities and tax-favored municipal securities during the period. The net decrease in the securities portfolio for the quarter ended June 30, 2017 was partially offset by a net increase in the fair value of the available for sale portfolio during the period.

  The net decrease in the portfolio for the year ended June 30, 2017 was partly attributable to these same factors while also reflecting additional purchases of mortgage-backed securities and corporate debt obligations during the year. These purchases were partially offset by the sale of highly-seasoned, fixed-rate mortgage-backed securities whose proceeds were also used to fund a portion of the loan growth during fiscal 2017.
- The balance of cash and cash equivalents decreased by $92.4 million to $78.2 million at June 30, 2017 from $170.6 million at March 31, 2017. The decrease in cash and equivalents largely reflected the reinvestment of short-term liquid assets whose balances at March 31, 2017 reflected a temporary increase arising from additional borrowings drawn at the close of the period to fund future loan growth, as described in greater

detail below.

For the year ended June 30, 2017, cash and cash equivalents decreased by $121.0 million from $199.2 million at June 30, 2016 reflecting the Company's continuing effort to reallocate interest-earning cash and equivalents into comparatively higher-yielding assets in the loan portfolio. This effort is further exemplified by the $80.4 million decrease in the average balance of other interest-earning assets to $114.1 million for the year ended June 30, 2017 from $194.5 million for the year ended June 30, 2016. Other interest-earning assets generally include the balance of interest-earning cash deposits held in other banks coupled with the balance of the Bank's mandatory investment in the capital stock of the Federal Home Loan Bank of New York.

- The Company's total deposits increased by $76.9 million to $2.93 billion at June 30, 2017, from $2.85 billion at March 31, 2017. The growth in deposits during the fourth quarter included a $65.4 million increase in interest-bearing deposits coupled with an increase in non-interest-bearing deposits of $11.5 million. For the year ended June 30, 2017, total deposits increased by $235.3 million from $2.69 billion at June 30, 2016 reflecting increases in interest-bearing and non-interest bearing deposits of $206.6 million and $28.7 million, respectively.

  The growth in deposits for the quarter and year ended June 30, 2017 largely reflected the combined effects of new product, pricing and marketing strategies enacted during fiscal 2017.

- Total borrowings decreased by $19.1 million to $806.2 million at June 30, 2017, from $825.3 million at March 31, 2017. The decrease in borrowings largely reflected a $19.0 million decrease in depositor sweep account balances – a significant portion of which was transferred into interest-bearing deposit accounts during the period.

  For the year ended June 30, 2017, total borrowings increased by $191.8 million. The increase in borrowings included a $196.9 million increase in FHLB advances that largely reflected an additional $200.0 million of advances drawn during fiscal 2017 to fund loan growth. The Company utilized interest-rate derivatives to extend the effective duration of these short-term advances to largely offset the duration of the loans funded for interest rate risk management purposes. The increase in FHLB advances was partially offset by the repayment of a maturing $5.0 million term advance plus principal repayments on an amortizing advance. The decrease in total borrowings also reflected a $5.1 million decrease in depositor sweep accounts that was partly attributable to net transfers to interest-bearing deposit accounts, as noted above.

- The Company's total assets increased by $21.9 million to $4.82 billion at June 30, 2017 from $4.80 billion at March 31, 2017. For the year ended June 30, 2017, total assets increased by $318.1 million from $4.50 billion at June 30, 2016.

- The Company's stockholders' equity decreased by $36.8 million to $1.06 billion at June 30, 2017 from $1.09 billion at March 31, 2017. For the year ended June 30, 2017, stockholders' equity decreased by $90.4 million from $1.15 billion at June 30, 2016.

  The decrease in stockholders' equity for the quarter and year ended June 30, 2017 largely reflected the return of capital to shareholders through share repurchases and cash dividends during the periods. These decreases were partially offset by net income earned during the respective periods coupled with net increases in accumulated other comprehensive income reflecting changes in the fair value of the Company's derivatives and available for sale securities portfolios.

  At June 30, 2017, the Company's total consolidated equity to assets ratio was 21.9% while the Bank's total consolidated equity to assets ratio was 17.42%. The Company's and Bank's capital ratios at June 30, 2017 were well in excess of the levels required by federal banking regulators to be classified "well-capitalized" under regulatory guidelines.

As highlighted below, the noted balance sheet growth, reinvestment and reallocation achievements helped to offset the adverse effects on net interest income that resulted from the downward pressure on net interest margin arising from low market interest rates and a flattening yield curve:

- The Company's net interest income increased $523,000 to $26.7 million for the quarter ended June 30, 2017 from $26.2 million for the quarter ended March 31, 2017. For the year ended June 30, 2017, net interest income increased by $7.6 million to $102.6 million from $95.0 million for the year ended June 30, 2016.
- The Company's net interest margin decreased eight basis points to 2.40% for the quarter ended June 30, 2017 from 2.48% for the quarter ended March 31, 2017 while the net interest rate spread decreased by eight basis points to 2.13% from 2.21% for those same comparative periods, respectively. For the year ended June 30, 2017, the net interest margin increased by six basis points to 2.41% from 2.35% for the year ended June 30, 2016 while the net interest rate spread increased by eight basis points to 2.14% from 2.06% for those same comparative periods, respectively.

The level of the Company's charge offs and provision for loan losses continued to reflect strong asset quality metrics:

- For the quarter ended June 30, 2017, the Company recognized recoveries of charge offs from prior periods that exceeded the level of charge offs recognized for the current period. The net recoveries of $483,000 recognized during the period reflected an annualized charge off (recovery) rate of (0.06)% on the average balance of total loans for the quarter ended June 30, 2017. By comparison, the Company's net charge offs totaled approximately $254,000 for the quarter ended March 31, 2017, reflecting an annualized charge off

rate of 0.03%.

For the year ended June 30, 2017, the Company recognized net charge offs totaling $324,000 reflecting an annualized charge off rate of 0.01% on the average balance of total loans for fiscal 2017. By comparison, the Company's net charge offs totaled approximately $2.1 million for the year ended June 30, 2016 reflecting an annualized charge off rate of 0.08% on the average balance of total loans for fiscal 2016.

- The Company's provision for loan losses totaled $1.2 million for the quarter ended June 30, 2017 compared to $1.8 million for the quarter ended March 31, 2017. The decrease in the provision was primarily attributable to the differences in the amount of net charge offs and recoveries recognized between the two comparative periods, as discussed above. To a lesser extent, the decrease in provision expense also reflected the comparatively lower level of growth during the quarter ended June 30, 2017 in the performing portion of the loan portfolio which is collectively evaluated for impairment using historical and environmental loss factors. The decrease in the provision also reflected updates to historical loss factors during the quarter ended June 30, 2017 that reflected the decrease in net charge off activity while also reflecting less noteworthy updates to environmental loss factors during the period.

  For the year ended June 30, 2017, the provision for loan losses decreased by $5.3 million to $5.4 million from $10.7 million for the year ended June 30, 2016. The decrease in the provision was partly attributable to the decrease in net charge offs recognized between the two comparative periods, as discussed above. The decrease in annual provision expense also reflected decreases in historical loss factors during fiscal 2017 that resulted from the noted decrease in net charge off activity during the period. To a lesser extent, the decrease in provision expense reflected the comparative effects of updates to environmental loss factors between periods. Finally, the decrease in provision expense also reflected a nominal decrease in the level of growth in performing loans between comparative periods.

The strategies executed by the Company during the quarter and year ended June 30, 2017 also served to strengthen and diversify its sources of non-interest income, as highlighted below:

- Gains on sale of residential mortgage loans totaled $139,000 for the quarter ended June 30, 2017 compared to $166,000 for the quarter ended March 31, 2017. The decrease in sale gains primarily reflected a modest decrease in the average net gain recognized per loan sold while the volume of loans originated and sold remained stable between comparative periods. For the year ended June 30, 2017, gains on sale of residential mortgage loans totaled $713,000 compared to $82,000 for the year ended June 30, 2016.

  The Company expects to increase the volume and sale gains recognized on residential mortgage loans originated and sold during fiscal 2018 compared to fiscal 2017. In addition to bolstering non-interest income,

the Company's mortgage banking activities are expected to continue serving as a strategy to manage exposure to interest rate risk.

- Gains on sale of SBA loans originated totaled $392,000 for the quarter ended June 30, 2017 compared to $80,000 for the quarter ended March 31, 2017. The increase in sale gains primarily reflected an increase in the balance of SBA loans originated and sold between comparative periods. For the year ended June 30, 2017, gains on sale of SBA loans totaled $822,000 compared to $353,000 for the year ended June 30, 2016.

  The Company expects to increase the volume and sale gains recognized on SBA loans originated and sold during fiscal 2018 compared to fiscal 2017.

The Company continues to evaluate and implement tactics and strategies designed to improve operating practices, policies and procedures while making more efficient and effective use of its supporting infrastructure, including human resources, facilities and information technology systems. These tactics have enabled the Company to defray a portion of the compensation costs associated with the Company's 2016 Equity Incentive Plan:

- The Company's ratio of non-interest expense to average assets totaled 1.83% for the quarter ended June 30, 2017 compared to 1.84% for the prior quarter ended March 31, 2017. For those same comparative periods, the Company's operating efficiency ratio increased to 74.1% from 73.9%, respectively. For the year ended June 30, 2017, the Company's ratio of non-interest expense to average assets totaled 1.76% compared to 1.64% for the year ended June 30, 2016. For those same comparative periods, the Company's operating efficiency ratio increased to 71.2% from 68.5%, respectively.

  The increase in the Company's non-interest expense and operating efficiency ratios during fiscal 2017 partly reflected the impact of the Company's 2016 Equity Incentive Plan approved by shareholders in October 2016. Based on the original value of the grants at the time they were issued on December 1, 2016, coupled with the five year vesting period, the "pre-tax" and "after-tax" expense associated with the noted grants total approximately $6.2 million and $4.3 million per year, respectively The Company estimates that the recurring expenses associated with its 2016 Equity Incentive Plan increased its ratio of non-interest expense to average assets by 0.08% for the year ended June 30, 2017 while adding 3.18% to its efficiency ratio for the same period.

Collectively, the factors noted above contributed to the increase in net income for the quarter and year ended June 30, 2017 noted earlier. These increases in operating earnings had a favorable impact on the Company's earnings-based performance ratios as highlighted below:

- The Company's return on average assets for the quarter ended June 30, 2017 totaled 0.37% compared to 0.36% for the prior quarter ended March 31, 2017. For the year ended June 30, 2017, the return on average

assets totaled 0.40% compared to 0.36% for the prior year ended June 30, 2016.

- The Company's return on average equity for the quarter ended June 30, 2017 totaled 1.64% compared to 1.47% for the prior quarter ended March 31, 2017. For the year ended June 30, 2017, the return on average equity totaled 1.68% compared to 1.36% for the prior year ended June 30, 2016.

The earnings for the quarter and year ended June 30, 2017 augmented the Company's stockholders' equity, which continues to reflect the capital resulting from the second-step conversion and stock offering that were completed in fiscal 2015. As such, the Company continued to execute key capital management strategies during fiscal 2017 to further support shareholder value:

- The Company increased its regular quarterly cash dividend payable to stockholders by $0.01 from $0.02 per share declared and paid during the quarters ended September 30, 2016 and December 31, 2016, to $0.03 per share declared and paid during the quarters ended March 31, 2017 and June 30, 2017. The Company continues to evaluate its dividend policies and practices in relation to its capital management and shareholder value objectives.

- In May 2017, the Company completed the repurchase of its shares of capital stock under its first share repurchase program announced in May 2016 through which it authorized the repurchase of 9,352,809 shares, or 10%, of the Company's outstanding shares. The shares associated with this first program were repurchased at a total cost of $130.6 million and at an average cost of $13.96 per share.

- In May 2017, the Company announced a second share repurchase program through which it authorized the repurchase of 8,559,084 shares, or 10%, of the Company's outstanding shares. Through June 30, 2017, the Company repurchased a total of 1,240,000 shares, or 14.5% of the shares authorized for repurchase under this second program, at a total cost of $17.7 million and at an average cost of $14.30 per share.

The exhibits that follow this narrative begin with the presentation of the Linked-Quarter Comparative Financial Analysis and Year-to-Year Comparative Financial Analysis. These tabular presentations support the discussion above by presenting the Company's financial condition and operating results for the quarter and fiscal year ended June 30, 2017 compared to those for the prior linked-quarter ended March 31, 2017 and prior fiscal year ended June 30, 2016, respectively. This analysis is followed by a tabular Five-Quarter Financial Trend Analysis that presents similar financial information, together with other financial highlights and performance metrics, over a consecutive five quarter look-back period that is intended to reflect the Company's financial performance and strategic achievements over this extended period of time.

Statements contained in this news release that 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 and specifically disclaims any obligation 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.

Linked-Quarter Comparative Financial Analysis

| Summary Balance Sheet (Dollars in Thousands, Except Per Share Data, Unaudited) | At June 30, 2017 | At March 31, 2017 | Variance or Change | Variance or Change Pct. |
|---|---|---|---|---|
| Assets | | | | |
| Cash and cash equivalents | $ 78,237 | $ 170,591 | $ (92,354) | (54.1) |
| Securities available for sale | 613,760 | 614,948 | (1,188) | (0.2) |
| Securities held to maturity | 493,321 | 501,987 | (8,666) | (1.7) |
| Loans held-for-sale | 4,692 | 744 | 3,948 | 530.6 |
| Loans receivable, including yield adjustments | 3,245,261 | 3,122,628 | 122,633 | 3.9 |
| Less allowance for loan losses | (29,286) | (27,614) | (1,672) | 6.1 |
| Net loans receivable | 3,215,975 | 3,095,014 | 120,961 | 3.9 |
| Premises and equipment | 39,585 | 38,904 | 681 | 1.8 |
| Federal Home Loan Bank stock | 39,958 | 39,474 | 484 | 1.2 |
| Accrued interest receivable | 12,493 | 12,320 | 173 | 1.4 |
| Goodwill | 108,591 | 108,591 | - | - |
| Bank owned life insurance | 181,223 | 179,935 | 1,288 | 0.7 |
| Deferred income taxes, net | 15,454 | 14,318 | 1,136 | 7.9 |
| Other assets | 14,838 | 19,416 | (4,578) | (23.6) |
| Total assets | $ 4,818,127 | $ 4,796,242 | $ 21,885 | 0.5 |
| Liabilities | | | | |
| Deposits | $ 2,930,127 | $ 2,853,263 | $ 76,864 | 2.7 |
| Borrowings | 806,228 | 825,260 | (19,032) | (2.3) |
| Advance payments by borrowers for taxes | 8,711 | 8,059 | 652 | 8.1 |
| Other liabilities | 15,880 | 15,650 | 230 | 1.5 |
| Total liabilities | 3,760,946 | 3,702,232 | 58,714 | 1.6 |
| Stockholders' Equity | | | | |
| Common stock | 844 | 873 | (29) | (3.3) |
| Paid-in capital | 728,790 | 768,373 | (39,583) | (5.2) |
| Retained earnings | 361,039 | 359,083 | 1,956 | 0.5 |
| Unearned ESOP shares | (34,536) | (35,022) | 486 | (1.4) |
| Accumulated other comprehensive income, net | 1,044 | 703 | 341 | 48.5 |
| Total stockholders' equity | 1,057,181 | 1,094,010 | (36,829) | (3.4) |
| Total liabilities and stockholders' equity | $ 4,818,127 | $ 4,796,242 | $ 21,885 | 0.5 |
| Consolidated capital ratios | | | | |
| Equity to assets | 21.94% | 22.81% | -0.87% | |
| Tangible equity to tangible assets | 20.14% | 21.02% | -0.88% | |
| Share data | | | | |
| Outstanding shares (period end) | 84,351 | 87,256 | (2,905) | (3.3) |
| Equity per share | $ 12.53 | $ 12.54 | $ (0.01) | (0.1) |

| | | | | |
|---|---|---|---|---|
| Tangible equity per share [1] | $ 11.24 | $ 11.29 | $ (0.05) | (0.4) |

[1] Tangible equity equals total stockholders' equity reduced by goodwill and core deposit intangible assets.

| Summary Income Statement (Dollars and Shares in Thousands, Except Per Share Data, Unaudited) | For the three months ended June 30, 2017 | March 31, 2017 | Variance or Change | Variance or Change Pct. |
|---|---|---|---|---|
| Interest income | | | | |
| Loans | $ 29,842 | $ 28,235 | $ 1,607 | 5.7 |
| Mortgage-backed securities | 3,063 | 3,222 | (159) | (4.9) |
| Debt securities: | | | | |
| Taxable | 2,868 | 2,488 | 380 | 15.3 |
| Tax-exempt | 605 | 582 | 23 | 4.0 |
| Other interest-earning assets | 586 | 481 | 105 | 21.8 |
| Total Interest Income | 36,964 | 35,008 | 1,956 | 5.6 |
| Interest expense | | | | |
| Deposits | 5,909 | 5,420 | 489 | 9.0 |
| Borrowings | 4,325 | 3,381 | 944 | 27.9 |
| Total interest expense | 10,234 | 8,801 | 1,433 | 16.3 |
| Net interest income | 26,730 | 26,207 | 523 | 2.0 |
| Provision for loan losses | 1,188 | 1,809 | (621) | (34.3) |
| Net interest income after provision for loan losses | 25,542 | 24,398 | 1,144 | 4.7 |
| Non-interest income | | | | |
| Fees and service charges | 839 | 498 | 341 | 68.5 |
| Loss on sale and call of securities | - | (22) | 22 | (100.0) |
| Gain on sale of loans | 531 | 245 | 286 | 116.7 |
| Gain (loss) on sale of real estate owned | 3 | (106) | 109 | (102.8) |
| Income from bank owned life insurance | 1,288 | 1,279 | 9 | 0.7 |
| Electronic banking fees and charges | 287 | 240 | 47 | 19.6 |
| Miscellaneous | 72 | 119 | (47) | (39.5) |
| Total non-interest income | 3,020 | 2,253 | 767 | 34.0 |
| Non-interest expense | | | | |
| Salaries and employee benefits | 12,887 | 12,430 | 457 | 3.7 |
| Net occupancy expense of premises | 2,013 | 2,088 | (75) | (3.6) |
| Equipment and systems | 2,204 | 2,068 | 136 | 6.6 |
| Advertising and marketing | 937 | 753 | 184 | 24.4 |
| Federal deposit insurance premium | 352 | 338 | 14 | 4.1 |
| Directors' compensation | 689 | 689 | - | - |
| Miscellaneous | 2,969 | 2,668 | 301 | 11.3 |
| Total non-interest expense | 22,051 | 21,034 | 1,017 | 4.8 |
| Income before income taxes | 6,511 | 5,617 | 894 | 15.9 |
| Income taxes | 2,107 | 1,549 | 558 | 36.0 |
| Net income | $ 4,404 | $ 4,068 | $ 336 | 8.3 |
| Net income per common share (EPS) | | | | |
| Basic | $ 0.05 | $ 0.05 | $ - | |
| Diluted | $ 0.05 | $ 0.05 | $ - | |
| Dividends declared | | | | |
| Cash dividends declared per common share | $ 0.03 | $ 0.03 | $ - | |
| Cash dividends declared | $ 2,448 | $ 2,525 | $ (77) | |
| Dividend payout ratio | 55.6% | 62.1% | -6.48% | |
| Weighted average number of common shares outstanding | | | | |
| Basic | 82,372 | 84,542 | (2,170) | |
| Diluted | 82,429 | 84,624 | (2,195) | |

| Average Balance Sheet Data (Dollars in Thousands, Unaudited) | For the three months ended | | Variance or Change | Variance or Change Pct. |
|---|---|---|---|---|
| | June 30, 2017 | March 31, 2017 | | |
| Assets | | | | |
| Interest-earning assets: | | | | |
| Loans receivable, including loans held for sale | $3,200,968 | $3,029,151 | $ 171,817 | 5.7 |
| Mortgage-backed securities | 532,621 | 582,591 | (49,970) | (8.6) |
| Debt securities: | | | | - |
| Tax-exempt | 119,957 | 116,479 | 3,478 | 3.0 |
| Taxable | 476,499 | 441,124 | 35,375 | 8.0 |
| Total debt securities | 596,456 | 557,603 | 38,853 | 7.0 |
| Other interest-earning assets | 118,349 | 61,336 | 57,013 | 93.0 |
| Total interest-earning assets | 4,448,394 | 4,230,681 | 217,713 | 5.1 |
| Non-interest-earning assets | 358,791 | 352,419 | 6,372 | 1.8 |
| Total assets | $4,807,185 | $4,583,100 | $ 224,085 | 4.9 |
| Liabilities and Stockholders' Equity | | | | |
| Interest-bearing liabilities: | | | | |
| Deposits: | | | | |
| Interest-bearing demand | $ 813,148 | $ 756,520 | $ 56,628 | 7.5 |
| Savings and club | 523,798 | 520,572 | 3,226 | 0.6 |
| Certificates of deposit | 1,289,504 | 1,242,757 | 46,747 | 3.8 |
| Total interest-bearing deposits | 2,626,450 | 2,519,849 | 106,601 | 4.2 |
| Borrowings: | | | | |
| Federal Home Loan Bank Advances | 775,703 | 643,504 | 132,199 | 20.5 |
| Other borrowings | 40,064 | 44,940 | (4,876) | (10.9) |
| Total borrowings | 815,767 | 688,444 | 127,323 | 18.5 |
| Total interest-bearing liabilities | 3,442,217 | 3,208,293 | 233,924 | 7.3 |
| Non-interest-bearing liabilities: | | | | |
| Non-interest-bearing deposits | 262,499 | 246,449 | 16,050 | 6.5 |
| Other non-interest-bearing liabilities | 25,112 | 25,028 | 84 | 0.3 |
| Total non-interest-bearing liabilities | 287,611 | 271,477 | 16,134 | 5.9 |
| Total liabilities | 3,729,828 | 3,479,770 | 250,058 | 7.2 |
| Stockholders' equity | 1,077,357 | 1,103,330 | (25,973) | (2.4) |
| Total liabilities and stockholders' equity | $4,807,185 | $4,583,100 | $ 224,085 | 4.9 |
| Average interest-earning assets to average interest-bearing liabilities | 129.23% | 131.87% | -2.64% | -2.0 |

| Performance Ratio Highlights | For the three months ended | | Variance or Change | Variance or Change Pct. |
|---|---|---|---|---|
| | June 30, 2017 | March 31, 2017 | | |
| Average yield on interest-earning assets: | | | | |
| Loans receivable, including loans held for sale | 3.73% | 3.73% | 0.00% | |
| Mortgage-backed securities | 2.30% | 2.21% | 0.09% | |
| Debt securities: | | | | |
| Tax-exempt | 2.02% | 2.00% | 0.02% | |
| Taxable | 2.41% | 2.26% | 0.15% | |
| Total debt securities | 2.33% | 2.20% | 0.13% | |
| Other interest-earning assets | 1.98% | 3.13% | -1.15% | |
| Total interest-earning assets | 3.32% | 3.31% | 0.01% | |
| Average cost of interest-bearing liabilities: | | | | |
| Deposits: | | | | |

| | | | |
|---|---|---|---|
| Interest-bearing demand | 0.71% | 0.65% | 0.06% |
| Savings and club | 0.12% | 0.12% | 0.00% |
| Certificates of deposit | 1.34% | 1.30% | 0.04% |
| Total interest-bearing deposits | 0.90% | 0.86% | 0.04% |
| Borrowings: | | | |
| Federal Home Loan Bank Advances | 2.21% | 2.08% | 0.13% |
| Other borrowings | 0.27% | 0.35% | -0.08% |
| Total borrowings | 2.12% | 1.96% | 0.16% |
| Total interest-bearing liabilities | 1.19% | 1.10% | 0.09% |
| Interest rate spread [1] | 2.13% | 2.21% | -0.08% |
| Net interest margin [2] | 2.40% | 2.48% | -0.08% |
| Non-interest income to average assets (annualized) | 0.25% | 0.20% | 0.05% |
| Non-interest expense to average assets (annualized) | 1.83% | 1.84% | 0.00% |
| Efficiency ratio [3] | 74.12% | 73.91% | 0.21% |
| Return on average assets (annualized) | 0.37% | 0.36% | 0.01% |
| Return on average equity (annualized) | 1.64% | 1.47% | 0.17% |

[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.
[3] Non-interest expense divided by the sum of net interest income and non-interest income.

Year-to-Year Comparative Financial Analysis

| Summary Balance Sheet (Dollars in Thousands, Except Per Share Data, Unaudited) | At June 30, 2017 | At June 30, 2016 | Variance or Change | Variance or Change Pct. |
|---|---|---|---|---|
| Assets | | | | |
| Cash and cash equivalents | $ 78,237 | $ 199,200 | $ (120,963) | (60.7) |
| Securities available for sale | 613,760 | 673,537 | (59,777) | (8.9) |
| Securities held to maturity | 493,321 | 577,286 | (83,965) | (14.5) |
| Loans held-for-sale | 4,692 | 3,316 | 1,376 | 41.5 |
| Loans receivable, including yield adjustments | 3,245,261 | 2,673,987 | 571,274 | 21.4 |
| Less allowance for loan losses | (29,286) | (24,229) | (5,057) | 20.9 |
| Net loans receivable | 3,215,975 | 2,649,758 | 566,217 | 21.4 |
| Premises and equipment | 39,585 | 38,385 | 1,200 | 3.1 |
| Federal Home Loan Bank stock | 39,958 | 30,612 | 9,346 | 30.5 |
| Accrued interest receivable | 12,493 | 11,212 | 1,281 | 11.4 |
| Goodwill | 108,591 | 108,591 | - | - |
| Bank owned life insurance | 181,223 | 176,016 | 5,207 | 3.0 |
| Deferred income taxes, net | 15,454 | 25,973 | (10,519) | (40.5) |
| Other assets | 14,838 | 6,173 | 8,665 | 140.4 |
| Total assets | $ 4,818,127 | $ 4,500,059 | $ 318,068 | 7.1 |
| Liabilities | | | | |
| Deposits | $ 2,930,127 | $ 2,694,833 | $ 235,294 | 8.7 |
| Borrowings | 806,228 | 614,423 | 191,805 | 31.2 |
| Advance payments by borrowers for taxes | 8,711 | 7,906 | 805 | 10.2 |
| Other liabilities | 15,880 | 35,268 | (19,388) | (55.0) |
| Total liabilities | 3,760,946 | 3,352,430 | 408,516 | 12.2 |
| Stockholders' Equity | | | | |

| | | | | |
|---|---|---|---|---|
| Common stock | 844 | 918 | (74) | (8.1) |
| Paid-in capital | 728,790 | 849,173 | (120,383) | (14.2) |
| Retained earnings | 361,039 | 350,806 | 10,233 | 2.9 |
| Unearned ESOP shares | (34,536) | (36,481) | 1,945 | (5.3) |
| Accumulated other comprehensive income (loss), net | 1,044 | (16,787) | 17,831 | (106.2) |
| Total stockholders' equity | 1,057,181 | 1,147,629 | (90,448) | (7.9) |
| Total liabilities and stockholders' equity | $4,818,127 | $4,500,059 | $ 318,068 | 7.1 |
| Consolidated capital ratios | | | | |
| Equity to assets | 21.94% | 25.50% | -3.56% | |
| Tangible equity to tangible assets | 20.14% | 23.65% | -3.51% | |
| Share data | | | | |
| Outstanding shares (period end) | 84,351 | 91,822 | (7,471) | (8.1) |
| Equity per share | $ 12.53 | $ 12.50 | $ 0.03 | 0.2 |
| Tangible equity per share [1] | $ 11.24 | $ 11.31 | $ (0.07) | (0.6) |

[1] Tangible equity equals total stockholders' equity reduced by goodwill and core deposit intangible assets.

| Summary Income Statement (Dollars and Shares in Thousands, Except Per Share Data, Unaudited) | For the year ended June 30, 2017 | For the year ended June 30, 2016 | Variance or Change | Variance or Change Pct. |
|---|---|---|---|---|
| Interest income | | | | |
| Loans | $ 111,181 | $ 97,956 | $ 13,225 | 13.5 |
| Mortgage-backed securities | 14,001 | 17,251 | (3,250) | (18.8) |
| Debt securities: | | | | |
| Taxable | 9,542 | 7,719 | 1,823 | 23.6 |
| Tax-exempt | 2,300 | 2,191 | 109 | 5.0 |
| Other interest-earning assets | 2,069 | 1,771 | 298 | 16.8 |
| Total Interest Income | 139,093 | 126,888 | 12,205 | 9.6 |
| Interest expense | | | | |
| Deposits | 22,100 | 18,673 | 3,427 | 18.4 |
| Borrowings | 14,419 | 13,230 | 1,189 | 9.0 |
| Total interest expense | 36,519 | 31,903 | 4,616 | 14.5 |
| Net interest income | 102,574 | 94,985 | 7,589 | 8.0 |
| Provision for loan losses | 5,381 | 10,690 | (5,309) | (49.7) |
| Net interest income after provision for loan losses | 97,193 | 84,295 | 12,898 | 15.3 |
| Non-interest income | | | | |
| Fees and service charges | 3,289 | 3,516 | (227) | (6.5) |
| (Loss) gain on sale and call of securities | (1) | 2 | (3) | (150.0) |
| Gain on sale of loans | 1,535 | 436 | 1,099 | 252.1 |
| Loss on sale of real estate owned | (106) | (137) | 31 | (22.6) |
| Income from bank owned life insurance | 5,207 | 5,563 | (356) | (6.4) |
| Electronic banking fees and charges | 1,080 | 1,091 | (11) | (1.0) |
| Miscellaneous | 344 | 256 | 88 | 34.4 |
| Total non-interest income | 11,348 | 10,727 | 621 | 5.8 |
| Non-interest expense | | | | |
| Salaries and employee benefits | 47,818 | 42,105 | 5,713 | 13.6 |
| Net occupancy expense of premises | 8,018 | 7,487 | 531 | 7.1 |
| Equipment and systems | 8,350 | 7,729 | 621 | 8.0 |
| Advertising and marketing | 2,626 | 2,020 | 606 | 30.0 |
| Federal deposit insurance premium | 1,334 | 2,708 | (1,374) | (50.7) |
| Directors' compensation | 1,982 | 812 | 1,170 | 144.1 |
| Miscellaneous | 10,990 | 9,556 | 1,434 | 15.0 |
| Total non-interest expense | 81,118 | 72,417 | 8,701 | 12.0 |
| Income before income taxes | 27,423 | 22,605 | 4,818 | 21.3 |

| | | | | |
|---|---|---|---|---|
| Income taxes | 8,820 | 6,783 | 2,037 | 30.0 |
| Net income | $ 18,603 | $ 15,822 | $ 2,781 | 17.6 |
| Net income per common share (EPS) | | | | |
| Basic | $ 0.22 | $ 0.18 | $ 0.04 | |
| Diluted | $ 0.22 | $ 0.18 | $ 0.04 | |
| Dividends declared | | | | |
| Cash dividends declared per common share | $ 0.10 | $ 0.08 | $ 0.02 | |
| Cash dividends declared | $ 8,370 | $ 7,164 | $ 1,206 | |
| Dividend payout ratio | 45.0% | 45.3% | -0.29% | |
| Weighted average number of common shares outstanding | | | | |
| Basic | 84,590 | 89,591 | (5,001) | |
| Diluted | 84,661 | 89,625 | (4,964) | |

| Average Balance Sheet Data (Dollars in Thousands, Unaudited) | For the year ended June 30, 2017 | For the year ended June 30, 2016 | Variance or Change | Variance or Change Pct. |
|---|---|---|---|---|
| Assets | | | | |
| Interest-earning assets: | | | | |
| Loans receivable, including loans held for sale | $ 2,955,686 | $ 2,512,231 | $ 443,455 | 17.7 |
| Mortgage-backed securities | 621,618 | 741,163 | (119,545) | (16.1) |
| Debt securities: | | | | - |
| Tax-exempt | 114,545 | 110,022 | 4,523 | 4.1 |
| Taxable | 444,890 | 492,382 | (47,492) | (9.6) |
| Total debt securities | 559,435 | 602,404 | (42,969) | (7.1) |
| Other interest-earning assets | 114,121 | 194,451 | (80,330) | (41.3) |
| Total interest-earning assets | 4,250,860 | 4,050,249 | 200,611 | 5.0 |
| Non-interest-earning assets | 355,554 | 355,110 | 444 | 0.1 |
| Total assets | $ 4,606,414 | $ 4,405,359 | $ 201,055 | 4.6 |
| Liabilities and Stockholders' Equity | | | | |
| Interest-bearing liabilities: | | | | |
| Deposits: | | | | |
| Interest-bearing demand | $ 769,943 | $ 723,130 | $ 46,813 | 6.5 |
| Savings and club | 519,535 | 516,390 | 3,145 | 0.6 |
| Certificates of deposit | 1,242,857 | 1,116,906 | 125,951 | 11.3 |
| Total interest-bearing deposits | 2,532,335 | 2,356,426 | 175,909 | 7.5 |
| Borrowings: | | | | |
| Federal Home Loan Bank Advances | 647,360 | 582,118 | 65,242 | 11.2 |
| Other borrowings | 38,412 | 35,392 | 3,020 | 8.5 |
| Total borrowings | 685,772 | 617,510 | 68,262 | 11.1 |
| Total interest-bearing liabilities | 3,218,107 | 2,973,936 | 244,171 | 8.2 |
| Non-interest-bearing liabilities: | | | | |
| Non-interest-bearing deposits | 249,693 | 225,396 | 24,297 | 10.8 |
| Other non-interest-bearing liabilities | 32,312 | 39,890 | (7,578) | (19.0) |
| Total non-interest-bearing liabilities | 282,005 | 265,286 | 16,719 | 6.3 |
| Total liabilities | 3,500,112 | 3,239,222 | 260,890 | 8.1 |
| Stockholders' equity | 1,106,302 | 1,166,138 | (59,836) | (5.1) |
| Total liabilities and stockholders' equity | $ 4,606,414 | $ 4,405,360 | $ 201,054 | 4.6 |
| Average interest-earning assets to average interest-bearing liabilities | 132.09% | 136.19% | -4.10% | -3.0 |

| Performance Ratio Highlights | For the year ended | | Variance or Change | Variance or Change Pct. |
|---|---|---|---|---|
| | June 30, 2017 | June 30, 2016 | | |
| Average yield on interest-earning assets: | | | | |
| Loans receivable, including loans held for sale | 3.76% | 3.90% | -0.14% | |
| Mortgage-backed securities | 2.25% | 2.33% | -0.08% | |
| Debt securities: | | | | |
| Tax-exempt | 2.01% | 1.99% | 0.02% | |
| Taxable | 2.14% | 1.57% | 0.57% | |
| Total debt securities | 2.12% | 1.65% | 0.47% | |
| Other interest-earning assets | 1.81% | 0.91% | 0.90% | |
| Total interest-earning assets | 3.27% | 3.13% | 0.14% | |
| Average cost of interest-bearing liabilities: | | | | |
| Deposits: | | | | |
| Interest-bearing demand | 0.66% | 0.59% | 0.07% | |
| Savings and club | 0.13% | 0.16% | -0.03% | |
| Certificates of deposit | 1.32% | 1.22% | 0.10% | |
| Total interest-bearing deposits | 0.87% | 0.79% | 0.08% | |
| Borrowings: | | | | |
| Federal Home Loan Bank Advances | 2.21% | 2.24% | -0.03% | |
| Other borrowings | 0.33% | 0.51% | -0.18% | |
| Total borrowings | 2.10% | 2.14% | -0.04% | |
| Total interest-bearing liabilities | 1.13% | 1.07% | 0.06% | |
| Interest rate spread [1] | 2.14% | 2.06% | 0.08% | |
| Net interest margin [2] | 2.41% | 2.35% | 0.06% | |
| Non-interest income to average assets | 0.25% | 0.24% | 0.01% | |
| Non-interest expense to average assets | 1.76% | 1.64% | 0.12% | |
| Efficiency ratio [3] | 71.20% | 68.50% | 2.70% | |
| Return on average assets (annualized) | 0.40% | 0.36% | 0.04% | |
| Return on average equity (annualized) | 1.68% | 1.36% | 0.32% | |

[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.
[3] Non-interest expense divided by the sum of net interest income and non-interest income.

Five-Quarter Financial Trend Analysis

| Summary Balance Sheet (Dollars in Thousands, Except Per Share Data, Unaudited) | At | | | | |
|---|---|---|---|---|---|
| | June 30, 2017 | March 31, 2017 | December 31, 2016 | September 30, 2016 | June 30, 2016 |
| Assets | | | | | |
| Cash and cash equivalents | $ 78,237 | $ 170,591 | $ 37,032 | $ 72,593 | $ 199,200 |
| Securities available for sale | 613,760 | 614,948 | 671,281 | 689,151 | 673,537 |
| Securities held to maturity | 493,321 | 501,987 | 517,819 | 538,319 | 577,286 |
| Loans held-for-sale | 4,692 | 744 | 6,686 | 4,489 | 3,316 |
| Loans receivable, including yield adjustments | 3,245,261 | 3,122,628 | 2,973,931 | 2,845,605 | 2,673,987 |
| Less allowance for loan losses | (29,286) | (27,614) | (26,060) | (25,003) | (24,229) |
| Net loans receivable | 3,215,975 | 3,095,014 | 2,947,871 | 2,820,602 | 2,649,758 |
| Premises and equipment | 39,585 | 38,904 | 38,341 | 38,125 | 38,385 |
| Federal Home Loan Bank stock | 39,958 | 39,474 | 34,525 | 31,601 | 30,612 |
| Accrued interest receivable | 12,493 | 12,320 | 11,809 | 11,666 | 11,212 |
| Goodwill | 108,591 | 108,591 | 108,591 | 108,591 | 108,591 |

| | | | | | |
|---|---|---|---|---|---|
| Bank owned life insurance | 181,223 | 179,935 | 178,656 | 177,334 | 176,016 |
| Deferred income taxes, net | 15,454 | 14,318 | 16,098 | 22,914 | 25,973 |
| Other assets | 14,838 | 19,416 | 16,599 | 7,896 | 6,173 |
| Total assets | $4,818,127 | $4,796,242 | $4,585,308 | $4,523,281 | $4,500,059 |
| Liabilities | | | | | |
| Deposits | $2,930,127 | $2,853,263 | $2,746,017 | $2,733,960 | $2,694,833 |
| Borrowings | 806,228 | 825,260 | 701,849 | 633,389 | 614,423 |
| Advance payments by borrowers for taxes | 8,711 | 8,059 | 7,618 | 7,597 | 7,906 |
| Other liabilities | 15,880 | 15,650 | 15,172 | 28,801 | 35,268 |
| Total liabilities | 3,760,946 | 3,702,232 | 3,470,656 | 3,403,747 | 3,352,430 |
| Stockholders' Equity | | | | | |
| Common stock | 844 | 873 | 892 | 891 | 918 |
| Paid-in capital | 728,790 | 768,373 | 795,773 | 813,648 | 849,173 |
| Retained earnings | 361,039 | 359,083 | 357,540 | 353,763 | 350,806 |
| Unearned ESOP shares | (34,536) | (35,022) | (35,508) | (35,995) | (36,481) |
| Accumulated other comprehensive income (loss), net | 1,044 | 703 | (4,045) | (12,773) | (16,787) |
| Total stockholders' equity | 1,057,181 | 1,094,010 | 1,114,652 | 1,119,534 | 1,147,629 |
| Total liabilities and stockholders' equity | $4,818,127 | $4,796,242 | $4,585,308 | $4,523,281 | $4,500,059 |
| Consolidated capital ratios | | | | | |
| Equity to assets | 21.94% | 22.81% | 24.31% | 24.75% | 25.50% |
| Tangible equity to tangible assets | 20.14% | 21.02% | 22.47% | 22.89% | 23.65% |
| Share data | | | | | |
| Outstanding shares (period end) | 84,351 | 87,256 | 89,176 | 89,076 | 91,822 |
| Equity per share | $ 12.53 | $ 12.54 | $ 12.50 | $ 12.57 | $ 12.50 |
| Tangible equity per share [1] | $ 11.24 | $ 11.29 | $ 11.28 | $ 11.34 | $ 11.31 |

[1] Tangible equity equals total stockholders' equity reduced by goodwill and core deposit intangible assets.

| Supplemental Balance Sheet Highlights (Dollars in Thousands, Unaudited) | At | | | | |
|---|---|---|---|---|---|
| | June 30, 2017 | March 31, 2017 | December 31, 2016 | September 30, 2016 | June 30, 2016 |
| Cash and cash equivalents | | | | | |
| Cash and due from depository institutions | $ 18,889 | $ 17,429 | $ 17,541 | $ 18,829 | $ 21,328 |
| Interest-bearing deposits in other banks | 59,348 | 153,162 | 19,491 | 53,764 | 177,872 |
| Total cash and cash equivalents | $ 78,237 | $ 170,591 | $ 37,032 | $ 72,593 | $ 199,200 |
| Securities available for sale | | | | | |
| Debt securities: | | | | | |
| U.S. agency securities | $ 5,316 | $ 5,622 | $ 5,809 | $ 6,172 | $ 6,440 |
| Municipal and state obligations | 27,740 | 27,259 | 27,090 | 28,259 | 28,398 |
| Asset-backed securities | 162,429 | 150,805 | 121,445 | 84,065 | 82,625 |
| Collateralized loan obligations | 98,154 | 104,811 | 98,447 | 128,047 | 127,374 |
| Corporate bonds | 142,318 | 141,134 | 138,564 | 137,976 | 137,404 |
| Trust preferred securities | 8,540 | 8,248 | 8,101 | 7,968 | 7,669 |
| Debt securities available for sale | 444,497 | 437,879 | 399,456 | 392,487 | 389,910 |
| Mortgage-backed securities: | | | | | |
| Collateralized mortgage obligations | 30,536 | 31,941 | 52,333 | 57,170 | 60,577 |
| Residential pass-through securities | 130,550 | 136,926 | 211,258 | 231,052 | 214,526 |
| Commercial pass-through securities | 8,177 | 8,202 | 8,234 | 8,442 | 8,524 |
| Mortgage-backed securities | 169,263 | 177,069 | 271,825 | 296,664 | 283,627 |
| Total securities available for sale | $ 613,760 | $ 614,948 | $ 671,281 | $ 689,151 | $ 673,537 |
| Securities held to maturity | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Debt securities: | | | | | |
| U.S. agency securities | $ 35,000 | $ 35,000 | $ 34,999 | $ 59,995 | $ 84,992 |
| Municipal and state obligations | 94,713 | 91,038 | 87,682 | 82,087 | 82,179 |
| Subordinated debt | 15,000 | 15,000 | 15,000 | - | - |
| Debt securities held to maturity | 144,713 | 141,038 | 137,681 | 142,082 | 167,171 |
| Mortgage-backed securities: | | | | | |
| Collateralized mortgage obligations | 17,854 | 19,193 | 20,543 | 21,699 | 23,081 |
| Residential pass-through securities | 178,813 | 186,248 | 200,402 | 211,930 | 223,632 |
| Commercial pass-through securities | 151,941 | 155,508 | 159,193 | 162,608 | 163,402 |
| Mortgage-backed securities | 348,608 | 360,949 | 380,138 | 396,237 | 410,115 |
| Total securities held to maturity | $ 493,321 | $ 501,987 | $ 517,819 | $ 538,319 | $ 577,286 |
| Total securities | $1,107,081 | $1,116,935 | $1,189,100 | $1,227,470 | $1,250,823 |

| Supplemental Balance Sheet Highlights (Dollars in Thousands, Unaudited) | At | | | | |
|---|---|---|---|---|---|
| | June 30, 2017 | March 31, 2017 | December 31, 2016 | September 30, 2016 | June 30, 2016 |
| Loan portfolio composition: | | | | | |
| Residential first mortgage loans | $ 567,323 | $ 566,665 | $ 562,466 | $ 584,156 | $ 605,203 |
| Home equity loans and lines of credit | 82,822 | 82,412 | 83,305 | 85,799 | 89,566 |
| Residential mortgage loans | 650,145 | 649,077 | 645,771 | 669,955 | 694,769 |
| Multifamily mortgage loans | 1,412,575 | 1,371,339 | 1,295,207 | 1,142,908 | 1,040,293 |
| Nonresidential and mixed use mortgage loans | 1,085,064 | 995,782 | 932,616 | 916,769 | 820,673 |
| Commercial mortgage loans | 2,497,639 | 2,367,121 | 2,227,823 | 2,059,677 | 1,860,966 |
| Commercial business loans | 74,471 | 83,754 | 75,640 | 87,333 | 88,207 |
| Construction loans | 3,815 | 1,494 | 927 | 2,059 | 2,038 |
| Account loans | 2,863 | 2,860 | 2,980 | 3,012 | 3,349 |
| Other consumer loans | 13,520 | 15,313 | 17,501 | 19,870 | 22,052 |
| Consumer loans | 16,383 | 18,173 | 20,481 | 22,882 | 25,401 |
| Total loans, excluding yield adjs | 3,242,453 | 3,119,619 | 2,970,642 | 2,841,906 | 2,671,381 |
| Unamortized yield adjustments | 2,808 | 3,009 | 3,289 | 3,699 | 2,606 |
| Loans receivable, including yield adjs | 3,245,261 | 3,122,628 | 2,973,931 | 2,845,605 | 2,673,987 |
| Less allowance for loan losses | (29,286) | (27,614) | (26,060) | (25,003) | (24,229) |
| Net loans receivable | $3,215,975 | $3,095,014 | $2,947,871 | $2,820,602 | $2,649,758 |
| Loan portfolio allocation: | | | | | |
| Residential first mortgage loans | 17.5% | 18.2% | 18.9% | 20.6% | 22.7% |
| Home equity loans and lines of credit | 2.6% | 2.6% | 2.8% | 3.0% | 3.4% |
| Residential mortgage loans | 20.1% | 20.8% | 21.7% | 23.6% | 26.0% |
| Multifamily mortgage loans | 43.6% | 44.0% | 43.6% | 40.2% | 38.9% |
| Nonresidential and mixed use mortgage loans | 33.5% | 31.9% | 31.4% | 32.3% | 30.7% |
| Commercial mortgage loans | 77.0% | 75.9% | 75.0% | 72.5% | 69.7% |
| Commercial business loans | 2.3% | 2.7% | 2.5% | 3.1% | 3.3% |
| Construction loans | 0.1% | 0.0% | 0.0% | 0.1% | 0.1% |
| Account loans | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% |
| Other consumer loans | 0.4% | 0.5% | 0.6% | 0.7% | 0.8% |
| Consumer loans | 0.5% | 0.6% | 0.7% | 0.8% | 1.0% |
| Total loans, excluding yield adjs | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Asset quality: | | | | | |
| Nonperforming assets: | | | | | |
| Accruing loans > 90 days past due | $ 74 | $ 65 | $ 92 | $ 77 | $ 38 |
| Nonaccrual loans | 18,798 | 20,950 | 21,473 | 21,768 | 21,017 |
| Total nonperforming loans | 18,872 | 21,015 | 21,565 | 21,845 | 21,055 |
| Other real estate owned | 1,632 | 1,668 | 2,037 | 1,356 | 826 |

| | | | | | |
|---|---|---|---|---|---|
| Total nonperforming assets | $ 20,504 | $ 22,683 | $ 23,602 | $ 23,201 | $ 21,881 |
| Nonperforming loans (% total loans) | 0.58% | 0.67% | 0.72% | 0.77% | 0.79% |
| Nonperforming assets (% total assets) | 0.43% | 0.47% | 0.51% | 0.51% | 0.49% |
| Allowance for loan losses (ALLL): | | | | | |
| ALLL to total loans | 0.90% | 0.88% | 0.88% | 0.88% | 0.91% |
| ALLL to nonperforming loans | 155.18% | 131.40% | 120.84% | 114.46% | 115.07% |
| Net (recoveries) charge offs | $ (483) | $ 254 | $ 198 | $ 354 | $ 827 |
| Average net (recovery) charge off rate (annualized) | -0.06% | 0.03% | 0.03% | 0.05% | 0.12% |

| Supplemental Balance Sheet Highlights (Dollars in Thousands, Unaudited) | At | | | | |
|---|---|---|---|---|---|
| | June 30, 2017 | March 31, 2017 | December 31, 2016 | September 30, 2016 | June 30, 2016 |
| Funding by type: | | | | | |
| Deposits | | | | | |
| Non-interest-bearing deposits | $ 267,412 | $ 255,939 | $ 240,367 | $ 251,141 | $ 238,751 |
| Interest-bearing demand | 847,663 | 798,203 | 768,556 | 750,126 | 732,633 |
| Savings and club | 523,984 | 524,002 | 519,257 | 514,909 | 516,023 |
| Certificates of deposit | 1,291,068 | 1,275,119 | 1,217,837 | 1,217,784 | 1,207,426 |
| Interest-bearing deposits | 2,662,715 | 2,597,324 | 2,505,650 | 2,482,819 | 2,456,082 |
| Total deposits | 2,930,127 | 2,853,263 | 2,746,017 | 2,733,960 | 2,694,833 |
| Borrowings: | | | | | |
| Federal Home Loan Bank advances | 775,696 | 775,719 | 665,742 | 600,765 | 578,788 |
| Depositor sweep accounts | 30,532 | 49,541 | 36,107 | 32,624 | 35,635 |
| Total borrowings | 806,228 | 825,260 | 701,849 | 633,389 | 614,423 |
| Total funding | $3,736,355 | $3,678,523 | $3,447,866 | $3,367,349 | $3,309,256 |
| Loans as a % of deposits | 109.9% | 108.5% | 107.6% | 103.3% | 98.5% |
| Deposits as a % of total funding | 78.4% | 77.6% | 79.6% | 81.2% | 81.4% |
| Borrowings as a % of total funding | 21.6% | 22.4% | 20.4% | 18.8% | 18.6% |
| Funding by source: | | | | | |
| Retail funding | | | | | |
| Non-interest-bearing deposits | $ 267,412 | $ 255,939 | $ 240,367 | $ 251,141 | $ 238,751 |
| Interest-bearing demand | 625,061 | 568,865 | 544,487 | 527,511 | 508,528 |
| Savings and club | 523,984 | 524,002 | 519,257 | 514,909 | 516,023 |
| Certificates of deposit | 1,168,010 | 1,152,025 | 1,113,073 | 1,119,922 | 1,109,203 |
| Total retail deposits | 2,584,467 | 2,500,831 | 2,417,184 | 2,413,483 | 2,372,505 |
| Depositor sweep accounts | 30,532 | 49,541 | 36,107 | 32,624 | 35,635 |
| Total retail funding | 2,614,999 | 2,550,372 | 2,453,291 | 2,446,107 | 2,408,140 |
| Wholesale funding: | | | | | |
| Interest-bearing demand | $ 222,602 | $ 229,338 | $ 224,069 | $ 222,615 | $ 224,105 |
| Certificates of deposit (listing service) | 101,430 | 101,432 | 96,516 | 89,608 | 89,857 |
| Certificates of deposit (brokered) | 21,628 | 21,662 | 8,248 | 8,254 | 8,366 |
| Total wholesale deposits | 345,660 | 352,432 | 328,833 | 320,477 | 322,328 |
| FHLB Advances | 775,696 | 775,719 | 665,742 | 600,765 | 578,788 |
| Total wholesale funding | 1,121,356 | 1,128,151 | 994,575 | 921,242 | 901,116 |
| Total funding | $3,736,355 | $3,678,523 | $3,447,866 | $3,367,349 | $3,309,256 |
| Retail funding as a % of total funding | 70.0% | 69.3% | 71.2% | 72.6% | 72.8% |

| | | | | | |
|---|---|---|---|---|---|
| Wholesale funding as a % of total funding | 30.0% | 30.7% | 28.8% | 27.4% | 27.2% |

| Summary Income Statement (Dollars and Shares in Thousands, Except Per Share Data, Unaudited) | For the three months ended | | | | |
|---|---|---|---|---|---|
| | June 30, 2017 | March 31, 2017 | December 31, 2016 | September 30, 2016 | June 30, 2016 |
| Interest income | | | | | |
| Loans | $ 29,842 | $ 28,235 | $ 27,407 | $ 25,697 | $ 25,698 |
| Mortgage-backed securities | 3,063 | 3,222 | 3,779 | 3,937 | 4,032 |
| Debt securities: | | | | | |
| Taxable | 2,868 | 2,488 | 2,146 | 2,040 | 1,990 |
| Tax-exempt | 605 | 582 | 562 | 551 | 551 |
| Other interest-earning assets | 586 | 481 | 421 | 581 | 496 |
| Total Interest Income | 36,964 | 35,008 | 34,315 | 32,806 | 32,767 |
| Interest expense | | | | | |
| Deposits | 5,909 | 5,420 | 5,410 | 5,361 | 5,140 |
| Borrowings | 4,325 | 3,381 | 3,289 | 3,424 | 3,400 |
| Total interest expense | 10,234 | 8,801 | 8,699 | 8,785 | 8,540 |
| Net interest income | 26,730 | 26,207 | 25,616 | 24,021 | 24,227 |
| Provision for loan losses | 1,188 | 1,809 | 1,255 | 1,129 | 2,046 |
| Net interest income after provision for loan losses | 25,542 | 24,398 | 24,361 | 22,892 | 22,181 |
| Non-interest income | | | | | |
| Fees and service charges | 839 | 498 | 1,289 | 663 | 1,340 |
| (Loss) gain on sale and call of securities | - | (22) | 21 | - | - |
| Gain on sale of loans | 531 | 245 | 459 | 300 | 132 |
| Gain (loss) on sale of real estate owned | 3 | (106) | 12 | (15) | 24 |
| Income from bank owned life insurance | 1,288 | 1,279 | 1,321 | 1,319 | 1,374 |
| Electronic banking fees and charges | 287 | 240 | 270 | 283 | 284 |
| Miscellaneous | 72 | 119 | 74 | 79 | 57 |
| Total non-interest income | 3,020 | 2,253 | 3,446 | 2,629 | 3,211 |
| Non-interest expense | | | | | |
| Salaries and employee benefits | 12,887 | 12,430 | 11,592 | 10,909 | 10,640 |
| Net occupancy expense of premises | 2,013 | 2,088 | 1,976 | 1,941 | 1,813 |
| Equipment and systems | 2,204 | 2,068 | 2,030 | 2,048 | 2,092 |
| Advertising and marketing | 937 | 753 | 387 | 549 | 490 |
| Federal deposit insurance premium | 352 | 338 | 339 | 305 | 687 |
| Directors' compensation | 689 | 689 | 379 | 225 | 224 |
| Miscellaneous | 2,969 | 2,668 | 2,670 | 2,683 | 1,732 |
| Total non-interest expense | 22,051 | 21,034 | 19,373 | 18,660 | 17,678 |
| Income before income taxes | 6,511 | 5,617 | 8,434 | 6,861 | 7,714 |
| Income taxes | 2,107 | 1,549 | 2,970 | 2,194 | 2,833 |
| Net income | $ 4,404 | $ 4,068 | $ 5,464 | $ 4,667 | $ 4,881 |
| Net income per common share (EPS) | | | | | |
| Basic | $ 0.05 | $ 0.05 | $ 0.06 | $ 0.05 | $ 0.05 |
| Diluted | $ 0.05 | $ 0.05 | $ 0.06 | $ 0.05 | $ 0.05 |
| Dividends declared | | | | | |
| Cash dividends declared per common share | $ 0.03 | $ 0.03 | $ 0.02 | $ 0.02 | $ 0.02 |
| Cash dividends declared | $ 2,448 | $ 2,525 | $ 1,687 | $ 1,710 | $ 1,792 |
| Dividend payout ratio | 55.6% | 62.1% | 30.9% | 36.6% | 36.7% |
| Weighted average number of common shares outstanding | | | | | |
| Basic | 82,372 | 84,542 | 85,174 | 86,246 | 89,443 |
| Diluted | 82,429 | 84,624 | 85,258 | 86,304 | 89,481 |

| Average Balance Sheet Data | For the three months ended |
|---|---|

| (Dollars in Thousands, Unaudited) | June 30, 2017 | March 31, 2017 | December 31, 2016 | September 30, 2016 | June 30, 2016 |
|---|---|---|---|---|---|
| Assets | | | | | |
| Interest-earning assets: | | | | | |
| Loans receivable, including loans held for sale | $3,200,968 | $3,029,151 | $2,899,794 | $2,697,096 | $2,682,755 |
| Mortgage-backed securities | 532,621 | 582,591 | 673,569 | 695,876 | 705,962 |
| Debt securities: | | | | | |
| Tax-exempt | 119,957 | 116,479 | 112,221 | 109,625 | 109,691 |
| Taxable | 476,499 | 441,124 | 419,966 | 442,233 | 459,731 |
| Total debt securities | 596,456 | 557,603 | 532,187 | 551,858 | 569,422 |
| Other interest-earning assets | 118,349 | 61,336 | 71,072 | 204,621 | 191,129 |
| Total interest-earning assets | 4,448,394 | 4,230,681 | 4,176,622 | 4,149,451 | 4,149,268 |
| Non-interest-earning assets | 358,791 | 352,419 | 351,458 | 359,514 | 352,841 |
| Total assets | $4,807,185 | $4,583,100 | $4,528,080 | $4,508,965 | $4,502,109 |
| Liabilities and Stockholders' Equity | | | | | |
| Interest-bearing liabilities: | | | | | |
| Deposits: | | | | | |
| Interest-bearing demand | $ 813,148 | $ 756,520 | $ 761,765 | $ 748,516 | $ 726,327 |
| Savings and club | 523,798 | 520,572 | 518,225 | 515,615 | 519,055 |
| Certificates of deposit | 1,289,504 | 1,242,757 | 1,224,592 | 1,215,081 | 1,200,874 |
| Total interest-bearing deposits | 2,626,450 | 2,519,849 | 2,504,582 | 2,479,212 | 2,446,256 |
| Borrowings: | | | | | |
| Federal Home Loan Bank Advances | 775,703 | 643,504 | 594,238 | 577,305 | 585,085 |
| Other borrowings | 40,064 | 44,940 | 35,273 | 33,530 | 32,183 |
| Total borrowings | 815,767 | 688,444 | 629,511 | 610,835 | 617,268 |
| Total interest-bearing liabilities | 3,442,217 | 3,208,293 | 3,134,093 | 3,090,047 | 3,063,524 |
| Non-interest-bearing liabilities: | | | | | |
| Non-interest-bearing deposits | 262,499 | 246,449 | 245,928 | 243,964 | 232,698 |
| Other non-interest-bearing liabilities | 25,112 | 25,028 | 31,781 | 47,092 | 41,577 |
| Total non-interest-bearing liabilities | 287,611 | 271,477 | 277,709 | 291,056 | 274,275 |
| Total liabilities | 3,729,828 | 3,479,770 | 3,411,802 | 3,381,103 | 3,337,799 |
| Stockholders' equity | 1,077,357 | 1,103,330 | 1,116,278 | 1,127,862 | 1,164,310 |
| Total liabilities and stockholders' equity | $4,807,185 | $4,583,100 | $4,528,080 | $4,508,965 | $4,502,109 |
| Average interest-earning assets to average interest-bearing liabilities | 129.23% | 131.87% | 133.26% | 134.28% | 135.44% |

| Performance Ratio Highlights | For the three months ended | | | | |
|---|---|---|---|---|---|
| | June 30, 2017 | March 31, 2017 | December 31, 2016 | September 30, 2016 | June 30, 2016 |
| Average yield on interest-earning assets: | | | | | |
| Loans receivable, including loans held for sale | 3.73% | 3.73% | 3.78% | 3.81% | 3.83% |
| Mortgage-backed securities | 2.30% | 2.21% | 2.24% | 2.26% | 2.28% |
| Debt securities: | | | | | |
| Tax-exempt | 2.02% | 2.00% | 2.00% | 2.01% | 2.01% |
| Taxable | 2.41% | 2.26% | 2.04% | 1.85% | 1.73% |
| Total debt securities | 2.33% | 2.20% | 2.04% | 1.88% | 1.79% |
| Other interest-earning assets | 1.98% | 3.13% | 2.37% | 1.14% | 1.04% |
| Total interest-earning assets | 3.32% | 3.31% | 3.29% | 3.16% | 3.16% |
| Average cost of interest-bearing liabilities: | | | | | |
| Deposits: | | | | | |
| Interest-bearing demand | 0.71% | 0.65% | 0.62% | 0.63% | 0.62% |
| Savings and club | 0.12% | 0.12% | 0.12% | 0.15% | 0.16% |

| | | | | | |
|---|---|---|---|---|---|
| Certificates of deposit | 1.34% | 1.30% | 1.33% | 1.31% | 1.27% |
| Total interest-bearing deposits | 0.90% | 0.86% | 0.86% | 0.87% | 0.84% |
| Borrowings: | | | | | |
| Federal Home Loan Bank Advances | 2.21% | 2.08% | 2.20% | 2.35% | 2.30% |
| Other borrowings | 0.27% | 0.35% | 0.29% | 0.42% | 0.50% |
| Total borrowings | 2.12% | 1.96% | 2.09% | 2.24% | 2.20% |
| Total interest-bearing liabilities | 1.19% | 1.10% | 1.11% | 1.14% | 1.12% |
| | | | | | |
| Interest rate spread [1] | 2.13% | 2.21% | 2.18% | 2.02% | 2.04% |
| Net interest margin [2] | 2.40% | 2.48% | 2.45% | 2.32% | 2.34% |
| | | | | | |
| Non-interest income to average assets (annualized) | 0.25% | 0.20% | 0.30% | 0.23% | 0.29% |
| Non-interest expense to average assets (annualized) | 1.83% | 1.84% | 1.71% | 1.66% | 1.57% |
| | | | | | |
| Efficiency ratio [3] | 74.12% | 73.91% | 66.66% | 70.02% | 64.43% |
| | | | | | |
| Return on average assets (annualized) | 0.37% | 0.36% | 0.48% | 0.41% | 0.43% |
| Return on average equity (annualized) | 1.64% | 1.47% | 1.96% | 1.66% | 1.68% |

[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.
[3] Non-interest expense divided by the sum of net interest income and non-interest income.

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Source: Kearny Bank