ROMA FINANCIAL CORP
Form 10-Q
November 05, 2012

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2012

OR

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

For the transition period from To

Commission File Number 000-52000

ROMA FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

UNITED STATES (State or other jurisdiction of Incorporation or organization)	51-0533946 (I.R.S. Employer Identification Number)
2300 Route 33, Robbinsville, New Jersey (Address of principal executive offices)	08691 (Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding twelve months (or for such shorter period that the registrant was required to submit and post such files).
Yes [X] No [ ]

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

Non-accelerated filer [ ] Smaller reporting company [ ]

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

The number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date,
November 5, 2012:

$0.10 par value common stock - 30,296,327 shares outstanding

ROMA FINANCIAL CORPORATION AND SUBSIDIARIES

INDEX

ROMA FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Unaudited)

	September 30, 2012	December 31, 2012
	(In thousands, except per share data)	
Assets		
Cash and amounts due from depository institutions	$ 17,740	$ 17,791
Interest-bearing deposits in other banks	54,578	41,775
Money market funds	37,837	25,093
Cash and Cash Equivalents	110,155	84,659
Investment securities available for sale (“AFS”) at fair value	31,977	42,491
Investment securities held to maturity (“HTM”) at amortized cost (fair value of $ 169,746 and $243,022, respectively)	167,966	241,185
Mortgage-backed securities held to maturity at amortized cost (fair value of $ 403,724 and $458,555, respectively)	378,644	438,523
Loans receivable, net of allowance for loan losses of $8,122 and $5,416, respectively	1,014,864	962,389
Real estate and other repossessed assets owned	7,905	3,276
Real estate held for sale	640	970
Real estate owned via equity investment	3,825	3,905
Premises and equipment, net	49,005	47,433
Federal Home Loan Bank of New York and ACBB stock	8,459	5,798
Accrued interest receivable	6,084	6,492
Bank owned life insurance	34,292	28,852
Goodwill	1,826	1,826
Deferred tax asset	11,964	12,253
Other assets	7,487	8,032
Total Assets	$ 1,835,093	$ 1,888,084
Liabilities and Stockholders’ Equity		
Liabilities		
Deposits:		
Non-interest bearing	$ 71,966	$ 63,766
Interest bearing	1,420,519	1,511,840
Total deposits	1,492,485	1,575,606
Federal Home Loan Bank of New York advances	53,287	33,316
Securities sold under agreements to repurchase	40,000	40,000
Subordinated debentures	-	1,915
Securities purchased and not settled	12,000	-
Advance payments by borrowers for taxes and insurance	3,654	3,064
Accrued interest payable and other liabilities	14,888	16,188
Total Liabilities	1,616,314	1,670,089
Stockholders’ Equity		
Common stock, $0.10 par value, 45,000,000 shares authorized, 32,731,875 shares issued;		

30,183,127 and 30,320,927 shares outstanding at September 30, 2012 and December 31, 2011, respectively		3,274		3,274
Paid-in capital		100,725		100,310
Retained earnings		158,651		157,669
Unearned shares held by Employee Stock Ownership Plan		(4,736)		(5,141)
Treasury stock, 2,548,748 and 2,410,948 shares, respectively		(36,512)		(35,335)
Accumulated other comprehensive loss		(4,613)		(4,637)
Total Roma Financial Corporation stockholders’ equity		216,789		216,140
Noncontrolling interest		1,990		1,855
Total Stockholders’ Equity		218,779		217,995
Total Liabilities and Stockholders’ Equity	$	1,835,093	$	1,888,084

See notes to consolidated financial statements.

ROMA FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
	(In thousands, except per share data)		(In thousands, except per share data)	
Interest Income				
Loans, including fees	$11,522	$11,675	$35,402	$35,060
Mortgage-backed securities held to maturity	3,391	4,375	11,307	13,087
Investment securities held to maturity	742	1,956	2,946	6,395
Securities available for sale	135	243	370	784
Other interest-earning assets	150	104	400	346
Total Interest Income	15,940	18,353	50,425	55,672
Interest Expense				
Deposits	3,248	4,576	10,144	13,924
Borrowings	353	703	1,986	2,083
Total Interest Expense	3,601	5,279	12,130	16,007
Net Interest Income	12,339	13,074	38,295	39,665
Provision for loan losses	2,756	771	5,408	2,884
Net Interest Income after Provision for Loan Losses	9,583	12,303	32,887	36,781
Non-Interest Income				
Commissions on sales of title policies	343	224	859	698
Fees and service charges on deposits and loans	387	402	1,246	1,216
Income from bank owned life insurance	361	308	1,070	917
Net gain from sale of mortgage loans originated for sale	754	178	1,552	345
Net gain from sale of available for sale securities	407	38	420	78
Realized gain (loss) on real estate held for sale	-	-	(3)	-
Realized (loss) on real estate owned	(258)	-	(262)	(107)
Other	495	404	1,404	993
Total Non-Interest Income	2,489	1,554	6,286	4,140
Non-Interest Expense				
Salaries and employee benefits	6,372	6,100	19,112	18,287
Net occupancy expense of premises	1,087	1,200	3,349	3,583
Equipment	970	872	2,756	2,655
Data processing fees	566	542	1,688	1,724
Federal Deposit Insurance Premium	381	190	1,339	1,406
Advertising	203	274	614	840
Commercial and residential loan expense	663	333	2,123	1,042

Other	1,339	1,152	4,354	3,374
Total Non-Interest Expense	11,581	10,663	35,335	32,911
Income Before Income Taxes	491	3,194	3,838	8,010
Income Taxes	122	1,031	1,083	2,551
Net income	369	2,163	2,755	5,459
Plus: net gain attributable to the noncontrolling interest	(24)	(26)	(98)	(80)
Net Income attributable to Roma Financial Corporation	$345	$2,137	$2,657	$5,379
Net income attributable to Roma Financial Corporation per common share				
Basic and Diluted	$.01	$.07	$.09	$.18
Dividends Declared Per Share	$.00	$.08	$.12	$.24
Weighted Average Number of Common Shares Outstanding				
Basic and Diluted	29,751,979	29,784,365	29,788,312	29,745,328

See notes to consolidated financial statements.

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

	Three Months Ended September 30, 2012	2011	Nine Months Ended September 30, 2012	2011
	(In thousands)		(In thousands)	
Net Income	$369	$2,163	$2,755	$5,459
Other comprehensive income:				
Unrealized holding gains on available for sale securities:				
Unrealized holding gains (losses) arising during the period	242	791	536	1,537
Less: reclassification adjustment for (gains) included in net income	(407)	(38)	(420)	(78)
Net realized gain (loss) on securities available for sale	(165)	753	116	1,459
Tax effect	65	(316)	(55)	(614)
Other comprehensive income (loss), net of tax	(100)	437	61	845
Comprehensive income	$269	$2,600	$2,816	$6,304
Comprehensive income attributable to the noncontrolling interest	(29)	(26)	(135)	(80)
Comprehensive income attributable to Roma Financial Corporation	$240	$2,574	$2,681	$6,224

See notes to consolidated financial statements.

5

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

	Common Stock Shares	Common Stock Amount	Paid-In Capital	Retained Earnings	Unearned Shares Held By ESOP	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Noncontrolling Interest	Total
Balance December 31, 2010	30,281	$ 3,274	$ 99,585	$ 152,911	$ (5,683)	$ (3,463)	$ (35,880)	$ 1,732	$ 212,476
Net income for the nine months ended September 30, 2011	-	-	-	5,379	-	-	-	80	5,459
Other comprehensive income, net	-	-	-	-	-	845	-	-	845
Vesting of restricted stock	40	-	(545)	-	-	-	545	-	-
Dividends declared and paid	-	-	-	(1,666)	-	-	-	-	(1,666)
Stock-based compensation	-	-	967	-	-	-	-	-	967
ESOP shares earned	-	-	1	-	407	-	-	-	408
Balance September 30, 2011	30,321	$ 3,274	$ 100,008	$ 156,624	$ (5,276)	$ (2,618)	$ (35,335)	$ 1,812	$ 218,489
Balance December 31, 2011	30,321	$ 3,274	$ 100,310	$ 157,669	$ (5,141)	$ (4,637)	$ (35,335)	$ 1,855	$ 217,995
Net income for the nine months ended September 30, 2012	-	-	-	2,657	-	-	-	98	2,755
Other comprehensive income, net	-	-	-	-	-	24	-	37	61

Vesting of restricted stock	49	-	(521)	-	-	-	521	-	-
Dividends declared and paid	-	-	-	(1,675)	-	-	-	-	(1,675)
Treasury shares repurchased	(187)	-	-	-	-	-	(1,698)	-	(1,698)
Stock-based compensation	-	-	960	-	-	-	-	-	960
ESOP shares earned	-	-	(24)	-	405	-	-	-	381
Balance September 30, 2012	30,183	$ 3,274	$ 100,725	$ 158,651	$ (4,736)	$ (4,613)	$ (36,512)	$ 1,990	$ 218,779

See notes to consolidated financial statements

6

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

	Nine Months Ended September 30,	
	2012	2011
Cash Flows from Operating Activities		
Net income	$2,755	$5,459
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,876	1,820
Amortization of premiums and accretion of discounts on securities	709	19
Accretion of deferred loan fees and discounts	(309)	(101)
Amortization of net premiums on loans	515	609
Amortization of premiums on deposits	(15)	(209)
Amortization of premiums on subordinated debt	271	-
Gain on sale of securities available for sale	(420)	(78)
Net gain on sale of mortgage loans originated for sale	(1,552)	(345)
Mortgage loans originated for sale	(41,122)	(12,156)
Proceeds from sales of mortgage loans originated for sale	42,674	12,501
Net realized loss from sales of real estate owned	262	107
Proceeds from sale of real estate held for sale	327	-
Realized loss on sale of real estate held for sale	3	-
Provision for loan losses	5,408	2,884
Stock-based compensation, including warrants	960	967
ESOP shares earned	381	408
Decrease in accrued interest receivable	408	1,359
Increase in cash surrender value of bank owned life insurance	(890)	(761)
(Increase) decrease in other assets	553	(529)
Decrease in accrued interest payable	(133)	(148)
Decrease in deferred income taxes	236	270
(Decrease) increase in other liabilities	(547)	950
Net Cash Provided by Operating Activities	12,350	13,026
Cash Flows from Investing Activities		
Proceeds from maturities, calls and principal repayments of securities available for sale	9,997	8,858
Proceeds from sale of securities available for sale	8,813	3,233
Purchases of securities available for sale	(8,161)	(2,767)
Proceeds from maturities, calls and principal repayments of investment securities held to maturity	188,247	152,368
Purchases of investment securities held to maturity	(102,904)	(106,277)
Principal repayments on mortgage-backed securities held to maturity	98,004	57,459
Purchases of mortgage-backed securities held to maturity	(38,559)	(104,549)
Net increase in loans receivable	(63,855)	(44,582)
Purchase of bank owned life insurance	(4,550)	-
Proceeds from life insurance redemption	-	236
Additions to premises and equipment and real estate owned via equity investment	(3,368)	(2,116)
Proceeds from sale of real estate owned	866	2,344
Purchases of Federal Home Loan Bank of New York stock	(2,661)	(789)

Net Cash Provided by (Used in) Provided by Investing Activities	81,869	(36,582)
Cash Flows from Financing Activities		
Net (decrease) increase in deposits	(83,106)	95,902
Increase in advance payments by borrowers for taxes and insurance	590	468
Purchase of treasury stock	(1,698)	-
Dividends paid to minority stockholders of Roma Financial Corp.	(2,294)	(1,662)
Repayment of Federal Home Loan Bank of New York advances	(6,240)	(5,119)
Proceeds from Federal Home Loan Bank of New York advances	26,211	3,500
Repayment of subordinated debentures	(2,186)	-
Net Cash (Used in) Provided by Financing Activities	(68,723)	93,089
Net Increase in Cash and Cash Equivalents	25,496	69,533
Cash and Cash Equivalents – Beginning	84,659	89,587
Cash and Cash Equivalents – Ending	$110,155	$159,120

7

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

	Nine Months Ended September 30,	
	2012	2011
	(In thousands)	
Supplementary Cash Flows Information		
Income taxes paid, net	$150	$4,037
Interest paid	$12,263	$16,155
Securities purchased and not settled	$12,000	$17,000
Loans receivable transferred to real estate owned	$5,757	$3,060

See notes to consolidated financial statements.

ROMA FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE A – ORGANIZATION

Roma Financial Corporation (the “Company”) is a federally-chartered corporation organized in January 2005 for the purpose of acquiring all of the capital stock that Roma Bank issued in its mutual holding company reorganization. Roma Financial Corporation’s principal executive offices are located at 2300 Route 33, Robbinsville, New Jersey 08691 and its telephone number at that address is (609) 223-8300.

Roma Financial Corporation, MHC is a federally-chartered mutual holding company that was formed in January 2005 in connection with the mutual holding company reorganization. Roma Financial Corporation, MHC has not engaged in any significant business since its formation. So long as Roma Financial Corporation MHC is in existence, it will at all times own a majority of the outstanding stock of Roma Financial Corporation. Roma Financial Corporation, MHC, whose activity is not included in these consolidated financial statements, held 22,584,995 shares or 74.5% of the Company’s outstanding common stock at September 30, 2012.

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.

RomAsia Bank is a federally-chartered stock savings bank. RomAsia Bank received all regulatory approvals on June 23, 2008 to be a federal savings bank and began operations on that date. The Company originally invested $13.4 million in RomAsia Bank and in 2011 invested an additional $2.5 million. The Company currently holds a 91.12% ownership interest.

Roma Bank and RomAsia Bank are collectively referred to as (the “Banks”). Pursuant to the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), as of July 21, 2011, Roma Financial Corporation, MHC and the Company are regulated by the Federal Reserve Bank of Philadelphia and Roma Bank and RomAsia Bank by the Office of the Comptroller of the Currency.

The Banks offer traditional retail banking services, one-to four-family residential mortgage loans, multi-family and commercial mortgage loans, construction loans, commercial business loans and consumer loans, including home equity loans and lines of credit. Roma Bank operates from its main office in Robbinsville, New Jersey, and twenty-three branch offices located in Mercer, Burlington, Camden and Ocean Counties, New Jersey. RomAsia Bank operates from two locations in Monmouth Junction, New Jersey. As of September 30, 2012, the Banks had 317 full-time employees and 27 part-time employees. Roma Bank maintains a website at www.romabank.com. RomAsia Bank maintains a website at www.Romasiabank.com.

Throughout this document, references to “we,” “us,” or “our” refer to the Banks or the Company, or both, as the context indicates.

NOTE B - BASIS OF PRESENTATION

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiary, Roma Bank and Roma Bank’s wholly-owned subsidiaries, Roma Capital Investment Corp. (the “Investment Co.”) and General Abstract and Title Agency (the “Title Co.”), and the Company’s majority owned investment of 91.12% in RomAsia Bank. The consolidated statements also include the Company’s 50% interest in 84 Hopewell, LLC (the “LLC”), a real estate investment which is consolidated according to the requirements of Accounting Standards Codification Topic 810, Variable Interest Entities. All significant inter-company accounts and transactions have been eliminated in consolidation. These statements were prepared in accordance with instructions for Form 10-Q and Rule 10-01 of Regulation S-X and, therefore, do not include all information or footnotes necessary for a complete presentation of financial condition, results of operations, and cash flows in conformity with generally accepted accounting principles in the United States of America ("GAAP").

In the opinion of management, all adjustments which are necessary for a fair presentation of the consolidated financial statements have been made at and for the three and nine months ended September 30, 2012 and 2011. The results of operations for the three and nine months ended September 30, 2012 are not necessarily indicative of the results which may be expected for the entire fiscal year or other interim periods.

The December 31, 2011 data in the consolidated statements of financial condition was derived from the Company's audited consolidated financial statements for that date. That data, along with the interim financial information presented in the consolidated statements of financial condition, income, comprehensive income, changes in stockholders' equity and cash flows should be read in conjunction with the 2011 audited consolidated financial statements for the year ended December 31, 2011, including the notes thereto included in the Company's Annual Report on Form 10-K.

The Investment Co. was incorporated in the State of New Jersey effective September 4, 2004, and began operations October 1, 2004. The Investment Co. is subject to the investment company provisions of the New Jersey Corporation Business Tax Act. The Title Co. was incorporated in the State of New Jersey effective March 7, 2005 and commenced operations April 1, 2005. The Company, together with

NOTE B - BASIS OF PRESENTATION (Continued)

two individuals, formed a limited liability company, 84 Hopewell, LLC. The LLC was formed to build a commercial office building in which is located the Company's Hopewell branch, corporate offices for the other LLC members construction company and tenant space.

The Company invested $370,000 in the LLC and provided a loan in the amount of $3.6 million to the LLC. The Company and the other 50% owner's construction company both have signed lease commitments to the LLC.

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

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

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

In accordance with Accounting Standards Codification ("FASB ASC") Topic 855, Subsequent Events, management has evaluated subsequent events until the date of issuance of this report, and concluded that no events occurred that were of a material nature.

NOTE C - CONTINGENCIES

The Company, from time to time, is a party to routine litigation that arises in the normal course of business. In the opinion of management, the resolution of such litigation, if any, would not have a material adverse effect, as of September 30, 2012, on the Company's consolidated financial position or results of operations.

NOTE D – EARNINGS PER SHARE

Basic earnings per share is based on the weighted average number of common shares actually outstanding adjusted for Employee Stock Ownership Plan ("ESOP") shares not yet committed to be released. Diluted EPS is calculated by adjusting the weighted average number of shares of common stock outstanding to include the effect of outstanding stock options and unvested stock awards, if dilutive, using the treasury stock method. Shares issued and reacquired during any period are weighted for the portion of the period they were outstanding.

Outstanding stock options and restricted stock grants for the three and nine months ended September 30, 2012 and 2011 were not considered in the calculation of diluted earnings per share because they were anti-dilutive.

NOTE E – STOCK BASED COMPENSATION

Equity Incentive Plan

At the Annual Meeting held on April 23, 2008, stockholders of the Company approved the Roma Financial Corporation 2008 Equity Incentive Plan.

The 2008 Plan enables the Board of Directors to grant stock options to executives, other key employees and nonemployee directors. The options granted under the Plan may be either incentive stock options or non-qualified stock options. The Company has reserved 1,292,909 shares of common stock for issuance upon the exercise of options granted under the 2008 Plan and 517,164 shares for grants of restricted stock. The Plan will terminate in ten years from the grant date. Options will be granted with an exercise price not less than the Fair Market Value of a share of Common Stock on the date of the grant. Options may not be granted for a term greater than ten years. Stock options granted under the Incentive Plan are subject to limitations under Section 422 of the Internal Revenue Code. The number of shares available under the 2008 Plan, the number of shares subject to outstanding options and the exercise price of outstanding options will be adjusted to reflect any stock dividend, stock split, merger, reorganization or other event generally affecting the number of Company's outstanding shares.

NOTE E – STOCK BASED COMPENSATION (Continued)

On June 25, 2008, Directors, Senior Officers and certain employees of the Company were granted, in the aggregate, 820,000 stock options and awarded 222,000 shares of restricted stock.

On June 15, 2011, Directors of the Company were granted in the aggregate 32,000 stock options and awarded 54,000 shares of restricted stock.

On November 16, 2011, Senior Officers and certain employees of the Company were awarded 19,350 shares of restricted stock.

At September 30, 2012, there were 488,909 shares available for option grants under the 2008 Plan and 231,814 shares available for grants of restricted stock.

The Company accounts for stock based compensation under FASB ASC Topic 718, Compensation-Stock Compensation. ASC Topic 718 covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. ASC Topic 718 requires that compensation cost relating to share-based payment transactions be recognized in the financial statements. The cost is measured based on the fair value of the equity or liability instruments issued.

ASC Topic 718 also requires the Company to realize as a financing cash flow rather than an operating cash flow, as previously required, the benefits of realized tax deductions in excess of previously recognized tax benefits on compensation expense. In accordance with SEC Staff Accounting Bulletin ("SAB") No. 107, the Company classified share-based compensation for employees and outside directors within "salaries and employee benefits" in the consolidated statement of income to correspond with the same line item as the cash compensation paid.

The stock options will vest over a five year service period and are exercisable within ten years. Compensation expense for all option grants is recognized over the awards' respective requisite service period.

Restricted shares vest over a five year service period. Management recognizes compensation expense for the fair value of restricted shares on a straight-line basis over the requisite service period of the awards of five years. The number of shares granted and the grant date market price of the Company's common stock determines the fair value of the restricted shares under the Company's restricted stock plan.

The following is a summary of the status of the Company's stock option activity and related information for the year ended December 31, 2011 and for the nine months ended September 30, 2012:

	Number of Stock Options	Weighted Avg. Exercise Price	Weighted Avg. Remaining Contractual Life	Aggregate Intrinsic Value
Balance at December 31, 2010	797,200	$ 13.67		
Granted	32,000	13.67		
Forfeited	(8,000)	13.67		
Balance at December 31, 2011	821,200	$ 13.67	6.35 years	$ 0.00
Forfeited	(17,200)	13.67		
Balance at September 30, 2012	804,000	$ 13.67	5.86 years	$ 0.00

Exercisable at September 30, 2012	608,600	$ 13.67	5.77 years	$ 0.00

The key valuation assumptions and fair value of stock options granted June 15, 2011 were:

Expected life	6.5 years
Risk-free rate	2.26%
Volatility	35.42%
Dividend yield	3.32%
Fair value	$1.70

11

NOTE E – STOCK BASED COMPENSATION (Continued)

The following is a summary of the status of the Company's restricted shares as of September 30, 2012 and changes during the year ended December 31, 2011 and for the nine months ended September 30, 2012:

	Number of Restricted Shares		Weighted Average Grant Date Fair Value
Non-vested restricted shares at December 31, 2010	120,000	$	13.67
Granted	73,350		9.40
Vested	(40,000	)	13.67
Non-vested restricted shares at December 31, 2011	153,350	$	11.63
Vested	(48,800	)	12.78
Forfeited	(4,000	)	13.67
Non-vested restricted shares at September 30, 2012	100,550	$	10.99

Stock option and stock award expenses included in compensation expense were $302,000 and $917,000, respectively, for the three and nine months ended September 30, 2012 with respective tax benefits of $121,000 and $367,000; and $300,000 and $844,000 for the three and nine months ended September 30, 2011, with respective tax benefits of $120,000 and $338,000. At September 30, 2012, there was approximately $1.4 million of unrecognized cost, related to outstanding stock options and restricted shares, which will be recognized over a period of approximately 2.1 years.

Equity Incentive Plan – RomAsia Bank

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

The Plan enables the Board of Directors of RomAsia Bank to grant stock options to executives, other key employees and nonemployee directors. The options granted under the Plan may be either incentive stock options or non-qualified stock options. RomAsia has reserved 225,000 shares of its common stock for issuance upon the exercise of options granted under the Plan. The Plan will terminate in ten years from the grant date. Options will be granted with an exercise price not less than the Fair Market Value of a share of RomAsia's Common Stock on the date of the grant. Options may not be granted for a term greater than ten years. The stock options vest over a five year service period and are exercisable within ten years. Stock options granted under the Incentive Plan are subject to limitations under Section 422 of the Internal Revenue Code. The number of shares available under the Plan, the number of shares subject to outstanding options and the exercise price of outstanding options will be adjusted to reflect any stock dividend, stock split, merger, reorganization or other event generally affecting the number of Company's outstanding shares. At September 30, 2012, there were 114,500 shares available for option grants under the Plan. On March 1, 2012 RomAsia Bank granted 46,500 options. The key valuation assumptions and fair value of stock options granted in March 2012 were:

Expected life	6.5 years
Risk-free rate	1.33%
Volatility	28.30%
Fair value	$2.76

The following is a summary of the status of the RomAsia's stock option activity and related information for the year ended December 31, 2011 and for the nine months ended September 30, 2012:

	Number of Stock Options	Weighted Avg. Exercise Price	Weighted Avg. Remaining Contractual Life	Aggregate Intrinsic Value
Balance at December 31, 2010	75,500	$ 8.47		
Forfeited	(9,500)	8.47		
Balance at December 31, 2011	66,000	8.47		
Forfeited	(2,000)	8.47		
Granted	46,500	8.81		
Balance at September 30, 2012	110,500	$ 8.61	8.17 years	$ 0.00
Exercisable at September 30, 2012	25,600			

12

NOTE E – STOCK BASED COMPENSATION (Continued)

Stock option expense, related to the RomAsia plan included with compensation expense was $16,000 and $43,000, respectively, for the three and nine months ended September 30, 2012 with respective tax benefits of $7,000 and $19,000; and $11,000 and $33,000, respectively, for the three months and nine months ended September 30, 2011, with respective tax benefits of $5,000 and $14,000. At September 30, 2012, approximately $191,000 of unrecognized cost, related to outstanding stock options, will be recognized over a period of approximately 3.17 years.

Employee Stock Ownership Plan

Roma Bank has an Employee Stock Ownership Plan ("ESOP") for the benefit of employees who meet the eligibility requirements defined in the plan. The ESOP trust purchased 811,750 shares of common stock as part of the stock offering using proceeds from a loan from the Company. The total cost of the shares purchased by the ESOP trust was $8.1 million, reflecting a cost of $10 per share. Roma Bank makes cash contributions to the ESOP on a quarterly basis sufficient to enable the ESOP to make the required loan payments to the Company. The loan bears an interest rate of 8.25% with principal and interest payable in equal quarterly installments over a fifteen year period. The loan is secured by the shares of the stock purchased.

Shares purchased with the loan proceeds were initially pledged as collateral for the term loan and are held in a suspense account for future allocation among participants. Contributions to the ESOP and shares released from the suspense account will be allocated among the participants on the basis of compensation, as described by the Plan, in the year of allocation. As shares are committed to be released from collateral, the Company reports compensation expense equal to the current market price of the shares, and the shares become outstanding for earnings per share computations. Roma Bank made its first loan payment in October 2006. As of September 30, 2012, there were 473,525 unearned shares. The Company's ESOP compensation expense was $125 thousand and $381 thousand, respectively, for the three and nine months ended September 30, 2012; and $124 thousand and $408 thousand, respectively, for the three and nine months ended September 30, 2011.

NOTE F – STOCK WARRANTS

RomAsia Bank issued warrants to purchase 150,500 shares of RomAsia Common Stock (the "warrants"), bearing an exercise price of $10.00 per share, to the Founding Stockholders who subscribed initially for 150,500 shares of RomAsia Common Stock and provided $1,505,000 to pay RomAsia's organizational expenses. The warrants were issued on June 23, 2008.

The warrants will become exercisable in three equal installments on the first, second and third anniversaries after their respective dates of issuance. Warrants will be convertible into one share of RomAsia Common Stock and will be transferable only in compliance with the Securities Act of 1933, as amended, and applicable state securities laws. RomAsia may redeem the Warrants at a price of $1.00 per Warrant at any time after January 1, 2012 upon 60 days prior written notice to the holders thereof.

The Warrants provide that, in the event that RomAsia's capital falls below certain minimum requirements, the FDIC or the OCC may require RomAsia to notify the holders of the Warrants that such holders must exercise the Warrants within 30 days of such notice, or such longer period as the FDIC or OCC may prescribe, or forfeit all rights to purchase shares of RomAsia Common Stock under the Warrants after the expiration of such period.

The Warrants expire ten years after being issued. In the event a holder fails to exercise the Warrants prior to their expiration, the Warrants will expire and the holder thereof will have no further rights with respect to the Warrants.

The Warrant expense for minority shareholders, (8.88% ownership), for the three and nine months ended September 30, 2012 was $0 and $0, respectively, with respective tax benefits of $0 and $0; and for the three and nine months ended September 30, 2011 was $0 and $90,000, respectively, with respective tax benefits of $0 and $39,000. The warrant expense for the majority shareholder, Roma Financial Corporation, was eliminated in consolidation. The warrants were 100% vested at September 30, 2012.

NOTE G - REAL ESTATE OWNED VIA EQUITY INVESTMENTS

In 2008, Roma Bank, together with two individuals, formed 84 Hopewell, LLC. The LLC was formed to build a commercial office building which includes Roma Bank’s Hopewell branch, corporate offices for the other 50% owners’ construction company and tenant space. Roma Bank made a cash investment of approximately $370,000 in the LLC and provided a loan to the LLC in the amount of $3.6 million. Roma Bank and the construction company both have signed lease commitments to the LLC. With the adoption of guidance in regards to variable interest entities now codified in FASB ASC Topic 810, Consolidation, the Company is required to perform an analysis to determine whether such an investment meets the criteria for consolidation into the Company’s financial statements. As of September 30, 2012 and December 31, 2011, this variable interest entity met the requirements of ASC Topic 810 for consolidation based on Roma Bank

NOTE G - REAL ESTATE OWNED VIA EQUITY INVESTMENTS (Continued)

being the primary financial beneficiary. This was determined based on the amount invested by the Bank compared to the other partners to the LLC and the lack of personal guarantees. As of September 30, 2012, the LLC had $3.8 million in fixed assets and a loan from Roma Bank for $3.3 million, which was eliminated in consolidation. The LLC had accrued interest payable to the Bank of $23 thousand at September 30, 2012 and during the nine months then ended the Bank paid $76 thousand in rent to the LLC. Both of these amounts were eliminated in consolidation. Roma Bank's 50% share of the LLC's net income for the three and nine months ended September 30, 2012 was $5 thousand and $44 thousand, respectively.

NOTE H – INVESTMENT AND MORTGAGE-BACKED SECURITIES

The following summarizes the amortized cost and estimated fair value of securities available for sale at September 30, 2012 and December 31, 2011 with gross unrealized gains and losses therein:

	September 30, 2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Available for sale:				
Mortgage-backed securities-U.S. Government Sponsored Enterprises (GSEs)	$13,028	$403	$138	$13,293
Obligations of state and political subdivisions	3,539	348	-	3,887
U.S. Government (including agencies)	10,297	425	-	10,722
Corporate bond	1,000	1	19	982
Equity securities	50	-	1	49
Mutual funds	3,106	-	62	3,044
	$31,020	$1,177	$220	$31,977

	December 31, 2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Available for sale:				
Mortgage-backed securities-U.S. Government Sponsored Enterprises (GSEs)	$22,896	$604	$132	$23,368
Obligations of state and political subdivisions	5,364	242	-	5,606
U.S. Government (including agencies)	9,328	311	-	9,639
Corporate bond	1,000	-	106	894
Equity securities	50	-	1	49
Mutual funds	3,012	-	77	2,935
	$41,650	$1,157	$316	$42,491

NOTE H – INVESTMENT AND MORTGAGE-BACKED SECURITIES (Continued)

The unrealized losses, categorized by the length of time of continuous loss position, and the fair value of related securities available for sale at September 30, 2012 and December 31, 2011 are as follows:

	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
September 30, 2012:						
Mortgage-backed securities-GSEs	$6	$1	$2,977	$137	$2,983	$138
Equity securities	49	1	-	-	49	1
Corporate bond	481	19	-	-	481	19
Mutual funds	-	-	3,044	62	3,044	62
	$536	$21	$6,021	$199	$6,557	$220
December 31, 2011:						
Mortgage-backed securities-GSEs	$798	$4	$3,736	$128	$4,534	$132
Equity securities	49	1	-	-	49	1
Corporate bond	480	20	414	86	894	106
Mutual funds	-	-	2,935	77	2,935	77
	$1,327	$25	$7,085	$291	$8,412	$316

Management evaluates securities for other-than-temporary-impairment ("OTTI") at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation.

In determining OTTI under the ASC Topic 320, management considers many factors, including: (1) the length of time and the extent to which the fair value has been less than amortized cost; (2) the financial condition and near term prospects of the issuer; (3) whether the market decline was affected by macroeconomic conditions, and (4) whether the entity has the intent to sell the debt security or more likely than not will be required to sell the debt security before its anticipated recovery. The assessment of whether an other-than-temporary-impairment decline exists involves a high degree of subjectivity and judgment and is based on information available to management at a point in time. An OTTI is deemed to have occurred if there has been an adverse change in the remaining expected future cash flows.

When OTTI for debt securities, occurs under the model, the amount of the OTTI recognized in earnings depends on whether an entity intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis. If an entity intends to sell or more likely than not will be required to sell the security before recovery of its amortized cost basis, the OTTI shall be recognized in earnings equal to the entire difference between the investment's amortized cost basis and its fair value at the balance sheet date. If any entity does not intend to sell the security and it is not more likely than not that the entity will be required to sell the security before recovery of its amortized cost basis, the OTTI shall be separated into the amount representing the credit loss and the amount related to all other factors. The amount of the total OTTI related to the credit loss is determined based on the present value of cash flows expected to be collected and is recognized in earnings. The amount of the total OTTI related to other factors shall be recognized in other comprehensive income, net of applicable tax benefit. The previous amortized cost basis less the OTTI recognized in earnings shall become the new amortized cost basis of the investment.

NOTE H – INVESTMENT AND MORTGAGE-BACKED SECURITIES (Continued)

As of September 30, 2012, the Company's available for sale portfolio in an unrealized loss position consisted of 22 securities. There was one mutual fund, and 21 mortgage-backed securities in an unrealized loss position for more than twelve months at September 30, 2012. As of December 31, 2011, the Company's available for sale portfolio in an unrealized loss position consisted of 26 securities. There was one mutual fund, two corporate bonds, and 23 mortgage backed securities in an unrealized loss position for more than twelve months at December 31, 2011.

The available for sale mutual funds are CRA investments that had an unrealized loss of approximately $62 thousand and $77 thousand at September 30, 2012 and December 31, 2011, respectively. They have been in a loss position for the last two years with the greatest unrealized loss being approximately $109 thousand. Management does not believe the mutual fund securities available for sale are other-than-temporarily impaired due to reasons of credit quality. Unrealized losses in the mortgage-backed securities and corporate bond categories are due to the current interest rate environment and not due to credit concerns. The Company does not intend to sell these securities and it is not more likely than not that we will be required to sell these securities. As of September 30, 2012, management believes the impairments are temporary and no impairment loss has been realized in the Company's consolidated income statement for the year ended September 30, 2012.

Proceeds from the sale of securities available for sale amounted to $5.1 million and $8.8 million for the three and nine months ended September 30, 2012, with gross realized gains of $407 thousand and $420 thousand, and gross realized losses of $0 and $0, respectively. Proceeds from the sale of securities available for sale amounted to $1.1 million and $3.0 million for the three and nine months ended September 30, 2011, with gross realized gains of $40 thousand and $80 thousand, and gross realized losses of $2 thousand and $2 thousand, respectively.

The amortized cost and estimated fair value of securities available for sale at September 30, 2012 by contractual maturity are shown below. Expected maturities will differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without call or prepayment penalties:

	Amortized Cost	Fair Value
	(in Thousands)	
U.S. Government, Obligations of Political Subdivisions and Corporate bond:		
After one to five years	$ 3,610	$ 3,709
After five to ten years	7,126	7,590
After ten years	4,100	4,292
Total	14,836	15,591
Mortgage-backed securities	13,028	13,293
Equity securities	50	49
Mutual funds	3,106	3,044
Total	$ 31,020	$ 31,977

NOTE H – INVESTMENT AND MORTGAGE-BACKED SECURITIES (Continued)

The following summarizes the amortized cost and estimated fair value of securities held to maturity at September 30, 2012 and December 31, 2011 with gross unrealized gains and losses therein:

	September 30, 2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Held to maturity:				
U.S. Government (including agencies)	$150,191	$414	$2	$150,603
Obligations of state and political subdivisions	16,184	1,365	-	17,549
Corporate and other	1,591	5	2	1,594
	$167,966	$1,784	$4	$169,746

	December 31, 2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Held to maturity:				
U.S. Government (including agencies)	$220,728	$843	$12	$221,559
Obligations of state and political subdivisions	18,684	1,073	-	19,757
Corporate and other	1,773	-	67	1,706
	$241,185	$1,916	$79	$243,022

NOTE H – INVESTMENT AND MORTGAGE-BACKED SECURITIES (Continued)

The unrealized losses, categorized by the length of time of continuous loss position, and the fair value of related securities held to maturity are as follows:

	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
September 30, 2012						
U.S. Government (including agencies)	$998	$2	$-	$-	$998	$2
Obligations of state and Political subdivisions	-	-	-	-	-	-
Corporate and other	498	2	-	-	498	2
	$1,496	$4	$-	$-	$1,496	$4
December 31, 2011						
U.S. Government (including agencies)	$18,983	$12	$-	$-	$18,983	$12
Corporate and other	1,706	67	-	-	1,706	67
	$20,689	$79	$-	$-	$20,689	$79

At September 30, 2012, the Company's held to maturity debt securities portfolio consisted of approximately 92 securities, of which two were in an unrealized loss position for less than twelve months and none were in a loss position for more than twelve months. No OTTI charges were recorded for the nine months ended September 30, 2012. The Company does not intend to sell these securities and it is not more likely than not that we will be required to sell these securities. Unrealized losses primarily relate to interest rate fluctuations and not credit concerns.

The amortized cost and estimated fair value of securities held to maturity at September 30, 2012 by contractual maturity are shown below. Expected maturities will differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without call or prepayment penalties:

	Amortized Cost	Fair Value
	(In Thousands)	
One year or less	$ 60	$ 60
After one to five years	55,159	55,451
After five to ten years	103,024	103,865
After ten years	9,723	10,370
Total	$ 167,966	$ 169,746

Approximately $111.0 million of securities held to maturity are pledged as collateral for Federal Home Loan Bank of New York ("FHLBNY") advances, borrowings, and deposits at September 30, 2012.

NOTE H – INVESTMENT AND MORTGAGE-BACKED SECURITIES (Continued)

The following tables set forth the composition of our mortgage- backed securities portfolio as of September 30, 2012 and December 31, 2011:

	September 30, 2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Government National Mortgage Association	$6,745	$269	$170	$6,844
Federal Home Loan Mortgage Corporation	139,085	7,519	676	145,928
Federal National Mortgage Association	228,857	17,975	4	246,828
Collateralized mortgage obligations-GSEs	3,957	167	-	4,124
	$378,644	$25,930	$850	$403,724

	December 31, 2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Government National Mortgage Association	$7,906	$229	$111	$8,024
Federal Home Loan Mortgage Corporation	181,779	6,851	580	188,050
Federal National Mortgage Association	242,568	13,412	5	255,975
Collateralized mortgage obligations-GSEs	6,270	236	-	6,506
	$438,523	$20,728	$696	$458,555

NOTE H – INVESTMENT AND MORTGAGE-BACKED SECURITIES (Continued)

The unrealized losses, categorized by the length of time of continuous loss position, and the fair value of related mortgage-backed securities held to maturity are as follows:

	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
September 30, 2012						
Government National Mortgage Association	$-	$-	$1,081	$170	$1,081	$170
Federal Home Loan Mortgage Corporation	13,715	675	92	1	13,807	676
Federal National Mortgage Association	1,690	3	149	1	1,839	4
	$15,405	$678	$1,322	$172	$16,727	$850

	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
December 31, 2011						
Government National Mortgage Association	$-	$-	$1,719	$111	$1,719	$111
Federal Home Loan Mortgage Corporation	22,768	576	87	4	22,855	580
Federal National Mortgage Association	-	-	222	5	222	5
	$22,768	$576	$2,028	$120	$24,796	$696

As of September 30, 2012, there were three Government National Mortgage Association securities, 21 Federal Home Loan Mortgage Corporation securities, three Federal National Mortgage Association, and no collateralized mortgage obligation securities in unrealized loss positions. Management does not believe that any of the individual unrealized losses represent an OTTI. The unrealized losses on mortgage-backed securities relate primarily to fixed interest rate and, to a lesser extent, adjustable interest rate securities. Such losses are the result of changes in interest rates and not credit concerns. Roma Bank, the Investment Co. and RomAsia Bank do not intend to sell these securities and it is not more likely than not that they will be required to sell these securities, therefore, no OTTI charge is required.

NOTE H – INVESTMENT AND MORTGAGE-BACKED SECURITIES (Continued)

The amortized cost and estimated fair value of mortgage backed securities held to maturity at September 30, 2012 by contractual maturity are shown below. Expected maturities will differ from contractual maturities as borrowers may have the right to call or prepay obligations with or without call or prepayment penalties:

	Amortized Cost	Fair Value
	(In Thousands)	
One year or less	$ 1,693	$ 1,690
After one to five years	7,604	7,921
After five to ten years	81,576	88,809
After ten years	287,771	305,304
Total	$ 378,644	$ 403,724

NOTE I - LOANS RECEIVABLE, NET

Loans receivable, net, at September 30, 2012 and December 31, 2011 were comprised of the following (in thousands):

	September 30, 2012	December 31, 2011
Real estate mortgage loans:		
Residential mortgage	$ 435,979	$ 394,206
Commercial real estate	310,074	292,646
	746,053	686,852
Construction:		
Commercial real estate	13,686	23,756
Residential	9,187	11,095
	22,873	34,851
Consumer:		
Home equity	221,603	217,472
Other	1,327	1,381
	222,930	218,853
Commercial	47,727	39,184
Total loans	1,039,583	979,740
Less:		
Allowance for loan losses	8,122	5,416
Deferred loan fees	1,430	1,139
Loans in process	15,167	10,796
	24,719	17,351
Total loans receivable, net	$ 1,014,864	$ 962,389

NOTE I - LOANS RECEIVABLE, NET (Continued)

The following table presents nonaccrual loans by classes of the loan portfolio as of September 30, 2012 and December 31, 2011:

	September 30, 2012	December 31, 2011
	(In thousands)	
Commercial	$ 994	$ 495
Commercial real estate	21,789	17,699
Commercial real estate – construction	3,491	2,886
Residential mortgage	11,942	11,949
Residential construction	6,672	9,984
Home equity and other consumer	2,388	1,964
Total	$ 47,276	$ 44,977

A loan is considered impaired when based on current information and events; it is probable that the Company will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming commercial loans but also include loans modified in troubled debt restructurings where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction in the interest rate on the loans, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection.

The following table summarizes information in regards to impaired loans by loan portfolio as of September 30, 2012 and the nine months then ended:

	Recorded Investment	Unpaid Principal Balance	Related Allowance
		(In Thousands)	
With no related allowance recorded:			
Commercial	$ 2,015	$ 4,000	$ -
Commercial real estate	36,992	39,956	-
Commercial real estate - construction	3,491	3,491	-
Residential mortgage	18,810	20,885	-
Residential construction	7,089	8,834	-
Home equity and other consumer	4,204	4,527	-
	$ 72,601	$ 81,693	$ -

	Three Months Ended September 30, 2012		Nine months Ended September 30, 2012	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized

	(In Thousands)			
With no related allowance recorded:				
Commercial	$ 2,150	$ 27	$ 1,809	$ 87
Commercial real estate	36,396	109	37,653	491
Commercial real estate - construction	3,722	-	5,745	2
Residential mortgage	18,427	104	18,855	343
Residential construction	7,431	-	8,653	12
Home equity and other consumer	4,170	31	3,778	98
	$ 72,296	$ 271	$ 76,493	$ 1,033

22

NOTE I - LOANS RECEIVABLE, NET (Continued)

The following table summarizes information in regards to impaired loans by loan portfolio class segregated by those for which a related allowance was required and those for which a related allowance was not necessary, as of December 31, 2011 and the year then ended:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
	(In Thousands)				
With no related allowance recorded:					
Commercial	$1,602	$3,586	$-	$ 1,870	$ 133
Commercial real estate	36,773	39,582	-	38,868	862
Commercial real estate	7,290	7,290	-	5,843	174
Residential mortgage	18,446	20,810	-	15,594	1,089
Residential construction	10,217	12,915	-	12,495	118
Home equity and other consumer	3,705	4,033	-	3,372	180
	$78,033	$88,216	$-	$ 78,042	$ 2,556
With an allowance recorded:					
Commercial	$-	$-	$-	$ -	$ -
Commercial real estate	776	776	41	388	-
Commercial real estate-construction	-	-	-	-	-
Residential mortgage	-	-	-	-	-
Home equity and other consumer	-	-	-	-	-
	$776	$776	$41	$ 388	$ -
Total:					
Commercial	$1,602	$3,586	$-	$ 1,870	$ 133
Commercial real estate	37,549	40,358	41	39,256	862
Commercial real estate-construction	7,290	7,290	-	5,843	174
Residential mortgage	18,446	20,810	-	15,594	1,089
Residential construction	10,217	12,915	-	12,495	118
Home equity and other consumer	3,705	4,033	-	3,372	180
	$78,809	$88,992	$41	$ 78,430	$ 2,556

At September 30, 2012, impaired loans included $37.0 million of loans, net of credit marks of $9.6 million, which were acquired in the Company's acquisition of Sterling Banks Inc. in July 2010. Loans totaling $9.1 million from the legacy Roma and RomAsia portfolio's are also included in this total and classified because they are troubled debt restructurings, have related loans that are non-performing, or are considered impaired because there was evidence of deterioration of credit quality, since origination, primarily collateral-related.

At December 31, 2011, impaired loans included $37.4 million of loans, net of credit marks of $10.2 million, which were acquired in the Sterling acquisition. Loans totaling $15.4 million which are performing, are also included in this total and classified as impaired because they are troubled debt restructurings, have related loans that are non-performing, or are considered impaired because at the merger date there was evidence of deterioration of credit quality, since origination, primarily collateral-related.

23

NOTE I - LOANS RECEIVABLE, NET (Continued)

The performance and credit quality of the loan portfolio is also monitored by analyzing the age of loans receivable by the length of time a recorded payment is past due. The following table presents the classes of the loan portfolio summarized by the past due status as of September 30, 2012 (In thousands):

	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 days	Total Past Due	Current	Total Loans Receivable	Loans Receivable >90 Days and Accruing
Commercial	$ 100	$ -	$ 994	$ 1,094	$ 46,633	$ 47,727	$ 133
Commercial real estate	5,172	1,665	12,103	18,940	291,134	310,074	-
Commercial real estate – constr.	-	-	-	-	13,686	13,686	-
Residential mortgage	5,368	2,740	12,314	20,422	415,557	435,979	118
Residential construction	307	-	7,172	7,479	1,708	9,187	-
Home equity and other consumer	1,680	67	2,388	4,135	218,795	222,930	-
Total	$ 12,627	$ 4,472	$ 34,971	$ 52,070	$ 987,513	$ 1,039,583	$ 251

The following table presents the classes of the loan portfolio summarized by the past due status as of December 31, 2011 (In thousands):

	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 days	Total Past Due	Current	Total Loans Receivable	Loans Receivable >90 Days and Accruing
Commercial	$ -	$ -	$ 495	$ 495	$ 38,689	$ 39,184	$ -
Commercial real estate	1,607	845	17,509	19,961	272,685	292,646	614
Commercial real estate – constr.	-	-	2,886	2,886	20,870	23,756	-
Residential mortgage	3,733	6,428	12,498	22,659	371,547	394,206	549
Residential construction	-	-	9,984	9,984	1,111	11,095	-
Home equity and other consumer	324	1,484	2,192	4,000	214,853	218,853	228
Total	$ 5,664	$ 8,757	$ 45,564	$ 59,985	$ 919,755	$ 979,740	$ 1,391

NOTE I - LOANS RECEIVABLE, NET (Continued)

The following table presents the classes of the loan portfolio summarized by the aggregate pass rating and the classified ratings of special mention, substandard and doubtful in accordance with the Company's internal risk rating system as of September 30, 2012 (In thousands):

	Pass	Special Mention	Substandard	Doubtful	Total
Commercial	$44,065	$1,826	$1,836	$-	$47,727
Commercial real estate	255,817	20,853	33,404	-	310,074
Commercial real estate-construction	10,195	-	3,491	-	13,686
Residential mortgage	418,072	1,347	16,560	-	435,979
Residential construct.	2,186	-	7,001	-	9,187
Home equity and other consumer	219,479	361	3,090	-	222,930
Total	$949,814	$24,387	$65,382	$-	$1,039,583

The following table presents the classes of the loan portfolio summarized by the aggregate pass rating and the classified ratings of special mention, substandard and doubtful in accordance with the Company's internal risk rating system as of December 31, 2011: (In thousands)

	Pass	Special Mention	Substandard	Doubtful	Total
Commercial	$36,693	$1,520	$971	$-	$39,184
Commercial real estate	242,546	15,970	34,130	-	292,646
Commercial real estate (construction)	16,466	-	7,290	-	23,756
Residential mortgage	378,308	692	15,260	-	394,206
Residential construct.	839	272			