ROMA FINANCIAL CORP
Form 10-Q
April 23, 2010

UNITED STATES
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, 2010

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 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 web site, 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 twelve 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 [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, April 20, 2010:

$0.10 par value common stock - 30,875,653 shares outstanding

ROMA FINANCIAL CORPORATION AND SUBSIDIARIES

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ROMA FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Unaudited)

	March 31, 2010	December 31, 2009
	(In thousands, except for share data)	
ASSETS		
Cash and amounts due from depository institutions	$7,345	$9,658
Interest-bearing deposits in other banks	75,441	25,647
Money market funds	18,774	15,590
Cash and Cash Equivalents	101,560	50,895
Investment securities available for sale ("AFS") at fair value	31,997	30,144
Investment securities held to maturity ("HTM") at amortized cost (fair value of $ 286,701 and $301,673, respectively)	287,354	305,349
Mortgage-backed securities held to maturity at amortized cost (fair value of $ 277,112 and $258,758, respectively)	267,205	248,426
Loans receivable, net of allowance for loan losses $6,506 and $5,243, respectively	589,170	585,759
Real estate owned	2,439	1,928
Real estate owned via equity investment	4,034	4,053
Premises and equipment, net	39,225	39,129
Federal Home Loan Bank of New York and ACBB stock	3,491	3,045
Accrued interest receivable	7,771	6,468
Bank owned life insurance	24,699	24,299
Other assets	11,398	12,506
Total Assets	$1,370,343	$ 1,312,001
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits:		
Non-interest bearing	$34,632	$32,481
Interest bearing	1,017,024	983,274
Total deposits	1,051,656	1,015,755
Federal Home Loan Bank of New York advances	31,285	24,826
Securities sold under agreements to repurchase	40,000	40,000
Securities purchased and not settled	16,654	-
Advance payments by borrowers for taxes and insurance	2,720	2,663
Accrued interest payable and other liabilities	10,497	12,537
Total Liabilities	1,152,812	1,095,781
Stockholders' Equity		
Common stock, $0.10 par value, 45,000,000 shares authorized, 32,731,875 shares issued; and 30,906,653 and 30,932,653 shares outstanding, respectively	3,274	3,274
Paid-in capital	99,257	98,921

Retained earnings	151,126	150,131
Unearned shares held by Employee Stock Ownership Plan	(6,089)	(6,224)
Treasury stock, 1,825,222 and 1,799,222, respectively outstanding	(29,542)	(29,214)
Accumulated other comprehensive (loss)	(2,168)	(2,313)
Total Roma Financial Corporation stockholders' equity	215,858	214,575
Noncontrolling interest	1,673	1,645
Total Stockholders' Equity	217,531	216,220
Total Liabilities and Stockholders' Equity	$1,370,343	$1,312,001

See notes to consolidated financial statements.

ROMA FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
	(In thousands, except for share and per share data)	
INTEREST INCOME		
Loans	$8,225	$7,312
Mortgage-backed securities held to maturity	3,145	3,893
Investment securities held to maturity	3,266	861
Securities available for sale	146	155
Other interest-earning assets	95	338
Total Interest Income	14,877	12,559
INTEREST EXPENSE		
Deposits	4,201	4,653
Borrowings	600	645
Total Interest Expense	4,801	5,298
Net Interest Income	10,076	7,261
PROVISION FOR LOAN LOSSES	1,272	367
Net Interest Income after Provision for Loan Losses	8,804	6,894
NON-INTEREST INCOME		
Non-Interest Income		
Commissions on sales of title policies	211	242
Fees and service charges on deposits and loans	407	359
Income from bank owned life insurance	277	283
Net gain from sale of mortgage loans originated for sale	55	29
Net gain for sale of available for sale securities	23	-
Other	280	184
Total Non-Interest Income	1,253	1,097
NON-INTEREST EXPENSE		
Salaries and employee benefits	4,382	4,042
Net occupancy expense of premises	708	760
Equipment	658	644
Data processing fees	417	388
Advertising	134	172
Federal deposit insurance premiums	301	29
Other	1,058	689
Total Non-Interest Expense	7,658	6,724

Income Before Income Taxes	2,399	1,267
INCOME TAXES	773	383
Net income	1,626	884
Plus: net (gain) loss attributable to the noncontrolling interest	(28)	11
Net Income attributable to Roma Financial Corporation	$1,598	$895
Net income attributable to Roma Financial Corporation per common share		
Basic and Diluted	$.05	$.03
Dividends Declared Per Share	$.08	$.08
Weighted Average Number of Common Shares Outstanding		
Basic and Diluted	30,733,344	30,636,239

See notes to consolidated financial statements.

ROMA FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)
(In thousands)

	Common Stock Shares	Common Stock Amount	Paid-In Capital	Retained Earnings	Unearned Shares Held By ESOP	Accumulated Other Comprehensive (Loss)	Treasury Stock	Noncontrolling Interest	Total
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 three months ended March 31, 2009	-	-	-	895	-	-	-	(11)	884
Other comprehensive income net of taxes:									
Unrealized loss on available for sale securities net of income taxes of $81	-	-	-	-	-	114	-	-	114
Total comprehensive income									$ 998
Dividends declared and paid	-	-	-	(600)	-	-	-	-	(600)
Stock-based compensation	-	-	300	-	-	-	-	-	300
ESOP shares earned	-	-	21	-	136	-	-	-	157
Balance March 31, 2009	30,888	$ 3,274	$ 98,615	$ 150,221	$ (6,629)	$ (3,307)	$ (29,935)	$ 1,632	$ 213,871
Balance December 31, 2009	30,933	$ 3,274	$ 98,921	$ 150,131	$ (6,224)	$ (2,313)	$ (29,214)	$ 1,645	$ 216,220
Comprehensive income:									

Net income for the three months ended March 31, 2010	-	-	-	1,598	-	-	-	28	1,626
Other comprehensive income net of taxes:									
Unrealized loss on available for sale securities net of income taxes of $106	-	-	-	-	-	145	-	-	145
Total comprehensive income	-	-	-	-	-	-	-	-	$ 1,771
Dividends declared and paid	-	-	-	(603)	-	-	-	-	(603)
Purchase of treasury shares	(26)	-	-	-	-	-	(328)	-	(328)
Stock-based compensation	-	-	309	-	-	-	-	-	309
ESOP shares earned	-	-	27	-	135	-	-	-	162
Balance March 31, 2010	30,907	$ 3,274	$ 99,257	$ 151,126	$ (6,089)	$ (2,168)	$ (29,542)	$ 1,673	$ 217,531

See notes to consolidated financial statements

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ROMA FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31, 2010	2009
	(In thousands)	
Cash Flows from Operating Activities		
Net income	$1,626	$884
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of premises and equipment	501	490
Stock-based compensation	309	300
Amortization of premiums and accretion of discounts on securities	(71)	(60)
Accretion of deferred loan fees and discounts	(67)	(11)
Gain on sale of securities available for sale	(23)	-
Net gain on sale of mortgage loans originated for sale	(55)	(29)
Mortgage loans originated for sale	(3,773)	(2,885)
Proceeds from sales of mortgage loans originated for sale	3,828	2,913
Provision for loan losses	1,272	367
ESOP shares earned	162	157
(Increase) decrease in accrued interest receivable	(1,303)	189
Increase in cash surrender value of bank owned life insurance	(231)	(240)
Decrease in other assets	999	12
Decrease in accrued interest payable	(231)	(51)
Increase (decrease) in other liabilities	(1,809)	1,295
Net Cash Provided by Operating Activities	1,134	3,331
Cash Flows from Investing Activities		
Proceeds from maturities, calls and principal repayments of securities available for sale	5,114	1,297
Proceeds from sale of securities available for sale	520	-
Purchases of securities available for sale	(6,219)	(13,250)
Proceeds from maturities, calls and principal repayments of investment securities held to maturity	46,000	30,000
Purchases of investment securities held to maturity	(21,975)	(51,982)
Principal repayments on mortgage-backed securities held to maturity	18,006	17,196
Purchases of mortgage-backed securities held to maturity	(27,081)	-
Net increase in loans receivable	(5,127)	(8,446)
Purchase of bank owned life insurance	(169)	-
Additions to premises and equipment and real estate owned via equity investment	(578)	(460)
(Purchases) redemption of Federal Home Loan Bank of New York and ACBB stock	(446)	873
Net Cash Provided by (used in) Provided by Investing Activities	8,045	(24,772)
Cash Flows from Financing Activities		
Net increase in deposits	35,901	82,553
Increase in advance payments by borrowers for taxes and insurance	57	131
Dividends paid to minority stockholders of Roma Financial Corp.	(603)	(600)
Repayment of Federal Home Loan Bank of New York advances	(541)	(20,517)

Proceeds from Federal Home Loan Bank of New York advances	7,000	-
Purchases of treasury stock	(328)	-
Net Cash Provided by Financing Activities	41,486	61,567
Net Increase in Cash and Cash Equivalents	50,665	40,126
Cash and Cash Equivalents – Beginning	50,895	80,419
Cash and Cash Equivalents – Ending	$101,560	$120,545

ROMA FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Cont'd)
(Unaudited)

	Three Months Ended March 31,	
	2010	2009
	(In thousands)	
Supplementary Cash Flows Information		
Income taxes paid, net	$-	$1,000
Interest paid	$5,032	$ 5,349
Securities purchased and not settled	$16,654	$30,000
Loans receivable transferred to real estate owned	$511	-

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, 2009 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. As of December 31, 2009, the Banks had 179 full-time employees and 39 part-time employees. Roma Bank maintains a website at www.romabank.com.

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 the 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 Accounting Standards Codification Topic 810, Variable Interest Entities. 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 months ended March 31, 2010 and 2009. The results of operations for the three months ended March 31, 2010 are not necessarily indicative of the results which may be expected for the entire fiscal year or other interim periods.

The December 31, 2009 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 2009 audited consolidated financial statements for the year ended December 31, 2009, 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 $370,000 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.

Effective April 1, 2009, the Company adopted Financial Accounting Standards Board (FASB) guidance now codified as FASB ASC Topic 855, Subsequent Events. This guidance establishes general standards for accounting and for disclosure of events that occur after the balance sheet date but before financial statements are issued. The subsequent event guidance sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition in the financial statements, identifies the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in the financial statements, and the disclosures that should be made about events or transactions that occur after the balance sheet date.

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 March 31, 2010, 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 months ended March 31, 2010 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. 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 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 March 31, 2010, 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 accounts for stock based compensation under FASB ASC Topic 718, "Compensation-Stock Compensation". ASC Topic 718 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. ASC Topic 718 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.

ASC Topic 718 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 the awards 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 three months ended March 31, 2010:

	Number of Stock Options	Weighted Avg. Exercise Price	Weighted Avg. Remaining Contractual Life	Aggregate Intrinsic Value
Balance at January 1, 2010	820,000	$13.67		
Granted	-	-		
Exercised	-	-		
Forfeited	-	-		
Balance at March 31, 2010	820,000	$13.67	8.5 years	$0.00
Exercisable at March 31, 2010	164,000	$13.67		

The following is a summary of the status of the Company's restricted shares as of March 31, 2010 and changes during the three months ended March 31, 2010.

	Number of Restricted Shares	Weighted Average Date Fair Value
Non-vested restricted shares at January 1, 2010	177,600	$ 13.67
Granted	-	-
Forfeited	-	-
Vested	-	-
Non-vested restricted shares at March 31, 2010	177,600	$ 13.67

Stock option and stock award expenses included in compensation expense was $300,000 for the three months ended March 31, 2010 and $300,000 for three months ended March 31, 2009, with a related tax benefit of $118,000 and $119,000 respectively. At March 31, 2010, approximately $3.9 million of unrecognized cost, related to outstanding stock options and restricted shares, which will be recognized over a period of approximately 3.25 years.

Equity Incentive Plan – RomAsia Bank

The stockholders of RomAsia Bank approved an equity incentive plan in 2009. On January 6, 2010, directors, senior officers and certain employees of the RomAsia Bank were granted, in the aggregate, options to purchase 75,500 shares of RomAsia common stock.

The Plan enables the Board of Directors of RomAsia Bank 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. RomAsia has reserved 225,000 shares of it'scommon stock for issuance upon the exercise of options granted under the Plan. The 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 RomAsia's 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 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 March 31, 2010, there were 149,500 shares available for option grants under the Plan.

NOTE E – STOCK BASED COMPENSATION (Continued)

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. The fair value of stock options granted in the three months ended March 31, 2010 was:

Expected life		6.5 years	
Risk-free rate		3.33	%
Volatility		25.76	%
Dividend yield		0.0	%
Fair Value	$	2.89	

The following is a summary of the status of the RomAsia's stock option activity and related information for the three months ended March 31, 2010:

	Number of Stock Options	Weighted Avg. Exercise Price	Weighted Avg. Remaining Contractual Life	Aggregate Intrinsic Value
Balance at January 1, 2010	-	$-		
Granted	75,500	8.47		
Exercised	-	-		
Forfeited	-	-		
Balance at March 31, 2010	75,500	$8.47	9.75 years	$0.00
Exercisable at March 31, 2010	-			

Stock option expense, related to the RomAsia plan included with compensation expense was $10,000 for the three months ended March 31, 2010, and zero for three months ended March 31, 2009, with a related tax benefit of $4,300 and zero, respectively. At March 31, 2010, approximately $208,000 unrecognized cost, related to outstanding stock options, will be recognized over a period of approximately 4.75 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 allocation. 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 March 31, 2010 there were 608,815 unearned shares. The Company's ESOP compensation expense was $162 thousand and $157 thousand, respectively, for the three months ended March 31, 2010 and 2009.

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 made a cash investment of 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 guidance in regards to variable interest entities now codified in FASB ASC Topic 810, "Consolidation", 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 March 31, 2010 and December 31, 2009, this variable interest entity met the requirements of ASC Topic 810 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 March 31, 2010, the LLC had $4.0 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 thousand at March 31, 2010 and during the three months then ended the Bank had paid $25 thousand in rent to the LLC. Both of these amounts were eliminated in consolidation. Roma Bank's 50% share of the LLC's net income for the three months ended March 31, 2010 was $20 thousand.

NOTE G – INVESTMENT SECURITIES

The following summarizes the amortized cost and estimated fair value of securities available for sale at March 31, 2010 and December 31, 2009 with gross unrealized gains and losses therein: (in thousands):

	March 31, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value
	(In Thousands)			
Available for sale:				
Mortgage-backed securities-U.S. Government Sponsored Enterprises (GSE's)	$10,999	$257	$50	$11,206
Obligations of state and political subdivisions	7,711	30	93	7,648
U.S. Government (including agencies)	8,506	4	89	8,421
Equity securities	1,383	130	-	1,513
Mutual fund shares	2,775	-	63	2,712
Corporate bond	500	-	3	497
	$31,874	$421	$298	$31,997

NOTE G – INVESTMENT SECURITIES (Continued)

	December 31, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value
	(In Thousands)			
Available for sale:				
Mortgage-backed securities-U.S. Government Sponsored Enterprises (GSE's)	$8,091	$217	$-	$8,308
Obligations of state and political subdivisions	9,557	48	149	9,456
U.S. Government (including agencies)	8,500	3	196	8,307
Equity securities	1,383	4	-	1,387
Mutual fund shares	2,740	-	54	2,686
	$30,271	$272	$399	$30,144

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)					
March 31, 2010:						
Mortgage-backed securities-GSE's	$3,629	$50	$-	$-	$3,629	$50
Obligations of state & political subdivisions	3,489	93	-	-	3,489	93
U.S. Government	7,417	89	-	-	7,417	89
Mutual funds	-	-	2,712	63	2,712	63
Corporate bond	500	3	-	-	500	3
	$15,035	$235	$2,712	$63	$17,747	$298
December 31, 2009:						
U.S. Government (including agencies)	$8,307	$196	$-	$-	8,307	196
Obligations of state & political subdivisions	5,351	149	-	-	5,351	149
Mutual funds	-	-	2,686	54	2,686	54
	$13,658	$345	$2,686	$54	$16,344	$399

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NOTE G – INVESTMENT SECURITIES (Continued)

The amortized cost and estimated fair value of securities available for sale at March 31, 2010 by contractual maturity are shown below. Expected maturities will differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without call or prepayment penalties:

	Amortized Cost	Fair Value
	(in Thousands)	
One year or less	$540	$541
After one to five years	1,007	1,005
After five to ten years	9,434	9,389
After ten years	5,736	5,631
Total	16,717	16,566
Mortgage-backed securities	10,999	11,206
Equity securities	1,383	1,513
Mutual funds	2,775	2,712
Total	$31,874	$31,997

The following summarizes the amortized cost and estimated fair value of securities held to maturity at March 31, 2010 and December 31, 2009 with gross unrealized gains and losses therein: (in thousands):

	March 31, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value
	(In Thousands)			
Held to maturity:				
U.S. Government (including agencies)	$274,432	$418	$1,185	$273,665
Obligations of state and political subdivisions	11,942	144	49	12,036
Corporate bond	980	19	-	1,000
	$287,354	$581	$1,234	$286,701

	December 31, 2009			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Carrying Value
	(In Thousands)			
Held to maturity:				
U.S. Government (including agencies)	$ 292,427	$ 149	$ 3,897	$ 288,679
Obligations of state and political subdivisions	11,943	139	86	11,996
Corporate bond	979	19	-	998

$ 305,349	$ 307	$ 3,983	$ 301,673

NOTE G – INVESTMENT SECURITIES (Continued)

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)			
March 31, 2010						
U.S. Government	$114,728	$1,176	$1,499	$9	$116,227	$1,185
Obligations of state & political subdivisions	2,835	38	1,699	11	4,534	49
	$117,563	$1,214	$3,198	$20	$120,761	$1,234
December 31, 2009:						
U.S. Government	$243,639	$3,897	$-	$-	$243,639	$3,897
Obligations of state & political subdivisions	5,574	86	-	-	5,574	86
	$249,213	$3,983	$-	$-	$249,213	$3,983

The amortized cost and estimated fair value of securities held to maturity at March 31, 2010 by contractual maturity are shown below. Expected maturities will differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without call or prepayment penalties:

	Amortized Cost	Fair Value
	(In Thousands)	
One year or less	$55	$55
After one to five years	16,685	16,741
After five to ten years	194,846	194,293
After ten years	75,768	75,612
Total	$287,354	$286,701

Proceeds from the sale of securities available for sale amounted to $520 thousand for the three months ended March 31, 2010 with a realized gain of $23 thousand. There were no sales of securities available for sale for the three months ended March 31, 2009.

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.

In determining OTTI under the ASC Topic 320, 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.

NOTE G – INVESTMENT SECURITIES (Continued)

When OTTI for debt securities, 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. 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, 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 required to sell the security before recovery of its amortized cost basis, 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 March 31, 2010, the Company's available for sale and held to maturity debt securities portfolio consisted of 172 securities, of which 167 were in an unrealized loss position for less than twelve months and 5 were in a loss position for more than twelve months. No OTTI charges were recorded for the three months ended March 31, 2010. The Company does not intend to sell these securities and it is not more likely than not that we will be required to sell these securities. Unrealized losses primarily relate to interest rate fluctuations and not credit concerns.

The available for sale mutual funds are a CRA investment and currently have an unrealized loss of approximately $63 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 mutual fund securities available for sale are OTTI due to reasons of credit quality. Accordingly, as of March 31, 2010, management believes the impairments are temporary and no impairment loss has been realized in the Company's consolidated income statement.

Approximately $110.0 million of securities held to maturity are pledged as collateral for Federal Home Loan Bank of New York ("FHLBNY") advances, borrowings, and deposits at March 31, 2010.

The following tables set forth the composition of our mortgage- backed securities portfolio as of March 31, 2010 and December 31, 2009 (in thousands):

	March 31, 2010			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Gains	Estimated Fair Value
	(In Thousands)			
Government National Mortgage Association	$6,634	$241	$-	$6,875
Federal Home Loan Mortgage Corporation	116,898	5,219	1,130	120,987
Federal National Mortgage Association	133,985	5,453	320	139,118
Collateralized mortgage obligations-GSE's	9,688	444	-	10,132
	$267,205	$11,357	$1,450	$277,112

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NOTE G – INVESTMENT SECURITIES (Continued)

	December 31, 2009			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In Thousands)			
Government National Mortgage Association	$7,148	$149	$21	$7,276
Federal Home Loan Mortgage Corporation	123,244	5,190	721	127,713
Federal National Mortgage Association	107,294	5,299	23	112,570
Collateralized mortgage obligations	10,740	459	-	11,199
	$248,426	$11,097	$765	$258,758

The unrealized losses, categorized by the length of time of continuous loss position, and the fair value of related mortgage-backed 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)					
March 31, 2010						
Federal Home Loan Mortgage Corporation	$12,603	$1,063	$2,781	$67	$15,384	$1,130
Federal National Mortgage Association	22,896	320	9	-	22,905	320
	$35,516	$1,383	$2,790	$ 67	$38,306	$1,450

NOTE G – INVESTMENT SECURITIES (Continued)

	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
			(In Thousands)			
December 31, 2009						
Government National Mortgage Association	$994	$20	$52	$1	$1,046	$21
Federal Home Loan Mortgage Corporation	5,230	224	1,549	497	6,779	721
Federal National Mortgage Association	-	-	1,131	23	1,131	23
	$6,224	$244	$2,732	$521	$8,956	$765

Management does not believe that any of the individual unrealized losses represent an other-than-temporary impairment. The unrealized losses on mortgage-backed securities relate primarily to fixed interest rate and, to a lesser extent, adjustable interest rate securities. Such losses are the result of changes in interest rates and not credit concerns. The Bank, Investment Co. and RomAsia Bank does not intend to sell these securities and it is not more likely than not that they will be required to sell these securities, therefore, no OTTI is required. As of March 31, 2010, there were 0 Government National Mortgage Association, 20 Federal Home Loan Mortgage Corporation, 11 Federal National Mortgage Association, and zero collateralized mortgage obligations, in unrealized loss positions compared to 5, 13, 3 and zero, respectively, in unrealized loss positions as of December 31, 2009.

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NOTE H - LOANS RECEIVABLE, NET

Loans receivable, net at March 31, 2010 and December 31, 2009 were comprised of the following (in thousands):

	March 31, 2010	December 31, 2009
Real estate mortgage loans:		
Conventional 1-4 family	$256,529	$251,937
Commercial and multi-family	172,076	172,334
	428,605	424,271
Construction	25,709	26,162
Consumer:		
Equity and second mortgages	133,278	133,199
Other	1,034	1,024
	134,312	134,223
Commercial	12,671	12,302
Total loans	601,297	596,958
Less:		
Allowance for loan losses	6,506	5,243
Deferred loan fees	430	432
Loans in process	5,191	5,524
	12,127	11,199
Total loans receivable, net	$589,170	$585,759

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

	March 31, 2010	December 31, 2009
	(In Thousands)	
Recorded investment in impaired loans without specific allowance	$22,330	$16,842
Recorded investment in impaired loans with specific allowance	9,339	7,783
Related allowance for loan losses	(3,635)	(2,483)
	$28,034	$22,142

Non-accrual loans increased $4.0 million to $18.8 million at March 31, 2010 compared to $14.8 million at December 31, 2009. Included in the increase is $3.9 million of commercial loans and $181 thousand of residential mortgages and equity loans. Approximately 80% of the loans added to the commercial non-performing category represent loans to builder developers. The remaining loan added to commercial non-performing loans was to a restaurant. The Company is taking a proactive approach in identifying loans at an early stage that may be experiencing cash flow deterioration or collateral weakening even though the loan remains current. The Company is in the process of obtaining new appraisals on all substandard real estate loans and any other loans that are identified as having early warning signs of weakening.

NOTE I - DEPOSITS

A summary of deposits by type of account as of March 31, 2010 and December 31, 2009 is as follows (dollars in thousands):

	March 31, 2010			December 31, 2009		
	Amount	Weighted Avg. Int. Rate		Amount	Weighted Avg. Int. Rate	
Demand:						
Non-interest bearing checking	$34,632	0.00	%	$32,481	0.00	%
Interest bearing checking	129,692	0.44	%	129,505	0.44	%
	164,324	0.35	%	161,986	0.35	%
Savings and club	293,234	0.93	%	275,990	0.91	%
Certificates of deposit	594,098	2.20	%	577,779	2.47	%
Total	$1,051,656	1.56	%	$1,015,755	1.71	%

At March 31, 2010, the Company had contractual obligations for certificates of deposit that mature as follows (in thousands):

One year or less	$ 418,562
After one to three years	150,065
After three years	25,471
Total	$ 594,098

NOTE J – PREMISES AND EQUIPMENT

Premises and equipment consisted of the following as of March 31, 2010 and December 31, 2009 (in thousands):

	Estimated Useful Lives	March 31, 2010	December 31, 2009
Land for future development	-	$1,054	$1,054
Construction in progress	-	276	220
Land and land improvements	-	5,428	5,428
Buildings and improvements	20-50 yrs	35,538	35,299
Furnishings and equipment	3-10 yrs.	9,824	9,543
Total premises and equipment		52,120	51,544
Accumulated depreciation		12,895	12,415
Total		$39,225	$39,129

NOTE K – FEDERAL HOME LOAN BANK ADVANCES AND SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

At March 31, 2010 and December 31, 2009, the Banks had outstanding Federal Home Bank of New York (FHLBNY) advances as follows (dollars in thousands):

	March 31, 2010			December 31, 2009		
	Amount	Interest Rate		Amount	Interest Rate	
Maturing:						
September 30, 2010	$1,285	4.49	%	$1,826	4.49	%

Scheduled principal payments are follows (in thousands):

One year or less	$1,285
More than one year through three years	-
	$1,285

At March 31, 2010 and December 31, 2009, Roma Bank and RomAsia Bank also had outstanding FHLBNY advance totaling $30.0 million and $23.0 million, respectively. The borrowings are as follow (in thousands):

03/31/010		12/31/2009		Interest Rate		Maturity Date	Call Date
$	23,000	$	23,000	3.90	%	10/29/2017	10/29/2010
	500		-	0.67	%	09/20/2010	-
	1,500		-	0.90	%	03/21/2011	-
	3,500		-	1.47	%	03/19/2012	-
	1,500		-	2.09	%	03/19/2013	-
$	30,000	$	23,000				

Securities sold under agreements to repurchase are treated as financing and are reflected as a liability in the consolidated statements of financial condition. Securities sold under an agreement to repurchase amounted to $40.0 million at March 31, 2010 and December 31, 2009. The maturities and respective interest rates are as follows: $10.0 million maturing in 2015 with a two year call at 3.22%; $20.0 million maturing in 2018 with a three year call at 3.51%; and $10.0 million maturing in 2018 with a five year call at 3.955%. The agreement is collateralized by securities described in the underlying agreement which are held in safekeeping by the FHLBNY. At March 31, 2010, the fair value of the mortgage-backed securities used as collateral under the agreement was approximately $47.1 million.

NOTE L – RETIREMENT PLANS

Components of net periodic pension cost for the three months ended March 31, 2010 and 2009 were as follows (in thousands):

	Three Months Ended March 31,	
	2010	2009

Service cost	$96	$97
Interest cost	155	147
Expected return on plan assets	(144)	(123)
Amortization of unrecognized net loss	61	89
Amortization of unrecognized past service liability	4	4
Net periodic benefit expense	$172	$214

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NOTE M – CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS

In the normal course of business, the Company enters into off-balance sheet arrangements consisting of commitments to fund residential and commercial loans and lines of credit. Outstanding loan commitments at March 31, 2010 were as follows (in thousands):

	March 31, 2010
Residential mortgage and equity loans	$13,068
Commercial loans committed not closed	5,684
Commercial lines of credit	31,343
Consumer unused lines of credit	40,578
Commercial letters of credit	4,209
	$94,882

In the ordinary course of business to meet the financial needs of the Company's customers, the Company is party to financial instruments with off-balance-sheet risk. These financial instruments include unused lines of credit and involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated financial statements. The contract or notional amounts of these instruments express the extent of involvement the Company has in each category of financial instruments.

The Company's exposure to credit loss from nonperformance by the other party to the above-mentioned financial instruments is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. The contract or notional amount of financial instruments which represent credit risk at March 31, 2010 and December 31, 2009 is as follows (in thousands):

	March 31, 2010	December 31, 2009
Standby by letters of credit	$4,209	$4,210
Outstanding loan and credit line commitments	$90,673	$67,791

Standby letters of credit are conditional commitments issued by the Company which guarantee performance by a customer to a third party. The credit risk and underwriting procedures involved in issuing letters of credit are essentially the same as that involved in extending loan facilities to customers. These are irrevocable undertakings by the Company, as guarantor, to make payments in the event a specified third party fails to perform under a non-financial contractual obligation. Most of the Company's performance standby letters of credit arise in connection with lending relationships and have terms of one year or less. The current amount of the liability related to guarantees under standby letters of credit issued is not material as of March 31, 2010.

Outstanding loan commitments represent the unused portion of loan commitments available to individuals and companies as long as there is no violation of any condition established in the contract. Outstanding loan commitments generally have a fixed expiration date of one year or less, except for home equity loan commitments which generally have an expiration date of up to 15 years. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral, if any, obtained, upon extension of credit is based upon management's credit evaluation of the customer. While various types of collateral may be held, property is primarily obtained as security. The credit risk involved in these financial instruments is essentially the same as that involved in extending loan facilities to customers.

NOTE M – CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET ARRANGEMENTS (Continued)

The Banks have non-cancelable operating leases for branch offices. The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year at March 31, 2010: (In thousands)

Year Ended March 31:

2010	$	491
2011		499
2012		508
2013		525
2014		533
Thereafter		7,006
Total Minimum Payments Required	$	9,562

Included in the total required minimum lease payments is $1,831,000 of payments to the LLC. The Company eliminates these payments in consolidation.

NOTE N – FAIR VALUE MEASUREMENTS AND DISCLOSURES

The Company follows the guidance on fair value measurements now codified as FASB ASC Topic 820, “Fair Value Measurements and Disclosures”. Fair value measurements are not adjusted for transaction costs. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

Management uses its best judgment in estimating the fair value of the Company’s financial instruments; however, there are inherent weaknesses in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates herein are not necessarily indicative of the amounts the Company could have realized in a sales transaction on the dates indicated. The estimated fair value amounts have been measured as of their respective period ends and have not been re-evaluated or updated for purposes of these financial statements subsequent to those respective dates. As such, the estimated fair values of these financial instruments subsequent to the respective reporting dates may be different than the amounts reported at each period-end.

The fair value measurement hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported with little or no market activity).

An asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

NOTE N –FAIR VALUE MEASUREMENTS AND DISCLOSURES (Continued)

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used at March 31, 2010, were as follows:

Description	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs	Total Fair Value March 31, 2010
		(In Thousands)		
Securities available for sale	$-	$31,997	$ -	$31,997

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy, used at December 31, 2009 were as follows:

Description	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs	Total Fair Value December 31, 2009
		(In Thousands)		
Securities available for sale	$-	$30,144	$ -	$30,144

For financial assets measured at fair value on a nonrecurring basis, the fair value measurements by level within the fair value hierarchy used at March 31, 2010, were as follows:

Description	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs	Total Fair Value March 31, 2010
		(In Thousands)		
Impaired loans	$-	$-	$ 5,704	$5,704
Real estate owned	$-	$-	$ 2,439	$2,439

NOTE N –FAIR VALUE MEASUREMENTS AND DISCLOSURES (Continued)

For financial assets measured at fair value on a nonrecurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2009, were as follows:

Description	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs	Total Fair Value March 31, 2010
		(In Thousands)		
Impaired loans	$-	$-	$ 5,300	$5,300
Real estate owned	$-	$-	$ 1,928	$1,928

The following information should not be interpreted as an estimate of the fair value of the Company since a fair value calculation is only provided for a limited portion of the Company assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Company disclosures and those of other companies may not be meaningful. The following methods and assumptions were used to estimate the fair values of the Company's financial instruments at March 31, 2010, and December 31, 2009.

Cash and Cash Equivalents (Carried at Cost)

The carrying amounts reported in the balance sheet for cash and short-term instruments approximate those assets' fair values.

Securities

The fair value of securities available for sale (carried at fair value) and held to maturity (carried at amortized cost) are determined by obtaining quoted market prices on nationally recognized securities exchanges (Level 1), or matrix pricing (Level 2), which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted market prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted prices. For certain securities which are not traded in active markets or are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability, and such adjustments are generally based on available market evidence (Level 3). In the absence of such evidence, management's best estimate is used. Management's best estimate consists of both internal and external support on certain Level 3 investments. Internal cash flow models using a present value formula that includes assumptions market participants would use along with indicative exit pricing obtained from broker/dealers (where available) were used to support fair values of certain Level 3 investments.

Loans Receivable (Carried at Cost)

The fair values of loans are estimated using discounted cash flow analyses, using market rates at the balance sheet date that reflect the credit and interest rate-risk inherent in the loans. Projected future cash flows are calculated based upon contractual maturity or call dates, projected repayments and prepayments of principal. Generally, for variable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values.

Impaired Loans (Generally Carried at Fair Value)

Impaired loans carried at fair value are those impaired loans in which the Company has measured impairment generally based on the fair value of the loan’s collateral. Fair value is generally determined based upon independent third-party appraisals of the properties, or discounted cash flows based upon the expected proceeds. These assets are included as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements. The fair

NOTE N –FAIR VALUE MEASUREMENTS AND DISCLOSURES (Continued)

value at March 31, 2010 consists of the loan balances of $9.3 million, net of a valuation allowance of $3.6 million. The fair value at December 31, 2009 consists of the loan balances of $7.8 million, net of a valuation allowance of $2.5 million.

Other Real Estate Owned

Real estate owned assets are adjusted to fair value less estimated selling costs upon transfer of the loans to real estate owned. Subsequently, real estate owned assets are carried at the lower of carrying value or fair value. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the collateral. These assets are included as Level 3 fair values.

Federal Home Loan Bank Stock and ACBB Stock (Carried at Cost)

The carrying amount of this restricted investment in bank stock approximates fair value, and considers the limited marketability of such securities.

Accrued Interest Receivable and Payable (Carried at Cost)

The carrying amount of accrued interest receivable and accrued interest payable approximates its fair value.

Deposit Liabilities (Carried at Cost)

The fair values disclosed for demand deposits (e.g., interest and noninterest checking, passbook savings and money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered in the market on certificates to a schedule of aggregated expected monthly maturities on time deposits.

Federal Home Loan Bank of New York Advances and Securities Sold Under Agreements to Repurchase (Carried at Cost)

Fair values of FHLB advances and securities sold under agreements to repurchase are estimated using discounted cash flow analysis, based on quoted prices for new FHLB advances with similar credit risk characteristics, terms and remaining maturity. These prices obtained from this active market represent a market value that is deemed to represent the transfer price if the liability were assumed by a third party.

Off-Balance Sheet Financial Instruments (Disclosed at Cost)

Fair values for the Company's off-balance sheet financial instruments (lending commitments and letters of credit) are based on fees currently charged in the market to enter into similar agreements, taking into account, the remaining terms of the agreements and the counterparties' credit standing. The fair value of these off-balance sheet financial instruments are not considered material as of March 31, 2010 and December 31, 2009.

NOTE N –FAIR VALUE MEASUREMENTS AND DISCLOSURES (Continued)

The carrying amounts and estimated fair values of financial instruments are as follows:

	March 31, 2010		December 31, 2009	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(In Thousands)			
Financial assets:				
Cash and cash equivalents	$101,560	$101,560	$50,895	$50,895
Securities available for sale	31,997	31,997	30,144	30,144
Investment securities held to maturity	287,354	286,702	305,349	301,673
Mortgage-backed securities held to maturity	267,205	277,113	248,426	258,758
Loans receivable, net	589,170	595,840	585,759	594,853
Federal Home Loan Bank of New York Stock and ACBB stock	3,491	3,491	3,045	3,045
Interest receivable	7,771	7,771	6,468	6,468
Financial liabilities:				
Deposits	1,051,656	1,055,369	1,015,755	1,032,497
Federal Home Loan Bank of New York Advances	31,285	29,002	24,826	27,097
Securities sold under agreements to repurchase	40,000	37,290	40,000	42,737
Accrued interest payable	995	995	1,226	1,226

Limitations

The fair value estimates are made at a discrete point in time based on relevant market information and information about the financial instruments. Fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates. Further, the foregoing estimates may not reflect the actual amount that could be realized if all or substantially all of the financial instruments were offered for sale. This is due to the fact that no market exists for a sizable portion of the loan, deposit and off balance sheet instruments.

In addition, the fair value estimates are based on existing on-and-off balance sheet financial instruments without attempting to value anticipated future business and the value of assets and liabilities that are not considered financial instruments. Other significant assets that are not considered financial assets include premises and equipment. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in any of the estimates.

Finally, reasonable comparability between financial institutions may not be likely due to the wide range of permitted valuation techniques and numerous estimates which must be made given the absence of active secondary markets for many of the financial instruments. This lack of uniform valuation methodologies introduces a greater degree of subjectivity to these estimated fair values.

NOTE O –OTHER COMPREHENSIVE INCOME

Components of accumulated other comprehensive (loss) at March 31, 2010 and December 31, 2009 were as follows (in thousands):

	March 31, 2010	December 31, 2009
	(in Thousands)	
Net unrealized (loss) on securities available for sale	$ 123	$(127)
Tax effect	(49)	56
Net of tax amount	74	(71)
Minimum pension liability	(3,745)	(3,745)
Tax effect	1,503	1.503
Net of tax amount	(2,242)	(2,242)
Accumulated other comprehensive loss	$(2,168)	$(2,313)

The components of other comprehensive income for the three months ended March 31, 2010 and 2009 and their related tax effects are presented in the following table:

	March 31, 2010	March 31, 2009
	(in Thousands)	
Unrealized holding gains on available for sale securities:		
Unrealized holding gains (losses) arising during the year	$ 274	