

ROMA FINANCIAL CORP
Form 10-Q
July 30, 2009
UNITED STATES

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 June 30, 2009

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 000-52000

ROMA FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

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

51-0533946
(I.R.S. Employer
Identification Number)

2300 Route 33, Robbinsville, New Jersey
(Address of principal executive offices)

08691
(Zip Code)

Registrant's telephone number, including
area code: (609) 223-8300

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

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to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted to 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

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 (Check one):

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,

July 28, 2009:

\$0.10 par value common stock - 30,932,653 shares outstanding

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ROMA FINANCIAL CORPORATION AND SUBSIDIARIES

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ROMA FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Unaudited)

	June 30, 2009	December 31, 2008
	(In thousands, except for share data)	
ASSETS		
Cash and amounts due from depository institutions	\$ 7,757	\$ 7,476
Interest-bearing deposits in other banks	22,357	11,500
Money market funds	57,774	61,443
Cash and Cash Equivalents	87,888	80,419
Investment securities available for sale("AFS") at fair value	30,875	17,000
Investment securities held to maturity("HTM") at amortized cost (fair value of \$ 206,741 and \$74,022, respectively)	207,879	74,115
Mortgage-backed securities held to maturity at amortized cost (fair value of \$ 282,324 and \$309,324, respectively)	273,128	301,878
Loans receivable, net of allowance for loan losses \$2,961 and \$2,223, respectively	556,611	520,406
Real estate owned via equity investment	4,093	4,033
Premises and equipment	39,754	39,971
Federal Home Loan Bank of New York stock	2,983	3,479
Accrued interest receivable	5,624	5,059
Bank owned life insurance	23,807	23,326
Other assets	7,358	7,409
Total Assets	\$ 1,240,000	\$ 1,077,095
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Non-interest bearing	\$ 34,283	\$ 27,898
Interest bearing	897,228	736,335
Total deposits	931,511	764,233
Federal Home Loan Bank of New York advances	25,889	46,929
Securities sold under agreements to repurchase	40,000	40,000
Securities purchased and not settled	13,000	—
Advance payments by borrowers for taxes and insurance	2,622	2,398
Accrued interest payable and other liabilities	12,915	10,519
Total Liabilities	1,025,937	864,079
STOCKHOLDERS' EQUITY		
Common stock, \$0.10 par value, 45,000,000 shares authorized, 32,731,875 shares issued; 30,932,653 and 30,888,253 shares outstanding, respectively	3,274	3,274
Paid-in capital	98,207	98,294

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Retained earnings	150,165	149,926
Unearned shares held by Employee Stock Ownership Plan	(6,494)	(6,765)
Treasury stock, 1,799,222 and 1,843,622 shares, respectively	(29,214)	(29,935)
Accumulated other comprehensive (loss)	(3,515)	(3,421)
Total Roma Financial Corporation stockholders' equity	212,423	211,373
Noncontrolling interest	1,640	1,643
Total Stockholders' Equity	214,063	213,016
Total Liabilities and Stockholders' Equity	\$ 1,240,000	\$ 1,077,095

See notes to consolidated financial statements.

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ROMA FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2009	2008	June 30, 2009	2008
	(In thousands, except for share and per share data)		(In thousands, except for share and per share data)	
INTEREST INCOME				
Loans	\$ 7,618	\$ 7,051	\$ 14,930	\$ 14,329
Mortgage-backed securities held to maturity	3,659	2,945	7,552	4,907
Investment securities held to maturity	1,620	884	2,481	2,035
Securities available for sale	147	192	302	349
Other interest-earning assets	240	575	577	1,610
Total Interest Income	13,284	11,647	25,842	23,230
INTEREST EXPENSE				
Deposits	4,916	4,468	9,569	9,076
Borrowings	614	282	1,259	569
Total Interest Expense	5,530	4,750	10,828	9,645
Net Interest Income	7,754	6,897	15,014	13,585
PROVISION FOR LOAN LOSSES	385	213	752	360
Net Interest Income after Provision for Loan Losses	7,369	6,684	14,262	13,225
NON-INTEREST INCOME				
Commissions on sales of title policies	332	280	574	488
Fees and service charges on deposits and loans	340	436	698	769
Income from bank owned life insurance	282	217	565	430
Net gain from sale of mortgage loans originated for sale	46	6	74	6
Other	286	150	471	377
Total Non-Interest Income	1,286	1,089	2,382	2,070
NON-INTEREST EXPENSE				
Salaries and employee benefits	3,997	3,530	8,040	6,919
Net occupancy expense of premises	678	593	1,438	1,195
Equipment	641	572	1,285	1,051
Data processing fees	400	379	787	727
Federal Deposit Insurance Premium	1,135	19	1,169	37
Advertising	208	211	380	423
Other	843	893	1,526	1,542
Total Non-Interest Expense	7,902	6,197	14,625	11,894
Income Before Income Taxes	753	1,576	2,019	3,401

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INCOME TAXES	207	501	590	1,111
Net income before noncontrolling interests	546	1,075	1,429	2,290
Plus: net loss attributable to the noncontrolling interest	2	90	13	141
Net Income attributable to Roma Financial Corporation	\$ 548	\$ 1,165	\$ 1,442	\$ 2,431
Net income attributable to Roma Financial Corporation per common share				
Basic and Diluted	\$.02	\$.04	\$.05	\$.08
Dividends Declared Per Share	\$.08	\$.08	\$.16	\$.16

WEIGHTED AVERAGE NUMBER OF
COMMON
SHARES OUTSTANDING

Basic and Diluted	30,652,206	30,595,651	30,644,223	30,620,285
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See notes to consolidated financial statements.

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ROMA FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Unaudited)

(In thousands)

	Common Stock		Paid-In	Retained	Unearned	Accumulated	Treasury	Noncontrolling	
	Shares	Amount	Capital	Earnings	Shares	Other	Stock	Interest	Total
				Substantially	Held by	Comprehensive			
				Restricted	ESOP	(Loss)			
Balance December 31, 2007	31,388	\$ 3,274	\$ 97,405	\$ 148,136	\$ (7,306)	\$(414)	\$(22,792)	\$(479)	\$ 218,782
Change in percentage of noncontrolling loss									
For RomAsia for 2008				(5))				(5)
Comprehensive income:									
Net income for the six months ended June 30, 2008				2,431				(141)) 2,290
Other comprehensive income net of taxes:									
Unrealized loss on available for sale securities net of income taxes of \$(53)							(58)		(58)
Pension cost, net of income taxes of \$(14)				(27))	11			(16)
Total comprehensive income									2,211
Adoption of EITF 06-4				(318))				(318)
Treasury stock repurchased							(1,080)		(1,080)
Dividends declared				(1,282))				(1,282)
Capital contributed by minority interest								1,327	1,327
Stock-based compensation			20						20
ESOP shares earned			127		270				397
Balance June 30, 2008	31,388	\$ 3,274	\$ 97,552	\$ 148,935	\$ (7,036)	\$(461)	\$(23,872)	\$(1,665)	\$ 220,057
Balance December 31, 2008	30,888	\$ 3,274	\$ 98,294	\$ 149,926	\$ (6,765)	\$(3,421)	\$(29,935)	\$ 1,643	\$ 213,016
Comprehensive income:									
Net income for the six months ended June 30, 2009				1,442				(13)) 1,429
Other comprehensive income net of taxes:									
Unrealized loss on available for sale securities net of income taxes of \$259							(94)		(94)
Total comprehensive income									1,335
Additional capital contribution real estate owned via equity investment								10	10

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Treasury shares released	44		(721)				721		
Dividends declared				(1,203)					(1,203)
Stock-based compensation									574
ESOP shares earned			60	574	271				331
Balance June 30, 2009	30,932	\$ 3,274	\$ 98,207	\$ 150,165	\$ (6,494)	\$ (3,515)	\$ (29,124)	\$ 1,640	\$ 214,063
See notes to consolidated financial statements									

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ROMA FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended	
	June 30,	
	2009	2008
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,429	\$ 2,290
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of premises and equipment	982	793
Stock-based compensation	574	20
Amortization of premiums and accretion of discounts on securities	(149)	194
Accretion of deferred loan fees and discounts	(61)	(16)
Net gain on sale of mortgage loans originated for sale	(74)	(6)
Mortgage loans originated for sale	(6,522)	(644)
Proceeds from sales of mortgage loans originated for sale	6,596	650
Net realized loss on sale of real estate owned	8	—
Provision for loan losses	752	360
ESOP shares earned	331	397
Increase in accrued interest receivable	(565)	(345)
Increase in cash surrender value of bank owned life insurance	(481)	(342)
(Increase) decrease in other assets	240	(461)
Increase (decrease) in accrued interest payable	656	(245)
Increase in other liabilities	1,738	1,498
Net Cash Provided by Operating Activities	5,454	4,143
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities, calls and principal repayments of securities available for sale	6,605	3,011
Purchases of securities available for sale	(20,837)	(2,066)
Proceeds from maturities, calls and principal repayments of investment securities held to maturity	77,000	115,325
Purchases of investment securities held to maturity	(197,728)	(64,694)
Principal repayments on mortgage-backed securities held to maturity	40,832	16,693
Purchases of mortgage-backed securities held to maturity	(11,963)	(118,367)
Proceeds from sale of real estate owned	60	—
Net increase in loans receivable	(36,897)	(9,939)
Additions to premises and equipment and real estate owned via equity investment	(825)	(11,200)
Redemption of Federal Home Loan Bank of New York stock	496	—
Purchase of Federal Home Loan Bank of New York stock	—	(14)
Net Cash Used in Investing Activities	(143,257)	(71,251)
CASH FLOWS FROM FINANCING ACTIVITIES		

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Net increase in deposits	167,278	45,956
Increase in advance payments by borrowers for taxes and insurance	224	82
Dividends paid to minority stockholders of Roma Financial Corp.	(1,200)	(1,177)
Redemption of Federal Home Loan Bank of New York advances	(21,040)	(994)
Capital contribution by noncontrolling interests	10	1,327
Purchases of treasury stock	—	(1,080)
 Net Cash Provided by Financing Activities	 145,272	 44,114
 Net Increase (decrease) in Cash and Cash Equivalents	 7,469	 (22,994)
 CASH AND CASH EQUIVALENTS - BEGINNING	 80,419	 95,302
 CASH AND CASH EQUIVALENTS - ENDING	 \$ 87,888	 \$ 72,308

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ROMA FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Cont'd)

(Unaudited)

	Six Months Ended	
	June 30,	
	2009	2008
	(In thousands)	
SUPPLEMENTARY CASH FLOWS INFORMATION		
Income taxes paid, net	\$ 602	\$ 1,897
Interest paid	\$ 10,172	\$ 9,890
Securities purchased and not settled	\$ 13,000	—
Loan receivable transferred to real estate owned	—	\$ 68

See notes to consolidated financial statements.

ROMA FINANCIAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE A – ORGANIZATION

Roma Financial Corporation (The “Company”) is a federally-chartered corporation organized in January 2005 for the purpose of acquiring all of the capital stock that Roma Bank issued in its mutual holding company reorganization. Roma Financial Corporation’s principal executive offices are located at 2300 Route 33, Robbinsville, New Jersey 08691 and its telephone number at that address is (609) 223-8300.

Roma Financial Corporation, MHC is a federally-chartered mutual holding company that was formed in January 2005 in connection with the mutual holding company reorganization. Roma Financial Corporation, MHC has not engaged in any significant business since its formation. So long as Roma Financial Corporation MHC is in existence, it will at all times own a majority of the outstanding stock of Roma Financial Corporation.

Roma Bank is a federally-chartered stock savings bank. It was originally founded in 1920 and received its federal charter in 1991. Roma Bank’s deposits are federally insured by the Deposit Insurance Fund as administered by the Federal Deposit Insurance Corporation. Roma Bank is regulated by the Office of Thrift Supervision and the Federal Deposit Insurance Corporation. The Office of Thrift Supervision also regulates Roma Financial Corporation, MHC and Roma Financial Corporation as savings and loan holding companies.

RomAsia Bank is a federally-chartered stock savings bank. RomAsia Bank received all regulatory approvals on June 23, 2008 to be a federal savings bank and began operations on that date. The Company invested \$13.4 million in RomAsia Bank and currently holds a 89.55% ownership interest. RomAsia Bank is regulated by the Office of Thrift Supervision. Roma Bank and RomAsia Bank are collectively referred to as (the “Banks”).

The Banks offer traditional retail banking services, one-to four-family residential mortgage loans, multi-family and commercial mortgage loans, construction loans, commercial business loans and consumer loans, including home equity loans and lines of credit. Roma Bank operates from its main office in Robbinsville, New Jersey, and thirteen branch offices located in Mercer, Burlington and Ocean Counties, New Jersey. RomAsia Bank operates from one location in Monmouth Junction, New Jersey.

Roma Financial Corporation conducted a minority stock offering during 2006 in which 30% of its outstanding stock was sold to the public in a subscription offering. The offering closed July 11, 2006 and the net proceeds from the offering were approximately \$96.1 million (gross proceeds of \$98.2 million for the issuance of 9,819,562 shares, less offering costs of approximately \$2.1 million). The Company also issued 22,584,995 shares to Roma Financial Corporation, MHC and 327,318 shares to the Roma Bank Community Foundation, Inc., resulting in a total of 32,731,875 shares issued and outstanding after the completion of the offering. A portion of the proceeds were loaned to the Roma Bank Employee Stock Ownership Plan (ESOP) to purchase 811,750 shares of the Company’s stock at a cost of \$8.1 million.

Throughout this document, references to “we,” “us,” or “our” refer to the Banks or Company, or both, as the context indicates.

NOTE B - BASIS OF PRESENTATION

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiary, Roma Bank and Roma Bank's wholly-owned subsidiaries, Roma Capital Investment Corp. (the "Investment Co.") and General Abstract and Title Agency (the "Title Co."), and the Company's majority owned investment of 89.55% in RomAsia Bank. The consolidated statements also include the Company's 50% interest in 84 Hopewell, LLC (the "LLC"), a real estate investment which is consolidated according to the requirements of FASB Interpretation ("FIN") No. 46(R). All significant inter-company accounts and transactions have been eliminated in consolidation. These statements were prepared in accordance with instructions for Form 10-Q and Rule 10-01 of Regulation S-X and, therefore, do not include all information or footnotes necessary for a complete presentation of financial condition, results of operations, and cash flows in conformity with generally accepted accounting principles in the United States of America.

NOTE B - BASIS OF PRESENTATION (Continued)

In the opinion of management, all adjustments, consisting of only normal recurring adjustments or accruals, which are necessary for a fair presentation of the consolidated financial statements have been made at and for the three and six month periods ended June 30, 2009 and 2008. The results of operations for the three and six month periods ended June 30, 2009 are not necessarily indicative of the results which may be expected for the entire fiscal year or other interim periods.

The December 31, 2008 data in the consolidated statements of financial condition was derived from the Company's audited consolidated financial statements for that date. That data, along with the interim financial information presented in the consolidated statements of financial condition, income, changes in stockholders' equity and cash flows should be read in conjunction with the 2008 audited consolidated financial statements for the year ended December 31, 2008, including the notes thereto included in the Company's Annual Report on Form 10-K.

The Investment Co. was incorporated in the State of New Jersey effective September 4, 2004, and began operations October 1, 2004. The Investment Co. is subject to the investment company provisions of the New Jersey Corporation Business Tax Act. The Title Co. was incorporated in the State of New Jersey effective March 7, 2005 and commenced operations April 1, 2005. The Company, together with two individuals, formed a limited liability company, 84 Hopewell, LLC. The LLC was formed to build a commercial office building in which is located the Company's Hopewell branch, corporate offices for the other LLC members construction company and tenant space. The Company invested \$350,000 in the LLC and provided a loan in the amount of \$3.6 million to the LLC. The Company and the other 50% owner's construction company both have signed lease commitments to the LLC.

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated statements of financial condition and revenues and expenses for the periods then ended. Actual results could differ significantly from those estimates.

A material estimate that is particularly susceptible to significant change relates to the determination of the allowance for loan losses. The allowance for loan losses represents management's best estimate of losses known and inherent in the portfolio that are both probable and reasonable to estimate. While management uses the most current information available to estimate losses on loans, actual losses are dependent on future events and, as such, increases in the allowance for loan losses may be necessary.

In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Banks' allowance for loan losses. Such agencies may require the Banks to recognize additions to the allowance based on their judgments about information available to them at the time of their examinations.

NOTE C - CONTINGENCIES

The Company, from time to time, is a party to routine litigation that arises in the normal course of business. In the opinion of management, the resolution of such litigation, if any, would not have a material adverse effect, as of June 30, 2009, on the Company's consolidated financial position or results of operations.

NOTE D – EARNINGS PER SHARE

Basic earnings per share is based on the weighted average number of common shares actually outstanding adjusted for Employee Stock Ownership Plan (“ESOP”) shares not yet committed to be released. Diluted EPS is calculated by adjusting the weighted average number of shares of common stock outstanding to include the effect of outstanding stock options and unvested stock awards, 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.

Outstanding stock options and restricted stock grants for the three and the six months ended June 30, 2009 and 2008 were not considered in the calculation of diluted earnings per share because they were antidilutive.

NOTE E – STOCK BASED COMPENSATION

Equity Incentive Plan

At the Annual Meeting held on April 23, 2008, stockholders of the Company approved the Roma Financial Corporation 2008 Equity Incentive Plan (“The 2008 Plan”). On June 25, 2008 directors, senior officers and certain employees of the Company were granted, in the aggregate, 820,000 stock options and awarded 222,000 shares of restricted stock.

The 2008 Plan enables the Board of Directors to grant stock options to executives, other key employees and nonemployee directors. The options granted under the Plan may be either incentive stock options or non-qualified stock options. The Company has reserved 1,292,909 shares of common stock for issuance upon the exercise of options granted under the 2008 Plan and 517,164 shares for grants of restricted stock. The 2008 Plan will terminate in ten years from the grant date. Options will be granted with an exercise price not less than the Fair Market Value of a share of Common Stock on the date of the grant. Options may not be granted for a term greater than ten years. Stock options granted under the Incentive Plan are subject to limitations under Section 422 of the Internal Revenue Code. The number of shares available under the 2008 Plan, the number of shares subject to outstanding options and the exercise price of outstanding options will be adjusted to reflect any stock dividend, stock split, merger, reorganization or other event generally affecting the number of Company’s outstanding shares. At June 30, 2009, there were 472,909 shares available for option grants under the 2008 Plan and 295,164 shares available for grants of restricted stock.

The Company has adopted Statement of Financial Accounting Standards (“SFAS”) No. 123 (R), “Share-Based Payments”. SFAS 123(R) covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. SFAS 123 (R) requires that compensation cost relating to share-based payment transactions be recognized in the financial statements. The cost is measured based on the fair value of the equity or liability instruments issued.

SFAS No. 123 (R) also requires the Company to realize as a financing cash flow rather than an operating cash flow, as previously required, the benefits of realized tax deductions in excess of previously recognized tax benefits on compensation expense. In accordance with SEC Staff Accounting Bulletin (“SAB”) No. 107, the Company classified share-based compensation for employees and outside directors within “compensation and employee benefits” in the consolidated statement of operations to correspond with the same line item as the cash compensation paid.

The stock options will vest over a five year service period and are exercisable within ten years. Compensation expense for all option grants is recognized over the awards’ respective requisite service period.

Restricted shares, granted on June 25, 2008, vest over a five year service period. Management recognizes compensation expense for the fair value of restricted shares on a straight-line basis over the requisite service period of five years. The number of shares granted and the grant date market price of the Company’s common stock determines the fair value of the restricted shares under the Company’s restricted stock plan.

NOTE E – STOCK BASED COMPENSATION (Continued)

The following is a summary of the status of the Company's stock option activity and related information for the six months ended June 30, 2009:

	Number of Stock Options	Weighted Avg. Exercise Price	Weighted Avg. Remaining Contractual Life	Aggregate Intrinsic Value
Balance at January 1, 2009	820,000	\$ 13.67		
Granted	-	-		
Exercised	-	-		
Forfeited	-	-		
Balance at June 30, 2009	820,000	\$ 13.67	9.0 years	\$ -
Exercisable at June 30, 2009	164,000		N/A	N/A

On June 30, 2009, recipients of stock options under the 2008 Equity Incentive Plan were entitled to 20% of the options awarded, or 164,000 shares.

The following is a summary of the status of the Company's restricted shares as of June 30, 2009 and changes during the Six months ended June 30, 2009:

	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Non-vested restricted shares at January 1, 2009	222,000	\$ 13.67
Granted	—	—
Forfeited	—	—
Vested	(44,400)	13.67
Non-vested restricted shares at June 30, 2009	177,600	\$ 13.67

Stock option and stock award expenses included in compensation expense were \$ 300,000 and \$574,000, respectively, for the three and six months ended June 30, 2009, with a respective tax benefit of \$120,000 and \$229,600, and \$19,790 for the three & six months ended June 30, 2008, with a related tax benefit of \$7,916, respectively. As of June 30, 2009, approximately \$4.8 million of unrecognized cost, related to outstanding stock options and restricted shares, will be recognized over a period of approximately 4.0 years.

Employee Stock Ownership Plan

Roma Bank has an Employee Stock Ownership Plan (“ESOP”) for the benefit of employees who meet the eligibility requirements defined in the plan. The ESOP trust purchased 811,750 shares of common stock as part of the stock offering using proceeds from a loan from the Company. The total cost of the shares purchased by the ESOP trust was \$8.1 million, reflecting a cost of \$10 per share. Roma Bank makes cash contributions to the ESOP on a quarterly basis sufficient to enable the ESOP to make the required loan payments to the Company. The loan bears an interest rate of 8.25% with principal and interest payable in equal quarterly installments over a fifteen year period. The loan is secured by the shares of the stock purchased.

Shares purchased with the loan proceeds were initially pledged as collateral for the term loan and are held in a suspense account for future allocation among participants. Contributions to the ESOP and shares released from the suspense account will be allocated among the participants on the basis of compensation, as described by the Plan, in the year of

NOTE E – STOCK BASED COMPENSATION (Continued)

allocation. The Company accounts for its ESOP in accordance with Statement of Position (“SOP”) 93-6, “Employer’s Accounting for Employee Stock Ownership Plans”, issued by the Accounting Standards Division of the American Institute of Certified Public Accountants. As shares are committed to be released from collateral, the Company reports compensation expense equal to the current market price of the shares, and the shares become outstanding for earnings per share computations. Roma Bank made its first loan payment in October 2006. As of June 30, 2009 there were 649,402 unearned shares. The Company’s ESOP compensation expense was \$175 thousand and \$397 thousand and \$198 and \$331 thousand, respectively, for the three and six months ended June 30, 2009 and 2008.

NOTE F- REAL ESTATE OWNED VIA EQUITY INVESTMENTS

In 2008, Roma Bank, together with two individuals, formed 84 Hopewell, LLC. The LLC was formed to build a commercial office building which includes Roma Bank’s Hopewell branch, corporate offices for the other 50% owners’ construction company and tenant space. Roma Bank invested approximately \$360,000 in the LLC and provided a loan to the LLC in the amount of \$3.6 million. Roma Bank and the construction company both have signed lease commitments to the LLC. With the adoption of FIN 46 (R) the Company is required to perform an analysis to determine whether such an investment meets the criteria for consolidation into the Company’s financial statements. As of June 30, 2009 and December 31, 2008, this variable interest entity met the requirements of FIN 46 (R) for consolidation based on Roma Bank being the primary financial beneficiary. This was determined based on the amount invested by the Bank compared to the other partners to the LLC and the lack of personal guarantees. As of June 30, 2009, the LLC had \$4.1 million in fixed assets and a loan from Roma Bank for \$3.5 million, which was eliminated in consolidation. The LLC had accrued interest payable to the Bank of \$11,199 at June 30, 2009 and during the three and six months then ended the Bank had paid \$26.0 thousand and \$51.0 thousand in rent to the LLC. Both of these amounts were eliminated in consolidation. Roma Bank’s 50% share of the LLC’s gain for the six months ended June 30, 2009 was \$7 thousand.

NOTE G – INVESTMENT SECURITIES

The following summarizes the amortized cost and estimated fair value of securities available for sale at June 30, 2009 and December 31, 2008 with gross unrealized gains and losses therein: (in thousands):

	June 30, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value
Available for sale:				
Mortgage-backed securities	\$ 9,517	\$ 136	\$ 7	\$ 9,646
Obligations of state and political subdivisions	10,311	96	17	10,390
U.S. Government (including agencies)	5,850	4	97	5,757
Equity securities	3,630	3	1,127	2,506
Mutual fund shares	2,673	—	97	2,576
	\$ 31,981	\$ 239	\$ 1,345	\$ 30,875

NOTE G – INVESTMENT SECURITIES (continued)

	December 31, 2008			
	Amortized Cost (In Thousands)	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value
Available for sale:				
Mortgage-backed securities	\$ 2,963	\$ 93	\$ —	\$ 3,056
Obligations of state and political subdivisions	4,743	47	—	4,790
U.S. Government (including agencies)	2,831	38	—	2,869
Corporate bond	980	—	25	955
Equity securities	3,630	—	749	2,881
Mutual fund shares	2,607	—	158	2,449
	\$ 17,754	\$ 178	\$ 932	\$ 17,000

The unrealized losses, categorized by the length of time of continuous loss position, and the fair value of related securities available for sale are as follows:

	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
June 30, 2009:						
Mortgage backed securities	\$ 3,101	\$ 7	\$ —	\$ —	\$ 3,101	\$ 7
Obligations of state & political subdivisions	2,750	17	—	—	2,750	17
U.S. Obligations	3,903	97	—	—	3,903	97
Equity securities	—	—	2,453	1,127	2,453	1,127
Mutual funds	—	—	2,576	97	2,576	97
	\$ 9,754	\$ 121	\$ 5,029	\$ 1,224	\$ 14,783	\$ 1,345
December 31, 2008:						
Corporate bond	\$ 955	\$ 25	\$ —	\$ —	\$ 955	\$ 25
Equity securities	—	—	2,881	749	2,881	749
Mutual funds	—	—	2,449	158	2,449	158

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\$ 955 \$ 25 \$ 5,330 \$ **907** \$ **6,285** \$ **932**

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NOTE G – INVESTMENT SECURITIES (Continued)

The following summarizes the amortized cost and estimated fair value of securities held to maturity at June 30, 2009 and December 31, 2008 with gross unrealized gains and losses therein: (in thousands):

	June 30, 2009			
	Amortized Cost (In Thousands)	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value
Held to maturity:				
U.S. Government (including agencies)	\$ 198,859	\$ 321	\$ 1,428	\$ 197,752
Obligations of state and political subdivisions	9,020	86	117	8,989
	\$ 207,879	\$ 407	\$ 1,545	\$ 206,741

	December 31, 2008			
	Amortized Cost (In Thousands)	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value
Held to maturity:				
U.S. Government (including agencies)	\$ 67,985	\$ 176	\$ 115	\$ 68,046
Obligations of state and political subdivisions	6,130	77	231	5,976
	\$ 74,115	\$ 253	\$ 346	\$ 74,022

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The unrealized losses, categorized by the length of time of continuous loss position, and the fair value of related securities held to maturity are as follows:

	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(In Thousands)						
June 30, 2009:						
U.S. Government Obligations	\$ 140,960	\$ 1,428	\$ —	\$ —	\$ 140,960	\$ 1,428
Obligations of state & political subdivision	995	3	4,003	114	4,998	117
	\$ 141,955	\$ 1,431	\$ 4,003	\$ 114	\$ 145,958	\$ 1,545
December 31, 2008:						
U.S. Government Obligations	\$ 11,883	\$ 115	\$ —	\$ —	\$ 11,883	115
Obligations of state & political subdivision	1,706	96	2,378	135	4,084	231
	\$ 13,589	\$ 211	\$ 2,378	\$ 135	\$ 15,967	\$ 346

Proceeds from the sales and calls of securities available for sale amounted to zero in both the three and six months ended June 30, 2009.

It is the Company's policy to assess whether its mortgaged-backed and collateralized mortgage obligation securities are considered within the scope of EITF Issue 99-20, recognition of Interest Income and Impairment on Purchased Beneficial Interest and Beneficial Interest That Continue to Be Held by a Transferor in Securitized Financial Assets (EITF 99-20), at the date of acquisition of the security. EITF 99-20 excludes from its scope beneficial interest in securitized financial assets that are of "high credit quality" (e.g. securities guaranteed by the U.S. Government, its agencies, or other creditworthy guarantors and loans or securities sufficiently collateralized to ensure that the possibility of credit loss is remote). The SEC staff has acknowledged that beneficial interest rated "AA" or better should be deemed to be of high credit quality. The Bank's mortgage backed and collateralized mortgage obligation securities held at June 30, 2009 and December 31, 2008 were either backed by agencies of the U.S. Government or were rated "AA" or higher at date of acquisition, thus are not considered to be within the scope of EITF 99-20.

Management evaluates securities for other-than-temporary-impairment ("OTTI") at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. All of the Company's investment securities classified as available for sale or held to maturity are evaluated for OTTI under SFAS 115, *Accounting for Certain Investments in Debt and Equity Securities*.

In determining OTTI under the SFAS 115 model, management considers many factors, including: (1) the length of time and the extent to which the fair value has been less than amortized cost; (2) the financial condition and near term prospects of the issuer; (3) whether the market decline was affected by macroeconomic conditions, and (4) whether the entity has the intent to sell the debt security or more likely than not will be required to sell the debt security before its anticipated recovery. The assessment of whether an other-than-temporary-impairment decline exists involves a high degree of subjectivity and judgment and is based on information available to management at a point in time. An OTTI is deemed

to have occurred if there has been an adverse change in the remaining expected future cash flows.

When OTTI occurs under the model, the amount of the OTTI recognized in earnings depends on whether an entity intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis less any current period credit loss. If an entity intends to sell or more likely than not will be required to sell the security before recovery of its amortized cost basis less any current period credit loss, the OTTI shall be recognized in earnings equal to the entire difference between the investment's amortized cost basis and its fair value at the balance sheet date. If any entity does not intend to sell the security and it is not more likely than not that the entity will be

NOTE G – INVESTMENT SECURITIES (Continued)

required to sell the security before recovery of its amortized cost basis less any current period loss, the OTTI shall be separated into the amount representing the credit loss and the amount related to all other factors. The amount of the total OTTI related to the credit loss is determined based on the present value of cash flows expected to be collected and is recognized in earnings. The amount of the total OTTI related to other factors shall be recognized in other comprehensive income, net of applicable tax benefit. The previous amortized cost basis less the OTTI recognized in earnings shall become the new amortized cost basis of the investment. At June 30, 2009, the Company's available for sale and held to maturity securities portfolio consisted of 169 securities, of which 63 were in an unrealized loss position for less than twelve months and 9 were in a loss position for more than twelve months. No OTTI charges were recorded for the six months ended June 30, 2009.

Equity securities had gross unrealized losses of \$1.1 million and \$749 thousand at June 30, 2009 and December 31, 2008, respectively. In May of 2009 the company in which our Company holds equity securities announced it had reached a definitive agreement to be acquired and merged into a publicly traded financial institution with an anticipated closing by December 2009. The severity of the unrealized loss is correlated to the decline of the stock market that started in the fall of 2007, primarily in the financial industry, and a result of the current economic recession. Because the Company has the ability and intent to hold the common stock investment until a recovery of fair value, it does not consider the impairment to be other than temporary. The available for sale mutual funds are a CRA investment and currently have an unrealized loss of approximately \$97 thousand. They have been in a loss position for the last two years with the greatest unrealized loss being approximately \$184 thousand. Management does not believe the equity or mutual fund securities available for sale are impaired due to reasons of credit quality. Accordingly, as of June 30, 2009, management believes the impairments are temporary and no impairment loss has been realized in the Company's consolidated income statements.

The following tables set forth the composition of our mortgage backed securities portfolio as of June 30, 2009 and December 31, 2008 (in thousands):

	June 30, 2009		December 31, 2008	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Mortgage-backed securities held to maturity:				
GNMA	\$ 9,008	\$ 9,117	\$ 8,888	\$ 8,815
FHLMC	138,767	142,836	154,246	158,041
FNMA	113,125	117,783	124,942	128,497
Collateralized Mortgage Obligations	12,228	12,588	13,802	13,971
Total	\$ 273,128	\$ 282,324	\$ 301,878	\$ 309,324

Approximately \$99.5 million of securities held to maturity are pledged as collateral for Federal Home Loan Bank of New York ("FHLBNY") advances and borrowings at June 30, 2009.

NOTE H - LOANS RECEIVABLE, NET

Loans receivable, net at June 30, 2009 and December 31, 2008 were comprised of the following (in thousands):

	June 30, 2009	December 31, 2008
Real estate mortgage loans:		
Conventional 1-4 family	\$ 243,015	\$ 230,956
Commercial and multi-family	130,590	128,990
	373,605	359,946
Construction	18,785	28,899
Consumer:		
Equity and second mortgages	163,059	133,855
Other	1,011	943
	164,070	134,798
Commercial	6,863	5,762
Total loans	563,323	529,405
Less:		
Allowance for loan losses	2,961	2,223
Deferred loan fees	378	233
Loans in process	3,373	6,543
	6,712	8,999
Total loans receivable, net	\$ 556,611	\$ 520,406

Impaired loans and related amounts recorded in the allowance for loan losses are summarized as follows:

	June 30, 2009	December 31, 2008
	(In Thousands)	
Recorded investment in impaired loans without specific allowance	\$ 11,401	\$ 9,265
Recorded investment in impaired loans with specific allowance	4,572	2,778
Related allowance for loan losses	(684)	(520)
	\$ 15,289	\$ 11,523

Non-performing loans increased \$4.2 million to \$14.5 million at June 30, 2009 compared to \$10.3 million at December 31, 2008. Included in the increase is \$3.3 million of commercial loans and \$900 thousand of residential mortgages and equity loans. Approximately 85% of the loans added to the commercial non-performing category represent loans to builder developers. The increase in the residential mortgages and equity loans is primarily centered in one equity loan for \$554 thousand. Subsequent to June 30, 2009 one commercial loan in the non-performing

category for \$500 thousand paid in full.

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NOTE I - DEPOSITS

A summary of deposits by type of account as of June 30, 2009 and December 31, 2008 is as follows (dollars in thousands):

	June 30, 2009			December 31, 2008		
	Amount	Weighted Avg. Int. Rate		Amount	Weighted Avg. Int. Rate	
Demand:						
Non-interest bearing checking	\$ 34,283	0.00	%	\$ 27,898	0.00	%
Interest bearing checking	111,485	0.57	%	99,788	0.54	%
	145,768	0.43	%	127,686	0.42	%
Savings and club	252,059	1.15	%	204,031	1.21	%
Certificates of deposit	533,684	3.05	%	432,516	3.63	%
Total	\$ 931,511	2.13	%	\$ 764,233	2.44	%

At June 30, 2009, the Company had contractual obligations for certificates of deposit that mature as follows (in thousands):

One year or less	\$ 426,824
After one to three years	98,600
After three years	8,260
Total	\$ 533,684

NOTE J – PREMISES AND EQUIPMENT

Premises and equipment consisted of the following as of June 30, 2009 and December 31, 2008 (in thousands):

Estimated	June 30,	December
Useful	2009	31,
Lives		