

PENNFED FINANCIAL SERVICES INC

Form 425

November 14, 2006

Bear Stearns

SMid-Cap Investor Conference

November 14, 2006

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

2

Forward-looking Statements and Associated Risk Factors

Safe Harbor Provisions of the Private Litigation Reform Act of 1995

This presentation,

like other written and oral communications presented by New

York

Community

Bancorp,

Inc. and its authorized officers, may be forward-looking statements

within the meaning of Section 27A of the Securities Act of 1933,

as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. New York Community

Bancorp, Inc. intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements

under the Private Litigation Reform Act

of

the Private Litigation Reform Act of 1995,

and

is

including

this

statement

for

purposes

of

said

safe

harbor

provisions.

Forward-looking statements, which are based on certain assumptions, may be identified by their reference to future periods and

events relating

to

the

anticipated

effects

of

the

proposed

transaction

between

New

York

Community
Bancorp,
Inc.
and
PennFed
Financial
Services,
Inc.
(
the
Companies).

The
following
factors,
among
others,
could
cause
the
actual
results
of
the
transaction
and
the
expected
benefits
of
the
transaction
to
the
combined
company
and
to
the
Companies
shareholders,
to
differ
materially
from
the
expectations
stated
in
this
presentation:

the
ability
of
the
Companies
to
consummate
the
transaction;
a
materially
adverse
change
in
the
financial
condition
or
results
of
operations
of
either
company;
the
ability
of
New
York
Community
Bancorp,
Inc.
to
successfully
integrate
the
assets,
liabilities,
customers,
systems,
and
any
management
personnel
it
may
acquire
into
its
operations

pursuant
to
the
transaction;
and
the
ability
to
realize
the
related
revenue
synergies
and
cost
savings
within
the
expected
time
frames.

In
addition,
factors
that
could
cause
the
actual
results
of
the
transaction
to
differ
materially
from
current
expectations
include,
but
are
not
limited
to,
general
economic
conditions
and
trends,

either
nationally
or
locally
in
some
or
all
of
the
areas
in
which
the
Companies
and
their
customers
conduct
their
respective
businesses;
conditions
in
the
securities
markets
or
the
banking
industry;
changes
in
interest
rates,
which
may
affect
the
Companies
net
income,
the
level
of
prepayment
penalties
and
other
future

cash
flows,
or
the
market
value
of
their
assets;
changes
in
deposit
flows,
and
in
the
demand
for
deposit,
loan,
and
investment
products
and
other
financial
services
in
the
Companies
local
markets;
changes
in
the
financial
or
operating
performance
of
the
Companies
customers
businesses;
changes
in
real
estate
values,
which

could
impact
the
quality
of
the
assets
securing
the
Companies
loans;
changes
in
the
quality
or
composition
of
the
Companies
loan
or
investment
portfolios;
changes
in
competitive
pressures
among
financial
institutions
or
from
non-financial
institutions;
changes
in
the
customer
base
of
either
company;
potential
exposure
to
unknown
or
contingent
liabilities

of
companies
targeted
by
New
York
Community
Bancorp,
Inc.
for
acquisition;
the
Companies
timely
development
of
new
lines
of
business
and
competitive
products
or
services
within
existing
lines
of
business
in
a changing
environment,
and
the
acceptance
of
such
products
or
services
by
the
Companies
customers;
any
interruption
or
breach
of

security
resulting
in
failures
or
disruptions
in
customer
account
management,
general
ledger,
deposit,
loan,
or
other
systems;
the
outcome
of
pending
or
threatened
litigation
or
of
other
matters
before
regulatory
agencies,
or
of
matters
resulting
from
regulatory
exams,
whether
currently
existing
or
commencing
in
the
future;
environmental
conditions
that
exist

or
may
exist
on
properties
owned
by,
leased
by,
or
mortgaged
to
the
Companies;
changes
in
estimates
of
future
reserve
requirements
based
upon
the
periodic
review
thereof
under
relevant
regulatory
and
accounting
requirements;
changes
in
banking,
securities,
tax,
environmental,
and
insurance
law,
regulations,
and
policies,
and
the
ability
to
comply

with
such
changes
in
a
timely
manner;
changes
in
accounting
principles,
policies,
practices,
or
guidelines;
changes
in
legislation
and
regulation;
operational
issues
stemming
from
and/or
capital
spending
necessitated
by
the
potential
need
to
adapt
to
industry
changes
in
information
technology
systems,
on
which
the
Companies
are
highly
dependent;
changes
in

the
monetary
and
fiscal
policies
of
the
U.S.
Government,
including
policies
of
the
U.S.
Treasury
and
the
Federal
Reserve
Board;
war
or
terrorist
activities;
and
other
economic,
competitive,
governmental,
regulatory,
and
geopolitical
factors
affecting
the
Companies
operations,
pricing,
and
services.
Additionally,
the
timing
and
occurrence
or
non-occurrence
of
events
may

be
subject
to
circumstances
beyond
the
Companies
control.
Readers
are
cautioned
not
to
place
undue
reliance
on
these
forward-looking
statements,
which
speak
only
as
of
the
date
of
this
presentation.
Except
as
required
by
applicable
law
or
regulation,
the
Company
disclaims
any
obligation
to
update
any
forward-looking
statements.

3

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 FILED WITH THE SEC, AS WELL AS THE SEC'S WEBSITE FOR 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., 100 West Merrick Avenue, Westbury, New York 11590.

4

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)

5

The foundation for our success is a consistent business model that has focused on building value while, at the same time, building the Company.

(a)

Please see pages 25 and 26 for a reconciliation of our GAAP and operating efficiency ratios.

(b)

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

The origination of multi-family loans:

-

\$18.0 billion of multi-family loans originated in the current decade, including \$4.7 billion in 2005 and \$2.4 billion year-to-date

The maintenance of strong credit standards, resulting in a consistent record of solid asset quality:

-

No net charge-offs for 40 consecutive quarters (4Q 1994

-

3Q
2004)

-

Charge-offs
of
\$21,000
in
2005
and
\$279,000
year-to-date

all
on
acquired
assets

The efficient operation of our Company and our branch network:

-

Operating
efficiency
ratio

of
28.86%

in
2005

and
37.08%

year-to-date

(a)

The growth of our business through accretive merger transactions:

-

November 2000:

Haven Bancorp, Inc. (HAVN)

-

July 2001:

Richmond County Financial Corp. (RCBK)

-

October 2003:

Roslyn Bancorp, Inc. (RSLN)

-

December 2005:

Long Island Financial Corp. (LICB)

-

April 2006:

Atlantic Bank of New York (ABNY)

-

March

2007:

PennFed
Financial

Services,
Inc.
(PFSB)
(b)

6

Our multi-family lending niche is profitable, efficient, and resilient.

Niche:

Primarily rent-controlled and -stabilized buildings in NYC

Borrowers:

Long-term property owners with a history of building cash flows, often on buildings that have been in their families for multiple generations

Term:

Years 1

5: Fixed at 150 bp above the 5-year CMT

Years 6

10: Monthly adjustable rate 250 bp above prime, or fixed rate 275 bp above the 5-year CMT plus 1 point

Prepayment

Range from 5 points to 1 point in years 1 through 5; recorded penalties:

as interest income

Efficiency:

Less costly to originate and service than 1-to-4 family loans

Quality:

No losses in our niche for more than 25 years

7

% of total loans: 74.4%

Average principal balance: \$3.6 million

Average loan-to-value ratio: 63.7%

Expected weighted average life: 3.8
years

9 Mos. originations: \$2.4 billion

% of total loans originated in 9 Mos.: 60.2%

At 9/30/06

\$1,348

\$1,946

\$3,255

\$4,494

\$7,368

\$9,839

\$12,854

\$14,700

12/31/99

12/31/00

12/31/01

12/31/02

12/31/03

12/31/04

12/31/05

9/30/06

Multi-family Loan Portfolio

(a)

(in millions)

Multi-family loans have grown at a CAGR of 42.5% since 12/31/99.

(a)

Amounts exclude net deferred loan origination fees and costs.

8
(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%

9

(a)

SNL DataSource

0.78%

0.49%

0.60%

0.62%

0.52%

0.44%

0.43%

0.41%

0.17%

0.19%

0.19%

0.15%

0.15%

0.12%

0.11%

0.12%

12/31/99

12/31/00

12/31/01

12/31/02

12/31/03

12/31/04

12/31/05

9/30/06

Non-performing Assets / Total Assets

We have a consistent record of solid asset quality.

U.S. Thrifts

(a)

NYB

10
62.44%
62.54%
63.07%
62.40%
64.53%
66.03%
64.81%
65.51%
37.08%
28.86%
21.46%
23.59%

25.32%

30.50%

30.20%

28.74%

1999

2000

2001

2002

2003

2004

2005

9 Mos. 2006

Efficiency Ratio

We consistently rank among the most efficient bank holding companies in the nation.

U.S. Thrifts

(a)

NYB

(b)

(a)

SNL DataSource

(b)

Operating efficiency ratio. Please see pages 25 and 26 for a reconciliation of our GAAP and operating efficiency ratios.

11

Our efficiency has been driven by our approach to lending, product development, and branch expansion.

Multi-family and commercial real estate lending are both broker-driven without cost to the Company.

One-to-four family loans are originated on a pass-through basis and sold shortly after closing, servicing-released, generating income for the Company.

Products and services are frequently developed by third-party providers and the sale of these products generates additional revenues.

46 of our 166 branches are located in-store.

Franchise expansion has largely stemmed from mergers and acquisitions.

12

Much of our growth has been acquisition-driven.

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

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 27 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.

13
\$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

Acquisitions have contributed to our loan growth over the past

six years

w/ HAVN

w/ RCBK

w/ RSLN

w/ ABNY

w/ LICB

Total Loans:

\$21,475

w/ PFSB

(b)(c)

14
\$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

and have significantly bolstered the growth of our 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.

15

The PFSB transaction is consistent with our proven growth-through-acquisition strategy.

ABNY

Provides cost-effective deposits to fund loan growth

Provides opportunities for profitable post-merger balance sheet repositioning

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.

16

The acquisition of PFSB is expected to be completed 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.

17

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

to

7

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.

th

th

18

while providing opportunities for future revenue growth.

Significant Cost

Savings and

Revenue

Enhancement

Opportunities

PFSB's current efficiency ratio is 62.2% compared to 40.7% for NYB

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

(a)

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%

(b)

Low credit risk

PFSB has a strong record of asset quality

(b)

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)

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

(b)

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

19

The PFSB transaction is attractively priced.

2.68

2.01

Price/Book Value

(e)

--

9.4

Price / 2007 Projected EPS + Cost Savings + Balance Sheet

Repositioning Synergy

(d)

3.02

2.01

Price/Tangible Book Value

(e)

--

11.8

Price / 2007 Projected EPS + Balance Sheet Repositioning Synergy

(d)

20.0%

10.8%

Core Deposit Premium

(f)

--

14.0

Price / 2007 Projected EPS + Cost Savings

(c)

20.6

20.0

Price / 2007 Projected EPS

(b)

24.0x

21.7x

Price / LTM Earnings

Comparable

Bank and Thrift

Transactions

(a)

NYB-PFSB

Source: SNL Financial and SEC Filings

(a)

Comparable transactions include selected bank and thrift deals in NY, NJ, PA, and MD. Median values presented.

(b)

2007 EPS based on I/B/E/S consensus estimate of \$0.97.

(c)

Based on estimated cost savings of \$9.0 million (pre-tax).

(d)

Balance sheet repositioning assumes PFSB's 1-4 family loans and securities are replaced by multi-family and other higher-yield assets.

(e)

Book value and tangible book value per share at September 30, 2006.

(f)

Calculated

as

transaction

value

less

tangible

book

value

divided

by

total

deposits

less

CDs

>

\$100,000.

20

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.

21

Our recent commercial bank acquisitions 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%

22

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:

-

New York Commercial Bank's data processing systems have been upgraded

-

ABNY's data processing systems have been integrated with New York Commercial Bank's

-

Cross-sales training initiative to be launched throughout the branch network

-

Performance-driven incentive program for branch personnel to be rolled out

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 is progressing on schedule.

23

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 high-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

24

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

11/14/2006

For More Information

25
The
following
table
presents
a
reconciliation
of
the
Company's
GAAP
and
operating
efficiency
ratios
for
the
nine
months
ended
September
30,

2006:

Reconciliation of GAAP and Non-GAAP Measures

Adjustment:

37.08%

37.54%

Efficiency ratio

\$182,863

\$182,863

Operating expenses

\$493,134

\$487,063

non-interest income

Adjusted total net-interest income and

6,071

--

rate swaps

Loss on mark-to-market of interest

\$487,063

\$487,063

Total net interest income and non-interest income

Operating

GAAP

(dollars in thousands)

2006

Ended September 30,

For the Nine Months

26

The following table presents a reconciliation of the Company's GAAP and operating efficiency ratios for the years ended December 31, 2001, 2003, 2004, and 2005. For the year ended December 31, 2002, the Company's GAAP and operating efficiency ratios were not available.

Reconciliation of GAAP and Non-GAAP Measures

Adjustment:

Adjustments:

For the Years Ended December 31,

1999

2000

2001

2003

2004

2005

38.04%

\$112,757

--

\$112,757

\$296,431

--

--

--

\$296,431

GAAP
 30.50%
 \$ 89,957
 (22,800)
 \$112,757
 \$294,931
 (1,500)
 --
 --
 \$296,431
 Operating
 30.20%
 \$ 24,530
 (24,800)
 \$ 49,330
 \$ 81,226
 (13,500)
 --
 --
 \$ 94,726
 Operating
 52.08%
 \$49,330
 --
 \$49,330
 \$94,726
 --
 --
 --
 \$94,726
 GAAP
 21.46%
 \$193,632
 --
 \$193,632
 \$902,464
 --
 157,215
 8,209
 \$737,040
 Operating
 28.74%
 29.95%
 23.59%
 25.32%
 26.27%
 28.86%
 34.14%
 Efficiency ratio
 \$20,525

\$21,390
 \$148,950
 \$169,373
 \$193,632
 \$200,033
 \$236,621
 Adjusted operating expenses
 (865)
 --
 (20,423)
 --
 --
 (36,588)
 --
 Merger-related charge
 \$21,390
 \$21,390
 \$169,373
 \$169,373
 \$193,632
 \$236,621
 \$236,621
 Operating expenses
 \$71,426
 \$71,426
 \$631,349
 \$668,962
 \$737,040
 \$693,068
 \$693,068
 non-interest income
 --
 --
 --
 --
 --
 --
 --
 --
 --
 Balance sheet repositioning charge
 --
 --
 (37,613)
 --
 --
 --
 --
 Gain on sale of branches
 Adjusted total net interest income and
 --
 --

--
--
--
--
--

impairment

Loss on other-than-temporary

\$71,426

\$71,426

\$668,962

\$668,962

\$737,040

\$693,068

\$693,068

Total net interest income and
non-interest income

Operating

GAAP

Operating

GAAP

GAAP

Operating

GAAP

(dollars in thousands)

27
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 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