ROMA FINANCIAL CORP
Form 10-Q
November 09, 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 September 30, 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,
November 1, 2010:

$0.10 par value common stock - 30,410,912 shares outstanding

ROMA FINANCIAL CORPORATION AND SUBSIDIARIES

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ROMA FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Unaudited)

	September 30, 2010	December 31, 2009
	(In thousands, except for share data)	
Assets		
Cash and amounts due from depository institutions	$ 20,862	$ 9,658
Interest-bearing deposits in other banks	61,116	25,647
Money market funds	65,378	15,590
Cash and Cash Equivalents	147,356	50,895
Investment securities available for sale (“AFS”), at fair value	56,857	30,144
Investment securities held to maturity (“HTM”), at amortized cost (fair value of $316,927 and $301,673, respectively)	314,064	305,349
Mortgage-backed securities held to maturity, at amortized cost (fair value of $315,249 and $258,758, respectively)	301,171	248,426
Loans receivable, net of allowance for loan losses($6,857 and $5,243, respectively)	888,667	585,759
Real estate and other repossessed assets	3,049	1,928
Real estate owned via equity investment	3,998	4,053
Premises and equipment, net	48,778	39,129
Goodwill	1,826	572
Federal Home Loan Bank of New York and ACBB stock	4,296	3,045
Accrued interest receivable	7,924	6,468
Bank owned life insurance	27,811	24,299
Other assets	18,601	11,934
Total Assets	$1,824,398	$1,312,001
Liabilities and Stockholders’ Equity		
Liabilities		
Deposits:		
Non-interest bearing	$ 64,739	$ 32,481
Interest bearing	1,419,466	983,274
Total deposits	1,484,205	1,015,755
Federal Home Loan Bank of New York advances	29,500	24,826
Securities sold under agreements to repurchase	40,000	40,000
Subordinated debentures	5,100	-
Securities purchased and not settled	32,620	-
Advance payments by borrowers for taxes and insurance	2,706	2,663
Accrued interest payable and other liabilities	12,985	12,537
Total Liabilities	1,607,116	1,095,781
Stockholders’ Equity		
Common stock, $0.10 par value, 45,000,000 shares authorized, 32,731,875 shares issued;		

30,616,373 and 30,932,653 shares outstanding, respectively	3,274	3,274
Paid-in capital	99,245	98,921
Retained earnings	152,243	150,131
Unearned shares held by Employee Stock Ownership Plan	(5,819)	(6,224)
Treasury stock, 2,115,502 and 1,799,222 shares, respectively	(32,643)	(29,214)
Accumulated other comprehensive loss	(731)	(2,313)
Total Roma Financial Corporation stockholders' equity	215,569	214,575
Noncontrolling interest	1,713	1,645
Total Stockholders' Equity	217,282	216,220
Total Liabilities and Stockholders' Equity	$1,824,398	$1,312,001

See notes to consolidated financial statements.

ROMA FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
	(In thousands, except for share and per share data)		(In thousands, except for share and per share data)	
Interest Income				
Loans, including fees	$ 11,628	$ 8,092	$ 28,290	$ 23,023
Mortgage-backed securities held to maturity	3,351	3,455	9,909	11,007
Investment securities held to maturity	2,742	2,375	9,078	4,857
Securities available for sale	280	364	564	667
Other interest-earning assets	140	88	338	666
Total Interest Income	18,141	14,374	48,179	40,220
Interest Expense				
Deposits	4,988	5,031	13,306	14,601
Borrowings	692	608	1,906	1,867
Total Interest Expense	5,680	5,639	15,212	16,468
Net Interest Income	12,461	8,735	32,967	23,752
Provision for loan losses	1,822	1,257	3,863	2,009
Net Interest Income after Provision for Loan Losses	10,639	7,478	29,104	21,743
Non-Interest Income				
Commissions on sales of title policies	248	288	698	862
Fees and service charges on deposits and loans	662	442	1,468	1,140
Income from bank owned life insurance	309	288	869	854
Net gain from sale of mortgage loans originated for sale	137	15	322	89
Net gain for sale of available for sale securities	56	67	107	104
Gain (loss) from sale of real estate owned	79	-	79	(8)
Other	381	199	951	641
Total Non-Interest Income	1,872	1,299	4,494	3,682
Non-Interest Expense				

Salaries and employee benefits	5,946	4,178	14,966	12,218
Net occupancy expense of premises	1,129	694	2,522	2,133
Equipment	862	620	2,189	1,905
Data processing fees	523	400	1,350	1,187
Federal Deposit Insurance Premium	544	257	1,146	1,426
Advertising	222	217	568	598
Acquisition costs	357	-	882	-
Provision for loss on real estate owned	315	-	706	-
Other	1,219	791	3,185	2,319
Total Non-Interest Expense	11,117	7,157	27,514	21,786
Income Before Income Taxes	1,394	1,620	6,084	3,639
Income Taxes	552	524	2,130	1,114
Net income before noncontrolling interests	842	1,096	3,954	2,525
Plus: net (gain) loss attributable to the noncontrolling interest	(19)	(11)	(68)	2
Net Income attributable to Roma Financial Corporation	$ 823	$ 1,085	$ 3,886	$ 2,527
Net income attributable to Roma Financial Corporation per common share				
Basic and Diluted	$ .03	$ .04	$ .13	$ .08
Dividends Declared Per Share	$ .08	$ .08	$ .24	$ .24
Weighted Average Number of Common Shares Outstanding				
Basic and Diluted	30,522,787	30,707,645	30,632,568	30,665,363

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 nine months ended September 30, 2009				2,527				(2)	2,525
Other comprehensive income net of taxes:									
Unrealized gain on available for sale securities net of income taxes $(56) and reclassification adjustment						187			187
Total comprehensive income									2,712
Treasury shares released	44		(721)				721		-
Dividends declared				(1,806)					(1,806)
Capital contributed by minority interest								10	10
Stock-based compensation			911						911
ESOP shares earned			96		406				502
Balance September 30, 2009	30,932	$ 3,274	$ 98,580	$150,647	$ (6,359)	$ (3,234)	$ (29,214)	$ 1,651	$215,345
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 nine months ended September 30, 2010				3,886				68	3,954

Other comprehensive income net of taxes:									
Unrealized gain on available for sale securities net of income taxes($1,122) and reclassification adjustment						1,582			1,582
Total comprehensive income									5,536
Treasury shares repurchased	(361)						(4,132)		(4,132)
Treasury shares released	44		(703)				703		-
Dividends declared				(1,774)					(1,774)
Stock-based compensation			964						964
ESOP shares earned			63		405				468
Balance September 30, 2010	30,616	$ 3,274	$ 99,245	$152,243	$ (5,819)	$ (731)	$ (32,643)	$ 1,713	$ 217,282

See notes to consolidated financial statements

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

	Nine Months Ended September 30, 2010	2009
	(In thousands)	
Cash Flows from Operating Activities		
Net income	$3,954	$ 2,525
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of premises and equipment	1,572	1,487
Stock-based compensation	964	911
Amortization of premiums and accretion of discounts on securities	3	(78)
Accretion of deferred loan fees and discounts	(155)	(89)
Gain on sale of securities available for sale	(107)	(104)
Net gain on sale of mortgage loans originated for sale	(322)	(89)
Mortgage loans originated for sale	(13,941)	(7,897)
Proceeds from sales of mortgage loans originated for sale	14,263	7,986
Net realized (gain) loss on sale of real estate owned	(79)	8
Provision for loan losses	3,863	2,009
ESOP shares earned	468	502
Increase in accrued interest receivable	(1,456)	(2,161)
Increase in cash surrender value of bank owned life insurance	(899)	(727)
Increase in other assets	1,644	167
(Decrease) increase in accrued interest payable	(183)	228
(Decrease) increase in other liabilities	(4,055)	3,044
Net Cash Provided by Operating Activities	5,534	7,722
Cash Flows from Investing Activities		
Proceeds from maturities, calls and principal repayments of securities available for sale	14,894	4,467
Proceeds from sale of securities available for sale	3,464	6,281
Purchases of securities available for sale	(16,034)	(22,700)
Proceeds from maturities, calls and principal repayments of investment securities held to maturity	304,697	83,000
Purchases of investment securities held to maturity	(297,020)	(274,725)
Principal repayments on mortgage-backed securities held to maturity	57,921	60,908
Purchases of mortgage-backed securities held to maturity	(87,582)	(21,883)
Proceeds from sale of real estate owned	1,758	60
Net increase in loans receivable	(34,498)	(55,021)
Additions to premises and equipment and real estate owned via equity investment	(3,829)	(865)
	(172)	474

(Purchase) redemption of Federal Home Loan Bank of New York and ACBB stock		
Cash acquired in merger, net of cash used in acquisition	16,032	-
Addition to real estate via equity investment	-	(100)
Net Cash Used in Investing Activities	(40,369)	(220,104)
Cash Flows from Financing Activities		
Net increase in deposits	147,729	202,146
Increase in advance payments by borrowers for taxes and insurance	43	230
Dividends paid to minority stockholders of Roma Financial Corp.	(1,785)	(1,803)
Capital contribution by noncontrolling interest	-	10
Purchases of treasury stock	(4,132)	-
Redemption of Federal Home Loan Bank of New York advances	(17,559)	(21,568)
Proceeds from Federal Home Loan Bank of New York advances	7,000	-
Net Cash Provided by Financing Activities	131,296	179,015
Net Increase in Cash and Cash Equivalents	96,461	(33,367)
Cash and Cash Equivalents – Beginning	50,895	80,419
Cash and Cash Equivalents – Ending	$ 147,356	$ 47,052

ROMA FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Cont'd)

(Unaudited)

	Nine Months Ended September 30, 2010	2009
	(In thousands)	
Supplementary Cash Flows Information		
Income taxes paid, net	$ 2,592	$ 1,727
Interest paid	$ 15,370	$ 16,240
Securities purchased and not settled	$ 32,620	$ 2,995
Loan receivable transferred to other repossessed assets	$911	$ -
Fair value of assets acquired, net of cash and cash equivalents acquired	$ 329,708	$ -
Fair value of liabilities assumed	$ 345,740	$ -

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 twenty-three branch offices located in Mercer, Burlington, Camden and Ocean Counties, New Jersey. RomAsia Bank operates from two locations in Monmouth Junction, New Jersey. As of September 30, 2010, the Banks had 288 full-time employees and 50 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 which are necessary for a fair presentation of the consolidated financial statements have been made at and for the three and nine months ended September 30, 2010 and 2009. The results of operations for the three and nine months ended September 30, 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. Management evaluated subsequent events until the date of issuance of this report and concluded that no events occurred that were of a material nature.

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NOTE C – ACQUISITION

On July 16, 2010, the Company completed its acquisition of Sterling Banks, Inc., the holding company for Sterling Bank. The transaction qualified as a tax-free reorganization for federal income tax purposes. The final consideration paid in the transaction to stockholders of Sterling Banks, Inc. consisted of $2.52 per share or $14,725,000, in cash.

The Company accounted for the transaction using the acquisition method pursuant to FASB ASC 805 "Business Combinations". Accordingly, the Company recorded merger and acquisition expenses totaling $822 thousand during the nine months ended September 30, 2010. The Company's results of operations include Sterling Banks, Inc. and Sterling Bank from the date of acquisition. Additionally, ASC 805 "Business Combinations" requires an acquirer to recognize the assets acquired and the liabilities assumed at their fair values as of the acquisition date.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed as of the date of the acquisition:

Assets:	
Cash and cash equivalents	$ 30,757
Investments	32,707
Loans	272,313
Real estate owned	2,593
Premises and equipment	7,337
Bank owned life insurance	2,613
Goodwill	1,254
Deferred income taxes	7,100
Other assets	3,791
Total Assets Acquired	360,465
Liabilities	
Deposits	$ 320,721
Federal Home Loan Bank of New York advances	15,233
Subordinated debentures	5,100
Other liabilities	4,686
Total Liabilities Assumed	345,740
Net Assets Acquired	$ 14,725

As noted above, the Company acquired loans with a fair value of $272.3 million. Included in this amount was $47.4 million of loans with evidence of deterioration of credit quality since origination for which it was probable, at the time of the acquisition, that the Company would be unable to collect all contractually required payments receivable. In accordance with the "Loans and Debt Securities Acquired with Deteriorating Credit Quality" section of FASB ASC 310 "Receivables," the Company recorded a non accretable credit mark discount of $13.3 million, which is defined as the loans' contractually required payments receivable in excess of the amount of its cash flows expected to be collected. The Company considered factors such as payment history, collateral values, and accrual status when determining whether there was evidence of deterioration of a loan's credit quality at the acquisition date.

The following summarizes the unaudited pro forma results of operations for the nine months ended September 30, 2010 and 2009, as if the Company acquired Sterling Banks, Inc. and Sterling Bank on January 1, 2009. The pro forma results for 2009 include merger costs net of tax of $529 thousand or $.02 per diluted share.

	09/30/10	09/30/09
	$ 43,652	$ 31,310

Net interest income before provision for loan losses		
Net income (loss)	$ (8,176)	$ (9,627)
Earnings per share –basic and diluted	$ (0.27)	$ (0.31)

The unaudited proforma results for the three months ended September 30, 2010 and 2009, as if the Company acquired Sterling Banks Inc. and Sterling Bank on January 1, 2009 are as follows:

	09/30/10	09/30/09
Net interest income before provision for loan losses	$ 12,982	$ 11,442
Net income (loss)	$ (3,161)	$ (2,438)
Earnings per share –basic and diluted	$ (.10)	$ (.08)

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NOTE D - 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 September 30, 2010, on the Company's consolidated financial position or results of operations.

NOTE E – 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 nine months ended September 30, 2010 and September 30, 2009, were not considered in the calculation of diluted earnings per share because they were antidilutive.

NOTE F – 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 September 30, 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 "salaries and employee benefits" in the consolidated statement of income 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 F – STOCK BASED COMPENSATION (Continued)

The following is a summary of the status of the Company’s stock option activity and related information for the nine months ended September 30, 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 September 30, 2010	820,000	$ 13.67	7.75 years	$ 0.00
Exercisable at September 30, 2010	328,000	$ 13.67		

The following is a summary of the status of the Company’s restricted shares as of September 30, 2010 and changes during the nine months ended September 30, 2010.

	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Non-vested restricted shares at January 1, 2010	177,600	$ 13.67
Granted	-	-
Forfeited	-	-
Vested	44,400	13.67
Non-vested restricted shares at September 30, 2010	133,200	$ 13.67

Stock option and stock award expenses included in compensation expense were $300,000 and $900,000, respectively, for the three and nine months ended September 30, 2010 with a respective tax benefit of $120,000 and $360,000, and $300,000 and $911,000, respectively for the three and nine months ended September 30, 2009, with a respective tax benefit of $121,000 and $364,000. At September 30, 2010, approximately $3.3 million of unrecognized cost, related to outstanding stock options and restricted shares, will be recognized over a period of approximately 2.75 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's common 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

NOTE F – STOCK BASED COMPENSATION (Continued)

Company's outstanding shares. At September 30, 2010, there were 149,500 shares available for option grants under the Plan.

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 nine months ended September 30, 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 RomAsia's stock option activity and related information for the nine months ended September 30, 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 September 30, 2010	75,500	$ 8.47	9.25 years	$ 0.00
Exercisable at September 30, 2010	-			

Stock option expense, related to the RomAsia plan included with compensation expense was $11,000 and $32,000 for the three and nine months ended September 30, 2010, and zero for three and nine months ended September 30, 2009, with a related tax benefit of $5,000 and $14,000 for the three and nine months ended September 30, 2010, and zero in 2009. At September 30, 2010, approximately $192,000 of unrecognized cost, related to outstanding stock options, will be recognized over a period of approximately 4.25 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. 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. As of September 30, 2010 there were 581,757 unearned shares. The Company's ESOP compensation expense was $146 thousand and $468 thousand, and $171 thousand and $502 thousand, respectively, for the three and nine months ended September 30, 2010 and 2009.

NOTE G – 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 September 30, 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 September 30, 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 September 30, 2010 and during the three and nine months then ended the Bank paid $26 thousand and $76 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 nine months ended September 30, 2010 was $35 thousand.

NOTE H – INVESTMENT SECURITIES

The following summarizes the amortized cost and estimated fair value of securities available for sale at September 30, 2010 and December 31, 2009 with gross unrealized gains and losses therein:

	September 30, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Available for sale:				
Mortgage-backed securities-U.S. Government Sponsored Enterprises (GSE's)	$ 26,534	$ 360	$ 46	$ 26,848
Obligations of state and political subdivisions	6,336	150	3	6,483
U.S. Government (including agencies)	16,184	223	16	16,391
Equity securities	1,383	1,980	3	3,360
Mutual fund shares	2,844	-	64	2,780
Corporate bond	1,000	2	7	995
	$ 54,281	$ 2,715	$ 139	$ 56,857