ROMA FINANCIAL CORP
Form 10-K
March 03, 2010

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

FORM 10-K

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the Fiscal Year Ended December 31, 2009

- OR -

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ______________________________ to ______________________________

Commission File Number: 000-52000

ROMA FINANCIAL CORPORATION
(Exact name of Registrant as specified in its Charter)

United States	51-0533946
(State or other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
2300 Route 33, Robbinsville, New Jersey	08691
(Address of Principal Executive Offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.10 par value	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. [ ] YES [X] NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. [ ] YES [X] NO

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. [X] YES [ ] NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of

this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). [ ] YES [ ] NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

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 definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). [ ] YES [X] NO

As of February 28, 2010 there were 30,932,653 shares of common stock outstanding.

The aggregate market value of the voting and non-voting equity held by non-affiliates of the Registrant on June 30, 2009 (the last business day of the Registrant's most recently completed second fiscal quarter) was $126.4 million.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Proxy Statement for the 2010 Annual Meeting of Shareholders. (Part III)

PART I

Forward-Looking Statements

Roma Financial Corporation (the "Company" or "Registrant") may from time to time make written or oral "forward-looking statements," including statements contained in the Company's filings with the Securities and Exchange Commission (including this Annual Report on Form 10-K and the exhibits thereto), in its reports to stockholders and in other communications by the Company, which are made in good faith by the Company pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995.

These forward-looking statements involve risks and uncertainties, such as statements of the Company's plans, objectives, expectations, estimates and intentions, that are subject to change based on various important factors (some of which are beyond the Company's control). The following factors, among others, could cause the Company's financial performance to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements: The strength of the United States economy in general and the strength of the local economies in which the Company conducts operations; the effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System, inflation, interest rate, market and monetary fluctuations; market volatility; the timely development of and acceptance of new products and services of the Company and the perceived overall value of these products and services by users, including the features, pricing and quality compared to competitors' products and services; the willingness of users to substitute competitors' products and services for the Company's products and services; the success of the Company in gaining regulatory approval of its products and services, when required; the impact of changes in financial services' laws and regulations (including laws concerning taxes, banking, securities and insurance); technological changes, acquisitions; changes in consumer spending and saving habits; and the success of the Company at managing the risks involved in the foregoing.

The Company cautions that the foregoing list of important factors is not exclusive. The Company does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of the Company.

Item 1. Business

General

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 the Company.

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 the Company as savings and loan holding companies.

RomAsia Bank is a federally-chartered stock savings bank. It received all regulatory approvals and began operation on June 23, 2008. RomAsia Bank is regulated by the Office of Thrift Supervision. Roma Bank and RomAsia Bank are collectively referred to herein as (the "Banks").

The Banks offer traditional retail banking services, one-to four-family residential mortgage loans, multi-family and commercial mortgage loans, construction loans, commercial business loans and consumer loans, including home equity loans and lines of credit. Roma Bank operates from its main office in Robbinsville, New Jersey, and thirteen branch offices located in Mercer, Burlington and Ocean Counties, New Jersey. RomAsia Bank operates from one location in Monmouth Junction, New Jersey. As of December 31, 2009, the Banks had 204 full-time employees and 44 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 Company, or both, as the context indicates.

Competition

We operate in a market area with a high concentration of banking and financial institutions, and we face substantial competition in attracting deposits and in originating loans. A number of our competitors are significantly larger institutions with greater financial and managerial resources and lending limits. Our ability to compete successfully is a significant factor affecting our growth potential and profitability.

Our competition for deposits and loans historically has come from other insured financial institutions such as local and regional commercial banks, savings institutions, and credit unions located in our primary market area. We also compete with mortgage banking and finance companies for real estate loans and with commercial banks and savings institutions for consumer and commercial loans, and we face competition for funds from investment products such as mutual funds, short-term money funds and corporate and government securities. There are large competitors operating throughout our total market area, and we also face strong competition from other community-based financial institutions. Approximately ten other institutions operate in the Bank's market area, with asset sizes ranging from $150 million to $50+ billion.

Lending Activities

Analysis of Loan Portfolio

We have traditionally focused on the origination of one- to four-family loans, which comprise a significant majority of the total loan portfolio. We also provide financing for commercial real estate, including multi-family dwellings, service/retail and mixed-use properties, churches and non-profit properties, and other commercial real estate. After real estate mortgage lending, consumer lending is our next largest category of lending and is primarily composed of home equity loans and lines of credit. We also originate construction loans for individual single-family residences and commercial loans to businesses and non-profit organizations, generally secured by real estate.

Loan Portfolio Composition. The following table analyzes the composition of our loan portfolio by loan category at the dates indicated. Except as set forth below, there were no concentrations of loans exceeding 10% of total loans.

	At December 31,									
	2009		2008		2007		2006		2005	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percen
	(Dollars in thousands)									
Type of Loans:										
Real estate mortgage -one-to-four family	$251,937	42.21 %	$230,956	43.63 %	$219,900	46.52 %	$207,755	48.31 %	$191,634	49.45
Real estate mortgage - multi-family and commercial	172,334	28.87	128,990	24.37	80,537	17.04	65,848	15.31	53,614	13.84
Commercial business	12,302	2.06	5,762	1.09	3,918	0.83	3,724	0.87	2,351	0.61
Consumer:										
Home equity and second mortgage	133,199	22.32	133,855	25.28	130,085	27.52	127,450	29.63	118,318	30.53
Passbook, certificate, overdraft	982	0.16	881	0.17	1,103	0.24	1,314	0.30	1,071	0.28
Auto	42	-	62	-	24	-	33	0.01	41	0.01
Other	-	-	-	-	-	-	-	-	465	0.12
Total consumer loans	134,223	22.48	134,798	25.45	131,212	27.76	128,797	29.94	119,895	30.94
Construction	26,162	4.38	28,899	5.46	37,119	7.85	23,956	5.57	20,020	5.16
Total loans	596,958	100.00%	529,405	100.00%	472,686	100.00%	430,080	100.00%	387,514	100.0
Less:										
Construction loans in process	5,524		6,543		12,037		8,353		7,659	
Allowance for loan losses	5,243		2,223		1,602		1,169		878	
Deferred loan (costs) and fees, net	432		233		174		176		269	
	11,199		8,999		13,813		9,698		8,806	
Loans receivable, net	$585,759		$520,406		$458,873		$420,382		$378,708	

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Loan Maturity Schedule. The following tables set forth the maturity of our loan portfolio at December 31, 2009. Demand loans, loans having no stated maturity, and overdrafts are shown as due in one year or less. Loans are stated in the following tables at contractual maturity and actual maturities could differ due to prepayments.

	Real estate mortgage – one-to-four family	Real estate Mortgage - Multi-family and commercial	Commercial business	Home equity and second mortgage loans	Passbook or certificate	Auto	Construction	Total
	(Dollars in thousands)							
Amounts Due:								
Within 1 Year	$ 118	$ 22,388	$ 5,944	$ 813	$ 982	$ 5	$ 20,193	$ 50,443
After 1 year:								
1 to 3 years	524	13,228	3,427	2,379	-	-	5,969	25,527
3 to 5 years	2,644	22,799	954	7,842	-	37	-	34,276
5 to 10 years	33,838	24,095	1,438	23,205	-	-	-	82,576
10 to 15 years	31,630	16,142	80	27,742	-	-	-	75,594
Over 15 years	183,183	73,682	459	71,218	-	-	-	328,542
Total due after one year	251,819	149,946	6,358	132,386	-	37	5,969	546,515
Total amount due	$ 251,937	$ 172,334	$ 12,302	$ 133,199	$ 982	$ 42	$ 26,162	$ 596,958

The following table sets forth the amount of all loans at December 31, 2009 that are due one year or more after December 31, 2009.

	Fixed Rates	Floating or Adjustable Rates	Total
		(In thousands)	
Real estate mortgage - one-to-four family	$ 231,638	$ 20,181	$ 251,819
Real estate mortgage - multi-family and commercial	62,964	86,982	149,946
Commercial business	2,860	3,498	6,358
Construction	-	5,969	5,969
Consumer:			
Home equity and second mortgage loans	95,523	36,863	132,386
Auto	37	-	37
Total	$393,022	$153,493	$546,515

Residential Mortgage Lending. Our primary lending activity consists of the origination of one- to four-family first mortgage loans. Fixed rate, conventional mortgage loans are offered by the Banks with repayments terms ranging from 10 years up to 40 years. One, three, five, seven and ten year adjustable rate mortgages, or ARMs, are offered with up to 30 year terms at rates based upon the one year U.S. Treasury Bill rate plus a margin. After the initial one, three, five, seven or ten year term, the Banks' ARMs reset on an annual basis and, with the exception of the seven year ARM, have two percent annual increase caps and six percent lifetime adjustment caps. The seven year product has an initial first adjustment cap of five percent (two percent thereafter) and a lifetime adjustment cap of six percent. There are no floors on the rate adjustments.

The Banks offer applicants the opportunity to "buy-down" mortgage loan interest rates by remitting one to three discount points for conventional loans and one point for ARMs. Borrowers may also accelerate the repayment of their loans by taking advantage of a bi-weekly payment program.

Substantially all residential mortgages include "due on sale" clauses, which are provisions giving the Banks the right to declare a loan immediately payable if the borrower sells or otherwise transfers an interest in the property to a third party. Property appraisals on real estate securing one- to four-family residential loans are made by state certified or licensed independent appraisers and are performed in accordance with applicable regulations and policies. The Banks require title insurance policies on all first mortgage real estate loans originated. Homeowners, liability, fire and, if applicable, flood insurance policies are also required.

One- to four-family first mortgage loans in excess of 80% loan-to-value for single family or detached residences and 75% on condominium units require private mortgage insurance. The Banks will originate residential mortgage loans up to a maximum of 95% loan-to-value.

All of the Banks' residential mortgage loan products are available to finance any owner occupied, primary or secondary (e.g., vacation homes), one- to four-family residential dwelling. Loans for non-owner occupied one- to four-family residences are originated in accordance with the Banks' commercial real estate lending policies as investment properties and are included under the commercial real estate category in the loan tables set forth herein.

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We do not offer interest-only loan products because of our concern about the credit risks associated with these products. The Banks have never been involved in any type of subprime lending. We are currently exploring other mortgage products, including reverse mortgages as either a “for fee” originator or as a portfolio lender.

Consumer Lending. The Banks offer fixed rate home equity loans and variable rate, revolving home equity lines of credit, each with a $10 thousand minimum and a $500 thousand maximum loan amount. Loan requests in excess of $500 thousand are considered on a case-by-case basis. There are no fees, points or closing costs associated with the application or closing of an equity loan or line of credit. All equity financing is secured by owner occupied, primary or secondary, one- to four-family residential property. Underwriting standards establish a maximum loan-to-value ratio of 75% for single family or detached residences and 75% for condominium units. Home equity loan appraisals may be done by automated appraisal valuation models for loans with a 60% or less loan-to-value ratio.

Fixed rate home equity loans. Fixed rate home equity loans are offered with repayment terms up to twenty years and are incrementally priced at thresholds up to 60, 120, 180 and 240 months. Loan rates are reviewed weekly to ensure competitive market pricing. Underwriting guidelines prescribe a maximum debt-to-income ratio of forty percent; however the Banks may approve loans with higher debt ratios with the requirement for a risk premium of twenty-five to fifty basis points above the prevailing rate.

Variable rate, revolving home equity lines of credit. The Banks’ home equity lines of credit are generally among the most competitive in the market area. Lines of credit are priced at the highest published Wall Street Journal Prime Interest Rate minus one-half of one percent, adjusted monthly with a rate ceiling of eighteen percent. Repayment terms are based upon a twenty year amortization, requiring monthly payments equivalent to 1/240th of the outstanding principal balance (or $100, whichever is greater) plus accrued interest on the unpaid balance for the billing cycle.

If the account is paid-off and closed via cancellation of the mortgage lien then an early termination fee of $300 is charged if closed during the first twelve billing cycles, or $200 if closed during the next twelve billing cycles. There is no termination fee after twenty-four billing cycles.

Account loans. The Banks grant loans to bank customers collateralized by deposits in specific types of savings/time deposit accounts. Money market deposit passbook accounts are not eligible for account loans. A ninety percent advance rate is provided at pricing three percent above the interest rate paid on the collateral account.

Consumer lending is generally considered to involve a higher degree of credit risk than residential mortgage lending. All consumer loans are secured with either a first or second lien position on owner occupied real estate. Account loans are fully secured. Consumer loan repayment is dependent on the borrower’s continuing financial stability and can be adversely affected by job loss, divorce, illness or personal bankruptcy. The application of various federal laws, including federal and state bankruptcy and insolvency laws, may limit the amount which can be recovered on consumer loans in the event of a default.

Commercial Lending. Though Roma Bank has historically made loans to businesses and not-for-profit organizations, it formalized its commercial lending activities in 2003 with the establishment of a Commercial Loan Department.

The majority of commercial loans approved and funded are commercial real estate loans for acquisition or refinancing of commercial properties. The Banks also offer a full menu of non-mortgage commercial loan products, tailored to serve customer needs, as follows:

- lines of credit to finance short term working capital needs;
- small business revolving lines of credit;
- equipment acquisition lines of credit convertible to term financing;
- short term time notes;
- term financing to finance capital acquisitions; and
- business vehicle financing.

We typically require personal guarantees on all commercial loans. Values are established by conforming real estate appraisals. The Banks' guidelines for commercial real estate collateral are currently as follows:

Collateral	Maximum Loan-to-Value	Maximum Amortization
1-4 family residential (investment)	75%	25 years
Multi-family (5+ units)	75%	25 years
Commercial real estate (owner occupied)	80%	25 years
Commercial real estate (non-owner occupied)	75%	25 years

Current advance rates for other forms of collateral include the following:

Collateral	Maximum Loan-to-Value
Commercial equipment	70% - 80% of invoice
Owned equipment	50% - 60% depreciated book value
Accounts receivable	70% of eligible receivables
Inventory (including work-in-process)	50% of cost
Liquid collateral	publicly traded marketable securities, 70% U.S. Government securities, 90%

The pricing for fixed rate commercial real estate mortgage loans provides for rate adjustments after an initial term (generally five years), and at each anniversary thereafter, based on a margin plus the Banks' Reference Rate which is published in the Wall Street Journal as the prime interest rate, the LIBOR rate, the 5 year Federal Home Loan Bank of New York rate or the Federal Reserve 5 year, H-15, constant maturity Treasury rate, as applicable.

The variable rate loans are indexed to various indexes including Wall Street Journal Prime, the FHLB rate or LIBOR.

Unlike single-family residential mortgage loans, which generally are made on the basis of the borrower's ability to make repayment from his or her employment and other income, and which are secured by real property whose value tends to be more easily ascertainable, commercial loans typically are made on the basis of the borrower's ability to make repayment from the cash flow of the borrower's business. As a result, the availability of funds for the repayment of commercial loans may be substantially dependent on the success of the business itself and the general economic environment. Commercial loans, therefore, have greater credit risk than residential mortgage or consumer loans. In addition, commercial loans generally result in larger balances to single borrowers, or related groups of borrowers, than one- to four-family loans. Commercial lending also generally requires substantially greater evaluation and oversight efforts.

Construction Lending. We originate construction loans for residential and commercial land acquisition and development, including loans to builders and developers to construct one- to four-family residences on undeveloped real estate, and retail, office, warehouse and industrial or other commercial space. Disbursements are made in accordance with an inspection report by an architect, or, in the case of construction loans up to $500 thousand, an inspection report by an approved appraiser or Bank personnel. Our construction lending includes loans for construction or major renovations or improvements of borrower-occupied residences, however, the majority of this portfolio is commercial in nature.

The Banks' guidelines for construction lending are currently as follows:

Collateral	Maximum Loan-to-Value	Maximum Amortization
Land	50% - unimproved 60% - with all municipal approvals 60% - improved	1 year, with two 6-month extensions 1 year, with two 6-month extensions 1 year, with two six -month extensions
Residential & commercial construction	75% (or 80% of cost)	1 year, with two 6-month extensions

Construction lending is generally considered to involve a higher degree of credit risk than residential mortgage lending. If the estimate of construction cost proves to be inaccurate, we may be compelled to advance additional funds to complete the construction with repayment dependent, in part, on the success of the ultimate project rather than the ability of a borrower or guarantor to repay the loan. If we are forced to foreclose on a project prior to completion, there is no assurance that we will be able to recover all of the unpaid portion of the loan. In addition, we may be required to fund additional amounts to complete a project and may have to hold the property for an indeterminate period of time.

Loans to One Borrower. Under federal law, savings institutions have, subject to certain exemptions, lending limits to one borrower in an amount equal to the greater of $500 thousand or 15% of the institution's unimpaired capital and surplus. Accordingly, as of December 31, 2009, Roma Bank's loans to one borrower legal limit was $27.7 million. However, Roma Bank has set an internal limit of $5.0 million for the origination of loans to one borrower with authority to exceed this internal limit vested in the Board of Directors.

Loans that exceed or approach the internal loan to one borrower limit are reviewed by the Board of Directors before being approved. For commercial loans, Roma Bank's Commercial Loan Policy requires Board approval for loans in excess of $5.0 million. Prior to presentation to the Board, the loan request is underwritten in accordance with policy and presented to the Officers' Commercial Loan Committee for its consideration and recommendation to the Board for approval. The Board's determination to grant a credit in excess of the $5.0 million internal limit is based upon thorough underwriting which must clearly demonstrate repayment ability and collateral adequacy. Additionally, these loans are approved only if the loan can be originated on terms which suit the needs of the borrower without exposing the Banks to unacceptable credit risk and interest rate risk.

At December 31, 2009, Roma Bank's largest single borrower had an aggregate loan balance of approximately $9.5 million, secured by commercial real estate. Our second largest single borrower had an aggregate loan balance of approximately $7.4 million, secured by commercial real estate. Our third largest borrower had in aggregate a loan of $5.5 million comprised of commercial real estate loans, construction loans and residential mortgages. At December 31, 2009, the loans of these three borrowers were current and performing in accordance with the terms of their loan agreements.

Loan Originations, Purchases, Sales, Solicitation and Processing. The following table shows total loans originated, purchased, sold and repaid during the periods indicated.

	For the Year Ended December 31,		
	2009	2008	2007
		(In thousands)	
Loan originations:			
Real estate mortgage - one-to-four family	$90,954	$34,699	$33,562
Real estate mortgage - multi-family and commercial	32,747	58,937	26,726
Commercial business	853	2,911	972
Construction	10,445	28,088	23,611
Consumer:			
Home equity loans and second mortgage	29,554	42,066	39,988
Passbook or certificate	415	494	656
Other	-	-	-
Total loan originations	164,968	167,195	125,515
Loan purchases	11,100	-	-
Loans sold (mortgage loans)	9,130	4,065	409
Loan principal repayments	98,366	100,917	86,184
Total loans sold and principal repayments	107,496	104,982	86,593
Increase (decrease) due to other items	-	-	-
Net increase in loan portfolio	$68,572	$62,213	$38,922

Our customary sources of loan applications include repeat customers, referrals from realtors and other professionals and "walk-in" customers. Our residential loan originations are largely reputational and advertisement driven.

It is the policy of the Banks to adhere to the residential mortgage underwriting standards of the Mortgage Partnership Finance Program of the Federal Home Loan Bank of New York, as well the standards of Fannie Mae and Freddie Mac. From time to time, Roma Bank sells thirty year fixed rate mortgages that qualify for sale to the secondary mortgage market in order to lessen its interest rate risk.

In November 2003, Roma Bank entered into an Agreement with the Federal Home Loan Bank of New York to sell residential mortgages as a participating institution in its Mortgage Partnership Finance Program. Roma Bank agreed to deliver loans under a $5.0 million Master Commitment which was subsequently increased in 2006 to $10.0 million and $15.0 million in 2008 and $25 million in 2009. Sales commenced in 2004 and, through December 31, 2009, $16.7 million in loans had been delivered to the MPF program. In addition to an origination premium, the Bank also realizes income from these sales from credit enhancement fees and loan servicing income. During 2009, Roma Bank also sold $9.1 million of loans to the Federal Home Loan Mortgage Corp.

Aside from participations, RomAsia Bank purchased $1.2 million of residential mortgages and $9.8 million of commercial loans during 2009. Roma Bank did not purchase loans from any third parties in the three years ended December 31, 2009. At December 31, 2009, the total outstanding balance of loan participations purchased was $13.1 million, representing participations in commercial construction loans with area banks and thrifts.

Loan Approval Procedures and Authority. Lending policies and loan approval limits are approved and adopted by the Boards of Directors. Loan committees have been established to administer lending activities as prescribed by lending policies. Two committee members may together approve non-commercial loans up to $500 thousand. A majority of members is required to approve non-commercial loans that contain credit policy exceptions, with the condition that either the president or executive vice president is one of the approving members. Non-commercial loans over $500 thousand require the approval of the Boards of Directors.

Commercial lending approval authority is as follows: up to $750 thousand, any two of the following: a commercial loan officer and either the senior vice president of lending, or the president or the executive vice president; over $750 thousand and up to $1.5 million, any two of the following: a commercial loan officer or the senior vice president of lending and the president or the executive vice president; over $1.5 million and up to $5.0 million, the loan committee; and over $5.0 million and up to 10% of the total assets of the Banks, the Board of Directors.

Asset Quality

Loan Delinquencies and Collection Procedures. The borrower is notified by both mail and telephone when a loan is thirty days past due. If the delinquency continues, subsequent efforts are made to contact the delinquent borrower and additional collection notices and letters are sent. When a loan is ninety days delinquent, it is our general practice to refer it to an attorney for repossession or foreclosure action. All reasonable attempts are made to collect from borrowers prior to referral to an attorney for collection. In certain instances, we may modify the loan or grant a limited moratorium on loan payments to enable the borrower to reorganize his or her financial affairs, and we attempt to work with the borrower to establish a repayment schedule to cure the delinquency.

As to mortgage loans, if a foreclosure action is taken and the loan is not reinstated, paid in full or refinanced, the property is sold at judicial sale at which we may be the buyer if there are no adequate offers to satisfy the debt. Any property acquired as the result of foreclosure, or by deed in lieu of foreclosure, is classified as real estate owned until it is sold or otherwise disposed of. When real estate owned is acquired, it is recorded at the lower of the unpaid principal balance of the related loan or its fair market value less estimated selling costs. The initial write down of the property is charged to the allowance for loan losses. Adjustments to the carrying value of the property that result from subsequent declines in value are charged to operations in the periods in which the declines occur. At December 31, 2009, we held two commercial properties in real estate owned with a carrying value of $1.9 million.

Loans are reviewed on a regular basis and are placed on non-accrual status when they are more than ninety days delinquent, with the exception of a passbook loan, the outstanding balance of which is collected from the related passbook account along with accrued interest and a penalty when the loan is 120 days delinquent. Loans may be placed on a non-accrual status at any time if, in the opinion of management, the collection of additional interest is doubtful. Interest accrued and unpaid at the time a loan is placed on non-accrual status is charged against interest income. Subsequent payments are either applied to the outstanding principal balance or recorded as interest income, depending on the assessment of the ultimate collectability of the loan. At December 31, 2009, approximately $14.8 million of loans were on a non-accrual basis.

Non-Performing Assets. The following table provides information regarding our non-performing loans. As of each of the dates indicated, we did not have any troubled debt restructurings or accruing loans which are contractually past due 90 days or more. As of each of the dates indicated, we did not have any non-performing assets other than the loans included in the table. At December 31, 2009, the allowance for loan losses totaled $5.2 million, non-performing loans totaled $14.8 million, and the ratio of allowance for loan losses to non-performing loans was 35.4%. Management believes that the non-performing loans are well secured and that adequate reserves have been established to absorb any losses which may occur upon the ultimate resolution. There are 37 loans in the non-performing status to 25 borrowers, 87.8% of which are commercial loans and the remainder are one- to -four family and consumer loans. The commercial loans are secured as follows: $10.1 million secured by commercial rental real estate; $2.8 million commercial construction loans secured by real estate; $.6 million to a non-profit organization, secured by real estate; and, $.1 million secured by other assets or unsecured.

	At December 31,				
	2009	2008	2007	2006	2005
	(Dollars in thousands)				
Loans accounted for on a non-accrual basis:					
Real estate mortgage - one-to-four family	$1,173	$754	$406	$362	$563
Home equity and second mortgage loans	629	44	-	1	91
Real estate multi-family and commercial	12,987	9,510	6,483	-	-
Total	14,789	10,308	6,889	363	654
Total non-performing loans	14,789	10,308	6,889	363	654
Real estate owned	1,928	68	-	-	-
Total non-performing assets	$16,717	$10,376	$6,889	$363	$654
Total non-performing loans to total loans	2.48 %	1.98 %	1.46 %	0.08 %	0.17 %
Total non-performing loans to total assets	1.13 %	0.96 %	0.76 %	0.04 %	0.08 %

Total non-performing assets to total assets	1.27	%	0.96	%	0.76	%	0.04	%	0.08	%

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During the year ended December 31, 2009, gross interest income of $893 thousand would have been recorded on loans accounted for on a non-accrual basis if those loans had been current, and $130 thousand of interest on such loans was included in income for the year ended December 31, 2009.

Classified Assets. Management, in compliance with Office of Thrift Supervision guidelines, has instituted an internal loan review program, whereby non-performing loans are classified as substandard, doubtful or loss. It is our policy to review the loan portfolio, in accordance with regulatory classification procedures, on at least a quarterly basis. When a loan is classified as substandard or doubtful, management is required to evaluate the loan for impairment. When management classifies a portion of a loan as loss, a reserve equal to 100% of the loss amount is required to be established or the loan is charged-off.

An asset is considered “substandard” if it is inadequately protected by the paying capacity and net worth of the obligor or the collateral pledged, if any. Substandard assets include those characterized by the distinct possibility that the Banks will sustain some loss if the deficiencies are not corrected. Assets classified as “doubtful” have all of the weaknesses inherent in those classified substandard, with the added characteristic that the weaknesses present make collection or liquidation in full highly questionable and improbable, on the basis of currently existing facts, conditions, and values. Assets, or portions thereof, classified as “loss” are considered uncollectible and of so little value that their continuance as assets without the establishment of a specific loss reserve is not warranted. Assets which do not currently expose the Banks to a sufficient degree of risk to warrant classification in one of the aforementioned categories but which have credit deficiencies or potential weaknesses are required to be designated “special mention” by management.

Management’s classification of assets is reviewed by the Boards on a regular basis and by the regulatory agencies as part of their examination process. An independent loan review firm performs periodic reviews of our commercial loan portfolios, including the verification of commercial loan risk ratings. Any disagreements in risk rating assessments require mutual consent as to the final risk rating.

The following table discloses the classification of assets and designation of certain loans as special mention as of the dates indicated. At each date, all of the classified assets and special mention designated assets were loans.

	At December 31,		
	2009	2008	2007
	(In thousands)		
Special Mention	$11,042	$661	$5,886
Substandard	25,908	12,043	6,098
Doubtful	-	-	-
Loss	-	-	-
Total	$36,950	$12,704	$11,984

At December 31, 2009, $367,000 of the loans classified as “special mention” and $14.4 million of the loans classified as “substandard” are also classified as non-performing assets. The special mention and substandard loans not categorized as non-performing are primarily secured by real estate and consist of $19.1 million of commercial loans and $3.0 million of residential and consumer loans.

Allowance for Loan Losses (ALLL). The allowance for loan losses is a valuation account that reflects our estimation of the losses in our loan portfolio to the extent they are both probable and reasonable to estimate. The allowance is established through provisions for loan losses that are charged to income in the period they are established. We charge losses on loans against the allowance for loan losses when we believe the collection of loan principal is unlikely. Recoveries on loans previously charged-off are added back to the allowance.

In order to comprehensively address periodic provisioning and the resultant ALLL, the Banks utilize a multidisciplinary approach which considers each of the following factors: historical realized losses in the credit portfolio; delinquency trends currently experienced in the current portfolio; internal risk rating system that assigns a risk factor, and therefore, a specific reserve to every outstanding credit exposure; external independent assessment of the adequacy of the ALLL and the entire credit management function; and current and anticipated economic conditions that could affect borrowers' ability to continually meet their contractual repayment obligations.

A loan evaluated for impairment is deemed to be impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement. All loans identified as impaired are evaluated independently. We do not aggregate such loans for evaluation purposes. Payments received on impaired loans are applied first to unpaid interest and then to principal.

We maintain a loan review system which provides for a systematic review of the loan portfolios and the early identification of potential impaired loans. The review of residential real estate and home equity consumer loans, as well as other more complex loans, is triggered by identified evaluation factors, including delinquency status, size of loan, type of collateral and the financial condition of the borrower.

Specific loan loss allowances are established for identified loans based on a review of such information and/or appraisals of the underlying collateral. General loan loss allowances are based upon a combination of factors including, but not limited to, actual loan loss experience, composition of the loan portfolio, current economic conditions and management's judgment. During 2009, we have increased our specific reserves, primarily in the commercial real estate area, as we updates appraisals, at least annually, and the new appraisals had significant declining values. In recent years, our charge-offs have been low, with no charge offs in 2006, $59 thousand in 2007, $181 thousand in 2008 and $278 thousand in 2009. Therefore, our provisions for loan losses have been reflective of other factors, including economic conditions, annual growth of the total loan portfolio of 11%, 10%, 12%, and 12.8% in 2006, 2007, 2008 and 2009, respectively, as well as the increasing percentage of multi-family and commercial real estate and commercial loans relative to total loans, which rose from 14.45% at December 31, 2005 to 16.18% at December 31, 2006, to 17.87% at December 31, 2007, to 25.45% at December 31, 2008, and to 30.93% at December 31, 2009. Higher provisions in 2006, 2007, 2008, and 2009 relative to 2005, reflected the higher amounts of loans classified as "special mention" and in 2009, as "substandard".

The estimation of the allowance for loan losses is inherently subjective as it requires estimates and assumptions that are susceptible to significant revisions as more information becomes available or as future events change. Future additions to the allowance for loan losses may be necessary if economic and other conditions in the future differ substantially from the current operating environment. In addition, the Office of Thrift Supervision, as an integral part of its examination process, periodically reviews our loan and foreclosed real estate portfolios and the related allowance for loan losses and valuation allowance for foreclosed real estate. The Office of Thrift Supervision may require the allowance for loan losses or the valuation allowance for foreclosed real estate to be increased based on its review of information available at the time of the examination, which would negatively affect our earnings.

The following table sets forth information with respect to our allowance for loan losses at the dates indicated.

	For the Year Ended December 31,				
	2009	2008	2007	2006	2005
	(Dollars in thousands)				
Allowance balance (at beginning of period)	$2,223	$1,602	$1,169	$878	$750
Provision for loan losses	3,280	787	492	291	128
Charge-offs:					
Commercial, multi-family	(214)	-	-	-	-
Passbook, certificate, overdraft	(64)	(181)	(59)	-	-
Total charge-offs	(278)	(181)	(59)	-	-
Recoveries	18	15	-	-	-
Net (charge-offs) recoveries	(260)	(166)	(59)	-	-
Allowance balance (at end of period)	$5,243	$2,223	$1,602	$1,169	$878
Total loans outstanding	$596,958	$529,405	$472,686	$430,080	$387,514
Average loans outstanding	$555,108	$482,557	$438,187	$400,486	$349,758
Allowance for loan losses as a percent of total loans outstanding	0.88 %	0.42 %	0.34 %	0.27 %	0.23 %
Net loans charged off as a percent of Average loans outstanding	0.05 %	0.03 %	0.01 %	- %	- %
Allowance for loan losses to non-performing loans	35.4 %	21.42 %	23.25 %	322.04 %	134.25 %

Allocation of Allowance for Loan Losses. The following table sets forth the allocation of our allowance for loan losses by loan category based on the relative composition of loans in the portfolio and the percent of loans in each category to total loans at the dates indicated. The portion of the loan loss allowance allocated to each loan category does not represent the total available for future losses which may occur within the loan category since the entire loan loss allowance is a valuation reserve applicable to the aggregate loan portfolio.

	At December 31,									
	2009		2008		2007		2006		2005	
	Amount	Percent of Loans to Total Loans	Amount	Percent of Loans to Total Loans	Amount	Percent of Loans to Total Loans	Amount	Percent of Loans to Total Loans	Amount	Percent Of Loans To Total Loans
	(Dollars in thousands)									
At end of period allocated to:										
Real estate mortgage - One-to-four family	$ 312	42.21 %	$ 209	43.63 %	$ 231	46.52 %	$ 238	48.31 %	$ 435	49.45 %
Real estate mortgage - Multi-family and Commercial	3,255	28.87	1,601	24.37	1,089	17.04	746	15.31	122	13.84
Commercial business	1,206	2.06	72	1.09	34	0.83	5	0.87	5	0.61
Consumer:										
Home equity and second mortgage loans	156	22.32	119	25.28	137	27.52	133	29.63	268	30.53
Passbook, certificate, Overdraft	7	0.16	14	0.17	6	0.24	32	0.30	2	0.28
Auto	-	-	-	-	-	-	-	0.01	-	0.01
Other	-	-	-	-	-	-	-	-	1	0.12
Construction	307	4.38	208	5.46	105	7.85	15	5.57	45	5.16
Total allowance	$5,243	100.00%	$2,223	100.00%	$1,602	100.00%	$1,169	100.00%	$878	100.00%

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Securities Portfolio

General. Our deposits have traditionally exceeded our loan originations, and we have invested these excess deposits primarily in mortgage-backed securities and investment securities.

Our investment policy is designed to foster earnings and manage cash flows within prudent interest rate risk and credit risk guidelines. Generally, our investment policy is to invest funds in various categories of securities and maturities based upon our liquidity needs, asset/liability management policies, pledging requirements, investment quality, marketability and performance objectives. The Banks investment policy specifies the responsibility for the investment portfolio, asset/liability management and liquidity management and establishes an oversight Investment Committee. The Investment Committee, which is comprised of at least one Board member and the members of management responsible for investment decisions and accountability, meets quarterly to review the portfolio and performance risks and future purchasing strategies. The investment officer is authorized to purchase securities to the limit of $5.0 million per trade per issue with the prior approval of the president, executive vice president or Investment Committee.

All of our securities carry market risk insofar as increases in market rates of interest may cause a decrease in their market value. Prior to investing, consideration is given to the interest rate, tax considerations, market volatility, yield, settlement date and maturity of the security, our liquidity position, and anticipated cash needs and sources. The effect that the proposed security would have on our credit and interest rate risk and risk-based capital is also considered.

Federally chartered savings banks have the authority to invest in various types of liquid assets. The investments authorized under the Banks' investment policies include U.S. government and government agency obligations, municipal securities (consisting of bond obligations of state and local governments), mortgage-backed securities, collateralized mortgage obligations and corporate bonds. On a short-term basis, the investment policies authorize investment in federal funds, certificates of deposits and money market investments with insured institutions and with brokerage firms.

FASB ASC Topic 320, "Investments-Debt and Equity Securities", requires that securities be categorized as "held to maturity," "trading securities" or "available-for-sale," based on management's intent as to the ultimate disposition of each security. FASB ASC Topic 320 allows debt securities to be classified as "held to maturity" and reported in financial statements at amortized cost only if the reporting entity has the positive intent and ability to hold these securities to maturity. Securities that might be sold in response to changes in market interest rates, changes in the security's prepayment risk, increases in loan demand, or other similar factors cannot be classified as "held to maturity."

We do not currently use or maintain a trading account. Securities not classified as "held to maturity" are classified as "available-for-sale." These securities are reported at fair value, and unrealized gains and losses on the securities are excluded from earnings and reported, net of deferred taxes, as a separate component of equity.

At December 31, 2009, our securities portfolio did not contain securities of any issuer, other than the U.S. government or its agencies, having an aggregate book value in excess of 10% of our equity. We do not currently participate in hedging programs, interest rate caps, floors or swaps, or other activities involving the use of off-balance sheet derivative financial instruments, however, we may in the future utilize such instruments if we believe it would be beneficial for managing our interest rate risk. Further, we do not purchase securities which are not rated investment grade.

Actual maturities of the securities held by us may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without prepayment penalties. At December 31, 2009, we had $220.6 million of callable securities, net of premiums and discounts, in our portfolio. Callable securities pose reinvestment risk because we may not be able to reinvest the proceeds from called securities at an equivalent or higher interest rate.

Mortgage-backed Securities and Collateralized Mortgage Obligations. Mortgage-related securities represent a participation interest in a pool of one-to-four-family or multi-family mortgages. We primarily invest in mortgage-backed securities secured by one-to-four-family mortgages. Our mortgage-related securities portfolio includes mortgage-backed securities and collateralized mortgage obligations issued by U.S. government agencies or government-sponsored entities, such as Federal Home Loan Mortgage Corporation, the Government National Mortgage Association, and the Federal National Mortgage Association. We do not currently invest in mortgage-related securities issued by non-government, private corporate issuers.

The mortgage originators use intermediaries (generally government agencies and government-sponsored enterprises, but also a variety of private corporate issuers) to pool and repackage the participation interests in the form of securities, with investors receiving the principal and interest payments on the mortgages. Securities issued or sponsored by U.S. government agencies and government-sponsored entities are guaranteed as to the payment of principal and interest to investors. Privately issued non-government, corporate issuers' securities typically offer rates above those paid on government agency issued or sponsored securities, but lack the guaranty of those agencies and are generally less liquid investments.

Mortgage-backed securities are pass-through securities typically issued with stated principal amounts, and the securities are backed by pools of mortgages that have loans with interest rates that are within a specific range and have varying maturities. The life of a mortgage-backed security thus approximates the life of the underlying mortgages. Mortgage-backed securities generally yield less than the mortgage loans underlying the securities. The characteristics of the underlying pool of mortgages, i.e., fixed-rate or adjustable-rate, as well as prepayment risk, are passed on to the certificate holder. Mortgage-backed securities are generally referred to as mortgage participation certificates or pass-through certificates.

Collateralized mortgage obligations are mortgage-derivative products that aggregate pools of mortgages and mortgage-backed securities and create different classes of securities with varying maturities and amortization schedules as well as a residual interest with each class having different risk characteristics. The cash flows from the underlying collateral are usually divided into "tranches" or classes which have descending priorities with respect to the distribution of principal and interest repayment of the underlying mortgages and mortgage-backed securities as opposed to pass through mortgage-backed securities where cash flows are distributed pro rata to all security holders. Unlike mortgage-backed securities from which cash flow is received and risk is shared pro rata by all securities holders, cash flows from the mortgages and mortgage-backed securities underlying collateralized mortgage obligations are paid in accordance with a predetermined priority to investors holding various tranches of the securities or obligations. It is our policy to buy mortgage-derivative products that have no more risk than the underlying mortgages. The Banks have reviewed their portfolio of mortgage-backed securities and believe they do not have any subprime exposure in this area.

The following table sets forth the carrying value of our securities portfolio at the dates indicated.

	At December 31,				
	2009	2008	2007	2006	2005
	(In thousands)				
Securities Available for Sale:					
Mutual fund shares	$2,686	$2,449	$2,375	$2,226	$2,154
Equity securities	1,387	2,881	3,443	3,447	50
Corporate bond	-	955	-	-	-
Mortgage-backed securities issued by Freddie Mac	8,308	3,056	1,292	1,524	130
U.S. government agency obligations	9,456	2,869	-	1,979	2,961
Obligations of state and political Subdivisions	8,307	4,790	10,128	10,155	10,219
Total securities available for sale	30,144	17,000	17,238	19,331	15,514
Investment Securities Held to Maturity:					
U.S. government agency obligations	292,427	67,985	123,283	168,332	172,263
Obligations of states and political subdivisions	11,943	6,130	4,423	1,595	815
Corporate bond	979	-	-	-	-
Total investment securities held to maturity	305,349	74,115	127,706	169,927	173,078
Mortgage-Backed Securities Held to Maturity:					
Ginnie Mae	7,148	8,888	4,276	5,630	7,454
Freddie Mac	123,244	154,246	84,648	79,822	80,155
Fannie Mae	107,294	124,942	47,387	53,880	58,389
Collateralized mortgage obligations	10,740	13,802	7,788	5,148	4,103
Total mortgage-backed securities held to maturity	248,426	301,878	144,099	144,480	150,101

Total	$583,919	$392,993	$289,043	$333,738	$338,693

The following table sets forth certain information regarding the carrying values, weighted average yields and maturities of our securities portfolio at December 31, 2009. This table shows contractual maturities and does not reflect re-pricing or the effect of prepayments. Actual maturities may differ.

	At December 31, 2009										
	One Year or Less		One to Five Years		Five to Ten Years		More than Ten Years		Total Investment Securities		
	Carrying Value	Average Yield	Carrying Value	Average Yield	Carrying Value	Average Yield	Carrying Value	Average Yield	Carrying Value	Average Yield	Market Value
	(Dollars in thousands)										
Mutual fund shares	$2,686	4.17%	$-	-	$-	-	$-	-	$2,686	4.17%	$2,686
Equity securities	1,387	-	-	-	-	-	-	-	1,387	0.00%	1,387
Corporate bond	-	-	979	4.99%	-	-	-	-	979	4.99%	998
U.S. government obligations	-	0.00%	16,996	2.40%	206,599	4.25%	78,288	4.94%	301,883	4.93%	296,986
Obligations of states and political subdivisions	-	0.00%	2,612	4.05%	9,399	4.33%	8,239	3.21%	20,250	4.28%	21,452
Ginnie Mae	1	7.50%	1,030	6.50%	31	4.90%	6,086	4.96%	7,148	5.00%	8,283
Freddie Mac	-	0.00%	2,471	5.29%	17,399	4.80%	111,682	5.08%	131,552	5.05%	131,829
Fannie Mae	-	0.00%	14,870	4.85%	9,563	4.84%	82,861	5.25%	107,294	5.14%	115,755
Collateralized Mortgage Obligations	-	-	1,480	5.23%	6,781	4.90%	2,479	5.11%	10,740	5.96%	11,199
Total	$4,074	0.00%	$40,438	3.39%	$249,772	4.89%	$289,635	5.03%	$583,918	4.96%	$590,575

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Sources of Funds

General. Deposits are the Banks' major source of funds for lending and other investment purposes. In addition, we derive funds from loan and mortgage-backed securities principal repayments, and proceeds from the maturity and call of investment securities. Loan and securities payments are a relatively stable source of funds, while deposit inflows are significantly influenced by pricing strategies and money market conditions. If required, borrowings (principally from the Federal Home Loan Bank) may be used to supplement the amount of funds for lending and funding daily operations. Borrowings may also be utilized as part of a leverage strategy in which the borrowings fund securities purchases.

Deposits. Our current deposit products include checking and savings accounts, certificates of deposit accounts ranging in terms from ninety-one days to seven years, and individual retirement accounts. Deposit account terms vary, primarily as to the required minimum balance amount, the amount of time that the funds must remain on deposit and the applicable interest rate.

Deposits are obtained primarily from within New Jersey. Traditional methods of advertising are used, or may be used, to attract new customers and deposits, including radio, print media, direct mail and inserts included with customer statements. We do not currently utilize the services of deposit brokers. Premiums or incentives for opening accounts are sometimes offered, and we periodically select particular certificate of deposit maturities for promotion. The Banks have a tiered savings product that offers a beneficial interest rate related to predetermined tiered balance requirements. Customers that maintain a minimum balance requirement in the tiered account are not charged a monthly service fee for the savings account or for checking accounts and also receive overdraft protection, Visa check card and coin counting services.

The determination of deposit and certificate interest rates is based upon a number of factors, including: (1) need for funds based on loan demand, current maturities of deposits and other cash flow needs; (2) a current survey of a selected group of competitors' rates for similar products; (3) economic conditions; and (4) business plan projections. Interest rates are reviewed weekly at a meeting of the Asset Liability Committee which consists of senior management.

A large percentage of our deposits are in certificates of deposit, which totaled 57.3% of total average deposits at December 31, 2009. The inflow of certificates of deposit and the retention of such deposits upon maturity are significantly influenced by general interest rates and money market conditions, making certificates of deposit traditionally a more volatile source of funding than core deposits. Our liquidity could be reduced if a significant amount of certificates of deposit maturing within a short period of time were not renewed. To the extent that such deposits do not remain with us, they may need to be replaced with borrowings which could increase our cost of funds and negatively impact our interest rate spread and our financial condition. Historically, a significant portion of the certificates of deposit remain with us after they mature and we believe that this will continue. At December 31, 2009, $164.1 million, or 28.4%, of our certificates of deposit were "jumbo" certificates of $100 thousand or more.

The following tables set forth the distribution of average deposits for the periods indicated and the weighted average nominal interest rates for each period on each category of deposits presented.

	For the Year Ended December 31,								
	2009			2008			2007		
	Average Balance	Percent of Total Deposits	Weighted Average Nominal Rate	Average Balance	Percent of Total Deposits	Weighted Average Nominal Rate	Average Balance	Percent of Total Deposits	Weighted Average Nominal Rate
	(Dollars in thousands)								
Non-interest-bearing demand	$ 31,044	3.40%	0.00%	$ 26,050	3.70%	0.00%	$ 23,781	3.80%	0.00%
Interest-bearing demand	112,193	12.40	0.54	98,985	14.20	0.54	94,239	14.90	0.55
Money market demand	150,223	16.60	1.30	98,619	14.10	1.00	91,172	14.50	1.00
Savings and club	93,644	10.30	0.94	91,022	13.00	0.93	89,473	14.20	0.87
Certificates of deposit	518,886	57.30	3.05	384,526	55.00	4.03	331,859	52.60	4.55
Total deposits	$ 905,990	100.00%	2.12%	$ 699,202	100.00%	2.59%	$ 630,524	100.00%	2.75%

The following table sets forth certificates of deposit classified by interest rate as of the dates indicated.

	At December 31, 2009	2008 (In thousands)	2007
0.00-1.99%	$ 228,895	$ 532	$ 1,252
2.00-2.99%	201,953	95,911	3,568
3.00-3.99%	109,989	218,621	48,816
4.00-4.99%	31,633	108,263	240,815
5.00% and above	5,309	9,189	57,515
Total	$ 577,779	$ 432,516	$ 351,966

The following table sets forth the amount and maturities of certificates of deposit at December 31, 2009.

	Amount Due						
Interest Rate	Within 1 year	1-2 years	2-3 years	3-4 years (In thousands)	4-5 years	After 5 years	Total
0.00-1.99	$198,711	$30,184	$--	$--	$--	$--	$228,895
2.00-2.99	135,664	47,832	17,265	1,193	--	--	201,954
3.00-3.99	68,591	24,414	3,872	2,433	9,840	838	109,988
4.00-4.99	27,067	1,404	1,356	1,633	1	172	31,633
5.00-5.99%	--	5,309	--	--	--	--	5,309
Total	$430,033	$109,143	$22,493	$5,259	$9,841	$1,010	$577,779

The following table shows the amount of certificates of deposit of $100 thousand or more by time remaining until maturity as of the dates indicated.

	At December 31, 2009 (In thousands)
Maturity Period	
Within three months	$ 10,923

Three through six months	15,555
Six through twelve months	62,885
Over twelve months	74,736
	$ 164,099

Borrowings. To supplement deposits as a source of funds for lending or investment, Roma Bank may borrow funds in the form of advances from the Federal Home Loan Bank of New York(FHLBNY). At December 31, 2009, Roma Bank's borrowing limit with the FHLBNY was $200.0 million. At December 31, 2009 RomAsia Bank had an overnight borrowing capacity of $2.0 million with the Atlantic Central Bankers Bank.

We traditionally have enjoyed cash flows from deposit activities that were sufficient to meet our day-to-day funding obligations and in the past only occasionally used our overnight line of credit or borrowing facility with the FHLBNY. In the third quarter of 2005, however, we used our overnight line of credit at the FHLBNY to meet daily operations and continued to use it on occasion during 2006 and 2007. In the fourth quarter of 2005, we took a five year advance from the FHLBNY to meet the strong demand for loans. As of December 31, 2009, the outstanding balance of such five year advance totaled $1.8 million. This advance has a fixed interest rate of 4.49%.

In the fourth quarter of 2007, we took a ten year advance totaling $23.0 million at a fixed rate of 3.90%, callable at three years. Interest is paid quarterly. Approximately $8 million of the proceeds were used for the capital contribution to RomAsia Bank and the other $15 million of proceeds was invested in mortgage-backed securities.

In the third quarter of 2008, we entered into a securities sold under agreement to repurchase with Credit Suisse for $40.0 million, with a blended interest rate of 3.55%. We invested the proceeds into mortgage backed securities with average yields of 5.5%.

In late December 2008, we borrowed overnight funds from the FHLBNY and reinvested those in money market funds with higher yields on a day to day basis. This advance was repaid in the first quarter of 2009.

Short-term FHLBNY advances generally have original maturities of less than one year, and are typically secured by the Federal Home Loan Bank stock and by other assets, mainly securities which are obligations of, or guaranteed by, the U.S. government. Additional information regarding our borrowings is included under Note 13 to the Consolidated Financial Statements included elsewhere in this Form 10-K.

Subsidiary Activity

Roma Financial Corporation has two direct subsidiaries, Roma Bank and RomAsia Bank. RomAsia Bank received all regulatory approvals and opened on June 23, 2008. As of December 31, 2009, the Company had invested $13.4 million in organizational capital out of total capital of $15.0 million, or 89.55%. At December 31, 2009 RomAsia Bank had total assets of $90.7 million.

Roma Bank has two wholly-owned subsidiaries: Roma Capital Investment Corporation, which was incorporated under New Jersey law in 2004 as an investment subsidiary, and General Abstract & Title Agency, a New Jersey corporation.

Roma Capital Investment Corporation is an investment subsidiary and its sole activity is to hold investment securities. Its total assets at December 31, 2009 were $274.2 million. Its net income for 2009 was $7.6 million.

General Abstract & Title Agency sells title insurance, performs title searches and provides real estate settlement and closing services. Its total assets at December 31, 2009 were $432 thousand. Its operating revenue for 2009 consisted of $1.1 million in premiums earned from the placement of title insurance and related title company services. Its net loss for 2009 was $17 thousand.

The Company's consolidated statements also include a 50% interest in 84 Hopewell, LLC, a real estate investment which is consolidated according to the requirements FASB ASC Topic 810. All significant inter-company accounts and transactions have been eliminated in consolidation.

REGULATION AND SUPERVISION

Set forth below is a brief description of certain laws which relate to the regulation of the Company and the Banks. The description does not purport to be complete and is qualified in its entirety by reference to applicable laws and regulations.

Holding Company Regulation

General. The Company is a unitary savings and loan holding company, subject to regulation and supervision by the Office of Thrift Supervision. In addition, the OTS has enforcement authority over the Company and any non-savings institution subsidiaries. This permits the OTS to restrict or prohibit activities that it determines to be a serious risk to the Banks. This regulation is intended primarily for the protection of the depositors and not for the benefit of stockholders of the Company.

Activities Restrictions. As a grandfathered unitary savings and loan holding company under the Graham Leach Bliley Act, the Company is generally not subject to any restrictions on its business activities or those of its non-savings institution subsidiaries. However, if the Company were to fail to meet the Qualified Thrift Lender Test, then it would become subject to the activities restrictions of the Home Owners' Loan Act applicable to multiple holding companies. See "Regulation of the Bank -- Qualified Thrift Lender Test."

If the Company were to acquire control of another savings association, it would lose its grandfathered status under the GLB Act and its business activities would be restricted to certain activities specified by OTS regulation, which include performing services and holding properties used by a savings institution subsidiary, certain activities authorized for savings and loan holding companies as of March 5, 1987, and nonbanking activities permissible for bank holding companies pursuant to the Bank Holding Company Act of 1956 (the "BHC Act") or authorized for financial holding companies pursuant to the GLB Act. Furthermore, no company may acquire control of the Company unless the acquiring company was a unitary savings and loan holding company on May 4, 1999 (or became a unitary savings and loan holding company pursuant to an application pending as of that date) or the acquiring company is only engaged in activities that are permitted for multiple savings and loan holding companies or for financial holding companies under the BHC Act as amended by the GLB Act.

Mergers and Acquisitions. The Company must obtain approval from the OTS before acquiring more than 5% of the voting stock of another savings institution or savings and loan holding company or acquiring such an institution or holding company by merger, consolidation or purchase of its assets. In evaluating an application for the Company to acquire control of a savings institution, the OTS would consider the financial and managerial resources and future prospects of the Company and the target institution, the effect of the acquisition on the risk to the insurance funds, the convenience and the needs of the community and competitive factors.

The USA Patriot Act. In response to the events of September 11, 2001, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, or the USA Patriot Act, was signed into law on October 26, 2001. The USA Patriot Act gives the federal government new powers to address terrorist threats through enhanced domestic security measures, expanded surveillance powers, increased information sharing and broadened anti-money laundering requirements. By way of amendments to the Bank Secrecy Act, Title III of the USA Patriot Act takes measures intended to encourage information sharing among bank regulatory agencies and law enforcement bodies. Further, certain provisions of Title III impose affirmative obligations on a broad range of financial institutions, including banks, thrifts, brokers, dealers, credit unions, money transfer agents and parties registered under the Commodity Exchange Act.

Among other requirements, Title III of the USA Patriot Act imposes the following requirements with respect to financial institutions:

Pursuant to Section 352, all financial institutions must establish anti-money laundering programs that include, at minimum: (i) internal policies, procedures, and controls; (ii) specific designation of an anti-money laundering compliance officer; (iii) ongoing employee training programs; and (iv) an independent audit function to test the anti-money laundering program.

Section 326 authorizes the Secretary of the Department of Treasury, in conjunction with other bank regulators, to issue regulations that provide for minimum standards with respect to customer identification at the time new accounts are opened.

Section 312 requires financial institutions that establish, maintain, administer or manage private banking accounts or correspondence accounts in the United States for non-United States persons or their representatives (including foreign individuals visiting the United States) to establish appropriate, specific, and, where necessary, enhanced due diligence policies, procedures and controls designed to detect and report money laundering.

Effective December 25, 2001, financial institutions are prohibited from establishing, maintaining, administering or managing correspondent accounts for foreign shell banks (foreign banks that do not have a physical presence in any country), and will be subject to certain record keeping obligations with respect to correspondent accounts of foreign banks.

Bank regulators are directed to consider a holding company's effectiveness in combating money laundering when ruling on Federal Reserve Act and Bank Merger Act applications.

Sarbanes-Oxley Act of 2002. The Sarbanes-Oxley Act of 2002 (the "Act") implemented legislative reforms intended to address corporate and accounting fraud and improve public company reporting. The Securities and Exchange Commission (the "SEC") has promulgated regulations pursuant to the Act. The passage of the Act by Congress and the implementation of regulations by the SEC subject publicly-traded companies to additional and more cumbersome reporting regulations and disclosure. Compliance with the Act and corresponding regulations may increase the Company's expenses.

Regulation of the Banks

General. As federally chartered savings banks with deposits insured by the FDIC, the Banks are subject to extensive regulation by the OTS and FDIC. Lending activities and other investments must comply with federal and state statutory and regulatory requirements. The Banks are also subject to reserve requirements of the Federal Reserve System. Federal regulation and supervision establishes a comprehensive framework of activities in which an institution can engage and is intended primarily for the protection of the Deposit Insurance Fund and depositors. The regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes.

The OTS regularly examines the Banks and prepares reports for consideration by the Banks Boards of Directors on deficiencies, if any, found in the Banks' operations. The Banks' relationship with its depositors and borrowers is also regulated by federal and state law, especially in such matters as the ownership of savings accounts and the form and content of the Banks' mortgage documents.

The Banks must file reports with the OTS concerning their activities and financial condition, and must obtain regulatory approvals prior to entering into certain transactions such as mergers with or acquisitions of other financial institutions. Any change in such regulations, whether by the OTS, the FDIC or the United States Congress, could have a material adverse impact on the Banks, the Company, and their operations.

Federal Deposit Insurance. The Bank's deposits are insured to applicable limits by the FDIC. The maximum deposit insurance amount has been increased from $100,000 to $250,000 until December 31, 2013. On October 13, 2008, the FDIC established a Temporary Liquidity Guarantee Program under which the FDIC fully guarantees all non-interest-bearing transaction accounts until December 31, 2009 (the "Transaction Account Guarantee Program") and all senior unsecured debt of insured depository institutions or their qualified holding companies issued between October 14, 2008 and June 30, 2009, with the FDIC's guarantee expiring by June 30, 2012 (the "Debt Guarantee Program"). Senior unsecured debt would include federal funds purchased and certificates of deposit standing to the credit of the bank. After November 12, 2008, institutions that did not opt out of the Programs by December 5, 2008 were assessed at the rate of ten basis points for transaction account balances in excess of $250,000 and at a rate between 50 and 100 basis points of the amount of debt issued. In May, 2009, the Debt Guarantee Program issue end date and the guarantee expiration date were both extended, to October 31, 2009 and December 31, 2012, respectively. Participating holding companies that have not issued FDIC-guaranteed debt prior to April 1, 2009 must apply to remain in the Debt Guarantee Program. Participating institutions will be subject to surcharges for debt issued after that date. Effective October 1, 2009, the Transaction Account Guarantee Program was extended until June 30, 2010, with an increased assessment after December 31, 2009. The Company and the Bank did not opt out of the Debt Guarantee Program. The Bank did not opt out of the original Transaction Account Guarantee Program or its extension.

The FDIC has adopted a risk-based premium system that provides for quarterly assessments based on an insured institution's ranking in one of four risk categories based on their examination ratings and capital ratios. Well-capitalized institutions with the CAMELS ratings of 1 or 2 are grouped in Risk Category I and, until 2009, were assessed for deposit insurance at an annual rate of between five and seven basis points with the assessment rate for an individual institution determined according to a formula based on a weighted average of the institution's individual CAMELS component ratings plus either five financial ratios or the average ratings of its long-term debt. Institutions in Risk Categories II, III and IV were assessed at annual rates of 10, 28 and 43 basis points, respectively. Insured depository institutions that were in existence on December 31, 1996 and paid assessments prior to that date (or their successors) were entitled to a one-time credit against future assessments based on their past contributions to the predecessor to the Deposit Insurance Fund. The Bank used its special assessment credit to offset the cost of its deposit insurance premium until it was exhausted.

Pursuant to the Federal Deposit Insurance Reform Act of 2005 (the "Reform Act"), the FDIC is authorized to set the reserve ratio for the Deposit Insurance Fund annually at between 1.15% and 1.5% of estimated insured deposits. Due to recent bank failures, the FDIC determined that the reserve ratio was 1.01% as of June 30, 2008. In accordance with the Reform Act, as amended by the Helping Families Save Their Home Act of 2009, the FDIC has established and implemented a plan to restore the reserve ratio to 1.15% within eight years. For the quarter beginning January 1, 2009, the FDIC raised the base annual assessment rate for institutions in Risk Category I to between 12 and 14 basis points while the base annual assessment rates for institutions in Risk Categories II, III and IV were increased to 17, 35 and 50 basis points, respectively. For the quarter beginning April 1, 2009 the FDIC set the base annual assessment rate for institutions in Risk Category I to between 12 and 16 basis points and the base annual assessment rates for institutions in Risk Categories II, III and IV at 22, 32 and 45 basis points, respectively. An institution's assessment rate could be lowered by as much as five basis points based on the ratio of its long-term unsecured debt to deposits or,

for smaller institutions based on the ratio of certain amounts of Tier 1 capital to adjusted assets. The assessment rate may be adjusted for Risk Category I institutions that have a high level of brokered deposits and have experienced higher levels of asset growth (other than through acquisitions) and could be increased by as much as ten basis points for institutions in Risk Categories II, III and IV whose ratio of brokered deposits to deposits exceeds 10%. Reciprocal deposit arrangements like CDARS® were treated as brokered deposits for Risk Category II, III and IV institutions but not for institutions in Risk Category I. An institution's base assessment rate would also be increased if an institution's ratio of secured liabilities (including FHLB advances and repurchase agreements) to deposits exceeds 25%. The maximum adjustment for secured liabilities for institutions in Risk Categories I, II, III and IV would be 8, 11, 16 and 22.5 basis points, respectively, provided that the adjustment may not increase an institution's base assessment rate by more than 50%.

The FDIC imposed a special assessment equal to five basis points of assets less Tier 1 capital as of June 30, 2009, payable on September 30, 2009, and reserved the right to impose additional special assessments. In November, 2009, instead of imposing additional special assessments, the FDIC amended the assessment regulations to require all insured depository institutions to prepay their estimated risk-based assessments for the fourth quarter of 2009, and for all of 2010, 2011 and 2012 on December 30, 2009. For purposes of estimating the future assessments, each institution's base assessment rate in effect on September 30, 2009 was used, assuming a 5% annual growth rate in the assessment base and a 3 basis point increase in the assessment rate in 2011 and 2012. The prepaid assessment will be applied against actual quarterly assessments until exhausted. Any funds remaining after June 30, 2013 will be returned to the institution. If the prepayment would impair an institution's liquidity or otherwise create significant hardship, it may apply for an exemption. Requiring this prepaid assessment does not preclude the FDIC from changing assessment rates or from further revising the risk-based assessment system.

In addition to the deposit insurance assessments, all FDIC-insured institutions are required to pay special assessments to the FDIC to fund the repayment of debt obligations of the Financing Corporation (FICO), a government-sponsored entity that was formed in 1987 to recapitalize the Federal Savings and Loan Insurance Corporation. At December 31, 2009, the annualized rate established by the FDIC for the FICO assessment was 1.60 basis points per $100 of insured deposits. These assessments will continue until the FICO bonds mature in 2017.

Regulatory Capital Requirements. OTS capital regulations require savings institutions to meet three capital standards: (1) tangible capital equal to 1.5% of adjusted total assets, (2) Tier 1, or "core," capital equal to at least 4% (3% if the institution has received the highest rating, "composite 1 CAMELS," on its most recent examination) of adjusted total assets, and (3) risk-based capital equal to 8% of total risk-weighted assets.

Tangible capital is defined as core capital less all intangible assets (including supervisory goodwill), less certain mortgage servicing rights and less certain investments. Core capital is defined as common stockholders' equity (including retained earnings), noncumulative perpetual preferred stock and minority interests in the equity accounts of consolidated subsidiaries, certain nonwithdrawable accounts and pledged deposits of mutual savings associations and qualifying supervisory goodwill, less nonqualifying intangible assets, certain mortgage servicing rights, certain investments and unrealized gains and losses on certain available-for-sale securities.

The risk-based capital standard for savings institutions requires the maintenance of total risk-based capital (which is defined as core capital plus supplementary capital) of 8% of risk-weighted assets. The components of supplementary capital include, among other items, cumulative perpetual preferred stock, perpetual subordinated debt, mandatory convertible subordinated debt, intermediate-term preferred stock, and the portion of the allowance for loan losses not designated for specific loan losses (up to a maximum of 1.25% of risk-weighted assets) and up to 45% of unrealized gains on equity securities. Overall, supplementary capital is limited to 100% of core capital. A savings association must calculate its risk-weighted assets by multiplying each asset and off-balance sheet item by various risk factors as determined by the OTS, which range from 0% for cash to 100% for delinquent loans, property acquired through foreclosure, commercial loans, and other assets.

Dividend and Other Capital Distribution Limitations. The OTS imposes various restrictions or requirements on the ability of savings institutions to make capital distributions including cash dividends.

A savings association that is a subsidiary of a savings and loan holding company, such as the Banks, must file an application or a notice with the OTS at least 30 days before making a capital distribution. A savings association is not required to file an application for permission to make a capital distribution and need only file a notice if the following conditions are met: (1) it is eligible for expedited treatment under OTS regulations, (2) it would remain adequately capitalized after the distribution, (3) the annual amount of its capital distributions does not exceed net income for that year to date added to retained net income for the two preceding years, and (4) the capital distribution would not violate any agreements between the OTS and the savings association or any OTS regulations. Any other situation would require an application to the OTS.

In addition, the OTS could prohibit a proposed capital distribution if, after making the distribution, which would otherwise be permitted by the regulation, the OTS determines that the distribution would constitute an unsafe or unsound practice.

A federal savings institution is prohibited from making a capital distribution if, after making the distribution, the institution would be unable to meet any one of its minimum regulatory capital requirements. Further, a federal savings institution cannot distribute regulatory capital that is needed for its liquidation account.

Qualified Thrift Lender Test. Savings institutions must meet a qualified thrift lender ("QTL") test or they become subject to the business activity restrictions and branching rules applicable to national banks. To qualify as a QTL, a savings institution must either (i) be deemed a "domestic building and loan association" under the Internal Revenue Code by maintaining at least 60% of its total assets in specified types of assets, including cash, certain government securities, loans secured by and other assets related to residential real property, educational loans and investments in premises of the institution or (ii) satisfy the statutory QTL test set forth in the Home Owners' Loan Act by maintaining at least 65% of its "portfolio assets" in certain "Qualified Thrift Investments" (defined to include residential mortgages and related equity investments, certain mortgage-related securities, small business loans, student loans and credit card loans, and 50% of certain community development loans). For purposes of the statutory QTL test, portfolio assets are defined as total assets minus intangible assets, property used by the institution in conducting its business, and liquid assets up to 20% of total assets. A savings institution must maintain its status as a QTL on a monthly basis in at least nine out of every 12 months. As of December 31, 2009, the Banks were in compliance with their QTL requirement.

Federal Home Loan Bank System (FHLBNY). Roma Bank is a member of the FHLBNY, which is one of 12 regional FHLBs that administer the home financing credit function of savings associations. Each FHLB serves as a reserve or central bank for its members within its assigned region. It is funded primarily from proceeds derived from the sale of consolidated obligations of the FHLB System. It makes loans to members (i.e., advances) in accordance with policies and procedures established by the Board of Directors of the FHLB.

As a member, the Bank is required to purchase and maintain stock in the FHLB of New York in an amount equal to the greater of 1% of its aggregate unpaid residential mortgage loans, home purchase contracts or similar obligations at the beginning of each year, or 5% of its outstanding advances.

Federal Reserve System. The Federal Reserve System requires all depository institutions to maintain non-interest bearing reserves at specified levels against their transaction accounts (primarily checking, NOW and Super NOW checking accounts) and non-personal time deposits. The balances maintained to meet the reserve requirements imposed by the Federal Reserve System may be used to satisfy the liquidity requirements that are imposed by the OTS. At December 31, 2009, the Banks were in compliance with these requirements.

On October 3, 2008, the Emergency Economic Stabilization Act of 2008 (the "EESA") was signed into law. The EESA authorizes the U.S. Treasury to, among other things, purchase up to $700 billion of mortgages, mortgage-backed securities, and certain other financial instruments from financial institutions for the purpose of stabilizing and providing liquidity to the U.S. financial markets. The Company did not originate or invest in sub-prime assets and, therefore, does not expect to participate in the sale of any of our assets into these programs. EESA also increased the FDIC deposit insurance limit for most accounts from $100,000 to $250,000 through December 31, 2013.

On October 14, 2008, the U.S. Treasury announced that it will purchase equity stakes in a wide variety of banks and thrifts. Under this program, known as the Troubled Asset Relief Program Capital Purchase Program (the "TARP Capital Purchase Program"), the U.S. Treasury will make $250 billion of capital available (from the $700 billion authorized by the EESA) to U.S. financial institutions in the form of preferred stock. In conjunction with the purchase of preferred stock, the U.S. Treasury will receive warrants to purchase common stock with an aggregate market price equal to 15% of the preferred investment. Participating financial institutions will be required to adopt the U.S. Treasury's standards for executive compensation and corporate governance for the period during which the Treasury holds equity issued under the TARP Capital Purchase Program, as well as the more stringent executive compensation limits enacted as part of the American Recovery and Reinvestment Act of 2009 (the "ARRA" or "Stimulus Bill"), which was signed into law on February 17, 2009. The Company did not apply for any funds under the TARP Capital Purchase Program.

Item 1A. Risk Factors

The following is a summary of the material risks related to an investment in the Company's securities.

Difficult market conditions and economic trends have adversely affected our industry and our business.

We are particularly exposed to downturns in the U. S. housing market. Dramatic declines in the housing market over the past two years, with decreasing home prices and increasing delinquencies and foreclosures, have negatively impacted the credit performance of mortgage and construction loans and resulted in significant write-downs of assets by many financial institutions. In addition, the values of real estate collateral supporting many loans have declined and may continue to decline. General downward economic trends, reduced availability of commercial credit and increasing unemployment have negatively impacted the credit performance of commercial and consumer credit, resulting in additional write-downs. Concerns over the stability of the financial markets and the economy have resulted in decreased lending by financial institutions to their customers and to each other. This market turmoil and tightening of credit has led to increased commercial and consumer deficiencies, lack of customer confidence, increased market volatility and widespread reduction in general business activity. Competition among depository institutions for deposits has increased significantly. The resulting economic pressure on consumers and businesses and the lack of confidence in the financial markets may adversely affect our business, financial condition, results of operations and stock price. We do not expect that the difficult market conditions will improve in the near future. A worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on us and others in the industry. In particular, we may face the following risks in connection with these events:

We expect to face increased regulation of our industry. Compliance with such regulation may increase our costs and limit our ability to pursue business opportunities.

Our ability to assess the creditworthiness of customers and to estimate the losses inherent in our credit exposure is made more complex by these difficult market and economic conditions.

Regulatory change may affect our dividend exclusion, MHC structure and Thrift Charter.

We also may be required to pay even higher Federal Deposit Insurance Corporation premiums than the recently increased level, because financial institution failures resulting from the depressed market conditions have depleted and may continue to deplete the deposit insurance fund and reduce its ratio of reserves to insured deposits.

Our ability to borrow from other financial institutions or the Federal Home Loan Bank on favorable terms or at all could be adversely affected by further disruptions in the capital markets or other events.

We may experience a decrease in dividend income from our investment in Federal Home Loan Bank stock.

We may experience increases in foreclosures, delinquencies and customer bankruptcies, as well as more restricted access to funds.

We may experience losses as a result of declines in value of our investment portfolio that may be other than temporary.

Recent legislative and regulatory initiatives to address difficult market and economic conditions may not stabilize the U.S. economy or the U.S. banking system.

The Emergency Economic Stabilization Act of 2008 (the "EESA") authorizes Treasury to purchase from financial institutions and their holding companies up to $700 billion in mortgage loans, mortgage-related securities and certain other financial instruments, including debt and equity securities issued by financial institutions and their holding companies, under a troubled asset relief program, or "TARP." The purpose of TARP is to restore confidence and stability to the U.S. banking system and to encourage financial institutions to increase their lending to customers and to each other. The Treasury has allocated $250 billion towards the TARP Capital Purchase Program. Under the TARP Capital Purchase Program, Treasury is purchasing equity securities from participating institutions. The EESA also increased federal deposit insurance on most deposit accounts from $100,000 to $250,000. This increase is in place until the end of 2013 and is not covered by deposit insurance premiums paid by the banking industry.

The EESA followed, and has been followed by, numerous actions by the Board of Governors of the Federal Reserve System, the U.S. Congress, Treasury, the FDIC, the SEC and others to address the current liquidity and credit crisis that has followed the sub-prime meltdown that commenced in 2007. These measures include homeowner relief that encourage loan restructuring and modification; the establishment of significant liquidity and credit facilities for financial institutions and investment banks; the lowering of the federal funds rate; emergency action against short selling practices; a temporary guaranty program for money market funds; the establishment of a commercial paper funding facility to provide back-stop liquidity to commercial paper issuers; and coordinated international efforts to address illiquidity and other weaknesses in the banking sector. Most recently, on February 17, 2009, the American Recovery and Reinvestment Act of 2009 ("ARRA") was signed into law. ARRA, more commonly known as the economic stimulus bill or economic recovery package, is intended to stimulate the economy and provides for broad infrastructure, education and health spending. The purpose of these legislative and regulatory actions is to stabilize the U.S. economy and the U.S. banking system. The EESA and the other regulatory initiatives described above may not have their desired effects. If the volatility in the markets continues and economic conditions fail to improve or worsen, our business, financial condition and results of operations could be materially and adversely affected.

On October 14, 2008, the FDIC announced the establishment of a temporary liquidity guarantee program to provide full deposit insurance for all non-interest bearing transaction accounts and guarantees of certain newly issued senior unsecured debt issued by FDIC-insured institutions and their holding companies. Insured institutions were automatically covered by this program from October 14, 2008 until December 5, 2008, unless they opted out prior to that date. Under the program, the FDIC will guarantee timely payment of newly issued senior unsecured debt issued on or before June 30, 2009. The debt includes all newly issued unsecured senior debt including promissory notes, commercial paper and inter-bank funding. The aggregate coverage for an institution may not exceed 125% of its debt outstanding on September 30, 2008 that was scheduled to mature before June 30, 2009, or, for certain insured institutions, 2% of liabilities as of September 30, 2008. The guarantee will extend to June 30, 2012, even if the maturity of the debt is after that date.

The purpose of these legislative and regulatory actions is to stabilize the U.S. banking system. The EESA and the other regulatory initiatives described above may not have their desired effects. If the volatility in the markets continues and economic conditions fail to improve or worsen, our business, financial condition, results of operations and cash flows could be materially and adversely affected.

Current levels of market volatility are unprecedented.

The capital and credit markets have been experiencing volatility and disruption for more than a year. In recent months, the volatility and disruption has reached unprecedented levels. In some cases, the markets have produced downward pressure on stock prices and credit availability for certain issuers without regard to those issuers' underlying financial strength. If current levels of market disruption and volatility continue or worsen, there can be no assurance that we will not experience an adverse effect, which may be material, on our ability to access capital and on our business, financial condition and results of operations.

We realize income primarily from the difference between interest earned on loans and investments and interest paid on deposits and borrowings, and changes in interest rates may adversely affect our net interest rate spread and net interest margin, which will hurt our earnings.

We derive our income mainly from the difference or "spread" between the interest earned on loans, securities and other interest-earning assets, and interest paid on deposits, borrowings and other interest-bearing liabilities. In general, the larger the spread, the more we earn. When market rates of interest change, the interest we receive on our assets and the interest we pay on our liabilities will fluctuate. This can cause decreases in our spread and can adversely affect our income.

Market interest rates were in recent years at historically low levels. However, beginning in June 2004 through June 2007 the U.S. Federal Reserve increased its target federal funds rate. However, in the last two quarters of 2007 and in all four quarters of 2008 rates were dropped and in 2009 remained constant. While the federal funds rate and other short-term market interest rates, which we use as a guide to our deposit pricing, have decreased, the market has not responded correspondingly. The effect is the narrowing of in the interest spread between deposit rates and the rates at which we lend.

Interest rates also affect how much money we can lend. For example, when interest rates rise, the cost of borrowing increases and loan originations tend to decrease. In addition, changes in interest rates can affect the average life of loans and investment securities. A reduction in interest rates generally results in increased prepayments of loans and mortgage-backed securities, as borrowers refinance their debt in order to reduce their borrowing cost. This causes reinvestment risk, because we generally are not able to reinvest prepayments at rates that are comparable to the rates we earned on the prepaid loans or securities. A falling rate environment would result in a decrease in rates we pay on deposits and borrowings, but the decrease in the cost of our funds may not be as great as the decrease in the yields on our loan portfolio and mortgage-backed securities and loan portfolios. This could cause a narrowing of our net interest rate spread and could cause a decrease in our earnings. Changes in market interest rates could also reduce the value of our financial assets. If we are unsuccessful in managing the effects of changes in interest rates, our financial condition and results of operations could suffer.

If we experience loan losses in excess of our allowance, our earnings will be adversely affected.

The risk of credit losses on loans varies with, among other things, general economic conditions, the type of loan being made, the creditworthiness of the borrower over the term of the loan and, in the case of a collateralized loan, the value and marketability of the collateral for the loan. Management maintains an allowance for loan losses based upon historical experience, an evaluation of economic conditions and regular reviews of delinquencies and loan portfolio quality. If management's assumptions and judgments about the ultimate collectability of the loan portfolio prove to be incorrect and the allowance for loan losses is inadequate to absorb future losses or if we are required to make material additions to the allowance, our earnings and capital could be significantly and adversely affected. At December 31, 2009, our allowance for loan losses was $5.2 million, representing 0.88% of outstanding loans and 35.40% of non-performing loans.

A portion of our total loan portfolio consists of commercial real estate loans, commercial business loans and construction loans, and we intend to grow this part of the loan portfolio. The repayment risk related to these types of loans is considered to be greater than the risk related to one- to four-family residential loans.

At December 31, 2009, our loan portfolio included $172.3 million of commercial and multi-family real estate loans and $12.3 million of commercial business loans, together amounting to 30.9% of our total loan portfolio, and $26.1 million of construction loans, representing 4.4% of our total loan portfolio. Unlike single family residential mortgage loans, which generally are made on the basis of the borrower's ability to make repayment from his or her employment and other income, and which are secured by real property with values that tend to be more easily ascertainable, commercial loans typically are made on the basis of borrowers' ability to make repayment from the cash flow of the borrowers' business. The repayment of construction loans for residential and commercial land acquisition and development, including loans to builders and developers, is dependent, in part, on the success of the ultimate construction project. In addition, commercial loans and construction loans to builders and developers generally result in larger balances to single borrowers, or related groups of borrowers, than one- to four-family loans.

In addition, the growth of our aggregate commercial and multi-family real estate and commercial business loans and construction loans from $6.9 million at December 31, 2001 to $210.7 million at December 31, 2009 means that a large portion of this portfolio is unseasoned. Relatively new loans that are "unseasoned," are considered to pose a potentially greater repayment risk than more mature loans because they generally do not have sufficient repayment history to indicate the likelihood of repayment in accordance with their terms.

Strong competition within our market area may limit our growth and profitability.

Competition in the banking and financial services industry in New Jersey is intense. Many of our competitors have substantially greater resources and lending limits than we do and offer services that we do not or cannot provide. Price competition for loans might result in us originating fewer loans, or earning less on our loans, and price competition for deposits might result in a decrease in our total deposits or higher rates on our deposits. Our deposit market share in Mercer County, New Jersey, where nine of our fourteen offices are located, was 3.03% at June 30, 2009, the latest date for which market share information is available. In Burlington, New Jersey, where three of our fourteen offices are located, our market share was .84% at June 30, 2009. The latest date for which market share was available.

Our business is geographically concentrated in New Jersey, and a downturn in conditions in the state could have an adverse impact on our profitability.

A substantial majority of our loans are to individuals and businesses in New Jersey. Any decline in the economy of the state could have an adverse impact on our earnings. Adverse changes in the economy may also have a negative effect on the ability of our borrowers to make timely repayments of their loans. Additionally, because we have a significant amount of real estate loans, decreases in local real estate values could adversely affect the value of property used as collateral. If we are required to liquidate a significant amount of collateral during a period of reduced real estate values to satisfy the debt, our earnings and capital could be adversely affected.

We intend to actively consider opportunities for de novo branching. Costs related to expansion plans may negatively impact earnings in future periods.

We opened our new main office in Robbinsville, New Jersey in 2005, a new branch office in Plumsted, New Jersey in the first quarter of 2007, and two new branch offices in January 2008 in Whiting and Bordentown, New Jersey, our Hopewell branch in the spring of 2008 and our Columbus and Lawrenceville branches in the early fall of 2008. We do not currently have any new branches planned. Expenses related to the planned expansion of our operations through de novo branching or the acquisition of branches or other financial institutions could adversely impact earnings in future periods.

We operate in a highly regulated environment and may be adversely affected by changes in laws and regulations.

We are subject to extensive regulation, supervision and examination by the Office of Thrift Supervision, our chartering authority, and by the Federal Deposit Insurance Corporation, as insurer of our deposits. As a federally chartered holding company, the Company is subject to regulation and oversight by the Office of Thrift Supervision. Such regulation and supervision govern the activities in which an institution and its holding companies may engage and are intended primarily for the protection of the insurance fund and depositors. Regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities, including the imposition of restrictions on the operation of an institution, the classification of assets by the institution and the adequacy of an institution’s allowance for loan losses. Any change in such regulation and oversight, whether in the form of regulatory policy, regulations, or legislation, including changes in the regulations governing mutual holding companies, could have a material impact on us and our operations.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

At December 31, 2009, our net investment in property and equipment totaled $39.1 million, including land held for future development and construction in progress.

The following table sets forth the location of our main office and branch offices, the year each office was opened and the net book value of each office.

Office Location	Year Facility Opened	Leased or Owned	Net Book Value at December 31, 2009 (In thousands)
Corporate Headquarters and Robbinsville Town Center Office: 2300 Route 33 Robbinsville, NJ	2005	Owned	$ 12,564
Chambersburg Office: 485 Hamilton Avenue Trenton, NJ	1962	Owned	403
Mercerville Office: 500 Route 33 Hamilton, NJ	1971	Owned	759
Yardville Office: 4500 South Broad Street Hamilton, NJ	1984	Owned	815
West Trenton Office: 79 West Upper Ferry Road West Trenton, NJ	1986	Owned	902
Hamilton Center City Office: 1155 Whitehorse-Mercerville Road Hamilton, NJ	1991	Owned	4,136
South Trenton Office: 1450 South Broad Street Trenton, NJ	1993	Owned	837
Florence Township Office 2150 Route 130 North Florence Township Burlington, NJ	2003	Owned	2,367
Plumsted Office 400 Route 539 Cream Ridge, NJ	2007	Owned	2,641
Bordentown Office 213 Route 130 Bordentown, NJ 08505	2008	Leased	538
Whiting Office 451 Lacey Road Whiting, NJ 08759	2008	Leased	1,612
Hopewell Office 84 route 31, Suite 101 Hopewell, NJ 08534	2008	Leased	633
Columbus Office 23201 Columbus Road Columbus, NJ 08022	2008	Leased	1,373
Lawrenceville Office 160 Lawrenceville-Pennington Road, Suite 14 Lawrenceville, NJ 08648	2008	Leased	281
RomAsia Bank	2008	Owned*	3,243

4287 Rt. 1 South
Monmouth Jct., NJ 08852

*Owned by Roma Financial Corporation leased to RomAsia Bank.

Item 3. Legal Proceedings

The Banks, from time to time, are party to routine litigation which arise in the normal course of business, such as claims to enforce liens, condemnation proceedings on properties in which we hold security interests, claims involving the making and servicing of real property loans, and other issues incident to our business. There were no lawsuits pending or known to be contemplated against the Company, the Banks or subsidiaries at December 31, 2009 that would have a material effect on our operations or income.

Item 4.

Reserved.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Upon completion of the Company's minority stock offering in July 2006, the Company's common stock commenced trading on The NASDAQ Global Select Market under the symbol "ROMA". The table below shows the reported high and low closing prices of common stock and dividends paid during the periods indicated.

Quarters Ended	High	Low	Dividends
March 31, 2008	$ 15.72	$ 12.75	$.08
June 30, 2008	$ 15.92	$ 13.10	$.08
September 30, 2008	$ 16.25	$ 12.60	$.08
December 31, 2008	$ 15.69	$ 12.41	$.08
March 31, 2009	$ 13.27	$ 9.70	$.08
June 30, 2009	$ 14.05	$ 11.58	$.08
September 30, 2009	$ 13.43	$ 11.69	$.08
December 31, 2009	$ 13.19	$ 11.74	$.08

Declarations of dividends by the Board of Directors depend on a number of factors, including investment opportunities, growth objectives, financial condition, profitability, tax considerations, minimum capital requirements, regulatory limitations, stock market characteristics and general economic conditions. The timing, frequency and amount of dividends is determined by the Board.

As of March 1, 2008, there were approximately 4,157 shareholders of record of the Company's common stock, including brokerage firms, banks and registered clearing agents acting as nominees for an indeterminate number of beneficial owners.

On August 9, 2007, the Company announced a ten percent open market stock repurchase plan, equivalent to 981,956 shares, based on stock availability, price and the Company's financial performance. The repurchase was completed on August 27, 2007. A new stock repurchase plan for five percent of the then outstanding shares, equivalent to 441,880 shares, was announced on October 24, 2007 and completed on March 18, 2008. A second repurchase plan of five percent of the then outstanding shares, equivalent to 419,786 shares, was announced on August 1, 2008 and completed on November 21, 2008.

Set forth below is a stock performance graph comparing the cumulative total shareholder return on the Company's common stock with (a) the cumulative total shareholder return on stocks included in the NASDAQ Composite Index and (b) the cumulative total shareholder return on stocks included in the SNL MHC Index, in each case assuming an investment of $100 as of July 12, 2006 (the date the Company's common stock began trading on the NASDAQ Global Select Market following the closing of the Company's initial public stock offering). The cumulative total returns for the indices and the Company are computed assuming the reinvestment of dividends that were paid during the period. It is assumed that the investment in the Company's common stock was made at the initial public offering price of $10.00 per share.

ROMA FINANCIAL CORPORATION

	Period Ending				
Index	07/12/06	12/31/06	12/31/07	12/31/08	12/31/09
Roma Financial Corporation	100.00	117.45	112.46	92.15	92.88
NASDAQ Composite	100.00	115.55	126.89	75.45	108.56
SNL Thrift MHCs	100.00	123.34	108.43	113.75	102.42

The NASDAQ Composite Index measures all domestic and international based common type stocks listed on the NASDAQ Global Select Market. The SNL MHC Index was prepared by SNL Securities, LC, Charlottesville, Virginia and includes all publicly traded mutual holding companies.

There can be no assurance that the Company’s future stock performance will be the same or similar to the historical stock performance shown in the graph above. The Company neither makes nor endorses any predictions as to stock performance.

Item 6. Selected Financial Data

The following financial information and other data in this section is derived from the Company’s audited consolidated financial statements and should be read together therewith.

	At December 31,				
	2009	2008	2007	2006	2005
Balance Sheet Data:	(In thousands)				
Total assets	$1,312,001	$1,077,095	$ 907,114	$ 875,533	$ 797,760
Loans receivable, net	585,759	520,406	458,873	420,382	378,708
Mortgage backed securities held to maturity	248,426	301,878	144,099	144,480	150,101
Securities available for sale	30,144	17,000	17,238	19,331	15,514
Investment securities held to maturity	305,349	74,115	127,706	169,927	173,078
Cash and cash equivalents	50,895	80,419	95,302	64,701	28,089
Goodwill	572	572	572	572	572
Deposits	1,015,755	764,233	651,030	625,972	643,813
Federal Home Loan Bank borrowings	24,826	46,929	28,940	7,863	9,702
Securities sold under agreement to repurchase	40,000	40,000	-	-	-
Total stockholders’ equity	216,220	213,016	218,303	234,654	138,658

	Year Ending December 31,				
	2009	2008	2007	2006	2005
Summary of Operations:	(In thousands, except per share data)				
Interest income	$54,813	$48,095	$45,769	$40,869	$34,632
Interest expense	21,683	19,720	17,783	15,190	10,901
Net interest income	33,130	28,375	27,986	25,679	23,731
Provision for loan losses	3,280	787	492	291	128
Net interest income after provision for loan losses	29,850	27,588	27,494	25,388	23,603
Non-interest income	2,804	4,229	4,060	3,460	2,916
Non-interest expense	29,012	25,120	20,327	21,206	15,132
Income before income taxes	3,642	6,697	11,227	7,642	11,387
Provisions for income taxes	1,035	2,190	4,134	2,394	3,852
Net income before noncontrolling interests	2,607	4,507	7,093	5,248	7,535
Noncontrolling interests	8	161	123	-	-
Net Income	$2,615	$4,668	$7,216	$5,248	$7,535
Net income per share – basic and diluted	$ 0.09	$ 0.15	$ 0.23	$ 0.19	$ 0.33
Dividends per share	$ 0.32	$ 0.32	$ 0.24	$ 0.00	$ 0.00
Weighted number of common shares outstanding	30,680	30,584	31,563	27,305	22,584

	At December 31,				
	2009	2008	2007	2006	2005
Performance Ratios:			(In thousands)		
Return on average assets (net income divided by average total assets	0.22%	0.48%	0.82%	0.62%	0.99%
Return on average equity (net income divided by average equity)	1.23	2.15	3.12	2.89	5.55
Net interest rate spread	3.46	2.67	2.71	2.78	3.09
Net interest margin on average interest-earning assets	2.94	3.18	3.42	3.28	3.36
Average interest-earning assets to average interest-bearing liabilities	1.19x	1.23x	1.33x	1.24x	1.17x
Efficiency ratio (Non-interest expenses divided by the sum of net interest income and non-interest income)	89.56%	78.95%	63.43%	72.78%	55.71%
Non-interest expense to average assets	2.57	2.81	2.30	2.52	1.91
Asset Quality Ratios:					
Non-performing loans to total loans	2.48	1.95	1.46	0.08	0.17
Non-performing assets to total assets	1.27	0.96	0.76	0.04	0.08
Net charge-offs to average loans outstanding	0.05	0.03	0.01	-	-
Allowance for loan losses to total loans	0.88	0.42	0.34	0.27	0.23
Allowance for loan losses to non-performing loans	35.4	21.42	23.25	322.04	134.25
Capital Ratios:					
Average equity to average assets (average equity divided by average total assets)	17.50	22.37	26.19	21.53	17.90
Equity to assets at period end	16.48	19.62	24.07	26.80	17.38
Tangible equity to tangible assets at period end	15.75	18.25	24.01	26.91	17.22
Number of Offices:					
Offices	15	15	11	9	8

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

This discussion and analysis reflects the Company's consolidated financial statements and other relevant statistical data. We include it to enhance your understanding of our financial condition and results of operation. You should read the information in this section in conjunction with Roma Financial Corporation's consolidated financial statements and notes thereto contained in this Annual Report on Form 10-K, and other statistical data provided herein.

Overview

Financial Condition and Results of Operations. The Company results of operations depend primarily on its net interest income. Net interest income is the difference between the interest income we earn on our interest-earnings assets and the interest we pay on our interest-bearing liabilities. It is a function of the average balances of loans and investments versus average balances of deposits and borrowed funds outstanding in any one period and the yields earned on those loans and investments and the cost of those deposits and borrowed funds.

Our interest-earning assets primarily consist of loans, mortgage-backed securities and investment securities. At December 31, 2009, net loans comprised 44.6% of our total assets and our securities portfolio comprised 44.5% of our total assets. The most significant change in interest-earning assets from the prior year was a $70.9 million, or 14.8%, increase in the average balance of loans receivable, net from $480.5 million at December 31, 2008, to $551.4 million at December 31, 2009. At year end, actual loans receivable, net, totaled $585.7 million. During 2009 and 2008, a key goal of management was growth in the loan portfolio, particularly multi-family and commercial real estate loans. Multi-family and commercial real estate loans increased by 37.0%, or $49.9 million, from 2008 to 2009, and 60.1%, or $48.4 million, from 2007 to 2008.

During 2009, the amount of securities held to maturity increased as agency calls slowed from the 2008 pace, and reinvestment in agencies rather than mortgage-backed securities were at a favorable rate and price.

Our interest-bearing liabilities consist primarily of retail deposits, borrowings from the FHLBNY, and, securities sold under agreements to repurchase. At December 31, 2009, our total deposits were $1.0 billion, compared to $764.2 million at December 31, 2008. Our borrowings from the FHLBNY were $24.8 million compared to $46.9 million a year earlier. In December 2008, Roma Bank borrowed $20.0 million for the FHLBNY in the form of an overnight advance. This advance was repaid in the first quarter of 2009. The $251.1 million, or 32.9%, increase in deposits was both in savings and certificates of deposits which increased as a percent of total deposits by .2% and 2.3% respectively. Management continued to be challenged during 2009 to maintain competitive deposit rates, while containing the cost of funds.

Our net interest income increased 16.8% to $33.1 million in 2009, from $28.4 million in 2008. The net interest spread decreased to 2.56% from 2.62% in 2008, as the average cost of interest bearing liabilities decreased 45 basis points, while the yield on interest-earning assets declined 51 basis points. For 2009, the average cost of interest-bearing liabilities was 2.30% and the average yield on interest-earning assets was 4.86%. Total interest income increased 14.0%, due to a 25.9% increase in the average balance of interest-earning assets, but was offset by a 51 basis point decrease in average yield. Interest expense increased 9.9%, with an 11.0% increase in average interest bearing liabilities, but benefitted from a 45 basis point decline in the cost of interest bearing liabilities. Net interest income increased 16.8%.

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Our results of operations are also influenced by our provisions for loan losses, non-interest income and non-interest expense. Non-interest income includes service fees and charges, including income generated by the Banks' retail branch networks and operations, income from bank-owned life insurance, and title insurance revenue from our title agency subsidiary. Non-interest expense includes salaries and employee benefits, occupancy expenses and other general and administrative expenses.

Non-interest income decreased $1.4 million to $2.8 million in 2009, compared to $4.2 million in 2008. The decrease was primarily due to an impairment loss on an available for sale security of $2.2 million, which was offset an increase in bank owned life insurance income and gain on sale of investments. Non-interest expense includes salaries and employee benefits, occupancy expenses and other general and administrative expenses. Non-interest expense increased by $3.9 million, or 15.5% to $29.0 million in 2009, compared to $25.1 million in 2008. The increase was primarily due to a $1.4 million increase in salaries and benefits, and an increase of $1.6 million in Federal Deposit Insurance premiums.

Net income for the year ended December 31, 2009 was $2.6 million, a decrease of $2.0 million or 44.0% from $4.7 million for the year ended December 31, 2008. The decrease was primarily due to increased provisions for loan losses, the increase in Federal Deposit Insurance premiums, and the loss on other-than- temporary impairment.

Total assets increased $234.9 million, or 21.8%, to $1.3 billion, from $1.1 billion at December 31, 2008. Cash and cash equivalents decreased $29.5 million from year to year as cash was deployed into loans and investments held to maturity. Loans receivable, net, increased $65.4 million, investments held to maturity increased $231.2 million, while mortgage backed securities decreased $53.4 million at December 31, 2009, as compared to December 31, 2008.

Stockholders' equity increased $3.2 million, or 1.5%, to $216.2 million at December 31, 2009.

Business Strategy. Our current business strategy is to seek growth and improve profitability by:

Increasing the volume of loan originations and the size of our loan portfolio relative to our securities portfolio;

Increasing originations of multi-family and commercial real estate loans, construction loans, and commercial business loans;

Building core banking business through internal growth and growing our branches, and de novo bank, and judiciously considering expansion through acquisition opportunities.

Developing a sales culture by training and encouraging branch personnel to promote existing products and services to our customers; and

Maintaining high asset quality.

Historically, our deposits have exceeded our residential loan originations, and we have invested those deposits primarily in mortgage-backed securities and investment securities. Over the last few years we have focused on building a non-residential loan portfolio.

Critical Accounting Policies

Our accounting policies are integral to understanding the results reported and are described in detail in Note 1 to consolidated financial statements contained in this Annual Report on Form 10-K. 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 dates of the consolidated statements of financial condition and income for the periods then ended. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant changes relate primarily to the determination of the allowance for loan losses.

Allowance for Loan Losses. The allowance for loan losses represents our best estimate of losses known and inherent in our loan portfolio that are both probable and reasonable to estimate. In determining the amount of the allowance for loan losses, we consider the losses inherent in our loan portfolio and changes in the nature and volume of our loan activities, along with general economic and real estate market conditions. We utilize a segmented approach which identifies: (1) impaired loans for which specific reserves are established; (2) classified loans for which a higher allowance is established; and (3) performing loans for which a general valuation allowance is established. We maintain a loan review system which provides for a systematic review of the loan portfolios and the early identification of impaired loans. The review of residential real estate and home equity consumer loans, as well as other more complex loans, is triggered by identified evaluation factors, including delinquency status, size of loan, type of collateral and the financial condition of the borrower. All commercial loans are evaluated individually for impairment. Specific loan loss allowances are established for impaired loans based on a review of such information and/or appraisals of the underlying collateral. General loan loss allowances are based upon a combination of factors including, but not limited to, actual loan loss experience, composition of the loan portfolio, current economic conditions and management’s judgment.

Although specific and general loan loss allowances are established in accordance with management’s best estimate, actual losses are dependent upon future events, and as such, further provisions for loan losses may be necessary in order to increase the level of the allowance for loan losses. For example, our evaluation of the allowance includes consideration of current economic conditions, and a change in economic conditions could reduce the ability of borrowers to make timely repayments of their loans. This could result in increased delinquencies and increased non-performing loans, and thus a need to make increased provisions to the allowance for loan losses. Any such increase in provisions would result in a reduction to our earnings. A change in economic conditions could also adversely affect the value of properties collateralizing real estate loans, resulting in increased charges against the allowance and reduced recoveries, and require increased provisions to the allowance for loan losses. Furthermore, a change in the composition, or growth, of our loan portfolio’s could result in the need for additional provisions.

Comparison of Financial Condition at December 31, 2009 and December 31, 2008

General. Our total assets increased by $234.9 million, or 21.8%, to $1.3 billion at December 31, 2009 compared to $1.1 billion at December 31, 2008, primarily due to an increase in held to maturity securities and loans receivable net, offset by a decrease in mortgage backed securities held to maturity and cash and cash equivalents. Our asset growth was fueled by record deposit growth.

Cash and Cash Equivalents. Cash and cash equivalents decreased $29.5 million, or 36.7%, to $50.9 million at December 31, 2009 from $80.4 million at December 31, 2008. Cash was primarily deployed into loans and held to maturity securities.

Securities available for sale. The carrying value of securities available for sale increased $13.1 million, or 77.3%, to $30.1 million at December 31, 2009 compared to $17.0 million for the prior year. The increase was primarily due to purchases in the available for sale category by RomAsia Bank.

Investment securities held to maturity. Investment securities held to maturity increased $231.2 million, or 312.0%, to $305.3 million at December 31, 2009 from $74.1 million at December 31, 2008. The increase in the investments held to maturity portfolio was primarily due to the purchase of more securities in this category as the yields were higher and the price points were more attractive than mortgage-backed securities held for maturity. The weighted yield of the portfolio at December 31, 2009 was 5.26%.

Mortgage-backed securities. Mortgage-backed securities decreased $53.5 million, or 17.7%, to $248.4 million at December 31, 2009, from $301.9 million at December 31, 2007. The average yield on mortgage-backed securities at December 31, 2009 was 5.16%, compared to 5.16% at December 31, 2008.

Loans. Loans receivable, net, increased $65.4 million, or 12.6%, to $585.8 million at December 31, 2009 compared to $520.4 million at December 31, 2008. Conventional one-to-four family mortgage loans increased $21.0 million, or 9.2%, to $251.9 million at December 31, 2009, compared to $230.9 million the prior year. Loans in this category increased primarily because of the lower rate environment and the refinance boom. Mortgage volume for the second year continued to be low. However, in the first few weeks of 2009, as rates dropped, we experienced a demand for refinancing from both existing customers and customers new to the Banks. Commercial and multi-family mortgages, construction and commercial loans increased, in the aggregate, $47.2 million, or 28.8%, to $210.8 million at December 31, 2009 compared to $163.6 million at December 31, 2008. This was the third year that commercial and multi-family mortgages, construction and commercial loans, in the aggregate, had growth in excess of 20%. Home equity and consumer loans decreased $6 million, or 2.7%, to $134.2 million at December 31, 2009, compared to $134.8 million at December 31, 2008. Demand for equity and consumer loans remained slow in 2009.

Premises and equipment. Premises and equipment decreased $.9 million, or 2.2%, to $39.1 million at December 31, 2009 compared to $40.0 million in the prior year. During 2009, Roma Bank did not expand its branch network. This minimal decrease was primarily due to the significantly lower capital expenditures then in 2008, and depreciation. Roma Bank also holds a 50% interest in a variable interest entity which owns real estate which is listed separately on the balance sheet as real estate owned via equity investment.

Bank Owned Life Insurance. Bank owned life insurance (“BOLI”) increased $973 thousand to $24.3 million at December 31, 2009 compared to $23.3 million the prior year. In December of 2008, Roma Bank invested an additional $3.7 million in BOLI policies.

Real Estate Owned. Real estate owned increased $1.9 million to $1.9 million at December 31, 2009, compared to $68 thousand at December 31, 2008. Late in the fourth quarter 2009, Roma Bank took into real estate owned two commercial real estate properties that had been in the foreclosure process for the past two years. It is the present intent of the Bank to sell both properties. One property has an existing tenant who continues to pay. The other property, is seasonal in nature, and if not sold beforehand, will generate income during the late spring and summer.

Other assets. Other assets increased $5.1 million to $12.5 million at December 31, 2009, compared to $7.4 million a year earlier. The increase was primarily a result of an increase of $3.9 million associated with the required prepayment of federal deposit insurance premiums for the years 2010 to 2012 and an increase of $2.4 million in deferred taxes. Decreases in prepaid federal tax and items held in suspense lowered the overall increase.

Deposits. Deposits increased by $251.5 million, or 32.9%, to $1.0 billion at December 31, 2009, compared to $764.2 million at December 31, 2008. Non-interest bearing checking increased $4.6 million, or 16.4%, to $32.5 million at December 31, 2009, compared to $27.9 million at December 31, 2008. Interest-bearing checking accounts, increased $29.7 million or 29.8%, to $129.5 million at December 31, 2009, compared to $99.8 million at December 31, 2008. The weighted average interest rate of total checking accounts, including both interest-bearing and non-interest bearing was .25% at December 31, 2009, compared to .42% the prior year. Savings and club accounts increased $71.6 million, or 35.3%, to $275.6 million at December 31, 2009, compared to $204.0 million at December 31, 2008. The weighted average interest rate of savings and club accounts at December 31, 2009 was .91% compared to 1.21% in the prior year end. Certificates of deposit increased $145.3 million, or 33.6%, to $577.8 million at December 31, 2009, compared to $432.5 million at December 31, 2008. The weighted average interest rate of certificates of deposit decreased 116 basis points to 2.47% at December 31, 2009, compared to 3.63% at the prior year end. The weighted average interest rate on total deposits decreased 40 basis points to 2.04% at December 31, 2009 compared to 2.04% at the prior year. The consolidated deposits include deposits of RomAsia Bank totaling $71.6 million at December 31, 2009 and $37.5 million at December 31, 2008. Competition in our marketplace for deposits continued to be a challenge during 2009.

Federal Home Loan Bank Advances. Federal Home Loan Bank of New York (FHLBNY) advances decreased $22.1 million to $24.8 million at December 31, 2009 compared to $46.9 million at December 31, 2008. In December 2008, the Company borrowed $20.0 million from the FHLBNY in overnight advances. The proceeds were invested in overnights funds. This advance was repaid in the first quarter of 2009. The Company has an additional advance with principal and interest payable at 4.49% maturing in September 2010 with a balance at December 31, 2009 of $1.8 million compared to $3.9 million at December 31, 2008. The Company also has a $23.0 advance with the FHLBNY for ten years, with a three year call, at 3.9% interest, with interest paid quarterly.

Securities Sold Under Agreements to Repurchase. In August 2008 the Company entered into an agreement to sell securities under agreement to repurchase in the amount of $40.0 million. The maturities and respective interest rates are as follows: $10.0 million maturing in 2015 with a two year call at 3.22%; $20.0 million maturing in 2018, with a three year call at 3.51%; and, $10.0 million maturing in 2018, with a five year call at 3.955%. The agreement is collateralized by securities described in the underlying agreement which are held in safekeeping at the FHLBNY.

Other Liabilities. Other liabilities increased $2.0 million to $12.5 million at December 31, 2009 compared to $10.5 million at December 31, 2008. The increase was primarily due to a commitment to purchase a security of $1.0 million that had not settled at December 31, 2009, and an increase in certified checks of $1.4 million, reduced by small decreases in several areas

Stockholders' Equity. Stockholders' equity increased $3.2 million, or 1.5%, to $216.2 million at December 31, 2009. The increased equity was primarily a result of net income and decreased in other comprehensive income, offset by dividends paid to minority shareholders.

Comparison of Operating Results for the Years Ended December 31, 2009 and December 31, 2008

General. Net income for the year ended December 31, 2009 was $2.6 million, a decrease of $2.1 million, or 44.0%, from $4.7 million for the year ended December 31, 2008. The decrease was primarily due to increased provisions for loan losses, the increase in Federal Deposit Insurance Premiums, and the loss on other-than-temporary impairment of $2.2 million.

Net Interest Income. Net interest income, after the provision for loan loss increased $2.2 million, or 8.2%, to $29.8 million, compared to $27.6 million for the year ended December 31, 2008. Our net interest rate spread on the average balance sheet decreased 6 basis points to 2.56%, compared to 2.62% the prior year. The average yield on interest earning assets decreased 51 basis points, while the average cost of interest bearing liabilities decreased 45 basis points. The average yield on interest bearing assets was 4.86% and 5.37% for the years ended December 31, 2009 and 2008, respectively. The average cost of interest-bearing liabilities for the years ending December 31, 2009 and 2008 were 2.30% and 2.75%, respectively.

Interest Income. Total interest income increased $6.7 million, or 14.0%, to $54.8 million for the year ended December 31, 2009, compared to $48.1 million for the prior year. The improvement in interest income resulted from an increase in the average balance of interest- earning assets.

Interest income on loans increased $2.4 million, or 8.4%, to $31.3 million for the year ended December 31, 2009, compared to $28.9 million for the prior year. The increase resulted from an increase in the average balance of loans from $480.5 million to $551.4 million; an increase of $70.9 million over 2008. This was offset by a decrease in the average yield on loans from year to year of 33 basis points.

Interest income on mortgage-backed securities held to maturity increased $2.1 million, or 17.3%, to $14.3 million for the year ended December 31, 2009, compared to $12.2 million in the prior year. This increase was due primarily to a $34.9 million increase in the average balance of mortgage backed securities to $273.4 million, compared to $238.8 million in the prior year. The average yield on mortgage-backed securities held to maturity increased 10 basis points to 5.20%, compared to 5.10% in the prior year.

Interest income on investment securities available for sale and held to maturity increased $3.8 million, or 95.6%, to $8.5 million for the year ended December 31, 2009 compared to $4.8 million for the prior year. The average yield on investment securities available for sale and held to maturity decreased 87 basis points to 3.80%, compared to 4.67% in the prior year. The average balance of investment securities available for sale and held to maturity increased $118.9 million to $208.7 million in 2009 compared to $80.4 million in the prior year. The increase in the average balance was primarily due to more favorable rates and prices than other investment options.

Interest income on other interest-earning assets decreased $1.6 million to $.7 million in 2009, compared to $2.3 million in the prior year. The average yield on other interest-bearing assets decreased 225 basis points to 0.80% in 2009, compared to 3.05% in the prior year. The decrease was primarily the result of the sharp decline in overnight interest rates in 2009. The average balance of other interest-bearing assets increased $7.2 million to $82.5 million in 2009, compared to $75.3 million in 2008. To the extent that maturities and calls on mortgage-backed securities and investment securities available for sale and held to maturity were not required for loans or longer term investments, they were invested in short-term overnight funds.

Interest Expense. Total interest expense increased $2.0 million, or 10.9%, to $21.7 million for the year ended December 31, 2009, compared to $19.7 million in the prior year. The increase primarily resulted from a 32.9% increase in our deposit portfolio and a full year of interest on securities sold under agreements to repurchase. The average cost of interest-bearing liabilities decreased 45 basis points to 2.30% compared to 2.75% in the prior year.

The average balance of interest-bearing liabilities increased $226.3 million to $944.4 million compared to $718.1 million in the prior year.

Interest expense on deposits increased $1.1 million, or 62%, to $19.2 million in 2009, compared to $18.1 million in 2008. Average interest-bearing demand deposits increased $13.2 million, or 13.3%, to $112.2 million for the year ending December 31, 2009, compared to $99.0 at the end of the prior year. The average cost of the demand deposits remained the same from year to year. Average savings and club accounts increased $54.2 million, or 5.0%, to $243.9 million, compared to $189.6 million in the prior year. The average cost of interest-bearing savings and club accounts increased 15 basis points to 1.23%, compared to 1.08% in the prior year. The average cost of interest-bearing certificates of deposits decreased 102 basis points to 3.01%, compared to 4.03% in the prior year. The average balance of interest-bearing certificates of deposit increased $134.4 million, or 34.9%, to $518.9 million, compared to $384.5 million in 2008.

Interest expense on FHLBNY advances decreased $78 thousand to $1.0 million, compared to $1.4 million in the prior year. The average cost of borrowings decreased 25 basis points to 3.55% compared to 3.81% in the prior year. In late October 2007, the Company borrowed $23.0 million in the form of a ten year advance with a three year call, interest only quarterly at 3.90%. The Company continued to make regular monthly principal and interest payments on its five year advance maturing in September 2010 with a rate of 4.49%. In December of 2008 the Company borrowed overnight from the FHLBNY $20.0 million, renewing daily, weekly or bi- weekly at rates ranging from 0.48% to 0.63%. This advance was repaid in the first quarter of 2009. In August 2008 the Company borrowed $40.0 million under an agreement to repurchase securities at a blended interest rate of 3.55%.

Provision for Loan Losses. We charge provisions for loan losses to operations at levels required to reflect credit losses in the loan portfolios that are both probable and reasonable to estimate. Management, in determining the allowance for loan losses, considers the losses inherent in the loan portfolios and changes in the nature and volume of our loan activities, along with the general economic and real estate market conditions. We utilize a three-tier approach: (1) identification of impaired loans and establishment of specific allowances on such loans; (2) establishment of general valuation allowances in the remainder of our loan portfolio, and (3) we establish a specific loan loss allowance for an impaired loan based on delinquency status, size of loan, type of collateral and/or appraisal of the underlying collateral and financial condition of the borrower. Management bases general loan loss allowances on a combination of factors including, but not limited to, actual loan loss experience, composition of loan portfolio, current economic conditions and management’s judgment. The overall growth in the loan portfolio, particularly in commercial loans, is expected to result in higher provisions going forward.

The provision for loan losses increased $2.5 million to $3.3 million for the year ended December 31, 2009 compared to $787 thousand in the prior year. The provision was increased in response to the increase in the average balance of the portfolio, and in response to deteriorating commercial real estate values which affect our collateral position. During 2009, total net loans increased $65.4 million to $585.8 million at December 31 2009 compared to $520.4 million at December 31, 2008. The allowance for loan loss was .88% of total loans at December 31, 2009, compared to .43% in the prior year.

Management assesses the allowance for loan losses monthly. While management uses available information to recognize losses on loans, additional loan loss provisions in the future may be necessary based on changes in economic conditions. In addition, regulatory agencies, as an integral part of their periodic examinations, review the allowance for loan losses and may require us to record additional provisions based on their judgment of information available to them at the time of their examination.

Non-Interest Income. Non-interest income includes fees and service charges on loans, commissions on the sale of title insurance policies, bank-owned life insurance income, and other miscellaneous income. Non-interest income decreased $1.4 million, or 33.7%, to $2.8 million in 2009 compared to $4.2 million in the prior year. The decrease was primarily due to an impairment loss on an available for sale security of $2.2 million. In May 2009 the financial institution holding company in which our Company holds an equity investment in a financial institution announced it had reached a definitive agreement to be acquired and merged into a publicly traded financial institution with an anticipated closing by December 2009. The severity of the unrealized loss is correlated to the decline of the stock market that started in the fall of 2007, primarily in the financial industry, and a result of the current economic recession. In December 2009 the definitive agreement to merge was terminated and management evaluated analysts' near term earnings estimates and recent stock price decline in relation to the severity and duration of the unrealized loss. At December 31, 2009, the Company recorded an other-than-temporary impairment charge to earnings related to its equity investment.

Commissions on sale of title policies increased minimally to $1.1 million compared to $1.0 million in the prior year, primarily due to static real estate transactions.

Fees and service charges on deposits and loans increased minimally; $58 thousand, to $1.6 million, compared to $1.5 million in the prior year. Fees and service-charges on deposits increased $269 thousand, or 22.2%, to $1.5 million, compared to $1.2 million in the prior year. The increase was primarily due to increases in fees from our overdraft protection program. Fees and service charges on loans decreased minimally $211 thousand primarily from lower commercial loan volume.

Income from bank-owned life insurance increased $277 thousand in 2009 primarily due to the purchase of $3.7 million of additional policies in December 2008 which generated income for the entire year in 2009.

Other non-interest income increased $171 thousand to $922 thousand in 2009 compared to $679 thousand in the prior year.

Non-Interest Expense. Non-interest expense increased $3.9 million, or 15.5%, to $29.0 million in 2009, compared to $25.1 million in the prior year. The increase was primarily due to an increase in salaries and employee benefits of $1.4 million and increases of $1.5 million in net occupancy costs, equipment costs and data processing costs. The year ending December 31, 2009 was also the first full year of consolidating costs and expenses for RomAsia Bank.

Salaries and employee benefits increased $1.4 million, or 9.5.%, to $16.0 million in 2009, compared to $14.6 million in the prior year. The increase in salaries and employee benefits was primarily due the first full year of operation for five branches and RomAsia Bank and the first full year of stock based compensation expense.

Net occupancy expense of premises increased approximately $287 thousand, or 11.1%, to $2.9 million in 2009 compared to $2.6 million in the prior year. The increase was primarily due to the first full year of operation of five branches and RomAsia Bank.

Equipment costs increased $280 thousand, or 12.3%, to $2.5 million for the year ended December 31, 2009 compared to $2.3 million in the prior year. The increase was primarily due to the first full year of operation of five branches and RomAsia Bank.

Data processing costs increased $107 thousand, or 7.1%, to $1.6 million in 2009, compared to $1.5 million in the prior year. This increase was primarily related to costs for the core system at RomAsia and an increase in various fees.

Advertising decreased $224 thousand to $842 thousand in 2009 compared to $1.1 million in the prior year. The decrease was primarily related to higher advertising costs in 2008 related to the opening of five branches and RomAsia Bank.

Other non-interest expense increased $502 thousand, or 17.0%% to $3.4 million in 2009, compared to $2.9 million in the prior year. The increase was primarily related to increase costs of appraisals and legal fees related to commercial loans.

Provision for Income Taxes. The provision for income taxes decreased $1.1 million, or 52.8%, to $1.0 million in 2009 compared to $2.2 million in the prior year. The decrease is primarily related to a decrease of 44.0% in net income and the increases in tax free income primarily from bank owned life insurance. The effective tax rate for 2009 was 27.3% compared to 32.7% for 2008.

Comparison of Operating Results for the Years Ended December 31, 2008 and December 31, 2007

General. Net income for the year ended December 31, 2008 was $4.7 million, a decrease of $2.5 million, or 35.3%, from $7.2 million for the year ended December 31, 2007. The decrease was primarily related to the increase in non-interest expense of $4.8 million, offset by a decrease in taxes of $1.9 million, and minor increases in net interest income and non -interest income. The increase in non-interest expense was primarily related to the opening of five new branches in 2008, a full year of costs for RomAsia, including six months of operation, and costs related to the 2008 Equity Incentive Plan.

Net Interest Income. Net interest income after the provision of loan loss increased $94 thousand, or 0.34%, to $27.6 million, compared, to $27.5 million for the year ended December 31, 2007. Our net interest rate spread decreased 9 basis points to 2.62%, compared to 2.71% the prior year. The average yield on interest earning assets decreased 22 basis points, while the average cost of interest bearing liabilities decreased 13 basis points. The average yield on interest bearing assets was 5.37% and 5.59% for the years ended December 31, 2008 and 2007, respectively. The average cost of interest-bearing liabilities for the years ending December 31, 2008 and 2009 were 2.75% and 2.88%, respectively.

Interest Income. Total interest income increased $2.3 million, or 5.1%, to $48.1 million for the year ended December 31, 2008, compared to $45.8 million for the prior year. The improvement in interest income resulted from an increase in the average balance of interest- earning assets.

Interest income on loans increased $1.4 million, or 5.1%, to $28.9 million for the year ended December 31, 2008, compared to $27.4 million for the prior year. The increase resulted from an increase in the average balance of loans from $438.2 million to $480.5 million, an increase of $42.3 million over 2007. This was offset by a decrease in the average yield on loans from year to year of 26 basis points.

Interest income on mortgage-backed securities held to maturity increased $5.1 million, or 73.0%, to $12.2 million for the year ended December 31, 2008, compared to $7.0 million in the prior year. The average yield on mortgage-backed securities held to maturity increased 9 basis points to 5.10% compared to 5.01% in the prior year. This increase was also related to a $98.3 million increase in the average balance of mortgage backed securities to $238.8 million compared to $140.5 million in the prior year.

Interest income on investment securities available for sale and held to maturity decreased $3.6 million, or 43.0%, to $4.8 million for the year ended December 31, 2008, compared to $8.4 million for the prior year. The average yield on investment securities available for sale and held to maturity increased 11 basis points to 4.72%, compared to 4.61% in the prior year. The average balance of investment securities available for sale and held to maturity decreased $80.4 million to $100.7 million in 2008, compared to $181.2 million in the prior year. The decrease in the average balance was primarily due to a large number of securities called in the last quarter of 2007 and the first quarter of 2008.

Interest income on other interest-earning assets decreased $.6 million to $2.3 million in 2008 compared to $2.9 million in the prior year. The average yield on other interest-bearing assets decreased 185 basis points to 3.16% in 2008 compared to 5.01% in the prior year. The decrease was primarily the result of the sharp decline in overnight interest rates in the last half of 2008.The average balance of other interest-bearing assets increased $14.1 million to $72.5 million in 2008 compared to $58.4 million in 2007. To the extent that maturities and calls on mortgage-backed securities and investment securities available for sale and held to maturity were not utilized for loans they were invested in short-term overnight funds.

Interest Expense. Total interest expense increased $1.9 million, or 10.9%, to $19.7 million for the year ended December 31, 2008, compared to $17.8 million in the prior year. The increase resulted from an increase in the average cost of interest-bearing liabilities. The average cost of interest-bearing liabilities decreased 16 basis points to 2.75% compared to 2.88% in the prior year. The average balance of interest-bearing liabilities increased $107.3 million, or 17.4%, to $724.8 million compared to $617.5 million in the prior year.

Interest expense on deposits increased $761 thousand, or 4.4%, to $18.1 million in 2008, compared to $17.3 million in 2007. Average interest-bearing demand deposits increased $4.7 million, or 5.0%, to $99.0 million for the year ending December 31, 2008, compared to $94.2 at the end of the prior year. The average cost of the demand deposits decreased 1 basis point from year to year. Average savings and club accounts increased $9.0 million, or 5.0%, to $189.6 million compared to $180.6 million in the prior year. The average cost of interest-bearing savings and club accounts increased 14 basis points to 1.08% compared to .94% in the prior year. The average cost of interest-bearing certificates of deposits decreased 52 basis points to 4.03%, compared to 4.55% in the prior year. The average balance of interest-bearing certificates of deposit increased $15.9 million, or 15.9%, to $384.5 million compared to $331.9 million in 2007.

Interest expense on Federal Home Loan Bank of New York advances increased $663 thousand to $1.1 million compared to $463 thousand in the prior year. The average cost of borrowings decreased 129 basis points to 3.02% compared to 4.31% in the prior year. In late October 2007, the Company borrowed $23.0 million in the form of a ten year advance with a three year call, interest only quarterly at 3.90%. The Company continued to make regular monthly principal and interest payments on its five year advance maturing in September 2010 with a rate of 4.49%. In December of 2008 the Company borrowed overnight from the FHLBNY $20.0 million, renewing daily, weekly or bi-weekly at rates ranging from 0.48% to 0.63%. In August of 2008 the Company borrowed under an agreement to repurchase securities $40.0 at a blended interest rate of 3.55%.

Provision for Loan Losses. We charge provisions for loan losses to operations at a level required to reflect credit losses in the loan portfolio that are both probable and reasonable to estimate. Management, in determining the allowance for loan losses, considers the losses inherent in the loan portfolio and changes in the nature and volume of our loan activities, along with the general economic and real estate market conditions. We utilize a three-tier approach: (1) identification of impaired loans and establishment of specific allowances on such loans; (2) establishment of general valuation allowances in the remainder of our loan portfolio, and (3) we establish a specific loan loss allowance for an impaired loan based on delinquency status, size of loan, type of collateral and/or appraisal of the underlying collateral and financial condition of the borrower. Management bases general loan loss allowances on a combination of factors including, but not limited to, actual loan loss experience, composition of loan portfolio, current economic conditions and management's judgment. The overall growth in the loan portfolio, particularly in commercial loans, is expected to result in higher provisions going forward.

The provision for loan losses increased $295 thousand to $787 thousand for the year ended December 31, 2008 compared to $492 thousand in the prior year. During 2008, total net loans increased $61.5 million to $520.4 million at December 31 2008 compared to $472.7 million at December 31, 2007. The allowance for loan loss was .43% of total loans at December 31, 2008 compared to .34% in the prior year.

Management assesses the allowance for loan losses monthly. While management uses available information to recognize losses on loans, additional loan loss provisions in the future may be necessary based on changes in economic conditions. In addition, regulatory agencies, as an integral part of their periodic examinations, review the allowance for loan losses and may require us to record additional provisions based on their judgment of information available to them at the time of their examination.

Non-Interest Income. Non-interest income includes fees and service charges on loans, commissions on the sale of title insurance policies, bank-owned life insurance income, and other miscellaneous income. Non-interest income increased $169 thousand or 4.2%, to $4.2 million in 2008 compared to $4.1 million in the prior year.

Commissions on sale of title policies decreased minimally to $1.0 million compared to $1.2 million in the prior year, primarily due to the decline in the real estate market.

Fees and service charges on deposits and loans increased $207 thousand, or 15.8%, to $1.5 million compared to $1.3 million in the prior year. Fees and service-charges on deposits increased $174 thousand, or 16.8%, to $1.2 million compared to $1.0 million in the prior year. The increase was primarily due to increases in fees from our overdraft protection program. Fees and service charges on loans increased minimally in 2008.

Income from bank-owned life insurance increased in 2008 primarily due to the purchase of $2.0 million of additional policies in July of 2007 which generated income for the entire year in 2008.

Other non-interest income increased $72 thousand to $751 thousand in 2008 compared to $751 thousand in the prior year.

Non-Interest Expense. Non-interest expense decreased $4.8 million, or 23.6%, to $25.1 million in 2008 compared to $20.3 million in the prior year. The increase was primarily due to an increase in salaries and employee benefits of $2.7 million and increases of $1.5 million in net occupancy costs, equipment costs and data processing costs. The year ending December 31, 2008 was also the first full year of consolidating costs for RomAsia Bank.

Salaries and employee benefits increased $2.7 million, or 22.7%, to $14.6 million in 2008 compared to $11.9 million in the prior year. The increase in salaries and employee benefits was primarily due to the following: (1) the opening of five branches during the year, $766 thousand; (2) opening of RomAsia Bank in June 2008 with a year to year increase in salaries of $627 thousand; and, (3) six months of stock- based compensation expense from the 2008 Equity Incentive Plan which was approved by shareholders in April 2008 of $626 thousand.

Net occupancy expense of premises increased approximately $762 thousand, or 41.2%, to $2.6 million in 2008 compared to $1.8 million in the prior year. The increase was primarily due to the following: (1) increases in occupancy costs relating to our five new branches of $527 thousand; (2) increase in occupancy costs for the RomAsia Bank location of $172 thousand; and, (3) increase in costs for the consolidated variable interest entity of $123 thousand.

Equipment costs increased $584.3 thousand, or 34.8%, to $2.3 million for the year ended December 31, 2008 compared to $1.7 million in the prior year. The increase was primarily related to costs for the five new branches and for the opening of RomAsia Bank.

Data processing costs increased $184 thousand, or 13.8%, to $1.5 million in 2008 compared to $1.3 million in the prior year. This increase was primarily related to costs for the core system at RomAsia and an increase in various fees.

Advertising increased $185 thousand, or 21%, to $1.1 million in 2008 compared to $.9 million in the prior year. The increase was primarily related to the cost of opening and promoting RomAsia Bank.

Other non-interest expense increased $286 thousand, or 11.0%, to $2.9 million in 2008 compared to $2.6 million in the prior year. The increase was primarily due to consolidating costs relating to RomAsia Bank and increases in insurance, telephone and postage, supplies and audit fees.

Provision for Income Taxes. The provision for income taxes decreased $1.9 million, or 47.0%, to $2.2 million in 2008 compared to $4.1 million in the prior year. The decrease is primarily related to a decrease of 35.6% in net income and the small increases in tax free income. The effective tax rate for 2008 was 32.7% compared to 36.8% for 2007.

Average Balance Sheet. The average yields and costs shown in the following table are derived by dividing income or expense by the daily average balance of assets or liabilities, respectively, for the periods presented. No tax equivalent adjustments have been made.

	At December 31, 2009		For the Year Ended December 31,							
			2009			2008			200	
	Actual Balance	Actual Yield/ Cost	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost	Average Balance	Inter
			(Dollars in thousands)							
Interest-earning assets:										
Loans receivable, net (1)	$ 585,759	5.68%	$ 551,369	$ 31,282	5.67%	$ 480,492	$ 28,851	6.00%	$ 438,187	$ 27,
Mortgage-backed securities held to maturity	248,426	5.07	273,871	14,292	5.20	238,791	12,184	5.10	140,499	7,
Investment securities: (2)										
Tax-exempt	12,171	3.76	10,928	599	5.48	10,920	569	5.21	12,335	
Taxable	323,322	4.94	208,673	7,949	3.80	89,796	4,195	4.67	168,844	7,
Other interest-earning assets (3)	44,282	0.10	82,478	691	0.80	75,312	2,296	3.05	58,403	2.
Total interest-earning assets	1,213,960	5.14	1,127,319	54.813	4.86	895,311	48,095	5.37	818,268	45.
Non-interest-earning assets	98,041		89,927			77,390			64,081	
Total assets	$ 1,312,001		$ 1,217,246			$ 972,701			$ 882,349	
Interest-bearing liabilities:										
Interest-bearing demand	$ 129,505	0.31	$ 112,193	618	0.54	$ 98,985	539	0.54	$ 94,239	
Savings and club	275,990	0.91	243,867	3,005	1.23	189,641	2,049	1.08	180,645	1.
Certificates of deposit	577,770	2.47	518,885	15,592	3.01	384,526	15,493	4.03	331,859	15.
Securities sold under agreement to re purchase	40,000	3.55	40,000	1,420	3.55	15,384	513	3.33	—	
Federal Home Loan Bank borrowings	24,826	3.92	29,423	1,048	3.56	29,558	1,126	3.81	10,734	
Total interest-bearing liabilities	1,048,100	1.68	944,368	21,683	2.30	718,094	19,720	2.75	617,477	17.
Non-interest-bearing liabilities	47,681		58,189			35,952			33,319	

Total liabilities	1,095,781		1,002,557			754,046			650,796	
Minority interest	1,645		1,651			1,080			479	
Stockholders' equity	214,575		213,038			217,575			231,074	
Total liabilities and stockholders' equity	$ 1,312,001		$ 1,217,246			$ 972,701			$ 882,349	
Net interest income				33,130			$ 28,375			$ 27,
Interest rate spread (4)		3.46%			2.56%			2.62%		
Net yield on interest-earning assets (5)					2.94%			3.17%		
Ratio of average interest -earning assets to average interest-bearing liabilities			1.19x			1.25x			1.33x	

(1) Non-accruing loans have been included in loans receivable, and the effect of such inclusion was not material.

(2) Includes both available for sale and held to maturity securities.

(3) Includes interest-bearing deposits at other banks, federal funds purchased Federal Home Loan Bank of New York capital stock and bank owned life insurance.

(4) Interest rate spread represents the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities.

(5) Net yield on interest-earning assets represents net interest income as a percentage of average interest-earning assets.

Rate/Volume Analysis.

The following table reflects the sensitivity of our interest income and interest expense to changes in volume and in prevailing interest rates during the periods indicated. Each category reflects the: (1) changes in volume (changes in volume multiplied by old rate); (2) changes in rate (changes in rate multiplied by old volume): and (3) net change. The net change attributable to the combined impact of volume and rate has been allocated proportionally to the absolute dollar amounts of change in each.

	Year Ended December 31, 2009 vs. 2008 Increase (Decrease) Due to			Year Ended December 31, 2008 vs. 2007 Increase (Decrease) Due to		
	Volume	Rate	Net	Volume	Rate	Net
	(In thousands)					
Interest and dividend income:						
Loans receivable	$ 3,576	$ (1,145)	$ 2,431	$ 2,579	$ (1,175)	$ 1,404
Mortgage-backed securities, held to maturity	1,893	215	2,108	5,015	128	5,143