ROMA FINANCIAL CORP
Form 10-Q
November 12, 2013
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, 2013

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 08, 2013:

$0.10 par value common stock - 30,166,769 shares outstanding

ROMA FINANCIAL CORPORATION AND SUBSIDIARIES

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ROMA FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Unaudited)

	September 30, 2013		December 31, 2012	
	(In thousands, except for share data)			
Assets				
Cash and amounts due from depository institutions	$	26,601	$	18,523
Interest-bearing deposits in other banks		103,431		93,073
Money market funds		-		32,855
Cash and Cash Equivalents		130,032		144,451
Investment securities available for sale (“AFS”) at fair value		24,911		28,921
Investment securities held to maturity (“HTM”) at amortized cost (fair value of $93,618 and $129,488, respectively)		94,716		127,916
Mortgage-backed securities held to maturity at amortized cost (fair value of $286,426 and $363,918, respectively)		278,114		343,318
Loans receivable, net of allowance for loan losses of $8,642 and $8,669, respectively		1,022,039		1,037,404
Real estate and other repossessed assets owned		6,143		8,340
Real estate held for sale		138		1,627
Real estate owned via equity investment		3,704		3,783
Premises and equipment, net		47,058		46,982
Federal Home Loan Bank of New York and ACBB stock		8,921		9,002
Accrued interest receivable		4,664		5,474
Bank owned life insurance		35,411		34,587
Goodwill		1,826		1,826
Deferred tax asset		13,236		14,229
Other assets		6,634		6,280
Total Assets	$	1,677,547	$	1,814,140
Liabilities and Stockholders’ Equity				
Liabilities				
Deposits:				
Non-interest bearing	$	76,534	$	71,287
Interest bearing		1,276,524		1,413,282
Total deposits		1,353,058		1,484,569
Federal Home Loan Bank of New York advances		46,413		52,385
Securities sold under agreements to repurchase		40,000		40,000
Advance payments by borrowers for taxes and insurance		3,774		3,433
Accrued interest payable and other liabilities		15,711		18,144
Total Liabilities		1,458,956		1,598,531
Stockholders’ Equity				
Common stock, $0.10 par value, 45,000,000 shares authorized, 32,731,875				

shares issued; 30,166,769 and 30,116,769 outstanding				
at September 30, 2013 and December 31, 2012, respectively		3,274		3,274
Paid-in capital		101,420		101,002
Retained earnings		158,747		156,618
Unearned shares held by Employee Stock Ownership Plan		(4,193)		(4,599)
Treasury stock, 2,565,106 and 2,615,106 shares, respectively		(36,555)		(37,098)
Accumulated other comprehensive loss		(6,139)		(5,598)
Total Roma Financial Corporation stockholders' equity		216,554		213,599
Noncontrolling interest		2,037		2,010
Total Stockholders' Equity		218,591		215,609
Total Liabilities and Stockholders' Equity	$	1,677,547	$	1,814,140

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,	
	2013	2012	2013	2012
	(In thousands, except per share data)		(In thousands, except per share data)	
Interest Income				
Loans, including fees	$11,400	$11,522	$34,997	$35,402
Mortgage-backed securities held to maturity	2,340	3,391	7,740	11,307
Investment securities held to maturity	384	742	1,317	2,946
Securities available for sale	136	135	345	370
Other interest-earning assets	142	150	440	400
Total Interest Income	14,402	15,940	44,839	50,425
Interest Expense				
Deposits	2,031	3,248	6,657	10,144
Borrowings	654	353	1,976	1,986
Total Interest Expense	2,685	3,601	8,633	12,130
Net Interest Income	11,717	12,339	36,206	38,295
(Credit) Provision for loan losses	(122)	2,756	80	5,408
Net Interest Income after Provision for Loan Losses	11,839	9,583	36,126	32,887
Non-Interest Income				
Commissions on sales of title policies	264	343	756	859
Fees and service charges on deposits and loans	277	387	851	1,246
Income from bank owned life insurance	348	361	1,035	1,070
Net gain from sale of mortgage loans originated for sale	2	754	486	1,552
Net gain from sale of available for sale securities	-	407	1	420
Realized gain (loss) on real estate held for sale	-	-	581	(3)
Realized (loss) on real estate owned	(147)	(258)	(655)	(262)
Other	271	495	1,044	1,404
Total Non-Interest Income	1,015	2,489	4,099	6,286
Non-Interest Expense				
Salaries and employee benefits	5,909	6,372	18,619	19,112
Net occupancy expense of premises	1,080	1,087	3,310	3,349
Equipment	886	970	2,720	2,756
Data processing fees	588	566	1,690	1,688
Federal Deposit Insurance Premium	539	381	1,808	1,339
Commercial and residential loan expense	364	663	1,290	2,123
Merger expense	356	-	1,309	-
(Recovery) Loss on returned items	(6)	-	1,796	-
Other	1,237	1,542	4,249	4,968
Total Non-Interest Expense	10,953	11,581	36,791	35,335

Income Before Income Taxes	1,901	491	3,434	3,838
Income Tax EXPENSE	775	122	1,245	1,083
Net income	1,126	369	2,189	2,755
Plus: net gain attributable to the noncontrolling interest	(19)	(24)	(60)	(98)
Net Income attributable to Roma Financial Corporation	$1,107	$345	$2,129	$2,657
Net income attributable to Roma Financial Corporation per common share				
Basic and Diluted	$0.04	$0.01	$0.07	$0.09
Dividends Declared Per Share	$0.00	$0.00	$0.00	$0.12
Weighted Average Number of Common Shares Outstanding				
Basic	29,738,434	29,751,979	29,693,492	29,788,312
Diluted	29,919,839	29,751,979	29,841,602	29,788,312

See notes to consolidated financial statements.

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

	Three Months Ended September 30, 2013	2012	Nine Months Ended September 30, 2013	2012
	(In thousands)		(In thousands)	
Net Income	$1,126	$369	$2,189	$2,755
Other comprehensive income (loss):				
Unrealized holding (losses) gains on available for sale securities:				
Unrealized holding (losses) gains arising during the period	(84)	242	(994)	536
Less: reclassification adjustment for (gains) included in net income	-	(407)	(1)	(420)
Net realized (loss) gain on securities available for sale	(84)	(165)	(995)	116
Tax effect	36	65	421	(55)
Other comprehensive (loss) income, net of tax	(48)	(100)	(574)	61
Comprehensive income	$1,078	$269	$1,615	$2,816
Comprehensive income attributable to the noncontrolling interest	(16)	(29)	(27)	(135)
Comprehensive income attributable to Roma Financial Corporation	$1,062	$240	$1,588	$2,681

See notes to consolidated financial statements.

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

	Common Stock Shares	Common Stock Amount	Paid-In Capital	Retained Earnings	Unearned Shares held By ESOP	Accumulated Other Comprehensive (Loss)	Treasury Stock	Noncontrolling Interest	Total
Balance January 1, 2012	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
Balance January 1, 2013	30,116	$ 3,274	$ 101,002	$ 156,618	$ (4,599)	$ (5,598)	$ (37,098)	$ 2,010	$ 215,609
Net income for the nine months ended September 30, 2013	-	-	-	2,129	-	-	-	60	2,189
Other comprehensive loss, net	-	-	-	-	-	(541)	-	(33)	(574)
Vesting of restricted stock	50	-	(543)	-	-	-	543	-	-
Stock-based compensation	-	-	674	-	-	-	-	-	674
ESOP shares earned	-	-	287	-	406	-	-	-	693
Balance September 30, 2013	30,166	$ 3,274	$ 101,420	$ 158,747	$ (4,193)	$ (6,139)	$ (36,555)	$ 2,037	$ 218,591

See notes to consolidated financial statements

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

	Nine Months Ended September 30, 2013	2012
	(In thousands)	
Cash Flows from Operating Activities		
Net income	$2,189	$2,755
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,842	1,876
Amortization of premiums and accretion of discounts on securities	614	709
Accretion of deferred loan fees and discounts	(452)	(309)
Amortization of net premiums on loans	343	315
Amortization of premiums on deposits	(13)	(15)
Amortization of premiums on subordinated debt	-	271
Gain on sale of securities available for sale	(1)	(420)
Net gain on sale of mortgage loans originated for sale	(486)	(1,552)
Mortgage loans originated for sale	(19,288)	(41,122)
Proceeds from sales of mortgage loans originated for sale	19,774	42,674
Net realized loss from sales of real estate owned	655	262
Loss on impairment of real estate owned	49	-
Proceeds from sale of real estate held for sale	2,070	327
Realized (gain) loss on sale of real estate held for sale	(581)	3
Provision for loan losses	80	5,408
Stock-based compensation, including warrants	674	960
ESOP shares earned	693	381
Decrease in accrued interest receivable	810	408
Increase in cash surrender value of bank owned life insurance	(824)	(890)
(Increase) decrease in other assets	(354)	553
Decrease in accrued interest payable	(72)	(133)
Decrease in deferred income taxes	1,414	236
Decrease in other liabilities	(2,361)	(547)
Net Cash Provided by Operating Activities	6,775	12,350
Cash Flows from Investing Activities		
Proceeds from maturities, calls and principal repayments of securities available for sale	3,408	9,997
Proceeds from sale of securities available for sale	500	8,813
Purchases of securities available for sale	(1,085)	(8,161)
Proceeds from maturities, calls and principal repayments of investment securities held to maturity	33,207	188,247
Purchases of investment securities held to maturity	-	(102,904)
Principal repayments on mortgage-backed securities held to maturity	80,259	98,004
Purchases of mortgage-backed securities held to maturity	(15,482)	(38,559)
Net decrease (increase) in loans receivable	11,419	(63,855)
Purchase of bank owned life insurance	-	(4,550)
Net additions to premises and equipment and real estate owned via equity investment	(1,840)	(3,368)
Proceeds from sale of real estate owned	5,468	866
Redemption (purchases) of Federal Home Loan Bank of New York stock	81	(2,661)

Net Cash Provided by Investing Activities	115,935	81,869
Cash Flows from Financing Activities		
Net (decrease) in deposits	(131,498)	(83,106)
Increase in advance payments by borrowers for taxes and insurance	341	590
Purchase of treasury stock	-	(1,698)
Dividends paid to minority stockholders of Roma Financial Corp.	-	(2,294)
Repayment of Federal Home Loan Bank of New York advances	(5,972)	(6,240)
Proceeds from Federal Home Loan Bank of New York advances	-	26,211
Repayment of subordinated debentures	-	(2,186)
Net Cash (Used in) Financing Activities	(137,129)	(68,723)
Net (Decrease) Increase in Cash and Cash Equivalents	(14,419)	25,496
Cash and Cash Equivalents – Beginning	144,451	84,659
Cash and Cash Equivalents – Ending	$130,032	$110,158

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

	Nine Months Ended September 30, 2013	2012
	(In thousands)	
Supplementary Cash Flows Information		
Income taxes paid, net	$519	$150
Interest paid	$8,705	$12,263
Securities purchased and not settled	$-	$12,000
Loans receivable transferred to real estate owned	$3,975	$5,757

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 (the "MHC") is a federally-chartered mutual holding company that was formed in January 2005 in connection with the mutual holding company reorganization. The MHC has not engaged in any significant business since its formation. So long as the MHC is in existence, it will at all times own a majority of the outstanding stock of the Company. The 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, 2013.

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 91.22% 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, The 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 and Edison, New Jersey. As of September 30, 2013, the Banks had 283 full-time employees and 39 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 91.22% 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, 2013 and 2012. The results of operations for the three and nine months ended September 30, 2013 are not necessarily indicative of the results which may be expected for the entire fiscal year or other interim periods.

The December 31, 2012 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 2012 audited consolidated financial statements for the year ended December 31, 2012, 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 $360,000 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, 2013, 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.

The following table sets forth the composition of the weighted average common shares (denominator) used in the basic and diluted earnings per share computation.

	For the Three Months Ended September 30, 2013	For the Nine Months Ended September 30, 2013

Net Income attributable to Roma Financial Corporation	$	1,107,397	$	2,128,904
Weighted average common shares outstanding-basic		29,738,434		29,693,492
Effect of dilutive stock options outstanding		181,405		148,110
Weighted average common shares outstanding-diluted		29,919,839		29,841,602
Earnings per share-basic	$	0.04	$	0.07
Earnings per share-diluted	$	0.04	$	0.07

NOTE D – EARNINGS PER SHARE (Continued)

	For the Three Months Ended September 30, 2012		For the Nine Months Ended September 30, 2012	
Net Income attributable to Roma Financial Corporation	$	345,251	$	2,656,162
Weighted average common shares outstanding-basic		29,751,979		29,788,312
Effect of dilutive stock options outstanding		-		-
Weighted average common shares outstanding-diluted		29,751,979		29,788,312
Earnings per share-basic	$	0.01	$	0.09
Earnings per share-diluted	$	0.01	$	0.09

All unvested restricted stock grants for the three and nine months ended September 30, 2013 were anti-dilutive. All stock options outstanding and restricted stock grants for both the three and nine months ended September 30, 2012 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"). The 2008 Plan enables the Board of Directors to grant stock options to executives, other key employees and nonemployee directors. The options granted under the Plan may be either incentive stock options or non-qualified stock options. The Company has reserved 1,292,909 shares of common stock for issuance upon the exercise of options granted under the 2008 Plan and 517,164 shares for grants of restricted stock. The Plan will terminate in ten years from the grant date. Options will be granted with an exercise price not less than the Fair Market Value of a share of Common Stock on the date of the grant. Options may not be granted for a term greater than ten years. Stock options granted under the Incentive Plan are subject to limitations under Section 422 of the Internal Revenue Code. The number of shares available under the 2008 Plan, the number of shares subject to outstanding options and the exercise price of outstanding options will be adjusted to reflect any stock dividend, stock split, merger, reorganization or other event generally affecting the number of Company's outstanding shares.

At September 30, 2013, there were 526,909 shares available for option grants under the 2008 Plan and 226,499 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, 2012 and for the nine months ended September 30, 2013:

NOTE E – STOCK BASED COMPENSATION (Continued)

	Number of Stock Options	Weighted Avg. Exercise Price	Weighted Avg. Remaining Contractual Life	Aggregate Intrinsic Value (In thousands)
Balance at January 1, 2012	821,200	$ 13.67		
Forfeited	(17,200)	13.67		
Balance at December 31, 2012	804,000	$ 13.67		
Forfeited	(38,000)	13.67		
Balance at September 30, 2013	766,000	$13.67	4.86 years	$ 3,769
Exercisable at September 30, 2013	746,800	$ 13.67	4.77 years	$ 3,674

The following is a summary of the status of the Company's restricted shares as of September 30, 2013 and changes during the year ended December 31, 2012 and for the nine months ended September 30, 2013:

	Number of Restricted Shares		Weighted Average Grant Date Fair Value
Non-vested restricted shares at January 1,2012	153,350	$	11.70
Vested	(52,542)		12.59
Forfeited	(4,685)		13.67
Non-vested restricted shares at December 31, 2012	96,123	$	11.08
Vested	(50,000)		12.89
Granted	6,000		16.74
Non-vested restricted shares at September 30, 2013	52,123	$	10.04

Stock option and stock award expenses included in compensation expense were $46,000 and $627,000, respectively, for the three and nine months ended September 30, 2013 with respective tax benefits of $18,000 and $251,000; and $302,000 and $917,000 for the three and nine months ended September 30, 2012, with respective tax benefits of $120,000 and $338,000. At September 30, 2013, there was approximately $505,000 thousand of unrecognized cost, related to outstanding stock options and restricted shares, which will be recognized over a period of approximately 2.05 years and 3.07 years, respectively.

Equity Incentive Plan – RomAsia Bank

The stockholders of RomAsia Bank approved an equity incentive plan in 2009 (the "Plan"). 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, 2013, 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

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NOTE E – STOCK BASED COMPENSATION (Continued)

The following is a summary of the status of the RomAsia's stock option activity and related information for the year ended December 31, 2012 and for the nine months ended September 30, 2013:

	Number of Stock Options	Weighted Avg. Exercise Price	Weighted Avg. Remaining Contractual Life	Aggregate Intrinsic Value (In thousands)
Balance at January 1, 2012	66,000	8.47		
Forfeited	(7,000)	8.47		
Granted	46,500	8.81		
Balance at December 31, 2012 and September 30, 2013	105,500	$ 8.60	7.17 years	$ 280
Exercisable at September 30, 2013	46,700	$ 8.47	8.17 years	$ 130

Stock option expense, related to the Plan included in compensation expense was $16,000 and $47,000, respectively, for the three and nine months ended September 30, 2013 with respective tax benefits of $7,000 and $20,000; and expenses of $16,000 and $43,000, respectively, for the three months and nine months ended September 30, 2012, with respective tax benefits of $7,000 and $19,000. At September 30, 2013, there was approximately $128,000 of unrecognized cost, related to outstanding stock options, which will be recognized over a period of approximately 2.17 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. As of September 30, 2013, there were 419,409 unearned shares. The Company's ESOP compensation expense was $254 thousand and $693 thousand, respectively, for the three and nine months ended September 30, 2013; and $125 thousand and $381 thousand, respectively, for the three and nine months ended September 30, 2012.

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.

NOTE F – STOCK WARRANTS (Continued)

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, (8.78% ownership), for the three and nine months ended September 30, 2013 and 2012 was $0 for both periods, and respective tax benefits of $0, for both periods. The warrant expense for the majority shareholder, Roma Financial Corporation, was eliminated in consolidation. The warrants were 100% vested at September 30, 2013.

NOTE G - REAL ESTATE OWNED VIA EQUITY INVESTMENTS

In 2008, Roma Bank, together with two individuals, formed 84 Hopewell, LLC. The LLC was formed to build a commercial office building which includes Roma Bank's Hopewell branch, corporate offices for the other 50% owners' construction company and tenant space. Roma Bank made a cash investment of approximately $360,000 in the LLC and provided a loan to the LLC in the amount of $3.6 million. Roma Bank and the construction company both have signed lease commitments to the LLC. With the adoption of guidance in regards to variable interest entities now codified in FASB ASC Topic 810, Consolidation, the Company is required to perform an analysis to determine whether such an investment meets the criteria for consolidation into the Company's financial statements. As of September 30, 2013 and December 31, 2012, this variable interest entity met the requirements of ASC Topic 810 for consolidation based on Roma Bank being the primary financial beneficiary. This was determined based on the amount invested by the Bank compared to the other partners to the LLC and the lack of personal guarantees. As of September 30, 2013, the LLC had $3.7 million in fixed assets and a loan from Roma Bank for $3.2 million, which was eliminated in consolidation. The LLC had accrued interest payable to the Bank of $10 thousand at September 30, 2013 and during the nine months then ended the Bank paid $98 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, 2013 was $10 thousand and $28 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, 2013 and December 31, 2012 with gross unrealized gains and losses therein:

	September 30, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Available for sale:				
Mortgage-backed securities-U.S. Government Sponsored Enterprises (GSEs)	$9,647	$139	$324	$9,462
Obligations of state and political subdivisions:				
After five through ten years	2,500	65	44	2,521
After ten years	1,075	71	-	1,146
	3,575	136	44	3,667
U.S. Government (including agencies)				
One through five years	5,220	226	12	5,434
After five through ten years	1,000	-	21	979
After ten years	1,432	-	101	1,331

	7,652	226	134	7,744
Equity securities	50	15	-	65
Mutual funds	4,220	-	247	3,973
	$25,144	$516	$749	$24,911

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

	December 31, 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)	$12,115	$327	$163	$12,279
Obligations of state and political subdivisions:				
After five through ten years	1,994	127	2	2,119
After ten years	1,583	198	-	1,781
	3,577	325	2	3,900
U.S. Government (including agencies):				
One through five years	3,102	116	-	3,218
After five through ten years	3,664	229	-	3,893
After ten years	1,516	21	-	1,537
	8,282	366	-	8,648
Corporate bond	1,000	9	18	991
Equity securities	50	6	-	56
Mutual funds	3,134	-	87	3,047
	$28,158	$1,033	$270	$28,921

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, 2013 and December 31, 2012 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, 2013:						
Mortgage-backed securities-GSEs	$ 3,828	$ 115	$ 1,806	$ 209	$ 5,634	$ 324
US Government including agencies	3,298	134	-	-	3,298	134
Obligations of state and political subdivisions	955	44	-	-	955	44
Mutual funds	977	39	2,996	208	3,973	247
	$ 9,058	$ 332	$ 4,802	$ 417	$ 13,860	$ 749
December 31, 2012:						
Mortgage-backed securities-GSEs	$ 72	$ 2	$ 2,645	$ 161	$ 2,717	$ 163
Obligation of state and political subdivisions	496	2	-	-	496	2
Corporate bond	-	-	482	18	482	18
Mutual funds	-	-	3,048	87	3,048	87
	$ 568	$ 4	$ 6,175	$ 266	$ 6,743	$ 270

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

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.

As of September 30, 2013, the Company's available for sale portfolio in an unrealized loss position consisted of forty-one securities. There was one mutual fund, and nineteen mortgage-backed securities in an unrealized loss position for more than twelve months at September 30, 2013. As of September 30, 2013, there was one mutual fund, two municipal, three government agencies, and fifteen mortgage backed securities in an unrealized loss position for less than twelve months. As of December 31, 2012, the Company's available for sale portfolio in an unrealized loss position consisted of twenty-nine securities. There was one mutual fund, one corporate bond, and nineteen mortgage backed securities in an unrealized loss position for more than twelve months at December 31, 2012. There were three mortgage-backed securities, one corporate bond and four government agencies in a loss position for less than twelve months at December 31, 2012.

The available for sale mutual funds are CRA investments that had an unrealized loss for more than twelve months of approximately $208 thousand and $87 thousand at September 30, 2013 and December 31, 2012, respectively. They have been in a loss position for the last two years with the greatest unrealized loss being approximately $208 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, 2013, management believes the impairments are temporary and no impairment loss has been realized in the Company's consolidated income statement for the nine months ended September 30, 2013.

Proceeds from the sale of securities were $500 thousand with a $1 thousand gain on sale during the nine months ended September 30, 2013. 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- thousand.

The amortized cost and estimated fair value of securities available for sale at September 30, 2013 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	$ 5,220	$ 5,434
After five to ten years	3,500	3,500
After ten years	2,507	2,477
Total	11,227	11,411
Mortgage-backed securities	9,647	9,462
Equity securities	50	65
Mutual funds	4,220	3,973
Total	$ 25,144	$ 24,911

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, 2013 and December 31, 2012 with gross unrealized gains and losses therein:

	September 30, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Held to maturity:				
U.S. Government (including agencies):				
After one through five years	$59,217	$2	$1,086	$58,133
After five through ten years	16,991	-	667	16,324
After ten years	1,000	-	36	964
	77,208	2	1,789	75,421
Obligations of state and political subdivisions:				
Less than one year	60	-	-	60
After one through five years	3,477	171	-	3,648
After five through ten years	6,177	363	38	6,502
After ten years	6,201	183	-	6,384
	15,915	717	38	16,594
Corporate and other:				
After one through five years	1,493	10	-	1,503
After ten years	100	-	-	100
	1,593	10	-	1,603
	$94,716	$729	$1,827	$93,618

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

	December 31, 2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Held to maturity:				
U.S. Government (including agencies):				
After one through five years	$27,999	$66	$-	$28,065
After five through ten years	81,203	192	65	81,330
After ten years	1,000	1	-	1,001
	110,202	259	65	110,396
Obligations of state and political subdivisions:				
After one through five years	2,671	202	-	2,873
After five through ten years	4,830	514	-	5,344
After ten years	8,621	648	-	9,269
	16,122	1,364	-	17,486
Corporate and other:				
After one through five years	1,490	14	-	1,504
After ten years	102	-	-	102
	1,592	14	-	1,606
	$127,916	$1,637	$65	$129,488

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, 2013						
U.S. Government (including agencies)	$69,454	$1,753	$964	$36	$70,418	$1,789
Obligations of state and Political subdivisions	402	34	265	4	667	38
	$69,856	$1,787	$1,229	$40	$71,085	$1,827
December 31, 2012						
U.S. Government (including agencies)	$15,933	$65	$-	$-	$15,933	$65
	$15,933	$65	$-	$-	$15,933	$65

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

At September 30, 2013, the Company's held to maturity debt securities portfolio consisted of approximately sixty-three securities, of which thirty were in an unrealized loss position for less than twelve months and two were in a loss position for more than twelve months. At December 31, 2012, the Company's held to maturity debt securities portfolio consisted of 77 securities, of which 6 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 three or nine months ended September 30, 2013. 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, 2013 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	64,187	63,284
After five to ten years	23,168	22,826
After ten years	7,301	7,448
Total	$ 94,716	$ 93,618

Approximately $104.5 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, 2013.

The following tables set forth the composition of our mortgage-backed securities portfolio as of September 30, 2013 and December 31, 2012:

	September 30, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Government National Mortgage Association	$5,281	$173	$224	$5,230
Federal Home Loan Mortgage Corporation	94,390	3,395	441	97,344
Federal National Mortgage Association	176,073	6,849	1,515	181,407
Collateralized mortgage obligations-GSEs	2,370	75	-	2,445
	$278,114	$10,492	$2,180	$286,426

	December 31, 2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value

	(In Thousands)			
Government National Mortgage Association	$6,254	$243	$194	$6,303
Federal Home Loan Mortgage Corporation	124,408	5,863	556	129,715
Federal National Mortgage Association	209,157	15,096	1	224,252
Collateralized mortgage obligations-GSEs	3,499	149	-	3,648
	$343,318	$21,351	$751	$363,918

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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, 2013						
Government National Mortgage Association	$ -	$ -	$ 543	$ 224	$ 543	$ 224
Federal Home Loan Mortgage Corporation	11,633	384	2,912	57	14,545	441
Federal National Mortgage Association	52,177	1,514	135	1	52,312	1,515
	$ 63,810	$ 1,898	$ 3,590	$ 282	$ 67,400	$ 2,180

	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, 2012						
Government National Mortgage Association	$ -	$ -	$ 859	$ 194	$ 859	$ 194
Federal Home Loan Mortgage Corporation	5,616	218	12,090	338	17,706	556
Federal National Mortgage Association	164	1	-	-	164	1
	$ 5,780	$ 219	$ 12,949	$ 532	$ 18,729	$ 751

As of September 30, 2013, there were three Government National Mortgage Association securities, twenty-three Federal Home Loan Mortgage Corporation securities, forty-one Federal National Mortgage Association, and no collateralized mortgage obligation securities in unrealized loss positions. At December 31, 2012, there were 3 Government National Mortgage Association, 24 Federal Home Loan Mortgage Corporation, and, 5 Federal National Mortgage Association, 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.

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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, 2013 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	$ 2	$ 2
After one to five years	5,868	6,196
After five to ten years	91,816	93,641
After ten years	180,428	186,587
Total	$ 278,114	$ 286,426

NOTE I - LOANS RECEIVABLE, NET

Loans receivable, net, at September 30, 2013 and December 31, 2012 were comprised of the following (in thousands):

	September 30, 2013	December 31, 2012
Real estate mortgage loans:		
Residential mortgage	$ 475,221	$ 452,537
Commercial real estate	314,434	321,586
	789,655	774,123
Construction:		
Commercial real estate	12,342	18,139
Residential	5,460	7,877
	17,802	26,016
Consumer:		
Home equity	196,924	216,383
Other	908	1,354
	197,832	217,737
Commercial	42,518	49,169
Total loans	1,047,807	1,067,045
Less:		
Allowance for loan losses	8,642	8,669
Deferred loan fees	1,338	1,469
Loans in process	15,788	19,503
	25,768	29,641
Total loans receivable, net	$ 1,022,039	$ 1,037,404

NOTE I - LOANS RECEIVABLE, NET (Continued)

The following table presents nonaccrual loans by classes of the loan portfolio as of September 30, 2013 and December 31, 2012:

	September 30, 2013	December 31, 2012
	(In thousands)	
Commercial	$ 1,010	$ 994
Commercial real estate	23,541	24,550
Commercial real estate – construction	3,069	3,158
Residential mortgage	11,187	10,400
Residential construction	3,998	5,256
Home equity and other consumer	2,336	2,955
Total	$ 45,141	$ 47,313

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, 2013 and the three and nine months then ended:

	Recorded Investment	Unpaid Principal Balance	Related Allowance
		(In Thousands)	
With no related allowance recorded:			
Commercial	$ 1,948	$ 2,641	$ -
Commercial real estate	40,379	42,528	-
Commercial real estate - construction	3,069	3,069	-
Residential mortgage	13,503	14,556	-
Residential construction	3,998	4,586	-
Home equity and other consumer	4,303	4,540	-
	$ 67,200	$ 71,920	$ -

	Three Months Ended September 30, 2013		Nine Months Ended September 30, 2013	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
		(In Thousands)		
With no related allowance recorded:				

Commercial	$2,201	$22	$1,767	$73
Commercial real estate	41,074	115	37,927	316
Commercial real estate - construction	3,069	-	3,114	-
Residential mortgage	14,287	89	14,491	248
Residential construction	4,219	-	4,774	-
Home equity and other consumer	4,362	32	4,372	94
	$69,212	$258	$66,445	$731

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, 2012 and the year then ended:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest income
	(In Thousands)				
With no related allowance recorded:					
Commercial	$1,920	$3,929	$-	$1,761	$102
Commercial real estate	34,570	37,267	-	35,671	667
Commercial real estate	3,158	3,158	-	5,224	2
Residential mortgage	16,176	17,835	-	17,671	399
Residential construction	5,550	6,560	-	7,307	17
Home equity and other consumer	4,491	4,784	-	4,090	128
	$65,865	$73,533	$-	$71,724	$1,315
Total:					
Commercial	$1,920	$3,929	$-	$1,761	$102
Commercial real estate	34,570	37,267	-	35,671	667
Commercial real estate-construction	3,158	3,158	-	5,224	2
Residential mortgage	16,176	17,835	-	17,671	399
Residential construction	5,550	6,560	-	7,307	17
Home equity and other consumer	4,491	4,784	-	4,090	128
	$65,865	$73,533	$-	$71,724	$1,315

At September 30, 2013, impaired loans included $29.1 million of loans, net of credit marks of $4.7 million, which were acquired in the Company's acquisition of Sterling Banks Inc. in July 2010. Loans totaling $8.1 million which are performing are also included in this total and classified as impaired because they are troubled debt restructurings.

At December 31, 2012, impaired loans included $32.4 million of loans, net of credit marks of $7.7 million, which were acquired in the Sterling acquisition. Loans totaling $8.7 million which are performing, are also included in this total and classified as impaired because they are troubled debt restructurings.

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, 2013 (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	$ -	$ 57	$ 1,010	$ 1,067	$ 41,451	$ 42,518	$ -
Commercial real estate	1,016	1,030	11,717	13,763	300,671	314,434	-
Commercial real estate – constr.	-	-	3,069	3,069	9,273	12,342	-
Residential mortgage	3,045	2,212	11,407	16,664	458,557	475,221	2
Residential construction	-	-	3,881	3,881	1,579	5,460	-
Home equity and other consumer	1,161	946	2,337	4,444	193,388	197,832	-
Total	$ 5,222	$ 4,245	$ 33,421	$ 42,888	$ 1,004,919	$ 1,047,807	$ 2

The following table presents the classes of the loan portfolio summarized by the past due status as of December 31, 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	$ 180	$ -	$ 994	$ 1,174	$ 47,995	$ 49,169	$ -
Commercial real estate	1,857	2,479	16,014	20,350	301,236	321,586	-
Commercial real estate – constr.	-	-	-	-	18,139	18,139	-
Residential mortgage	5,790	3,373	10,400	19,563	432,974	452,537	250
Residential construction	-	306	5,256	5,562	2,315	7,877	-
Home equity and other consumer	748	1,089	2,955	4,792	212,945	217,737	-
Total	$ 8,575	$ 7,247	$ 35,619	$ 51,441	$ 1,015,604	$ 1,067,045	$ 250

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, 2013 (In thousands):

	Pass	Special Mention	Substandard	Doubtful	Total
Commercial	$ 40,394	$ 860	$ 1,264	$ -	$ 42,518
Commercial real estate	264,693	11,324	38,417	-	314,434
Commercial real estate- construction	9,273	-	3,069	-	12,342
Residential mortgage	460,976	1,573	12,672	-	475,221
Residential construct.	1,462	-	3,998	-	5,460
Home equity and other consumer	194,191	311	3,330	-	197,832
Total	$ 970,989	$ 14,068	$ 62,750	$ -	$ 1,047,807

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, 2012: (In thousands)

	Pass	Special Mention	Substandard	Doubtful	Total
Commercial	$ 46,749	$ 207	$ 2,213	$ -	$ 49,169
Commercial real estate	263,422	25,136	33,028	-	321,586
Commercial real estate (construction)	14,981	-	3,158	-	18,139
Residential mortgage	436,964	1,737	13,836	-	452,537
Residential construct.	2,327	-	5,550	-	7,877
Home equity and other consumer	213,664	634	3,439	-	217,737
Total	$ 978,107	$ 27,714	$ 61,224	$ -	$ 1,067,045

NOTE I - LOANS RECEIVABLE, NET (Continued)

Allowance for Loan Losses
At and For the Three Months and Nine Months Ended September 30, 2013 and 2012

	Commercial (In thousands)	Commercial Real Estate	Commercial Real Estate-Construction	Residential Mortgage	Residential Construction	Home Equity and Other Consumer	Total
Allowance for credit losses							
Three months ended 09/30/12							
Beginning balance	$ 1,084	$ 3,687	$ 601	$ 1,059	$ -	$ 438	$ 6,869
Charge-offs	(275)	(1,096)	(135)	(10)	-	(11)	(1,527)
Recoveries	-	23	-	-	-	1	24
Provisions	473	1,996	30	206	-	51	2,756
Ending Balance	$ 1,282	$ 4,610	$ 496	$ 1,255	$ -	$ 479	$ 8,122
Three months ended 09/30/13							
Beginning balance	$ 1,059	$ 4,862	$ 868	$ 1,577	$ -	$ 550	$ 8,916
Charge-offs	-	(172)	-	-	-	(9)	(181)
Recoveries	-	23	-	-	-	7	30
Provisions (Credit)	14	153	(358)	85	-	(17)	(122)
Ending Balance	$ 1,073	$ 4,866	$ 510				