Kearny Financial Corp.
Form 10-Q
May 10, 2012

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2012

OR

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

For the transition period from to

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 [X] 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 [X] No [ ]

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 [X]
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 [X]

The number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: May 7, 2012.

$0.10 par value common stock - 66,971,840 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, 2012	June 30, 2011
Assets		
Cash and amounts due from depository institutions	$40,139	$47,332
Interest-bearing deposits in other banks	71,993	175,248
Cash and Cash Equivalents	112,132	222,580
Securities available for sale (amortized cost $14,819 and $46,145)	12,923	44,673
Securities held to maturity (estimated fair value $34,999 and $107,052)	34,725	106,467
Loans receivable, including unamortized yield adjustments of $(1,433) and $(1,021)	1,260,600	1,268,351
Less allowance for loan losses	(9,100)	(11,767)
Net Loans Receivable	1,251,500	1,256,584
Mortgage-backed securities available for sale (amortized cost $1,254,120 and $1,032,407)	1,288,876	1,060,247
Mortgage-backed securities held to maturity (estimated fair value $1,227 and $1,416)	1,161	1,345
Premises and equipment	39,056	39,556
Federal Home Loan Bank of New York (“FHLB”) stock	13,558	13,560
Interest receivable	8,774	9,740
Goodwill	108,591	108,591
Bank owned life insurance	25,030	24,470
Other assets	13,746	16,323
Total Assets	$2,910,072	$2,904,136
Liabilities and Stockholders’ Equity		
Liabilities		
Deposits:		
Non-interest-bearing	$152,468	$143,087
Interest-bearing	2,001,949	2,006,266
Total Deposits	2,154,417	2,149,353
Borrowings	247,648	247,642
Advance payments by borrowers for taxes	5,561	5,794
Deferred income tax liabilities, net	4,940	1,669
Other liabilities	11,309	11,804
Total Liabilities	2,423,875	2,416,262
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; 66,971,840 and 67,851,077 shares outstanding, respectively	7,274	7,274
Paid-in capital	215,466	215,258
Retained earnings	318,463	317,354
Unearned Employee Stock Ownership Plan shares; 715,247 shares and 824,352 shares, respectively	(7,152)	(8,244)
Treasury stock, at cost; 5,765,660 shares and 4,886,423 shares, respectively	(67,330)	(59,200)
Accumulated other comprehensive income	19,476	15,432
Total Stockholders' Equity	486,197	487,874
Total Liabilities and Stockholders' Equity	$2,910,072	$2,904,136

See notes to consolidated financial statements.

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2012	2011	2012	2011
Interest Income				
Loans	$15,809	$17,416	$48,493	$46,095
Mortgage-backed securities	8,242	7,114	24,157	21,809
Securities:				
Taxable	270	1,230	1,096	4,017
Tax-exempt	8	392	63	787
Other interest-earning assets	205	275	582	695
Total Interest Income	24,534	26,427	74,391	73,403
Interest Expense				
Deposits	4,853	5,882	15,668	18,220
Borrowings	2,011	2,056	6,088	6,277
Total Interest Expense	6,864	7,938	21,756	24,497
Net Interest Income	17,670	18,489	52,635	48,906
Provision for Loan Losses	1,257	1,391	3,645	3,518
Net Interest Income after Provision for Loan Losses	16,413	17,098	48,990	45,388
Non-Interest Income				
Fees and service charges	594	613	1,859	1,382
Loss on sale of securities	-	(28)	(5)	(28)
Gain on sale of loans	217	35	526	47
Income from bank owned life insurance	186	191	560	528
Electronic banking fees and charges	224	208	695	489
Loss from REO operations	(1,357)	(5)	(3,560)	(55)
Miscellaneous	339	43	416	99
Total Non-Interest Income	203	1,057	491	2,462
Non-Interest Expenses				
Salaries and employee benefits	8,538	8,082	25,082	22,432
Net occupancy expense of premises	1,685	1,836	4,866	4,037
Equipment and systems	1,686	1,693	5,429	4,255
Advertising and marketing	220	252	842	768
Federal deposit insurance premium	569	861	1,551	1,825
Directors’ compensation	168	174	491	982

Merger-related expenses	-	225	-	3,415
Miscellaneous	1,716	1,346	5,225	3,801
Total Non-Interest Expenses	$14,582	$14,469	$43,486	$41,515

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2012	2011	2012	2011
Income Before Income Taxes	$2,034	$3,686	$5,995	$6,335
Income Taxes	642	998	2,115	2,317
Net Income	$1,392	$2,688	$3,880	$4,018
Net Income per Common Share (EPS): Basic and Diluted	$0.02	$0.04	$0.06	$0.06
Weighted Average Number of Common Shares Outstanding: Basic and Diluted	66,243	67,054	66,571	67,105
Dividends Declared Per Common Share	$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, 2011
(In Thousands, Except Per Share Data, Unaudited)

	Common Stock Shares	Common Stock Amount	Paid-In Capital	Retained Earnings	Unearned ESOP Shares	Treasury Stock	Accumulated Other Comprehensive Income	Total
Balance - June 30, 2010	68,344	$ 7,274	$ 213,529	$ 312,844	$ (9,698)	$ (54,738)	$ 16,715	$ 485,926
Comprehensive loss:								
Net income	-	-	-	4,018	-	-	-	4,018
Unrealized loss on securities available for sale, net of deferred income tax benefit of $5,211	-	-	-	-	-	-	(7,579)	(7,579)
Benefit plans, net of deferred income tax expense of $4	-	-	-	-	-	-	5	5
Total comprehensive loss								(3,556)
ESOP shares committed to be released (108 shares)	-	-	(108)	-	1,091	-	-	983
Dividends contributed for payment of ESOP loan	-	-	104	-	-	-	-	104
Stock option expense	-	-	708	-	-	-	-	708
Treasury stock purchases	(369)	-	-	-	-	(3,316)	-	(3,316)

Restricted stock plan shares earned (111 shares)	-	-	1,198	-	-	-	-	1,198
Tax effect from stock based compensation	-	-	(240)	(124)	-	-	-	(364)
Cash dividends declared ($0.15/ public share)	-	-	-	(2,416)	-	-	-	(2,416)
Balance - March 31, 2011	67,975	$ 7,274	$ 215,191	$ 314,322	$ (8,607)	$ (58,054)	$ 9,141	$ 479,267

See notes to consolidated financial statements.

KEARNY FINANCIAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Nine Months Ended March 31, 2012
(In Thousands, Except Per Share Data, Unaudited)

	Common Stock Shares	Common Stock Amount	Paid-In Capital	Retained Earnings	Unearned ESOP Shares	Treasury Stock	Accumulated Other Comprehensive Income	Total
Balance - June 30, 2011	67,851	$ 7,274	$ 215,258	$ 317,354	$ (8,244)	$ (59,200)	$ 15,432	$ 487,874
Comprehensive income:								
Net income	-	-	-	3,880	-	-	-	3,880
Unrealized gain on securities available for sale, net of deferred income tax expense of $2,631	-	-	-	-	-	-	3,859	3,859
Benefit plans, net of deferred income tax expense of $128	-	-	-	-	-	-	185	185
Total Comprehensive income								7,924
ESOP shares committed to be released (108 shares)	-	-	(67)	-	1,092	-	-	1,025
Dividends contributed for payment of ESOP loan	-	-	118	-	-	-	-	118
Stock option expense	-	-	31	-	-	-	-	31
Treasury stock purchases	(879)	-	-	-	-	(8,130)	-	(8,130)
Restricted stock plan shares earned								

(12 shares)	-	-	126	-	-	-	-	126
Cash dividends declared ($0.15/ public share)	-	-	-	(2,321)	-	-	-	(2,321)
Cash dividend to Kearny MHC	-	-	-	(450)	-	-	-	(450)
Balance - March 31, 2012	66,972	$ 7,274	$ 215,466	$ 318,463	$ (7,152)	$ (67,330)	$ 19,476	$ 486,197

See notes to consolidated financial statements.

KEARNY FINANCIAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands, Unaudited)

	Nine Months Ended March 31, 2012	2011
Cash Flows from Operating Activities:		
Net income	$3,880	$4,018
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of premises and equipment	1,993	1,577
Net amortization of premiums, discounts and loan fees and costs	6,447	2,606
Deferred income taxes	511	80
Amortization of intangible assets	118	-
Amortization of benefit plans' unrecognized net loss	30	51
Provision for loan losses	3,645	3,518
Loss on write-down and sales of real estate owned	3,271	13
Realized gain on sale of loans	(526)	(47)
Proceeds from sale of loans	5,872	1,967
Realized loss on sale of mortgage-backed securities held to maturity	5	28
Realized gain on disposition of premises and equipment	(1)	-
Increase in cash surrender value of bank owned life insurance	(560)	(528)
ESOP, stock option plan and restricted stock plan expenses	1,182	2,889
Decrease in interest receivable	966	695
Decrease in other assets	718	68
Decrease in interest payable	(32)	(200)
Decrease in other liabilities	(446)	(240)
Net Cash Provided by Operating Activities	27,073	16,495
Cash Flows from Investing Activities:		
Proceeds from calls and maturities of securities available for sale	30,598	25,610
Proceeds from repayments of securities available for sale	650	921
Purchase of securities held to maturity	(1,775)	(68,733)
Proceeds from calls and maturities of securities held to maturity	72,760	197,170
Proceeds from repayments of securities held to maturity	717	480
Purchase of loans	(54,460)	(1,437)
Net decrease in loans receivable	49,454	69,384
Proceeds from sale of real estate owned	224	531
Purchases of mortgage-backed securities available for sale	(455,370)	(379,306)
Principal repayments on mortgage-backed securities available for sale	225,944	164,688
Principal repayments on mortgage-backed securities held to maturity	159	259
Proceeds from sale of mortgage-backed securities held to maturity	27	34
Purchase of FHLB stock	(1,800)	(2,250)
Redemption of FHLB stock	1,802	2,701
Cash paid in merger, net of cash acquired	-	(24,529)
Proceeds from cash settlement of premises and equipment	3	-

Proceeds from insurance claim on REO	-	82
Additions to premises and equipment	(1,495)	(936)
Net Cash Used in Investing Activities	$(132,562)	$(15,331)

KEARNY FINANCIAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(In Thousands, Unaudited)

	Nine Months Ended March 31, 2012	Nine Months Ended March 31, 2011
Cash Flows from Financing Activities:		
Net increase in deposits	$5,525	$41,143
Repayment of long-term FHLB advances	(59)	(10,026)
Increase in other short-term borrowings	177	775
Decrease in advance payments by borrowers for taxes	(233)	(221)
Dividends paid to stockholders of Kearny Financial Corp.	(2,357)	(2,425)
Purchase of common stock of Kearny Financial Corp. for treasury	(8,130)	(3,316)
Dividends contributed for payment of ESOP loan	118	104
Tax effect from stock based compensation	-	(364)
Net Cash (Used in) Provided by Financing Activities	(4,959)	25,670
Net (Decrease) Increase in Cash and Cash Equivalents	(110,448)	26,834
Cash and Cash Equivalents – Beginning	222,580	181,422
Cash and Cash Equivalents – Ending	$112,132	$208,256
Supplemental Disclosures of Cash Flows Information:		
Cash paid during the year for:		
Income taxes, net of refunds	$1,836	$3,603
Interest	$21,788	$24,697
Non-cash investing and financing activities:		
Acquisition of real estate owned in settlement of loans	$1,157	$871
Fair value of assets acquired, net of cash and cash equivalents acquired	$-	$559,113
Fair value of liabilities assumed	$-	$534,584

See notes to consolidated financial statements.

KEARNY FINANCIAL CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Kearny Financial Corp. (the "Company"), its wholly-owned subsidiaries, Kearny Federal Savings Bank (the "Bank") and Kearny Financial Securities, Inc., and the Bank's wholly-owned subsidiaries, KFS Financial Services, Inc., KFS Investment Corp. and CJB Investment Corp. and its wholly owned subsidiary, Central Delaware Investment Corp. Kearny Financial Securities, Inc. and Central Delaware Investment Corp. were each dissolved during the quarter ended September 30, 2011. The Company conducts its business principally through the Bank. Management prepared the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, including the elimination of all significant inter-company accounts and transactions during consolidation.

2. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements were prepared in accordance with instructions for Form 10-Q and Regulation S-X and do not include information or footnotes necessary for a complete presentation of financial condition, income, changes in stockholders' equity and cash flows in conformity with generally accepted accounting principles ("GAAP"). However, in the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the consolidated financial statements have been included. The results of operations for the three and nine month periods ended March 31, 2012, are not necessarily indicative of the results that may be expected for the entire fiscal year or any other period.

The data in the consolidated statements of financial condition for June 30, 2011 was derived from the Company's annual report on Form 10-K. That data, along with the interim financial information presented in the consolidated statements of financial condition, operations, changes in stockholders' equity and cash flows should be read in conjunction with the 2011 consolidated financial statements, including the notes thereto included in the Company's annual report on Form 10-K.

3. NET INCOME PER COMMON SHARE ("EPS")

Basic EPS is based on the weighted average number of common shares actually outstanding including restricted stock awards (see following paragraph) adjusted for Employee Stock Ownership Plan ("ESOP") shares not yet committed to be released. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock, such as outstanding stock options, were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. Diluted EPS is calculated by adjusting the weighted average number of shares of common stock outstanding to include the effect of contracts or securities exercisable or which could be converted into common stock, if dilutive, using the treasury stock method. Shares issued and reacquired during any period are weighted for the portion of the period they were outstanding.

The Financial Accounting Standards Board ("FASB") has issued guidance on determining whether instruments granted in share-based payment transactions are participating securities. This guidance clarifies that all outstanding unvested share-based payment awards that contain rights to non-forfeitable dividends participate in undistributed earnings with common shareholders. Awards of this nature are considered participating securities and the two-class method of computing basic and diluted earnings per share must be applied.

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The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations:

	Three Months Ended March 31, 2012			Nine Months Ended March 31, 2012		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(In Thousands, Except Per Share Data)			(In Thousands, Except Per Share Data)		
Net income	$1,392			$3,880		
Basic earnings per share, income available to common stockholders	$1,392	66,243	$0.02	$3,880	66,571	$0.06
Effect of dilutive securities:						
Stock options	-	-		-	-	
	$1,392	66,243	$0.02	$3,880	66,571	$0.06

	Three Months Ended March 31, 2011			Nine Months Ended March 31, 2011		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(In Thousands, Except Per Share Data)			(In Thousands, Except Per Share Data)		
Net income	$2,688			$4,018		
Basic earnings per share, income available to common stockholders	$2,688	67,054	$0.04	$4,018	67,105	$0.06
Effect of dilutive securities:						
Stock options	-	-		-	-	
	$2,688	67,054	$0.04	$4,018	67,105	$0.06

During the three and nine months ended March 31, 2012, the average number of options which were considered anti-dilutive totaled approximately 3,233,000 and 3,233,000, respectively. During the three and nine months ended March 31, 2011, the average number of options which were considered anti-dilutive totaled approximately 3,168,000 and 3,191,000, respectively.

4. SUBSEQUENT EVENTS

The Company has evaluated events and transactions occurring subsequent to the statement of financial condition date of March 31, 2012, for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through the date this document was filed.

5. RECENT ACCOUNTING PRONOUNCEMENTS

In April 2011, the FASB issued Accounting Standards Update 2011-03 which clarifies the accounting principles applied to repurchase agreements, as set forth by FASB ASC Topic 860, Transfers and Servicing. This ASU, entitled Reconsideration of Effective Control for Repurchase Agreements, amends one of three criteria used to determine whether or not a transfer of assets may be treated as a sale by the transferor. Under Topic 860, the transferor may not maintain effective control over the transferred assets in order to qualify as a sale. This ASU eliminates the criteria under which the transferor must retain collateral sufficient to repurchase or redeem the collateral on substantially agreed upon terms as a method of maintaining effective control. This ASU is effective for interim and annual reporting periods beginning on or after December 31, 2011, and requires prospective application to transactions or modifications of transactions which occur on or after the effective date. Early adoption is not permitted. The implementation of the new pronouncement did not have a material impact on the Company's consolidated financial position or results of operations.

In June 2011, the FASB issued Accounting Standards Update 2011-05 which amends FASB ASC Topic 220, Comprehensive Income, to facilitate the continued alignment of U.S. GAAP with International Accounting Standards. The ASU prohibits the presentation of the components of comprehensive income in the statement of stockholder's equity. Reporting entities are allowed to present either: a statement of comprehensive income, which reports both net income and other comprehensive income; or separate, but consecutive, statements of net income and other comprehensive income. Under previous GAAP, all 3 presentations were acceptable. Regardless of the presentation selected, the Reporting Entity is required to present all reclassifications between other comprehensive and net income on the face of the new statement or statements. The provisions of this ASU are effective for fiscal years, and interim periods within those years, beginning after December 31, 2011 for public entities. As the two remaining options for presentation existed prior to the issuance of this ASU, early adoption is permitted. The Company is currently evaluating the potential impact the new pronouncement will have on its consolidated financial statements.

In September, 2011, the FASB issued Accounting Standards Update 2011-08, Testing Goodwill for Impairment. The purpose of this ASU is to simplify how entities test goodwill for impairment by adding a new first step to the preexisting goodwill impairment test under ASC Topic 350, Intangibles – Goodwill and Other. This amendment gives the entity the option to first assess a variety of qualitative factors such as economic conditions, cash flows, and competition to determine whether it was more likely than not that the fair value of goodwill has fallen below its carrying value. If the entity determines that it is not likely that the fair value has fallen below its carrying value, then the entity will not have to complete the original two-step test under Topic 350. The amendments in this ASU are effective for impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. The Company is currently evaluating the potential impact the new pronouncement will have on its consolidated financial statements.

In September, 2011, the FASB issued Accounting Standards Update 2011-09, Disclosures about an Employer's Participation in a Multiemployer Plan. This update creates additional disclosures for employers participating in multiemployer pension plans to provide clarity with regard to the employer's involvement in the plan, as well as the financial health of the plan itself. Participating employers will now be required to disclose plan names, contribution amounts, funded status, minimum contribution requirements, and other relevant plan information for all years presented on the statement of income. The ASU does not amend the accounting requirements for such contributions and liabilities, and as such will only impact the level of disclosure made with regard to the plan. For public companies, the amendments of this ASU are effective for annual periods for fiscal years ending after December 15, 2011. Early

adoption by both public and nonpublic entities is permitted. The Company is currently evaluating the potential impact the new pronouncement will have on its consolidated financial statements.

In December, 2011, the FASB issued ASU 2011-12, Deferral of the Effective Date to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update 2011-05. In response to stakeholder concerns regarding the operational ramifications of the presentation of these reclassifications for current and previous years, the FASB has deferred the implementation date of this provision to allow time for further consideration. The requirement in ASU 2011-05, Presentation of Comprehensive Income, for the presentation of a combined statement of comprehensive income or separate, but consecutive, statements of net income and other comprehensive income is still effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 for public companies. The Company is currently evaluating the potential impact the new pronouncement will have on its consolidated financial statements.

6. STOCK REPURCHASE PLANS

On March 23, 2012, the Company announced the completion of its stock repurchase plan originally announced on August 17, 2011 through which it repurchased a total of 845,031 shares at a total cost of $7.8 million and at an average cost per share of $9.24. On that same day, the Company announced that the Board of Directors authorized a new stock repurchase plan to acquire up to 802,780 shares, or 5% of the Company's outstanding stock held by persons other than Kearny MHC. All shares under this latest plan remain available for repurchase at March 31, 2012.

7. DIVIDEND WAIVER

During the nine months ended March 31, 2012, Kearny MHC, the federally chartered mutual holding company of the Company waived its right, in accordance with the non-objection previously granted by the Federal Reserve Bank ("FRB"), to receive cash dividends of approximately $7.2 million declared on the 50,916,250 shares of Company common stock it owns. The MHC elected to receive $450,000 of dividends during the quarter ended March 31, 2012.

8. SECURITIES AVAILABLE FOR SALE

The amortized cost, gross unrealized gains and losses and estimated fair values of securities at March 31, 2012 and June 30, 2011 and stratification by contractual maturity of securities at March 31, 2012 are presented below:

	At March 31, 2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value
	(In Thousands)			
Debt securities:				
Trust preferred securities	$8,869	$-	$1,959	$6,910
U.S. agency securities	5,950	64	1	6,013
Total debt securities	14,819	64	1,960	12,923
Mortgage-backed securities:				
Collateralized mortgage obligations:				
Federal National Mortgage Association	2,724	26	-	2,750
Total collateralized mortgage obligations	2,724	26	-	2,750
Mortgage pass-through securities:				
Government National Mortgage Association	11,211	915	19	12,107
Federal Home Loan Mortgage Corporation	469,284	11,479	380	480,383
Federal National Mortgage Association	770,901	22,935	200	793,636
Total mortgage pass-through securities	1,251,396	35,329	599	1,286,126
Total mortgage-backed securities	1,254,120	35,355	599	1,288,876
Total securities available for sale	$1,268,939	$35,419	$2,559	$1,301,799

	At March 31, 2012	
	Amortized Cost	Carrying Value
	(In Thousands)	
Debt securities:		
Due in one year or less	$ -	$ -
Due after one year through five years	-	-
Due after five years through ten years	45	46
Due after ten years	14,774	12,877
Total	$ 14,819	$ 12,923

	At June 30, 2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value
	(In Thousands)			
Debt securities:				
Trust preferred securities	$8,863	$-	$1,416	$7,447
U.S. agency securities	6,657	-	66	6,591
Obligations of state and political subdivisions	30,625	10	-	30,635
Total debt securities	46,145	10	1,482	44,673
Mortgage-backed securities:				
Collateralized mortgage obligations:				
Federal National Mortgage Association	3,437	28	-	3,465
Total collateralized mortgage obligations	3,437	28	-	3,465
Mortgage pass-through securities:				
Government National Mortgage Association	12,614	991	24	13,581
Federal Home Loan Mortgage Corporation	380,387	10,092	31	390,448
Federal National Mortgage Association	635,969	17,175	391	652,753
Total mortgage pass-through securities	1,028,970	28,258	446	1,056,782
Total mortgage-backed securities	1,032,407	28,286	446	1,060,247
Total securities available for sale	$1,078,552	$28,296	$1,928	$1,104,920

There were no sales of securities from the available for sale portfolio during the nine months ended March 31, 2012 and March 31, 2011. At March 31, 2012 and June 30, 2011, securities available for sale with carrying values of approximately $294.5 million and $317.8 million, respectively, were utilized as collateral for borrowings through the FHLB of New York. As of those same dates, securities available for sale with carrying values of approximately $8.0 million and $10.6 million, respectively, were pledged to secure public funds on deposit.

The Company's available for sale mortgage-backed securities are generally secured by residential mortgage loans with original contractual maturities of ten to thirty years. However, the effective lives of those securities are generally shorter than their contractual maturities due to principal amortization and prepayment of the mortgage loans comprised within those securities. Investors in mortgage pass-though securities generally share in the receipt of principal repayments on a pro-rata basis as paid by the borrowers. By comparison, collateralized mortgage obligations generally represent individual tranches within a larger investment vehicle that is designed to distribute cash flows received on securitized mortgage loans to investors in a manner determined by the overall terms and structure of the investment vehicle and those applying to the individual tranches within that structure.

9. SECURITIES HELD TO MATURITY

The amortized cost, gross unrealized gains and losses and estimated fair values of securities at March 31, 2012 and June 30, 2011 and stratification by contractual maturity of securities at March 31, 2012 are presented below:

	March 31, 2012			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Debt securities:				
U.S. agency securities	$32,701	$273	$-	$32,974
Obligations of state and political subdivisions	2,024	1	-	2,025
Total debt securities	34,725	274	-	34,999
Mortgage-backed securities:				
Collateralized mortgage obligations:				
Federal Home Loan Mortgage Corporation	44	5	-	49
Federal National Mortgage Association	547	60	-	607
Non-agency securities	160	-	13	147
Total collateralized mortgage obligations	751	65	13	803
Mortgage pass-through securities:				
Federal Home Loan Mortgage Corporation	127	4	-	131
Federal National Mortgage Association	283	10	-	293
Total mortgage pass-through securities	410	14	-	424
Total mortgage-backed securities				