

Kearny Financial Corp.
Form 10-Q
May 10, 2011

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended

March 31, 2011

OR

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

For the transition to
period from

Commission File Number 000-51093

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

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

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

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

07004-3510
(Zip Code)

Registrant's telephone number,
including area code

973-244-4500

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

The number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date: May 6, 2011.

\$0.10 par value common stock - 67,975,477 shares outstanding

KEARNY FINANCIAL CORP. AND SUBSIDIARIES

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

	March 31, 2011	June 30, 2010
Assets		
Cash and amounts due from depository institutions	\$59,752	\$3,286
Interest-bearing deposits in other banks	148,504	178,136
Cash and Cash Equivalents	208,256	181,422
Securities available for sale (amortized cost \$101,483 and \$30,960)	100,457	29,497
Securities held to maturity (estimated fair value \$157,639 and \$256,914)	157,733	255,000
Loans receivable, including unamortized yield adjustments of \$(1,371) and \$564	1,289,277	1,013,713
Less allowance for loan losses	(10,661)	(8,561)
Net Loans Receivable	1,278,616	1,005,152
Mortgage-backed securities available for sale (amortized cost \$919,416 and \$673,414)	936,228	703,455
Mortgage-backed securities held to maturity (estimated fair value \$1,457 and \$1,754)	1,398	1,700
Premises and equipment	39,499	34,989
Federal Home Loan Bank of New York ("FHLB") stock	13,611	12,867
Interest receivable	9,730	8,338
Goodwill	108,543	82,263
Bank owned life insurance	24,290	19,833
Deferred income tax assets, net	4,625	-
Other assets	10,942	5,297
Total Assets	\$2,893,928	\$2,339,813
Liabilities and Stockholders' Equity		
Liabilities		
Deposits:		
Non-interest-bearing	\$133,106	\$53,709
Interest-bearing	2,007,822	1,569,853
Total Deposits	2,140,928	1,623,562
Borrowings	254,930	210,000
Advance payments by borrowers for taxes	5,478	5,699
Deferred income tax liabilities, net	-	4,391
Other liabilities	13,325	10,235
Total Liabilities	2,414,661	1,853,887

Stockholders' Equity

Preferred stock \$0.10 par value, 25,000,000 shares authorized; none issued and outstanding	-	-
Common stock \$0.10 par value, 75,000,000 shares authorized; 72,737,500 shares issued; 67,975,477 and 68,344,277 shares outstanding, respectively	7,274	7,274
Paid-in capital	215,191	213,529
Retained earnings	314,322	312,844
Unearned Employee Stock Ownership Plan shares; 860,727 shares and 969,828 shares, respectively	(8,607)	(9,698)
Treasury stock, at cost; 4,762,023 shares and 4,393,223 shares, respectively	(58,054)	(54,738)
Accumulated other comprehensive income	9,141	16,715
 Total Stockholders' Equity	 479,267	 485,926
 Total Liabilities and Stockholders' Equity	 \$2,893,928	 \$2,339,813
See notes to consolidated financial statements.		

KEARNY FINANCIAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In Thousands, Except Per Share Data, Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2011	2010	2011	2010
Interest Income:				
Loans	\$17,416	\$14,450	\$46,095	\$44,068
Mortgage-backed securities	7,114	7,475	21,809	23,393
Securities:				
Taxable	1,230	985	4,017	1,499
Tax-exempt	392	158	787	474
Other interest-earning assets	275	216	695	661
 Total Interest Income	 26,427	 23,284	 73,403	 70,095
Interest Expense:				
Deposits	5,882	6,488	18,220	21,504
Borrowings	2,056	2,030	6,277	6,180
 Total Interest Expense	 7,938	 8,518	 24,497	 27,684
Net Interest Income	18,489	14,766	48,906	42,411
Provision for Loan Losses	1,391	891	3,518	2,354
Net Interest Income after Provision for Loan Losses	17,098	13,875	45,388	40,057
Non-Interest Income:				
Fees and service charges	613	344	1,382	1,072
Loss on sale of securities	(28)	-	(28)	-
Other-than-temporary security impairment:				
Total	-	(86)	-	(446)
Less: Portion recognized in other comprehensive income	-	33	-	240
Portion recognized in earnings	-	(53)	-	(206)
Miscellaneous	472	219	1,108	679
 Total Non-Interest Income	 1,057	 510	 2,462	 1,545
Non-Interest Expenses:				
Salaries and employee benefits	8,082	6,777	22,432	20,121
Net occupancy expense of premises	1,836	1,165	4,037	3,170
Equipment and systems	1,693	1,094	4,255	3,283

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Advertising and marketing	252	211	768	651
Federal deposit insurance premium	861	367	1,825	917
Directors' compensation	174	559	982	1,655
Merger-related expenses	225	-	3,415	-
Miscellaneous	1,346	1,024	3,801	3,588
Total Non-Interest Expenses	\$14,469	\$11,197	\$41,515	\$33,385

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2011	2010	2011	2010
Income Before Income Taxes	\$3,686	\$3,188	\$6,335	\$8,217
Income Taxes	998	1,324	2,317	3,417
Net Income	\$2,688	\$1,864	\$4,018	\$4,800
Net Income per Common Share (EPS):				
Basic	\$0.04	\$0.03	\$0.06	\$0.07
Diluted	0.04	0.03	0.06	0.07
Weighted Average Number of Common Shares Outstanding:				
Basic	67,054	67,875	67,105	67,989
Diluted	67,054	67,875	67,105	67,989
Dividends Declared Per Common Share (Excluding dividends waived by Kearny MHC)	\$0.05	\$0.05	\$0.15	\$0.15

See notes to consolidated financial statements.

KEARNY FINANCIAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Nine Months Ended March 31, 2010

	Common Stock Shares	Common Stock Amount	Paid-In Capital	Retained Earnings	Unearned ESOP Shares	Treasury Stock	Accumulated Other Comprehensive Income	Total
Balance - June 30, 2009	69,242	\$ 7,274	\$ 208,577	\$ 309,687	\$ (11,153)	\$ (45,985)	\$ 8,320	\$ 476,720
Comprehensive income:								
Net income	-	-	-	4,800	-	-	-	4,800
Unrealized gain on securities available for sale, net of deferred income tax expense of \$1,874	-	-	-	-	-	-	2,713	2,713
Non-credit related other-than- temporary impairment losses on securities held to maturity, net of deferred income tax benefit of \$43	-	-	-	-	-	-	(64)	(64)
Benefit plans, net of deferred income tax expense of \$23	-	-	-	-	-	-	32	32
Total Comprehensive income								7,481
ESOP shares committed to be released (108 shares)	-	-	38	-	1,091	-	-	1,129

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Dividends contributed for payment of ESOP loan	-	-	75	-	-	-	-	75
Stock option expense	-	-	1,430	-	-	-	-	1,430
Treasury stock purchases	(403)	-	-	-	-	(4,124)	-	(4,124)
Restricted stock plan shares earned (189 shares)	-	-	2,313	-	-	-	-	2,313

See notes to consolidated financial statements.

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KEARNY FINANCIAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Nine Months Ended March 31, 2010

Common Stock Shares	Paid-In	Retained	Unearned ESOP	Treasury	Accumulated Other Comprehensive
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