

Edgar Filing: ROMA FINANCIAL CORP - Form 10-Q

ROMA FINANCIAL CORP  
Form 10-Q  
November 07, 2008  
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, 2008

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

The number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date,

October 31, 2008:

\$0.10 par value common stock - 31,069,739 shares outstanding

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## ROMA FINANCIAL CORPORATION AND SUBSIDIARIES

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## ROMA FINANCIAL CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Unaudited)

	September 30, 2008	December 31, 2007
	(In thousands, except for share data)	
<b>ASSETS</b>		
Cash and amounts due from depository institutions	\$ 5,304	\$ 6,939
Interest-bearing deposits in other banks	23,345	26,051
Money market funds	32,244	62,312
Cash and Cash Equivalents	60,893	95,302
Investment securities available for sale ("AFS") at fair value	21,702	17,238
Investment securities held to maturity at amortized cost (fair value of \$76,326 and \$127,828, respectively)	77,113	127,706
Mortgage-backed securities held to maturity at amortized cost (fair value of \$305,151 and \$144,440, respectively)	303,147	144,099
Loans receivable, net of allowance for loan losses of \$1,974 and \$1,602, respectively	494,331	458,873
Real estate owned via equity investment	4,056	—
Premises and equipment	39,953	33,181
Federal Home Loan Bank of New York stock	2,547	2,465
Accrued interest receivable	5,257	4,495
Bank owned life insurance	19,321	18,802
Other assets	5,822	4,953
Total Assets	\$ 1,034,142	\$ 907,114
<b>Liabilities and Stockholders' Equity</b>		
<b>LIABILITIES</b>		
Deposits:		
Non-interest bearing	\$ 26,485	\$ 24,611
Interest bearing	704,099	626,419
Total deposits	730,584	651,030
Federal Home Loan Bank of New York advances	27,440	28,940
Securities sold under agreements to repurchase	40,000	—
Advance payments by borrowers for taxes and insurance	2,432	2,390
Accrued interest payable and other liabilities	12,917	5,972
Total Liabilities	813,373	688,332
Minority interests	1,687	479
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$0.10 par value, 45,000,000 authorized, 32,731,875 issued; and 31,305,239 and 31,387,919, respectively, outstanding.	3,274	3,274
Paid-in capital	97,922	97,405
Retained earnings	149,292	148,136
Unearned shares held by Employee Stock Ownership Plan	(6,900)	(7,306)
Treasury stock 1,426,636 and 1,343,956 shares, respectively	(23,913)	(22,792)
Accumulated other comprehensive (loss)	(593)	(414)

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Total Stockholders' Equity	219,082	218,303
Total Liabilities and Stockholders' Equity	\$ 1,034,142	\$ 907,114

See notes to consolidated financial statements.

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## ROMA FINANCIAL CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(In thousands, except for share and per share data)		(In thousands, except for share and per share data)	
INTEREST INCOME				
Loans	\$ 7,042	\$ 7,094	\$ 21,371	\$ 20,506
Mortgage-backed securities held to maturity	3,377	1,731	8,284	5,232
Investment securities held to maturity	995	2,106	3,030	5,867
Investment securities available for sale	178	202	527	462
Other interest-earning assets	404	481	2,014	2,105
Total Interest Income	11,996	11,614	35,226	34,172
INTEREST EXPENSE				
Deposits	4,396	4,378	13,472	12,689
Borrowings	439	74	1,008	238
Total Interest Expense	4,835	4,452	14,480	12,927
Net Interest Income	7,161	7,162	20,746	21,245
PROVISION FOR LOAN LOSSES	160	141	520	367
Net Interest Income after Provision for Loan Losses	7,001	7,021	20,226	20,878
NON-INTEREST INCOME				
Commissions on sales of title policies	262	336	750	941
Fees and service charges on deposits and loans	436	195	1,205	839
Income from bank owned life insurance	222	204	652	564
Net gain from sale of mortgage loans originated for sale	30	—	36	—
Other	203	197	580	526
Total Non-Interest Income	1,153	932	3,223	2,870
NON-INTEREST EXPENSE				
Salaries and employee benefits	3,746	3,015	10,665	8,837
Net occupancy expense of premises	653	446	1,848	1,368
Equipment	604	446	1,655	1,233
Data processing fees	401	351	1,128	1,004
Advertising	150	182	573	590
Federal insurance premium	27	18	64	56
Other	798	486	2,340	1,901
Total Non-Interest Expense	6,379	4,944	18,273	14,989
Income Before Income Taxes and Minority Interest	1,775	3,009	5,176	8,759

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INCOME TAXES	765	1,125	1,876	3,127
Net Income before minority interests	1,010	1,884	3,300	5,632
Minority Interests	(21	) —	120	—
Net Income	\$ 989	\$ 1,884	\$ 3,420	\$ 5,632
Net income per common share				
Basic and Diluted	\$ .03	\$ .06	\$ .11	\$ .18
Dividends Declared Per Share	\$ .08	\$ .06	\$ .24	\$ .18
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING				
Basic and Diluted	30,608,881	31,490,916	30,616,456	31,801,019

See notes to consolidated financial statements.



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ROMA FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Unaudited)

(In Thousands)

	Common Stock		Paid-In	Retained Earnings	Unearned Shares	Accumulated Other	Treasury	Total
	Shares	Amount	Capital	Substantially Restricted	Held By ESOP	Comprehensive (Loss)	Stock	
Balance December 31, 2006	32,732	\$ 3,274	\$ 97,069	\$ 143,068	\$ (7,847 )	\$ (910 )	—	\$ 234,654
Comprehensive income:								
Net income for the nine months ended September 30, 2007				5,632				5,632
Other comprehensive income net of taxes:								
Unrealized loss on available for sale securities net of income taxes of \$37						(57 )		(57 )
Pension cost						61		61
Total comprehensive income								5,636
Treasury stock repurchased	(982 )						(16,700 )	(16,700 )
Dividends declared				(1,670 )				(1,670 )
ESOP shares earned			244		406			650
Balance September 30, 2007	31,750	\$ 3,274	\$ 97,313	\$ 147,030	\$ (7,441 )	\$ (906 )	\$ (16,700 )	\$ 222,570
Balance December 31, 2007	31,388	\$ 3,274	\$ 97,405	\$ 148,136	\$ (7,306)	\$ (414 )	\$ (22,792 )	\$ 218,303
Change in percentage of minority loss For RomAsia for 2007				(5 )				(5 )
Comprehensive income:								
Net income for the nine months ended September 30, 2008				3,420				3,420
Other comprehensive income net of taxes:								
Unrealized loss on available for sale securities, net of income taxes of \$ (136)						(194 )		(194 )
Pension cost, net of income taxes of \$ 14)				(27 )		15		(12 )
Total comprehensive income								3,214
Adoption of EITF 06-4				(318 )				(318 )
Treasury stock repurchased	(83 )						(1,121 )	(1,121 )
Dividends declared				(1,914 )				(1,914 )
Stock-based compensation			323					323
ESOP shares earned			194		406			600
Balance September 30, 2008	31,305	\$ 3,274	\$ 97,922	\$ 149,292	\$ (6,900)	\$ (593 )	\$ (23,913 )	\$ 219,082

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See notes to consolidated financial statements. See notes to consolidated financial statements.

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## ROMA FINANCIAL CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	<b>Nine Months Ended</b> <b>September 30,</b> <b>2008</b> <b>2007</b> (In thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 3,420	\$ 5,632
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of premises and equipment and real estate via equity investment	1,146	933
Stock-based compensation		
	323	—
Amortization of premiums and accretion of discounts on securities	276	(102 )
Accretion of deferred loan fees and discounts	(41 )	(63 )
Net gain on sale of mortgage loans originated for sale	(36 )	(1 )
Mortgage loans originated for sale	(3,038 )	(122 )
Proceeds from sales of mortgage loans originated for sale	3,074	123
Provision for loan losses	520	367
ESOP shares earned	600	650
Increase in accrued interest receivable	(762 )	(573 )
Increase in cash surrender value of bank owned life insurance	(519 )	(445 )
Increase in other assets	(684 )	(690 )
(Decrease)Increase in accrued interest payable	(497 )	651
Increase in other liabilities	879	2,178
Net change in minority interest	1,208	—
Net Cash Provided by Operating Activities	5,869	8,538
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from maturities, calls and principal repayments of securities available for sale	4,104	217
Purchases of securities available for sale	(2,810 )	(78 )
Proceeds from maturities, calls and principal repayments of investment securities held to maturity	117,325	52,060
Purchases of investment securities held to maturity	(66,697 )	(45,580 )
Principal repayments on mortgage-backed securities held to maturity	24,543	22,244
Purchases of mortgage-backed securities held to maturity	(183,911 )	(12,936 )
Purchase of bank owned life insurance	—	(2,000 )
Net increase in loans receivable	(36,005 )	(30,027 )
Additions to premises and equipment	(7,892 )	(2,412 )
Addition to real estate via equity investment	(4,082 )	—
Purchase of Federal Home Loan Bank of New York stock	(82 )	(8 )
Net Cash Used in Investing Activities	(155,507 )	(18,520 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net increase in deposits	79,554	10,681

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Increase in advance payments by borrowers for taxes and insurance	42	262
Dividends paid to minority stockholders of Roma Financial Corp.	(1,746 )	(1,120 )
Redemption of Federal Home Loan Bank of New York advances	(1,500 )	(1,434 )
Proceeds from securities sold under agreements to repurchase	40,000	—
Purchases of treasury stock	(1,121 )	(16,700 )
Net Cash Provided by Financing Activities	115,229	(8,311 )
Net Decrease in Cash and Cash Equivalents	(34,409 )	(18,293 )
CASH AND CASH EQUIVALENTS - BEGINNING	95,302	64,701
CASH AND CASH EQUIVALENTS - ENDING	\$ 60,893	\$ 46,408

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ROMA FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Cont'd)

(Unaudited)

	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2008</b>	<b>2007</b>
	(In thousands)	
SUPPLEMENTARY CASH FLOWS INFORMATION		
Income taxes paid, net	\$ 2,607	\$ 3,343
Interest paid	\$ 14,977	\$ 12,276
Loans receivable transferred to real estate owned	\$ 68	\$ 18
Investment commitments	\$ 6,097	-

See notes to consolidated financial statements.

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## 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 (the "Bank") issued in its mutual holding company reorganization. The Company'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 the Company.

The Bank is a federally-chartered stock savings bank. It was originally founded in 1920 and received its federal charter in 1991. The Bank's deposits are federally insured by the Deposit Insurance Fund as administered by the Federal Deposit Insurance Corporation. The 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 the Company as savings and loan holding companies.

The Bank offers 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. The Bank currently operates from its main office in Robbinsville, New Jersey, and thirteen branch offices located in Mercer, Burlington and Ocean Counties, New Jersey. The Bank maintains a website at [www.romabank.com](http://www.romabank.com).

A Registration Statement on Form S-1 (File No. 333-132415), as amended, was filed by the Company with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended, relating to the offering for sale of up to 8,538,750 shares (subject to increase to 9,819,652 shares) of its common stock. For a further discussion of the stock offering, see the final prospectus as filed on May 23, 2006 with the Securities and Exchange Commission pursuant to Rule 424 (b)(3) of the Rules and Regulations of the Securities Act of 1933. 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 on July 11, 2006.

On August 9, 2007, the Company announced a ten percent stock repurchase plan, equivalent to 981,956 shares, in the open market, based on stock availability, price and the Company's financial performance. The repurchase was completed August 27, 2007. A new stock repurchase plan for five percent of the currently outstanding shares was announced on October 24, 2007 and was completed on March 18, 2008. A total of 441,880 shares were acquired under this repurchase plan. On August 1, 2008, the Company announced a five percent repurchase plan, equivalent to 419,786 shares, in the open market based on availability, price and the Company's financial performance. As of September 30, 2008, 2,800 shares of stock were repurchased under the current plan.

**NOTE B - BASIS OF PRESENTATION**

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

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In the opinion of management, all adjustments, consisting of only normal recurring adjustments or accruals, which are necessary for a fair presentation of the consolidated financial statements have been made at and for the three and nine month periods ended September 30, 2008 and 2007. The results of operations for the three and nine month periods ended September 30, 2008 and 2007 are not necessarily indicative of the results which may be expected for an entire fiscal year or other interim periods.

The December 31, 2007 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 2007 audited consolidated financial statements for the year ended December 31, 2007, 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. 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. The Company, together with two individuals, formed a limited liability company, 84 Hopewell, LLC. The LLC was formed to build a commercial office building in which is located the Company's Hopewell branch, corporate offices for the other LLC members' construction company and tenant space. The Company invested \$ 350,000 in the LLC and provided a loan in the amount of \$3.6 million to the LLC. The Company and the other 50% owner's construction company both have signed lease commitments to the LLC.

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

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

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

### **NOTE C - CONTINGENCIES**

The Company, from time to time, is a party to routine litigation that arises in the normal course of business. In the opinion of management, the resolution of such litigation, if any, would not have a material adverse effect, as of September 30, 2008, 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.

Diluted earnings per share for the three and nine months ended September 30, 2008 were calculated by dividing net income by the weighted average number of common shares outstanding, plus the weighted-average number of net shares that would be issued related to dilutive stock options and restricted stock grants pursuant to the treasury stock method. Outstanding stock options and unvested stock awards for the three and nine months ended September 30, 2008 were not considered in the calculation of diluted earnings per share because they were antidilutive.

**NOTE E – STOCK BASED COMPENSATION**

**Equity Incentive Plan**

At the Annual Meeting held on April 23, 2008, stockholders of the Company approved the Roma Financial Corporation 2008 Equity Incentive Plan. On June 25, 2008 directors, senior officers and certain employees of the Company were granted an aggregate of 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 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, 2008, there were 472,909 shares available for option grants under the 2008 Plan and 295,164 shares available for grants of restricted stock.

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

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

The stock options will vest over a five year service period and are exercisable within ten years. Compensation expense for all option grants is recognized over the awards' respective requisite service period. The fair values of all option grants were estimated using the Black Scholes option-pricing model using the following assumptions:

Expected life	6.5 years
Risk-free rate	3.81%
Volatility	27.66%
Dividend yield	2.34%
Fair Value	\$ 3.64

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, 2008:

	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Balance at January 1, 2008	—	—		
Granted	820,000	\$ 13.67		
Exercised	—	—		
Forfeited	—	—		
Balance at September 30, 2008	820,000	\$ 13.67	9.7	years \$ 885,600
Exercisable at September 30, 2008	—			N/A N/A

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Restricted shares, granted on June 25, 2008, vest over a five year service period. Compensation expense is recognized for the fair value of restricted shares on a straight-line basis over five years, the requisite service period of the awards. 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.

The following is a summary of the status of the Company's restricted shares as of September 30, 2008 and changes during the nine months ended September 30, 2008:

	Number of Restricted Shares	Weighted Average Grant Date Fair Value
Non-vested restricted shares at January 1, 2008	—	—
Granted	222,000	\$ 13.67
Forfeited	—	—
Vested	—	—
Non-vested restricted shares at September 30, 2008	222,000	\$ 13.67

Stock option and stock award expenses included within compensation expense was \$303,000 for the three months ended September 30, 2008 and \$323,000 for the nine months ended September 30, 2008, with a related tax benefit of \$121,000 and \$129,000, respectively. At September 30, 2008, approximately \$5.7 million of unrecognized cost related to outstanding stock options and restricted shares, which will be recognized over a period of approximately five years.

### Employee Stock Ownership Plan

The 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 of a loan from the Company. The total cost of shares purchased by the ESOP trust was \$8.1 million, reflecting a cost of \$10 per share. The 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. The Company accounts for its ESOP in accordance with Statement of Position ("SOP") 93-6, "Employer's Accounting for Employee Stock Ownership Plans", issued by the Accounting Standards Division of the American Institute of Certified Public Accountants. As shares are committed to be released from collateral, the Company reports compensation expense equal to the current market price of the shares, and the shares become outstanding for earnings per share computations. The Bank made its first loan payment in October 2006. As of September 30, 2008 there were 689,989 unearned shares. The Company's ESOP compensation expense was \$201 thousand and \$220 thousand, respectively, for the three months ended September 30, 2008 and 2007, and \$600 thousand and \$650 thousand for the nine months ended September 30, 2008 and 2007, respectively.

### NOTE F- REAL ESTATE OWNED VIA EQUITY INVESTMENTS

In 2008, the Bank, together with two individuals, formed 84 Hopewell, LLC. The LLC was formed to build a commercial office building which includes the Company's Hopewell branch, corporate offices for the other 50% owner's construction company and tenant space. The Company invested approximately \$350,000 in the LLC and provided a loan to the LLC in the amount of \$3.6 million. The Company and the construction company both have signed lease commitments to the LLC. With the adoption of FIN 46 (R) the Company is required to perform an analysis to determine whether such an investment meets the criteria for consolidation into the Company's financial statements. As of September 30, 2008, this variable interest entity met the requirements of FIN 46 (R) for consolidation based on the 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, 2008, the LLC had \$4.1 million in fixed assets and a loan from Roma Bank for \$3.6 million, which was eliminated in consolidation. The LLC had accrued interest to the Bank of \$11 thousand at September 30, 2008 and the Bank had paid \$52 thousand in rent to the LLC for the space occupied by the bank branch. Both of these amounts were eliminated in consolidation,

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including \$83 thousand of capitalized interest. The Company's 50% share of the LLC's gain for the nine months ended September 30, 2008 was \$7 thousand.

### NOTE G – INVESTMENT SECURITIES

The following tables set forth the composition of our securities portfolio as of September 30, 2008 and December 31, 2007 (in thousands):

	September 30, 2008		December 31, 2007	
	Amortized	Fair	Amortized	Fair
	Cost	Value	Cost	Value
Available for sale:				
Mortgage-backed securities	\$ 4,043	\$ 4,064	\$ 1,260	\$ 1,292
Obligations of state and local political				
Subdivisions	6,129	6,152	10,020	10,128
U.S. Government Obligations	4,829	4,773		
Corporate Bond	980	915	—	—
Equity securities	3,630	3,399	3,630	3,443
Mutual Fund Shares	2,575	2,399	2,483	2,375
<b>Total</b>	<b>\$ 22,186</b>	<b>\$ 21,702</b>	<b>\$ 17,393</b>	<b>\$ 17,238</b>

	September 30, 2008		December 31, 2007	
	Amortized	Fair	Amortized	Fair
	Cost	Value	Cost	Value
Investments securities held to maturity:				
US Government Obligations	\$ 70,983	\$ 70,690	\$ 123,283	\$ 123,418
Obligations of state and local political				
subdivisions	6,130	5,636	4,423	4,410
<b>Total</b>	<b>\$ 77,113</b>	<b>\$ 76,326</b>	<b>\$ 127,706</b>	<b>\$ 127,828</b>

	September 30, 2008		December 31, 2007	
	Amortized	Fair	Amortized	Fair
	Cost	Value	Cost	Value
Mortgage-backed securities held to maturity:				
GNMA	\$ 4,587	\$ 4,613	\$ 4,276	\$ 4,313
FHLMC	159,699	160,527	84,648	84,770
FNMA	124,671	125,848	47,387	47,623
CMO's	14,190	14,163	7,788	7,734
<b>Total</b>	<b>\$ 303,147</b>	<b>\$ 305,151</b>	<b>\$ 144,099</b>	<b>\$ 144,440</b>

Securities held as available for sale have been adjusted to fair value at September 30, 2008 and December 31, 2007. Investment securities held to maturity and mortgage-backed securities held to maturity are recorded at amortized cost. The decline in fair values of held to maturity investments is due to interest rate changes, not credit risk. The Company has the ability to, and intends to, hold the investments until maturity. Therefore, no impairment has been recorded.

Management also has the ability and intent to hold the securities classified as available for sale for a period of time sufficient for a recovery of cost. The available for sale equity securities currently have unrealized losses at September 30, 2008 of approximately \$231 thousand. At September 30, 2007, the equity securities available for sale had unrealized gains of approximately \$268 thousand. The available for sale mutual funds are a CRA investment and currently have an unrealized loss of approximately \$176 thousand. They have been in a loss position for the last two years with the greatest unrealized loss being approximately \$184 thousand. Management does not believe the equity or mutual fund securities available for sale are impaired due to reasons of credit quality. Accordingly, as of September 30,

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2008, management believes the impairments are temporary and no impairment loss has been realized in the Company's consolidated income statement.

Approximately \$81.2 million of securities held to maturity are pledged as collateral for FHLB advances and borrowings, and repurchase agreements at September 30, 2008.

### NOTE H - LOANS RECEIVABLE, NET

Loans receivable, net at September 30, 2008 and December 31, 2007 were comprised of the following (in thousands):

	September 30, 2008	December 31, 2007
Real estate mortgage loans:		
Conventional 1-4 family	\$ 229,343	\$ 219,900
Commercial and multi-family	116,596	80,537
	345,939	300,437
Construction	26,494	37,119
Consumer:		
Equity and second mortgages	131,708	130,085
Other	1,028	1,127
	132,736	131,212
Commercial	5,398	3,918
<b>Total loans</b>	<b>510,567</b>	<b>472,686</b>
Less:		
Allowance for loan losses	1,974	1,602
Deferred loan fees	198	174
Loans in process	14,064	12,037
	16,236	13,813
<b>Total loans receivable, net</b>	<b>\$ 494,331</b>	<b>\$ 458,873</b>

### NOTE I - DEPOSITS

A summary of deposits by type of account as of September 30, 2008 and December 31, 2007 is as follows (dollars in thousands):

September 30, 2008	December 31, 2007
Weighted Avg. Int.	Weighted Avg. Int.



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	Amount	Rate		Amount	Rate	
Demand:						
Non-interest bearing checking	\$ 26,485	—		\$ 24,611	0.00	%
Interest bearing checking	98,139	0.54	%	98,481	0.54	%
	124,624	0.43	%	123,092	0.43	%
Savings and club	203,308	1.20	%	175,972	0.96	%
Certificates of deposit	402,652	3.67	%	351,966	4.59	%
<b>Total</b>	<b>\$ 730,584</b>	<b>2.43</b>	<b>%</b>	<b>\$ 651,030</b>	<b>2.82</b>	<b>%</b>

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At September 30, 2008, the Company had contractual obligations for certificates of deposit that mature as follows (in thousands):

One year or less	\$ 278,571
After one to three years	118,935
After three years	5,146
Total	\$ 402,652

### NOTE J – PREMISES AND EQUIPMENT

Premises and equipment consisted of the following as of September 30, 2008 and December 31, 2007 (in thousands):

	<b>Estimated</b>		
	<b>Useful Lives</b>	<b>September 30, 2008</b>	<b>December 31, 2007</b>
Land for future development	—	\$ 1,054	\$ 1,054
Construction in progress	—	100	1,772
Land and land improvements	—	5,428	5,428
Buildings and improvements	20-50 yrs	34,229	26,391
Furnishings and equipment	3-10 yrs.	9,250	7,531
Total premises and equipment		50,061	42,176
Accumulated depreciation		10,108	8,995
<b>Total</b>		<b>\$ 39,953</b>	<b>\$ 33,181</b>

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

At September 30, 2008 and December 31, 2007, the Bank had outstanding Federal Home Bank of New York (FHLBNY) advances as follows (dollars in thousands):

	<b>September 30, 2008</b>		<b>December 31, 2007</b>
	<b>Amount</b>	<b>Interest Rate</b>	<b>Amount</b>
Maturing:			
		<b>Interest Rate</b>	

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September 15, 2010	\$ 4,440	4.49	%	\$ 5,940	4.49	%
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Scheduled of principal payments are follows (in thousands):

One year or less	\$ 2,080
More than one year through three years	2,360
More than three years through five years	—
	\$ 4,440

At September 30, 2008 and December 31, 2007, the Bank also had an outstanding FHLB NY advance totaling \$23.0 million. The borrowing is at a fixed rate of 3.90% for ten years, maturing in 2017, callable at three years, interest paid quarterly.

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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 September 30, 2008. The maturities and respective interest rates are as follows: \$10.0 million maturing in seven years with a two year call at 3.22%; \$20.0 million maturing in seven years with a three year call at 3.51%; and \$10.0 million maturing in ten years with a five year call at 3.955%. The agreement is collateralized by securities described in the underlying the agreement which are held in safekeeping by the FHLBNY. At September 30, 2008, the fair value of the mortgage-backed securities used as collateral under the agreement was approximately \$40.2 million.

### NOTE L – RETIREMENT PLANS

Components of net periodic pension cost for the three and nine months ended September 30, 2008 and 2007 were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Service cost	\$ 82	\$ 85	\$ 246	\$ 255
Interest cost	134	122	402	366
Expected return on plan assets	(179 )	(160 )	(537 )	(480 )
Amortization of unrecognized net loss	—	9	—	27
Amortization of unrecognized past service liability	4	11	12	33
Net periodic benefit expense	\$ 41	\$ 67	\$ 123	\$ 201

### 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 September 30, 2008 were as follows (in thousands):

	September 30, 2008
Residential mortgage and equity loans	\$ 7,707
Commercial loans committed not closed	7,921
Commercial lines of credit	17,504
Consumer unused lines of credit	38,921
Commercial letters of credit	9,587
	\$ 81,640

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.

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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 September 30, 2008 and December 31, 2007 is as follows (in thousands):

	<b>September 30, 2008</b>	<b>December 31, 2007</b>
Standby by letters of credit	\$ 9,587	\$ 9,932
Outstanding loan and credit line commitments	\$ 72,053	\$ 58,301

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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. All of the Company's outstanding standby letters are within the scope of the Financial Accounting Standards Board ("FASB") Interpretation No. 45. 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 amounts of the liability related to guarantees under standby letters of credit issued is not material as of September 30, 2008.

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.

The Bank has 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 September 30 2008:

Year Ended September 30:

2009	\$ 437,007
2010	439,353
2011	441,733
2012	444,149
2013	459,378
Thereafter	6,596,678
Total Minimum Payments Required	\$ 8,818,298

Included in the total required minimum lease payments is \$1,982,446 of payments to the "LLC" a variable interest entity in which the Company holds a 50% ownership interest. The Company eliminates these payments in consolidation.

### **NOTE N –ADOPTION OF EMERGING ISSUES TASK FORCE ("EITF") ISSUE NO. 06-4**

Effective January 1, 2008, the Company changed its accounting policy for endorsement split-dollar life insurance arrangements and recognized a cumulative-effect adjustment to retained earnings totaling \$318 thousand related to accounting for certain endorsement split-dollar life insurance arrangements in connection with the adoption of Emerging Issues Task Force ("EITF") Issue No. 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split Dollar Life Insurance Arrangements."

### **NOTE O –FAIR VALUE OF FINANCIAL INSTRUMENTS**

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The Company adopted FAS 157, "Fair Value Measurements", on January 1, 2008. Under FAS 157, fair value measurements are not adjusted for transaction costs. FAS 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The 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 under FAS 157 are described below:

Basis of Fair Value Measurement:

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

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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 by little or no market activity).

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The types of instruments valued based on quoted market prices in active markets include most U.S. government and agency securities, mortgage-backed securities, many other sovereign government obligations, and active listed securities. Such instruments are generally classified within level 1 or level 2 of the fair value hierarchy. As required by FAS 157, the Company does not adjust the quoted price for such instruments.

The types of instruments valued based on quoted prices in markets that are not active, broker or dealer quotations, or alternative pricing sources with reasonable levels or price transparency include less liquid mortgage products, less liquid equities, and state, municipal and provincial obligations. Such instruments are generally classified within level 2 of the fair value hierarchy.

The Company has no level 3 instruments.

The following table sets forth the Company's financial assets that were accounted for at fair values as of September 30, 2008 by level within the fair value hierarchy. As required by FAS 157, financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurements (in thousands):

	<b>Quoted Prices in Active Markets for Identical Assets</b>	<b>Significant Other Observable Inputs</b>	<b>Balance as of</b>
	<b>(Level 1 )</b>	<b>(Level 2)</b>	<b>September 30, 2008</b>
<b>Assets:</b>			
Securities available for sale	\$ -	21,702	21,702

### NOTE P –OTHER COMPREHENSIVE INCOME

Components of accumulated other comprehensive (loss) at September 30, 2008 and December 31, 2007 were as follows (in thousands):



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	<b>September 30, 2008</b>	<b>December 31, 2007</b>
Unrealized loss on securities available for sale	\$ (484 )	\$ (155 )
Pension plan liability	(511 )	(525 )
	(995 )	(680 )
Deferred income taxes	402	266
<b>Accumulated other comprehensive (loss)</b>	<b>\$ (593 )</b>	