

ROMA FINANCIAL CORP
Form 10-Q
August 07, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 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 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

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Non-accelerated filer Smaller reporting company

(Do not check if smaller reporting company)

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

Yes No

The number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date, July 30, 2008:

\$0.10 par value common stock - 31,308,039 shares outstanding

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ROMA FINANCIAL CORPORATION AND SUBSIDIARIES

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ROMA FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Unaudited)

	June 30, 2008	December 31, 2007
	(In thousands, except for share data)	
ASSETS		
Cash and amounts due from depository institutions	\$ 7,879	\$ 6,939
Interest-bearing deposits in other banks	29,978	26,051
Money market funds	34,451	62,312
 Cash and Cash Equivalents	 72,308	 95,302
Investment securities available for sale ("AFS") at fair value	16,201	17,238
Investment securities held to maturity at amortized cost (fair value of \$76,655 and \$127,828, respectively)	77,113	127,706
Mortgage-backed securities held to maturity at amortized cost (fair value of \$244,114 and \$144,440, respectively)	245,535	144,099
Loans receivable, net of allowance for loan losses \$1,943 and \$1,602, respectively	468,467	458,873
Real estate owned via equity investment	4,156	—
Premises and equipment	39,432	33,181
Federal Home Loan Bank of New York stock	2,479	2,465
Accrued interest receivable	4,840	4,495
Bank owned life insurance	19,144	18,802
Other assets	5,434	4,953
Total Assets	\$ 955,109	\$ 907,114

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

Deposits:

Non-interest bearing	\$ 33,205	\$ 24,611
Interest bearing	663,781	626,419
Total deposits	696,986	651,030
 Federal Home Loan Bank of New York advances	 27,946	 28,940
Advance payments by borrowers for taxes and insurance	2,472	2,390
Accrued interest payable and other liabilities	7,648	5,972
Total Liabilities	735,052	688,332

Minority interests	1,665	479
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STOCKHOLDERS' EQUITY

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Common stock, \$0.10 par value, 45,000,000 authorized, 32,731,875 issued; and 31,308,039 and 31,387,919, respectively, outstanding.	3,274	3,274
Paid-in capital	97,552	97,405
Retained earnings	148,935	148,136
Unearned shares held by Employee Stock Ownership Plan	(7,036)	(7,306)
Treasury stock 1,423,836 and 1,343,956 shares respectively	(23,872)	(22,792)
Accumulated other comprehensive (loss)	(461)	(414)
Total Stockholders' Equity	218,392	218,303
Total Liabilities and Stockholders' Equity	\$ 955,109	\$ 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		Six Months Ended	
	June 30		June 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	\$ 7,051	\$ 6,775	\$ 14,329	\$ 13,412
Mortgage-backed securities held to maturity	2,945	1,760	4,907	3,501
Investment securities held to maturity	884	2,001	2,035	3,761
Securities available for sale	192	108	349	260
Other interest-earning assets	575	763	1,610	1,624
Total Interest Income	11,647	11,407	23,230	22,558
INTEREST EXPENSE				
Deposits	4,468	4,234	9,076	8,311
Borrowings	282	79	569	164
Total Interest Expense	4,750	4,313	9,645	8,475
Net Interest Income	6,897	7,094	13,585	14,083
PROVISION FOR LOAN LOSSES	213	68	360	226
Net Interest Income after Provision for Loan Losses	6,684	7,026	13,225	13,857
NON-INTEREST INCOME				
Commissions on sales of title policies	280	348	488	605
Fees and service charges on deposits and loans	436	309	769	551
Income from bank owned life insurance	217	183	430	360
Net gain from sale of mortgage loans originated for sale	6	—	6	—
Other	150	167	377	329
Total Non-Interest Income	1,089	1,007	2,070	1,845
NON-INTEREST EXPENSE				
Salaries and employee benefits	3,530	2,929	6,919	5,822
Net occupancy expense of premises	593	419	1,195	922
Equipment	572	401	1,051	787
Data processing fees	379	316	727	653
Advertising	211	221	423	408
Federal insurance premium	19	19	37	38

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Other	893	782	1,542	1,322
Total Non-Interest Expense	6,197	5,087	11,894	9,952
Income Before Income Taxes and Minority Interest	1,576	2,946	3,401	5,750
INCOME TAXES	501	1,017	1,111	2,002
Net Income before minority interests	1,075	1,929	2,290	3,748
Minority Interests	90	—	141	—
Net Income	\$ 1,165	\$ 1,929	\$ 2,431	\$ 3,748
Net income per common share				
Basic and Diluted	\$.04	\$.06	\$.08	\$.12
Dividends Declared Per Share	\$.08	\$.12	\$.16	\$.12
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING				
Basic and Diluted	30,595,651	31,965,364	30,620,285	31,958,641

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 Capital	Retained	Unearned	Accumulated	Treasury	Total
	Shares	Amount		Earnings	Shares Held	Other		
				Substantially	By	Comprehensive		
				Restricted	ESOP	(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 six months ended June 30, 2007				3,748				3,748
Other comprehensive income net of taxes:								
Unrealized loss on available for sale securities net of income taxes of \$80						(127	)	(127
Pension cost, net of income taxes of \$13						41		41
Total comprehensive income								3,662
Dividends declared				(1,169	)			(1,169
ESOP shares earned			160		270			430
Balance June 30, 2007	32,732	\$ 3,274	\$ 97,229	\$ 145,647	\$ (7,577	)\$ (996	) —	\$ 237,577
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 six months ended June 30, 2008				2,431				2,431
Other comprehensive income net of taxes:								
Unrealized loss on available for sale securities net of income taxes of \$(41)						(58	)	(58
Pension cost, net of income taxes of \$(14)				(27	)	11		(16
Total comprehensive income								2,357
Adoption of EITF 06-4				(318	)			(318
Treasury stock repurchased							(1,080	) (1,080
Dividends declared				(1,282)			(1,282
Stock-based compensation			20					20
ESOP shares earned			127		270			397

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Balance June 30, 2008	31,308	\$ 3,274	\$ 97,552	\$ 148,935	\$ (7,036)\$ (461)\$ (23,872) \$ 218,392
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See notes to consolidated financial statements.

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ROMA FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended	
	June 30,	
	2008	2007
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 2,431	\$ 3,748
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of premises and equipment	793	636
Stock-based compensation	20	—
Amortization of premiums and accretion of discounts on securities	194	(66)
Accretion of deferred loan fees and discounts	(16)	(54)
Net gain on sale of mortgage loans originated for sale	(6)	(1)
Mortgage loans originated for sale	(644)	(122)
Proceeds from sales of mortgage loans originated for sale	650	123
Provision for loan losses	360	226
ESOP shares earned	397	430
Increase in accrued interest receivable	(345)	(448)
Increase in cash surrender value of bank owned life insurance	(342)	(282)
Increase in other assets	(461)	(223)
(Decrease)Increase in accrued interest payable	(245)	387
Increase in other liabilities	1,498	1,233
Net change in minority interest	1,186	—
Net Cash Provided by Operating Activities	5,470	5,587
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturities, calls and principal repayments of securities available for sale	3,011	186
Purchases of securities available for sale	(2,066)	(52)
Proceeds from maturities, calls and principal repayments of investment securities held to maturity	115,325	45,060
Purchases of investment securities held to maturity	(64,694)	(44,910)
Principal repayments on mortgage-backed securities held to maturity	16,693	14,539
Purchases of mortgage-backed securities held to maturity	(118,367)	(12,936)
Net increase in loans receivable	(9,939)	(21,927)
Additions to premises and equipment	(7,044)	(1,434)
Addition to real estate via equity investment	(4,156)	—
Purchase of Federal Home Loan Bank of New York stock	(14)	(30)
Net Cash Used in Investing Activities	(71,251)	(21,504)
CASH FLOWS FROM FINANCING ACTIVITIES		

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Net increase in deposits	45,956	6,683
Increase in advance payments by borrowers for taxes and insurance	82	237
Dividends paid to minority stockholders of Roma Financial Corp.	(1,177)	(561)
Redemption of Federal Home Loan Bank of New York advances	(994)	(951)
Purchases of treasury stock	(1,080)	—
Net Cash Provided by Financing Activities	42,787	5,408
Net Decrease in Cash and Cash Equivalents	(22,994)	(10,509)
CASH AND CASH EQUIVALENTS - BEGINNING	95,302	64,701
CASH AND CASH EQUIVALENTS - ENDING	\$ 72,308	\$ 54,192

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ROMA FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Cont'd)

(Unaudited)

	Six Months Ended	
	June 30,	
	2008	2007
	(In thousands)	
SUPPLEMENTARY CASH FLOWS INFORMATION		
Income taxes paid, net	\$ 1,897	\$ 2,289
Interest paid	\$ 9,890	\$ 8,088
Loan receivable transferred to real estate owned	\$ 68	\$ 18

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 eleven branch offices located in Mercer, Burlington and Ocean Counties, New Jersey. The Bank maintains a website at 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.

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 six month periods ended June 30, 2008 and 2007. The results of operations for the three and six month periods ended June 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 June 30, 2008, on the Company's consolidated financial position or results of operations.

NOTE D – EARNINGS PER SHARE

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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 six months ended June 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 for the three and six months ended June 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 in 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 June 30, 2008, there were 472,909 shares available for option grants under the 2009 Plan and 297,164 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 its option plans for the six months ended June 30, 2008:

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	Number of Stock Options	Weighted Avg. Exercise Price	Weighted Avg. Remaining Contractual Life	Aggregate Intrinsic Value
Balance at January 1, 2008	—	—		
Granted	820,000	\$ 13.67		
Exercised	—	—		
Forfeited	—	—		
Balance at June 30, 2008	820,000	\$ 13.67	10 years	\$ —
Exercisable at June 30, 2008	—		N/A	N/A

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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 over 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.

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

	Number of Shares of Restricted Stock	Weighted Average Grant Date Fair Value
Balance at January 1, 2008	—	—
Granted	222,000	\$ 13.67
Forfeited	—	—
Vested	—	—
Balance at June 30, 2008	222,000	\$ 13.67

Stock option and stock award expenses included with compensation expense was zero for the three months ended March 31, 2008 and \$ 19,790 for three and six months ended June 30, 2008, with a related tax benefit of \$7,916. At June 30, 2008 approximately \$6.0 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 June 30, 2008 there were 703,518 unearned shares. The Company's ESOP compensation expense was \$198 thousand and \$210 thousand, respectively, for the three months ended June 30, 2008 and 2007, and \$397

thousand and \$430 thousand for the six months ended June 30, 2008 and 2007, respectively.

NOTE F- REAL ESTATE OWNED VIA EQUITY INVESTMENTS

In 2008, the Bank, together with two individuals, formed an LLC, 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 June 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 June 30, 2008, the LLC had \$4.2 million in fixed assets and a loan from Roma Bank for \$3.6 million, which was eliminated in consolidation. The LLC

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had accrued interest to the Bank of \$11 thousand at June 30, 2008 and the Bank had paid \$21 thousand in rent to the LLC for the space occupied by the bank branch. Both of these amounts were eliminated in consolidation. The Company's 50% share of the LLC's loss for the six months ended June 30, 2008 was \$8 thousand.

NOTE G – INVESTMENT SECURITIES

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

	June 30, 2008		December 31, 2007	
	Amortized	Fair	Amortized	Fair
	Cost	Value	Cost	Value
Available for sale:				
Mortgage-backed securities	\$ 3,153	\$ 3,162	\$ 1,260	\$ 1,292
Obligations of state and local political subdivisions	7,128	7,191	10,020	10,128
Equity Shares	3,630	3,462	3,630	3,443
Mutual Fund Shares	2,544	2,386	2,483	2,375
Total	\$ 16,455	\$ 16,201	\$ 17,393	\$ 17,238

	June 30, 2008		December 31, 2007	
	Amortized	Fair	Amortized	Fair
	Cost	Value	Cost	Value
Investments securities held to maturity:				
US Government Obligations	\$ 70,983	\$ 70,623	\$ 123,283	\$ 123,418
Obligations of state and local political subdivisions	6,130	6,032	4,423	4,410
Total	\$ 77,113	\$ 76,655	\$ 127,706	\$ 127,828

	June 30, 2008		December 31, 2007	
	Amortized	Fair	Amortized	Fair
	Cost	Value	Cost	Value
Mortgage-backed securities held to maturity:				
GNMA	\$ 3,758	\$ 3,806	\$ 4,276	\$ 4,313
FHLMC	154,531	153,666	84,648	84,770
FNMA	80,196	79,598	47,387	47,623
CMO's	7,050	7,044	7,788	7,734
Total	\$ 245,535	\$ 244,114	\$ 144,099	\$ 144,440

Securities held as available for sale have been adjusted to fair value at June 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.

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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 June 30, 2008 of approximately \$254 thousand. At June 30, 2007 the equity securities available for sale had unrealized gains of approximately \$246 thousand. The available for sale mutual funds are a CRA investment and currently have an unrealized loss of approximately \$158 thousand. They have been in a loss position for the last two years with the greatest unrealized loss being approximately \$184 thousand. Management does not believe the equity or mutual fund securities available for sale are impaired due to reasons of credit quality. Accordingly, as of June 30, 2008, management believes the impairments are temporary and no impairment loss has been realized in the Company's consolidated income statement.

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Approximately \$31.8 million of securities held to maturity are pledged as collateral for FHLB advances and borrowings at June 30, 2008.

NOTE H - LOANS RECEIVABLE, NET

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

	June 30, 2008	December 31, 2007
Real estate mortgage loans:		
Conventional 1-4 family	\$ 223,692	\$ 219,900
Commercial and multi—family	84,222	80,537
	307,914	300,437
Construction	43,987	37,119
Consumer:		