

PENNFED FINANCIAL SERVICES INC

Form 425

December 07, 2006

Ryan Beck

Financial Institutions

Investor Conference

December 7, 2006

A Successful Growth-through-Acquisition Strategy

Filed by New York Community Bancorp. Inc. pursuant to Rule 425 under the Securities Act of 1933

Subject Company:

PennFed

Financial

Services,

Inc.

Commission File No. 0-24040

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Other Required Legal Disclosures

This presentation does not constitute an offer to sell or a solicitation of an offer to buy any securities. New York Community Bancorp, Inc. has filed a registration statement containing a proxy statement/prospectus, and other relevant documents concerning the proposed transaction with the Securities and Exchange Commission (the "SEC"). WE URGE INVESTORS TO READ THE REGISTRATION STATEMENT.

PROXY

STATEMENT/PROSPECTUS,

AND

ANY

OTHER

RELEVANT

DOCUMENTS

TO

BE

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WITH

THE

SEC,

BECAUSE

THEY

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IMPORTANT INFORMATION.

Investors will be able to obtain these documents free of charge at the SEC's web site (www.sec.gov). In addition, documents concerning New York Community Bancorp, Inc. will be available free of charge from the Investor Relations Department, New York Community Bancorp, Inc., 200 Merrick Avenue, Westbury, New York 11590.

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We are a leading financial institution in the competitive New York metropolitan region.

(a)

SNL DataSource

(b)

Pending approval of PFSB's shareholders and the customary regulatory agencies.

With total assets of \$28.9 billion at 9/30/06:

We operate the fourth largest thrift in the nation and the largest in New York State.

(a)

With multi-family loans totaling \$14.7 billion at 9/30/06:

We are the leading producer of multi-family loans for portfolio in New York City.

(a)

With total deposits of \$13.8 billion at 9/30/06:

We operate the tenth largest thrift depository in the nation and the third largest in New York State.

(a)

With the acquisitions of Long Island Financial Corp. in December 2005 and Atlantic

Bank of New York in April 2006:

We now operate 29 commercial bank branches in Manhattan, Queens, Brooklyn,

Westchester County, and Long Island.

With our proposed acquisition of PennFed Financial Services, Inc.:

We expect to operate the seventh largest depository in Essex County, New Jersey and the 12th largest in our New Jersey marketplace.

(a)(b)

We will have a network of 190 branches serving the New York metropolitan region.

(b)

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Acquisitions have strengthened and enhanced the quality of
our balance sheet

5.63%

5.43%

1.4

13.8

7.1

28.9

19.8

\$14.7

166

w/ ABNY

9/30/06

5.19%

3.97%

3.65%

4.12%

7.19%

Tangible equity

/

tangible

assets

(a)

1.3

0.9

0.3

0.2

0.1

Tangible stockholders

equity

(a)

31.2

(c)

26.3

23.4

9.2

4.7

1.9

Total assets

5.41%

4.13%

3.60%

4.11%

7.19%

Tangible equity / tangible assets

excluding after-tax mark-to-market

adjustment on

securities

(a)

15.3

12.1

10.3

5.5

3.3

1.0

Total deposits

7.7

6.9

6.0

3.0

1.4

0.4

Core deposits

21.5

(c)

17.0

10.5

5.4
3.6
1.6
Total loans
\$14.7
(c)
\$12.9
\$ 7.4
\$3.3
\$1.9
\$1.3
Multi-family loans
190
152
139
120
86
14
Number of branches
Pro Forma
w/ PFSB
(b)
w/ LICB
12/31/05
w/ RSLN
12/31/03
w/ RCBK
12/31/01
w/ HAVN
12/31/00
12/31/99
(dollars in billions)

(a)
Please see page 22 for a reconciliation of our GAAP and non-GAAP capital measures.

(b)
Pending approval of PFSB's shareholders and the customary regulatory agencies.

(c)
Prior to post-merger balance sheet repositioning.

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and have contributed to the achievement of several key goals.

Provides opportunities for profitable post-merger
balance sheet repositioning

ABNY

Provides cost-effective deposits to fund loan growth

Extends our geographic footprint within the Metro
New York region

Strengthens our deposit market share in existing
markets

Immediately accretive to GAAP and cash earnings

PFSB

(a)

LICB

RSLN

RCBK

HAVN

(a)

Pending approval of PFSB's shareholders and the customary regulatory agencies.

8
(dollars
in
millions)
\$1,611
\$3,636
\$5,405
\$5,489
\$10,499
\$10,919
\$13,396
\$17,029
\$19,757
\$197
\$526

\$2,578

\$4,652

\$9,500

\$12,119

\$7,081

\$5,637

\$5,209

45.7%

41.2%

% of Total Assets:

3/31/04

12/31/04

12/31/05

29.5%

55.7%

21.4%

64.8%

18.0%

68.3%

9/30/06

Cash flows from the sale of acquired assets have been converted into securities and then into loans...

12/31/00

12/31/01

12/31/02

12/31/03

12/31/99

Loans

Securities

10.4%

84.3%

11.2%

77.2%

28.0%

58.7%

41.1%

48.5%

40.5%

44.8%

w/ HAVN

w/ RCBK

w/ RSLN

w/ ABNY

w/ LICB

9
\$658
\$1,874
\$2,408
\$1,949
\$4,362
\$3,752
\$5,247
\$6,639
\$7,546
\$378
\$1,212
\$2,588
\$2,842
\$5,247
\$5,911

\$6,012
\$5,943
\$6,463
\$720
\$739
\$846
\$1,170
\$1,245
\$465
\$455
\$171
\$40

12/31/99
12/31/00
12/31/01
12/31/02
12/31/03
12/31/04
12/31/05
9/30/06

Pro Forma

\$3,257
\$5,450
\$5,256
\$1,076

Total Deposits:

\$10,329
\$10,402
\$12,105
\$13,752

Total deposits: 48.1% CAGR

Core deposits: 54.0% CAGR

Demand deposits: 66.4% CAGR

CDs

NOW, MMAs, and Savings

Demand deposits

(in millions)

Deposits

with additional funding stemming from acquired deposits.

w/ HAVN

w/ RCBK

w/ RSLN

w/ ABNY

w/ LICB

\$15,254

w/ PFSB

(a)

(a)

Pending approval of PFSB's shareholders and the customary regulatory agencies.

10
\$1,348
\$1,946
\$3,255
\$4,494
\$7,368
\$9,839
\$12,854
\$14,700
\$14,725
\$1,690
\$2,150
\$995
\$3,131
\$3,557
\$4,175

\$5,057

\$6,750

\$263

12/31/99

12/31/00

12/31/01

12/31/02

12/31/03

12/31/04

12/31/05

9/30/06

Pro Forma

(in millions)

Multi-family Loans Outstanding

All Other Loans Outstanding

(a)

Amounts exclude net deferred loan origination fees and costs.

(b)

Pending approval of PFSB's shareholders and the customary regulatory agencies.

(c)

Prior to post-merger balance sheet repositioning.

\$5,405

\$5,489

\$10,499

Loans

Outstanding

(a)

Multi-family loans: 42.5% CAGR

Total loans: 46.8% CAGR

\$13,396

\$17,029

\$3,636

\$1,611

\$19,757

While acquisitions have contributed to the growth of our loan portfolio, the bulk of our growth has been organic.

w/ HAVN

w/ RCBK

w/ RSLN

w/ ABNY

w/ LICB

Total Loans:

\$21,475

w/ PFSB

(b)(c)

\$1,150

\$2,560

\$4,330

\$6,041

\$6,332

\$616

\$677

\$3,988

Total Originations:

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We expect to complete the acquisition of PFSB on or about March 31, 2007.

(a)

Purchase Price per Share

Transaction Value

Form of Consideration

Exchange Ratio

Transaction Structure

Estimated Cost Savings

Revenue Synergies

Estimated Transaction Costs

Estimated Core Deposit Intangible

Termination Fee

Due Diligence

\$19.50

(b)

\$260 million

100% NYB Common Stock

Fixed at 1.222 NYB shares for each PFSB share

Tax-free exchange

\$9.0 million pre-tax (represents 40% of PFSB's pre-tax operating expenses); 100% realized in 2007

None assumed

\$18.6 million after-tax

3% of PFSB's non-CDs amortized over 10 years

(sum-of-the-years digits)

\$10 million (3.8% of transaction value)

Completed

(a)

Pending approval of PFSB's shareholders and the customary regulatory agencies.

(b)

Based on our closing price of \$15.96 on November 2, 2006.

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The PFSB acquisition is expected to enhance our franchise, our balance sheet, and our earnings

Strengthens our market share in New Jersey

Improves our position

from

26

th

to

7

th

in

Essex

County

Solidifies our position in Hudson and Union Counties
Expands our footprint into Ocean, Middlesex, and Monmouth
Counties
Provides cost-effective retail deposits to fund loan growth
Franchise
Enhancing
Expected to be immediately accretive to our GAAP and cash
earnings
Double-digit internal rate of return without assumed revenue
enhancements from balance sheet repositioning
Low core
deposit
premium
of
10.8%
(a)
Attractive
Transaction
Pricing
(a)
Calculated as
transaction
value
less
tangible
book
value
divided
by
total
deposits
less
CDs
>
\$100,000.

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while providing opportunities for future revenue growth.

Significant

Cost Savings &

Revenue

Enhancement

Opportunities

PFSB's operating efficiency ratio = 62.21%, compared to 37.08% for NYB

(a)

Estimated cost savings of approximately 40% of PFSB's pre-tax operating expenses to be fully realized in 2007

Expected sale of PFSB's 1-4 family loans and securities to provide liquidity for the production of multi-family and other higher-yielding loans

\$9.0 million in potential additional earnings from proposed post-merger

balance sheet repositioning

(b)

Low
Execution
Risk

We have a strong integration track record
five transactions completed
since 11/2000

PFSB's assets = approximately 8% of NYB's current assets
PFSB is well capitalized, with a total risk-based capital ratio of 13.43%

(c)
Low credit risk

PFSB has a strong record of asset quality
(c)

NPAs/Total Assets = 0.09%

NPLs/Total Loans = 0.12%

Net Charge-offs/Avg. Loans = 0.01%

No social issues

a common focus on community banking

Pro formas reflect conservative cost savings assumptions and no revenue
enhancement

(a)
PFSB's
GAAP
and
operating
efficiency
ratios

are
the
same.

Please
see
page
21

for
a
reconciliation

of
our
GAAP
and
operating
efficiency
ratios.

(b)
Assumes PFSB's 1-4 family loans and securities are replaced by multi-family and other higher-yielding loans.

(c)
Data at or for the nine months ended September 30, 2006.

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With the acquisition of PFSB, we will extend our geographic footprint in New Jersey and strengthen our market share.

NYB

PFSB

Bronx

Manhattan

Richmond

Kings

Queens

Nassau

Suffolk

Westchester

Essex

Union
Middlesex
Monmouth
Ocean
Hudson
Essex
13
\$0.90
Ocean
3
0.14
Monmouth
3
0.13
Middlesex
2
0.13
Hudson
2
0.08
Union
1
0.04
Total
24
\$1.43
PFSB
Deposits
by
County
(a)
County
Branches
Deposits (\$B)
Source: SNL Financial
(a)
At June 30, 2006.

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Our acquisitions of LICB and ABNY provided us with an established commercial bank platform

Diversified our depositor/borrower base

Enhanced our interest rate risk profile by replacing higher-cost funding with lower-cost core and non-interest-bearing deposits

Provided opportunities to cross-sell commercial bank products in savings bank branches

Added commercial lending expertise to our management team

Enhanced our asset mix with C&I loans to small and mid-size businesses

78%

(b)

82%

(a)

-

Core deposits/total deposits

28%

(b)

23%

(a)

-

Non-interest-bearing/total deposits

ABNY

LICB

(a)

Percentage as of 12/31/05

(b)

Percentage as of 4/28/06

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and have supported our net interest margin in a challenging yield curve environment.

The acquisition of LICB:

-

Added \$347 million of low-cost core deposits, including \$100 million of non-interest-bearing accounts on 12/30/05

The acquisition of ABNY:

-

Added \$1.4 billion of low-cost core deposits, including \$496 million of non-interest-bearing accounts on 4/28/06

The post-merger repositioning of our liabilities:

-

Used the proceeds from the post-merger sale of securities to prepay \$886 million of wholesale borrowings with a weighted average cost of 5.93% in 2Q 06

-

Reduced higher-cost brokered deposits

-

Extended \$1.2 billion of wholesale borrowings to an average call date of 2.4 years
(\$2.5 billion year-to-date to an average call date of 2.6 years in 1H 06)

Our net interest margin:

- 1Q 06: 2.28%
- 2Q 06: 2.29%
- 3Q 06: 2.24%

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2Q 2006:

-
Sold \$1.2 billion of securities acquired in the LICB and ABNY transactions and used the proceeds to reduce our higher-cost sources of funds

-
Completed the consolidation of our back-office operations

3Q 2006:

-
Established new executive-level position to emphasize our focus on building a sales and service culture throughout our branch network

-
Retained key personnel to maintain lending / depository relationships with major business customers

-
Combined our community and commercial bank Premier Banking Groups to enhance

service to existing clients and build new relationships both here and overseas

4Q 2006:

-
- Upgraded New York Commercial Bank's data processing systems
-
- Integrated ABNY's data processing systems with New York Commercial Bank's
-
- Launch cross-sales training initiative throughout the branch network
-
- Roll out performance-driven incentive program for branch personnel

1Q 2007:

-

Initiate sale
of
New
York
Commercial
Bank
products
throughout
the
New
York
Community

Bank franchise, while providing superior small and mid-size business solutions

The integration of Atlantic Bank has been progressing
on schedule.

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We are committed to building value by building our business.

We are focused on:

Enhancing our asset mix by originating commercial loans to small and mid-size businesses in our market, while growing our multi-family, construction, and commercial real estate loan portfolios

Maintaining the quality of our assets by adhering to our traditional credit standards

Utilizing the cash flows from the sale of securities and 1-4 family loans to originate higher-yielding loans and reduce our higher-cost funding sources

Expanding and diversifying our deposit mix

Improving our net interest margin by replacing our higher-cost wholesale sources

of funds with lower-cost retail deposits

Demonstrating our capacity to execute accretive merger transactions while
maintaining our efficiency and making our franchise more valuable

Maintaining a high level of customer service

Maintaining the strength of our tangible capital measures

Maintaining the payment of a strong dividend

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Log onto our web site: www.myNYCB.com

E-mail requests to: ir@myNYCB.com

Call Investor Relations at: (516) 683-4420

Write to:

New York Community Bancorp, Inc.

615 Merrick Avenue

Westbury, NY 11590

12/7/2006

For More Information

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The following
table
presents
a
reconciliation
of
the
Company's
GAAP
and
operating
efficiency
ratios
for
the
nine
months
ended

September

30,

2006

and for the year ended December 31, 2005:

Reconciliation of GAAP and Operating Efficiency Ratios

For the Year Ended

For the Nine Months Ended

December 31, 2005

September 30, 2006

(dollars in thousands)

(36,588)

--

--

--

Merger-related charge

\$200,033

\$236,621

\$182,863

\$182,863

Adjusted operating expenses

Adjustment:

37.08%

\$182,863

\$493,134

6,071

\$487,063

37.54%

\$182,863

\$487,063

--

\$487,063

Adjustment:

28.86%

34.14%

Efficiency ratio

\$236,621

\$236,621

Operating expenses

\$693,068

\$693,068

non-interest income

Adjusted total net-interest income and

--

--

rate swaps

Loss on mark-to-market of interest

\$693,068

\$693,068

Total net interest income and non-interest income

22
The following
table
presents
a
reconciliation
of
the
Company's
stockholders
equity,
tangible

stockholders
equity,
and
adjusted
stockholders
equity;
total assets,
tangible
assets,
and
adjusted
tangible
assets;
and
the
related
capital
measures
at
December
31,
1999,
2000,
2001,
2002,
2003,
2004,
and
2005 and at September 30, 2006:
Reconciliation of GAAP and Non-GAAP Capital Measures
December 31,
September 30,
1999
2000
2001
2002
2003
2004
2005
2006
(dollars in thousands)
--
--
(57,500)
(51,500)
(98,993)
(87,553)
(86,533)
(111,430)
Core deposit intangibles

7.19%

4.11%

3.60%

5.78%

4.13%

5.39%

5.41%

5.63%

Adjusted tangible stockholders

equity to adjusted

tangible assets

\$1,906,835

\$4,591,895

\$8,526,767

\$10,602,222

\$21,458,631

\$22,039,532

\$24,272,340

\$26,716,531

Adjusted tangible assets

--

(820)

(3,715)

(34,852)

34,640

40,697

55,857

55,626

Add back: Net unrealized losses (gains)

on securities

\$1,906,835

\$4,592,715

\$8,530,482

\$10,637,074

\$21,423,991

\$21,998,835

\$24,216,483

\$26,660,905

Tangible assets

\$137,141

\$188,520

\$307,266

\$612,642

\$885,951

\$1,188,120

\$1,313,512

\$1,504,255

Adjusted tangible stockholders

equity

--

(820)
 (3,715)
 (34,852)
 34,640
 40,697
 55,857
 55,626
 Add back: Net unrealized losses (gains)
 on securities
 \$137,141
 \$189,340
 \$310,981
 \$647,494
 \$851,311
 \$1,147,423
 \$1,257,655
 \$1,448,629
 Tangible stockholders
 equity
 7.19%
 4.12%
 3.65%
 6.09%
 3.97%
 5.22%
 5.19%
 5.43%
 Tangible stockholders
 equity to tangible assets
 7.19%
 6.53%
 10.68%
 11.70%
 12.24%
 13.26%
 12.65%
 12.83%
 Stockholders
 equity to total assets
 \$1,906,835
 \$4,592,715
 \$8,530,482
 \$10,637,074
 \$21,423,991
 \$21,998,835
 \$24,216,483
 \$26,660,905
 Tangible assets
 --
 (118,070)

(614,653)
 (624,518)
 (1,918,353)
 (1,951,438)
 (1,980,689)
 (2,151,951)
 Less: Goodwill
 \$1,906,835
 \$4,710,785
 \$9,202,635
 \$11,313,092
 \$23,441,337
 \$24,037,826
 \$26,283,705
 \$28,924,286
 Total assets
 \$137,141
 \$ 189,340
 \$ 310,981
 \$ 647,494
 \$ 851,311
 \$ 1,147,423
 \$ 1,257,655
 \$ 1,448,629
 Tangible stockholders
 equity
 --
 --
 (57,500)
 (51,500)
 (98,993)
 (87,553)
 (86,533)
 (111,430)
 Core deposit intangibles
 --
 (118,070)
 (614,653)
 (624,518)
 (1,918,353)
 (1,951,438)
 (1,980,689)
 (2,151,951)
 Less: Goodwill
 \$137,141
 \$ 307,410
 \$ 983,134
 \$1,323,512
 \$ 2,868,657
 \$ 3,186,414

\$ 3,324,877

\$ 3,712,010

Total stockholders
equity