

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2011

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 No.: 000-54246

ALLIANCE BANCORP, INC. OF PENNSYLVANIA

(Exact name of registrant as specified in its charter)

Pennsylvania

(State or other jurisdiction
of incorporation or organization)

56-2637804

(I.R.S. Employer
Identification Number)

541 Lawrence Road
Broomall, Pennsylvania

(Address)

19008

(Zip Code)

(610) 353-2900

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such a shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller Reporting Company

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

The number of shares outstanding of Common Stock, par value \$0.01 per share, of the Registrant as of November 8, 2011, was 5,474,437.

ALLIANCE BANCORP, INC. OF PENNSYLVANIA

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Part I – Item 1.

Alliance Bancorp, Inc. of Pennsylvania and Subsidiaries
Consolidated Statements of Financial Condition (Unaudited)
(Dollar amounts in thousands, except share data)

	<u>September 30,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
Assets		
Cash and cash due from depository institutions	\$ 5,614	\$ 10,444
Interest bearing deposits with depository institutions	<u>79,830</u>	<u>51,447</u>
Total cash and cash equivalents	85,444	61,891
Investment securities available for sale	22,271	36,784
Mortgage-backed securities available for sale	12,307	16,146
Investment securities held to maturity (fair value - 2011, \$24,207; 2010, \$24,519)	23,520	24,644
Loans receivable - net of allowance for loan losses - 2011, \$4,051; 2010, \$5,090	285,464	286,056
Accrued interest receivable	1,790	1,841
Premises and equipment – net	4,583	2,547
Other real estate owned (OREO)	1,899	2,675
Federal Home Loan Bank (FHLB) stock-at cost	1,986	2,317
Bank owned life insurance	11,765	11,521
Deferred tax asset – net	4,881	5,184
Prepaid FDIC premium assessment	1,223	1,591
Other prepaid expenses and assets	<u>2,916</u>	<u>1,279</u>
Total Assets	\$ <u>460,049</u>	\$ <u>454,476</u>
Liabilities and Stockholders' Equity		
Liabilities		
Non-interest bearing deposits	\$ 11,305	\$ 12,196
Interest bearing deposits	<u>357,030</u>	<u>372,399</u>
Total deposits	368,335	384,595
Other borrowings	2,721	7,384
Subscriptions payable	---	7,908
Accrued expenses and other liabilities	<u>5,023</u>	<u>5,598</u>
Total Liabilities	<u>376,079</u>	<u>405,485</u>
Stockholders' Equity		
Common stock, \$.01 par value; shares authorized – September 30, 2011, 50,000,000; December 31, 2010, 15,000,000; shares issued - September 30, 2011, 5,474,437; December 31, 2010, 7,225,000; shares outstanding – September 30, 2011, 5,474,437; December 31, 2010, 6,676,476	55	72
Additional paid-in capital	56,253	23,999
Retained earnings	30,485	30,601
Common stock acquired by benefit plans	(2,478)	(482)
Accumulated other comprehensive loss	(345)	(457)
Treasury stock, at cost: 2011, -0- shares; 2010, 548,524 shares	---	<u>(4,742)</u>
Total Stockholders' Equity	<u>83,970</u>	<u>48,991</u>
Total Liabilities and Stockholders' Equity	\$ <u>460,049</u>	\$ <u>454,476</u>

See notes to unaudited consolidated financial statements.

Alliance Bancorp, Inc. of Pennsylvania and Subsidiaries
Consolidated Statements of Income (Unaudited)
(Dollar amounts in thousands, except per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Interest and Fee Income				
Loans, including fees	\$ 4,162	\$ 4,261	\$12,440	\$ 12,736
Mortgage-backed securities	132	195	440	645
Investment securities:				
Taxable	102	173	390	700
Tax – exempt	265	248	799	779
Balances due from depository institutions	45	40	135	190
Total interest and fee income	<u>4,706</u>	<u>4,917</u>	<u>14,204</u>	<u>15,050</u>
Interest Expense				
Deposits	1,001	1,294	3,195	4,294
FHLB advances and other borrowings	4	75	14	86
Total interest expense	<u>1,005</u>	<u>1,369</u>	<u>3,209</u>	<u>5,156</u>
Net Interest Income	3,701	3,548	10,995	9,894
Provision for Loan Losses	<u>2,425</u>	<u>750</u>	<u>3,025</u>	<u>1,920</u>
Net Interest Income After Provision for Loan Losses	<u>1,276</u>	<u>2,798</u>	<u>7,970</u>	<u>7,974</u>
Other Income				
Service charges on deposit accounts	66	69	190	218
Management fees	---	84	---	252
Other fee income	52	47	139	135
Net gain (loss) on sale of securities	13	---	(44)	---
Net gain (loss) on sale of OREO	---	---	4	(21)
Increase in cash surrender value of bank owned life insurance	82	82	244	256
Total other income	<u>213</u>	<u>282</u>	<u>533</u>	<u>840</u>
Other Expenses				
Salaries and employee benefits	1,628	1,461	4,614	4,510
Occupancy and equipment	452	481	1,373	1,451
FDIC deposit insurance premiums	75	159	366	487
Advertising and marketing	100	98	252	243
Professional fees	160	335	420	622
Loan and OREO expense	39	43	107	107
Directors' fees	55	72	180	212
Provision for loss on OREO	---	---	---	135
Other expense	330	276	882	832
Total other expenses	<u>2,839</u>	<u>2,925</u>	<u>8,194</u>	<u>8,599</u>
(Loss) Income Before Income Tax Benefit	(1,350)	155	309	215
Income Tax Benefit	<u>572</u>	<u>54</u>	<u>232</u>	<u>259</u>
Net (Loss) Income	\$ <u>(778)</u>	\$ <u>209</u>	\$ <u>541</u>	\$ <u>474</u>
Basic (Loss) Earnings per Share	<u>\$(0.15)</u>	<u>\$ 0.04*</u>	<u>\$ 0.10</u>	<u>\$ 0.09*</u>
Dilutive (Loss) Earnings per Share	<u>\$(0.15)</u>	<u>\$ 0.04*</u>	<u>\$ 0.10</u>	<u>\$ 0.09*</u>

*Basic earnings per share for the prior periods have been adjusted to reflect the impact of the second-step conversion and reorganization of the Company, which was completed in January 2011.

See notes to unaudited consolidated financial statements.

Alliance Bancorp, Inc. of Pennsylvania and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity (Unaudited)
(Dollar amounts in thousands, except share and per share data)

	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Common Stock Acquired by Benefit Plans	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Comprehensive Income
Balance, January 1, 2010	\$72	\$24,015	\$(4,305)	\$29,848	\$(602)	\$(583)	\$48,445	
ESOP shares committed to be released					56		56	
Net income				474			474	474
Dividends declared (\$0.09 per share)				(247)			(247)	
Acquisition of Treasury Stock (53,200 shares)			(437)				(437)	
Other comprehensive income – net of tax expense of \$94						183	183	183
Balance, September 30, 2010	<u>\$72</u>	<u>\$24,015</u>	<u>\$(4,742)</u>	<u>\$30,075</u>	<u>\$(546)</u>	<u>\$(400)</u>	<u>\$48,474</u>	<u>\$657</u>
Balance, January 1, 2011	\$72	\$23,999	\$(4,742)	\$30,601	\$(482)	\$(457)	\$48,991	
ESOP shares committed to be released					115		115	
Common stock acquired by ESOP					(1,611)		(1,611)	
Net income				541			541	\$541
Dividends declared (\$0.12 per share)				(657)			(657)	
Dissolution of mutual holding company		6,848					6,848	
Proceeds from issuance of common stock, net of offering costs of \$2,603	55	29,927					29,982	
Stock-based compensation (stock options)		39					39	
Stock-based compensation (restricted stock)		110					110	
Common stock acquired by 2011 Trust					(500)		(500)	
Cancellation of common stock and treasury stock	(72)	(4,670)	4,742					
Other comprehensive income – net of tax expense of \$58						112	112	112
Balance, September 30, 2011	<u>\$55</u>	<u>\$56,253</u>	<u>\$ ---</u>	<u>\$30,485</u>	<u>\$(2,478)</u>	<u>\$(345)</u>	<u>\$83,970</u>	<u>\$653</u>

See notes to unaudited consolidated financial statements.

Alliance Bancorp, Inc. of Pennsylvania and Subsidiaries
Consolidated Statements of Cash Flows (Unaudited)
(Dollar amounts in thousands)

	For the Nine Months Ended September 30,	
	2011	2010
Cash Flow From Operating Activities		
Net income	\$ 541	\$474
Adjustments to reconcile net income to cash (used in) provided by operating activities:		
Provision for:		
Loan losses	3,025	1,920
Depreciation and amortization	400	382
Write down of OREO	---	135
Loss on sale of securities	44	---
Stock-based compensation expense	149	---
ESOP shares committed to be released	115	56
Deferred tax expense (benefit)	246	(491)
(Gain) loss on the sale of OREO	(4)	21
Changes in assets and liabilities which provided (used) cash:		
Accrued expenses and other liabilities	(8,483)	168
Prepaid expenses and other assets	(284)	(96)
Increase in cash surrender value of bank owned life insurance	(244)	(256)
Accrued interest receivable	<u>51</u>	<u>183</u>
Net cash (used in) provided by operating activities	<u>(4,444)</u>	<u>2,496</u>
Cash Flow From Investing Activities		
Purchase of investment securities-available for sale	(32,230)	(26,000)
Purchase of investment securities-held to maturity	(4,015)	(1,015)
Loans originated and acquired	(31,708)	(31,680)
Proceeds from maturities and calls of investment securities	51,162	31,935
Proceeds from the sale of securities available for sale	958	---
Redemption of FHLB stock	331	---
Principal repayments of:		
Loans	27,233	28,777
Mortgage-backed securities	3,727	5,531
Purchase of premises and equipment	(379)	(408)
Investment in OREO	---	(193)
Proceeds from the sale of OREO	<u>2,822</u>	<u>551</u>
Net cash provided by investing activities	<u>17,901</u>	<u>7,498</u>
Cash Flow From Financing Activities		
Dividends paid	(657)	(247)
Decrease increase in deposits	(16,260)	(1,406)
Purchase of treasury stock	---	(437)
Cash from mutual holding company reorganization	3,805	---
Proceeds from stock issuance, net	29,982	---
Acquisition of stock by benefit plans	(2,111)	---
Repayments of FHLB advances	---	(32,000)
(Decrease) increase in other borrowings	<u>(4,663)</u>	<u>4,848</u>
Net cash provided by (used in) financing activities	<u>10,096</u>	<u>(29,242)</u>
Increase (decrease) in Cash and Cash Equivalents	23,553	(19,248)
Cash and Cash Equivalents, Beginning of Year	<u>61,891</u>	<u>74,936</u>
Cash and Cash Equivalents, End of Year	<u>\$85,444</u>	<u>\$55,688</u>
Supplemental Disclosures of Cash Flow Information-		
Cash paid during the period for:		
Interest	<u>\$3,209</u>	<u>\$5,328</u>
Income taxes	<u>\$ 770</u>	<u>\$ 350</u>
Supplemental Schedule of Noncash Financing and Investing Activities:		
Other real estate acquired in settlement of loans	<u>\$ 2,042</u>	<u>\$ 791</u>
Premises and equipment acquired from mutual holding company reorganization	<u>\$ 2,057</u>	<u>\$ ---</u>
Investments acquired from mutual holding company reorganization	<u>\$ 310</u>	<u>\$ ---</u>
Prepaid expenses and other assets acquired from mutual holding company reorganization	<u>\$ 676</u>	<u>\$ ---</u>

See notes to unaudited consolidated financial statements.

ALLIANCE BANCORP, INC OF PENNSYLVANIA AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements

(1) Organization and Basis of Presentation

On January 18, 2011, Alliance Mutual Holding Company and Alliance Bancorp, Inc. of Pennsylvania, the federally chartered mid-tier holding company for Alliance Bank (the "Bank") completed a reorganization and conversion (the "second step conversion"), pursuant to which Alliance Bancorp, Inc. of Pennsylvania, a new Pennsylvania corporation ("Alliance Bancorp" or the "Company"), acquired all the issued and outstanding shares of the Bank's common stock. In connection with the second step conversion, 3,258,425 shares of common stock, par value \$0.01 per share, of Alliance Bancorp were sold in subscription, community and syndicated community offerings to certain depositors of the Bank and other investors for \$10 per share, or \$32.6 million in the aggregate (the "Offering"), and 2,216,235 shares of common stock were issued in exchange for the outstanding shares of common stock of the mid-tier holding company, which also was known as Alliance Bancorp, Inc. of Pennsylvania, held by the "public" shareholders of the mid-tier holding company. Each share of common stock of the mid-tier holding company was converted into the right to receive 0.8200 shares of common stock of Alliance Bancorp in the second step conversion. As a result of the second step conversion, the former mutual holding company and the mid-tier company were merged into Alliance Bancorp and 548,524 (pre-conversion) treasury shares were canceled. Additionally, the Bank's Employee Stock Ownership Plan ("ESOP"), as discussed in Note 6, was issued a line of credit for up to \$1.9 million to purchase 50,991 shares of common stock in the Offering and up to 100,000 additional shares of common stock in the open market from time-to-time following the Offering.

The Bank is a community oriented savings bank headquartered in Broomall, Pennsylvania. The Bank operates a total of nine banking offices located in Delaware and Chester Counties, which are suburbs of Philadelphia. The Bank is primarily engaged in attracting deposits from the general public through its branch offices and using such deposits primarily to (i) originate and purchase loans secured by first liens on single-family (one-to-four units) residential and commercial real estate properties and (ii) invest in securities issued by the U.S. Government and agencies thereof, municipal and corporate debt securities and certain mutual funds. The Bank derives its income principally from interest earned on loans, mortgage-backed securities and investments and, to a lesser extent, from fees received in connection with the origination of loans and for other services. The Bank's primary expenses are interest expense on deposits and borrowings and general operating expenses.

The Bank is subject to regulation by the Pennsylvania Department of Banking (the "Department"), as its chartering authority and primary regulator, and by the Federal Deposit Insurance Corporation (the "FDIC"), which insures the Bank's deposits up to applicable limits. The Company is supervised by the Federal Reserve Board.

Basis of Presentation. The accompanying unaudited consolidated financial statements were prepared in accordance with instructions for Form 10-Q and, therefore, do not include all information or footnotes necessary for a complete presentation of financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America (US GAAP). The consolidated statement of financial condition at December 31, 2010, has been derived from audited financial statements but does not include all

information and notes required by US GAAP for complete financial statements. In the opinion of management, all adjustments consisting of normal recurring adjustments or accruals, which are necessary for a fair presentation of the consolidated financial statements, have been included. The results of operations for the three and nine months ended September 30, 2011 are not necessarily indicative of the results which may be expected for the year ending December 31, 2011 or any other period. All significant intercompany accounts and transactions have been eliminated. For comparative purposes, prior periods' consolidated financial statements have been reclassified when necessary to conform to report classifications of the current year. The reclassifications had no effect on net income or stockholders' equity. The unaudited consolidated financial statements presented herein should be read in conjunction with the audited consolidated financial statements and related notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

Subsequent Events. The Company has evaluated events and transactions occurring subsequent to September 30, 2011, for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through the date these consolidated financial statements were issued.

(2) Recent Accounting Pronouncements

In April 2011, the FASB issued ASU 2011-02, *Receivables (Topic 310): A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring*. The FASB has issued this Update to clarify the accounting principles applied to loan modifications, as defined by FASB ASC Subtopic 310-40, *Receivables – Troubled Debt Restructurings by Creditors*. The Update clarifies guidance on a creditor's evaluation of whether or not a concession has been granted, with an emphasis on evaluating all aspects of the modification rather than a focus on specific criteria, such as the effective interest rate test, to determine a concession. The Update goes on to provide guidance on specific types of modifications such as changes in the interest rate of the borrowing, and insignificant delays in payments, as well as guidance on the creditor's evaluation of whether or not a debtor is experiencing financial difficulties. The amendments in the Update are effective for the first interim or annual periods beginning on or after June 15, 2011, and should be applied retrospectively to the beginning of the annual period of adoption. The entity also must disclose information required by ASU 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses, which had previously been deferred by ASU 2011-01, Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20*, for interim and annual periods beginning on or after June 15, 2011. The implementation of this standard did not have a material impact on the Company's consolidated financial position or results of operations.

In April 2011, the FASB issued ASU 2011-04 (*Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*). This update amends FASB ASC Topic 820, Fair Value Measurements, to bring U.S. GAAP for fair value measurements in line with International Accounting Standards. The Update clarifies existing guidance for items such as: the application of the highest and best use concept to non-financial assets and liabilities; the application of fair value measurement to financial instruments classified in a reporting entity's stockholder's equity; and disclosure requirements regarding quantitative information about unobservable inputs used in the fair value measurements of level 3 assets. The Update also creates an exception to Topic 820 for entities which carry financial instruments within a portfolio or group, under which the entity is now permitted to base the price used for

fair valuation upon a price that would be received to sell the net asset position or transfer a net liability position in an orderly transaction. The Update also allows for the application of premiums and discounts in a fair value measurement if the financial instrument is categorized in level 2 or 3 of the fair value hierarchy. Lastly, the ASU contains new disclosure requirements regarding fair value amounts categorized as level 3 in the fair value hierarchy such as: disclosure of the valuation process used; effects of and relationships between unobservable inputs; usage of nonfinancial assets for purposes other than their highest and best use when that is the basis of the disclosed fair value; and categorization by level of items disclosed at fair value, but not measured at fair value for financial statement purposes. For public entities, this Update is effective for interim and annual periods beginning after December 15, 2011. For nonpublic entities, the Update is effective for annual periods beginning after December 15, 2011. Early adoption is not permitted. The Company is currently evaluating the impact this pronouncement will have on its consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05 (*Presentation of Comprehensive Income*). The provisions of this update amend FASB ASC Topic 220, *Comprehensive Income*, to facilitate the continued alignment of U.S. GAAP with International Accounting Standards. The Update prohibits the presentation of the components of comprehensive income in the statement of stockholder's equity. Reporting entities are allowed to present either: a statement of comprehensive income, which reports both net income and other comprehensive income; or separate statements of net income and other comprehensive income. Under previous GAAP, all 3 presentations were acceptable. Regardless of the presentation selected, the Reporting Entity is required to present all reclassifications between other comprehensive and net income on the face of the new statement or statements. The provisions of this Update are effective for fiscal years and interim periods beginning after December 31, 2011 for public entities. For nonpublic entities, the provisions are effective for fiscal years ending after December 31, 2012, and for interim and annual periods thereafter. As the two remaining options for presentation existed prior to the issuance of this Update, early adoption is permitted. The implementation of this standard is not expected to have a material impact on the Company's consolidated financial position or results of operations.

(3) Commitments and Contingencies

Standby letters of credit are conditional commitments issued by the Bank to guarantee performance of a customer to a third party. The amount of credit risk involved in issuing letters of credit in the event of nonperformance by the other party is the contract amount. The maximum exposure related to these commitments at September 30, 2011 was \$661,000 which was primarily secured by real estate.

(4) Segment Information

The Company has no reportable segments. All of the Company's activities are interrelated, and each activity is dependent and assessed based on how each of the activities of the Company supports the others. For example, lending is dependent upon the ability of the Company to fund itself with deposits and other borrowings and manage interest rate and credit risk.

(5) Earnings Per Share

Earnings per share ("EPS") consists of two separate components, basic EPS and diluted EPS. Basic EPS is computed based on the weighted average number of shares of common stock

outstanding for each period presented. Diluted EPS is calculated based on the weighted average number of shares of common stock outstanding plus dilutive common stock equivalents (“CSEs”). CSEs consist of shares that are assumed to have been purchased with the proceeds from the exercise of stock options, as well as unvested common stock awards. Common stock equivalents which are considered antidilutive are not included for the purposes of this calculation. At September 30, 2011, there were 227,750 antidilutive CSEs. At September 30, 2010, the Company had no CSEs. The calculations for the three and nine month periods ended September 30, 2010 have been adjusted for the exchange and additional share issuance in the reorganization and offering completed on January 18, 2011.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Net (Loss) Income	\$(<u>778,000</u>)	\$ <u>209,000</u>	\$ <u>541,000</u>	\$ <u>474,000</u>
Weighted average shares outstanding	5,474,437	6,687,128	5,474,454	6,701,679
Exchange rate from the offering	<u>---</u>	<u>0.82000</u>	<u>---</u>	<u>0.82000</u>
Adjusted weighted average shares outstanding	5,474,437	5,483,445	5,474,454	5,495,377
Adjusted average unearned ESOP shares	<u>(152,072)</u>	<u>(45,586)</u>	<u>(134,122)</u>	<u>(47,105)</u>
Weighted average shares outstanding – basic	5,322,365	5,437,859	5,340,332	5,448,272
Effect of dilutive common stock equivalents	<u>---</u>	<u>---</u>	<u>55,672</u>	<u>---</u>
Adjusted weighted average shares outstanding-dilutive	<u>5,322,365</u>	<u>5,437,859</u>	<u>5,396,004</u>	<u>5,448,272</u>
Basic (loss) earnings per share	\$(0.15)	\$0.04	\$0.10	\$0.09
Dilutive (loss) earnings per share	\$(0.15)	\$0.04	\$0.10	\$0.09

(6) Employee Stock Ownership Plan

The Bank has an Employee Stock Ownership Plan (“ESOP”) for the benefit of employees who meet the eligibility requirements as defined in the ESOP. The ESOP purchased 74,073 (as adjusted for the exchange ratio) shares of common stock in the offering completed on January 30, 2007 using proceeds of a loan from the former mid-tier holding company. The Bank makes quarterly payments of principal and interest over a term of 8 years at a rate of 8.25% to the Company. The loan is secured by the shares of the stock purchased. The ESOP has a second loan from the Company to fund the purchase of additional shares for the benefit of employees who meet the eligibility requirements. The ESOP purchased 50,991 shares of common stock in the offering completed on January 18, 2011 and an additional 100,000 shares throughout the nine months ended September 30, 2011 in the open market using proceeds of the second loan from the Company. The Bank makes quarterly payments of principal and interest over a term of 20 years at a rate of 3.25% to the Company. The second loan is secured by the shares of the stock purchased.

As the debt is repaid, shares are released from collateral and allocated to qualified employees. As shares are released from collateral, the Company reports compensation expense equal to the current market price of the shares, and the shares become outstanding for earnings per share computations. The compensation expense for the ESOP for the three and nine months ended September 30, 2011 was \$38,000 and \$115,000, respectively. The compensation expense for the

ESOP for the three and nine months ended September 30, 2010 was \$19,000 and \$56,000, respectively. For the three months ended September 30, 2011 shares released for allocation, unreleased shares, and total ESOP shares were 3,488, 180,034, and 225,064, respectively. For the nine months ended September 30, 2011 shares released for allocation, unreleased shares, and total ESOP shares were 10,464, 180,034, and 225,064, respectively. For the three months ended September 30, 2010 shares released for allocation, unreleased shares, and total ESOP shares were 1,519, 44,826, and 74,073, respectively. For the nine months ended September 30, 2010 shares released for allocation, unreleased shares, and total ESOP shares were 4,557, 44,826, and 74,073, respectively.

(7) Retirement Plans

The Bank has a defined benefit pension plan which covers all full-time employees meeting certain eligibility requirements. As required under FASB ASC Topic 715, *Compensation – Retirement Benefits*, the net pension costs included the following components:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<u>Net Periodic Benefit Cost</u>				
Service Cost	\$ 68,026	\$73,587	\$204,078	\$220,761
Interest Cost	68,807	66,854	206,421	200,562
Expected Return on Plan Assets	(93,623)	(91,717)	(280,869)	(246,984)
Amortization of Prior Service Cost	3,171	3,171	9,513	9,513
Amortization of Loss	<u>12,449</u>	<u>9,937</u>	<u>37,347</u>	<u>29,811</u>
Net Periodic Benefit Cost	\$ <u>58,830</u>	\$ <u>61,832</u>	\$ <u>176,490</u>	\$ <u>213,663</u>

The Bank has a Nonqualified Retirement and Death Benefit Agreement (the “Agreements”) with certain officers of the Bank. The purpose of the Agreements is to provide the officers with supplemental retirement benefits equal to a specified percentage of final compensation and a pre-retirement death benefit if the officer does not attain the specific age requirement. A summary of the interim information required under FASB ASC Topic 715, *Compensation – Retirement Benefits*, for the Agreements is as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<u>Net Periodic Benefit Cost</u>				
Service Cost	\$ 9,865	\$ 9,865	\$ 29,595	\$ 29,595
Interest Cost	58,852	59,123	176,556	177,369
Amortization of Loss	<u>(5,717)</u>	<u>6,012</u>	<u>(17,151)</u>	<u>18,036</u>
Net Periodic Benefit Cost	\$ <u>63,000</u>	\$ <u>75,000</u>	\$ <u>189,000</u>	\$ <u>225,000</u>

(8) Fair Value Accounting

FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy under FASB ASC Topic 820 are as follows:

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

Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to fair value measurement and unobservable (i.e. support with little or no market value activity).

An asset or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following methods and assumptions were used to estimate the fair value of certain Company assets and liabilities.

Cash and Cash Equivalents (Carried at Cost). The carrying amounts reported in the consolidated statements of financial condition for cash and short-term instruments approximate those assets' fair values.

Investment and Mortgage-Backed Securities. The fair value of securities available for sale (carried at fair value) and held to maturity (carried at amortized cost) are determined by obtaining quoted market prices on nationally recognized securities exchanges (Level 1), or matrix pricing (Level 2), which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted market prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted prices.

Loans Receivable (Carried at Cost). The fair values of loans are estimated using discounted cash flow analyses, using market rates at the balance sheet date that reflect the credit and interest rate-risk inherent in the loans. Projected future cash flows are calculated based upon contractual maturity or call dates, projected repayments and prepayments of principal. Generally, for variable rate loans that repriced frequently and with no significant change in credit risk, fair values are based on carrying values.

Impaired Loans (Generally Carried at Fair Value). Impaired loans are those in which the Bank has measured impairment generally based on the fair value of the loan's collateral. Fair value is generally determined based upon independent third-party appraisals of the properties, or discounted cash flows based upon the expected proceeds. These assets are included as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements. The fair value consists of the loan balances, net of any valuation allowance. At September 30, 2011 and December 31, 2010, the fair value consists of loan balances of \$5.2 million and \$9.8 million, respectively, net of valuation allowances of \$891,000 and \$1.8 million, respectively.

Other Real Estate Owned. OREO assets are originally recorded at fair value less estimated selling costs upon transfer of the loans to OREO. Subsequently, OREO assets are carried at the lower of carrying value or fair value. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the collateral.

These assets are included as Level 3 fair values.

FHLB Stock (Carried at Cost). The carrying amount of FHLB stock approximates fair value, and considers the limited marketability of such securities.

Accrued Interest Receivable and Payable (Carried at Cost). The carrying amount of accrued interest receivable and accrued interest payable approximates its fair value.

Deposits (Carried at Cost). The fair values disclosed for demand deposits (e.g., interest and noninterest checking, passbook savings and money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered in the market on certificates to a schedule of aggregated expected monthly maturities on time deposits.

FHLB Advances and Other Borrowings (Carried at Cost). Fair values of FHLB advances and other borrowed money are estimated using discounted cash flow analysis, based on quoted prices for new FHLB advances and/or other borrowed money with similar credit risk characteristics, terms and remaining maturity. The prices obtained from this active market represent a market value that is deemed to represent the transfer price if the liability were assumed by a third party.

Off-Balance Sheet Financial Instruments. Fair values for the Company's off-balance sheet financial instruments (lending commitments and letters of credit) are based on fees currently charged in the market to enter into similar agreements, taking into account, the remaining terms of the agreements and the counterparties' credit standing.

The following table summarizes assets measured at fair value on a recurring basis as of September 30, 2011, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value (in thousands):

Description	Total	(Level 1) Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
Investment Security Obligations of FHLB	\$ 13,238	\$---	\$ 13,238	\$---
Investment Security Obligations of Freddie Mac	5,034	---	5,034	---
Investment Security Obligations of Fannie Mae	3,999	---	3,999	---
Mortgage Backed Obligations of GNMA	1,587	---	1,587	---
Mortgage Backed Obligations of FHLMC	4,220	---	4,220	---
Mortgage Backed Obligations of FNMA	<u>6,500</u>	---	<u>6,500</u>	---
Total	\$ <u>34,578</u>	\$---	\$ <u>34,578</u>	\$---

The following table summarizes assets measured at fair value on a recurring basis as of December 31, 2010, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value (in thousands):

Description	Total	(Level 1) Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
Investment Security Obligations of FHLB	\$ 12,000	\$---	\$ 12,000	\$---
Investment Security Obligations of Freddie Mac	10,917	---	10,917	---
Investment Security Obligations of Fannie Mae	11,871	---	11,871	---
Investment Security Obligations of Federal Farm Credit	1,996	---	1,996	---
Mortgage Backed Obligations of GNMA	1,748	---	1,748	---
Mortgage Backed Obligations of FHLMC	5,813	---	5,813	---
Mortgage Backed Obligations of FNMA	<u>8,585</u>	---	<u>8,585</u>	---
Total	\$ <u>52,930</u>	\$---	\$ <u>52,930</u>	\$---

For assets measured at fair value on a nonrecurring basis, the fair value measurements by level within the fair value hierarchy used at September 30, 2011 are as follows:

Description	Total	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
Impaired loans	\$ <u>5,179</u>	\$ ---	\$ ---	\$ <u>5,179</u>
Total	\$ <u>5,179</u>	\$ ---	\$ ---	\$ <u>5,179</u>

For assets measured at fair value on a nonrecurring basis, the fair value measurements by level within the fair value hierarchy used at December 31, 2010 are as follows:

Description	Total	(Level 1) Quoted Prices in Active Markets for Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
Impaired loans	\$ 9,850	\$---	\$---	\$ 9,850
Other real estate owned	<u>590</u>	---	---	<u>590</u>
Total	\$ <u>10,440</u>	\$---	\$---	\$ <u>10,440</u>

	<u>At September 30, 2011</u>		<u>At December 31, 2010</u>	
	<u>Carrying</u>	<u>Estimated</u>	<u>Carrying</u>	<u>Estimated</u>
	<u>Amount</u>	<u>Fair Value</u>	<u>Amount</u>	<u>Fair Value</u>
	<i>(In thousands)</i>			
Assets:				
Cash and due from banks	\$ 5,614	\$ 5,614	\$ 10,444	\$ 10,444
Interest bearing deposits at banks	79,830	79,830	51,447	51,447
Investment securities	45,791	46,478	61,428	61,303
Mortgage-backed securities	12,307	12,307	16,146	16,146
Loans receivable	285,464	284,396	286,056	285,702
FHLB stock	1,986	1,986	2,317	2,317
Accrued interest receivable	1,790	1,790	1,841	1,841
Liabilities:				
NOW and MMDA deposits (1)	\$ 91,409	\$ 91,409	\$ 87,064	\$ 87,064
Other savings deposits	46,343	46,343	42,847	42,847
Certificate accounts	230,583	231,911	254,684	255,978
Other borrowed money	2,721	2,721	7,384	7,384
Accrued interest payable	20	20	20	20
Off balance sheet instruments	---	---	---	---

(1) Includes non-interest bearing accounts

(9) Investment and Mortgage Backed Securities

The Company classifies and accounts for debt and equity securities as follows:

- *Securities Held to Maturity* - Securities held to maturity are stated at cost, adjusted for unamortized purchase premiums and discounts, based on the positive intent and the ability to hold these securities to maturity considering all reasonably foreseeable conditions and events.
- *Securities Available for Sale* - Securities available for sale, carried at fair value, are those securities management might sell in response to changes in market interest rates, increases in loan demand, changes in liquidity needs and other conditions. Unrealized gains and losses, net of tax, are reported as a net amount in other comprehensive income (loss) until realized.

Purchase premiums and discounts are amortized to income over the life of the related security using the interest method. The adjusted cost of a specific security sold is the basis for determining the gain or loss on the sale.

The following table shows the fair value and unrealized losses on investments, aggregated by investment category and the length of time that individual securities have been continuous unrealized loss position.

	At September 30, 2011					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	<i>(Dollars in Thousands)</i>					
<u>Securities Available for Sale</u>						
U.S. Government obligations	\$ 3,989	\$ 12	\$ ---	\$ ---	\$ 3,989	\$ 12
Mortgage-backed securities	---	---	5	1	5	1
Total securities available for sale	<u>\$ 3,989</u>	<u>\$ 12</u>	<u>\$ 5</u>	<u>\$ 1</u>	<u>\$ 3,994</u>	<u>\$ 13</u>
<u>Securities Held to Maturity</u>						
Municipal obligations	\$ 997	\$ 1	\$ 421	\$ 6	\$ 1,418	\$ 7

	At December 31, 2010					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	<i>(Dollars in Thousands)</i>					
<u>Securities Available for Sale</u>						
U.S. Government obligations	\$ 20,669	\$ 300	\$ ---	\$ ---	\$ 20,669	\$ 300
Mortgage-backed securities	---	---	133	16	133	16
Total securities available for sale	<u>\$ 20,669</u>	<u>\$ 300</u>	<u>\$ 133</u>	<u>\$ 16</u>	<u>\$ 20,802</u>	<u>\$ 316</u>
<u>Securities Held to Maturity</u>						
Municipal obligations	\$ 9,434	\$ 367	\$ 422	\$ 6	\$ 9,856	\$ 373

Other-than-temporary impairment, if any, is separated into (a) the amount of the total other-than-temporary impairment related to a decrease in cash flows expected to be collected from the debt security (the credit loss) and (b) the amount of the total other-than-temporary impairment related to all other factors. The amount of the total other-than-temporary impairment related to the credit loss is recognized in earnings. The amount of the total other-than-temporary impairment related to all other factors is recognized in other comprehensive income.

As of September 30, 2011, management believes that the estimated fair value of the securities disclosed above is primarily dependent upon the movement in market interest rates particularly given the negligible inherent credit risk associated with the issuers of these securities.

Although the fair value will fluctuate as market interest rates move, management believes that these fair values will recover as the underlying portfolios mature. As of September 30, 2011, there were 3 U.S. government obligations in a unrealized loss position for less than twelve months and none in a unrealized loss position greater than twelve months, no mortgage backed

securities in a unrealized loss position for less than twelve months and 1 in a unrealized loss position greater than twelve months, and 1 municipal obligation in an unrealized loss position for less than twelve months and 1 in an unrealized loss position for more than twelve months. The Company does not intend to sell these securities and it is not more likely than not that it will be required to sell these securities before recovery. Management does not believe any individual unrealized loss as of September 30, 2011 represents an other-than-temporary impairment.

Securities Available for Sale and Held to Maturity

The amortized cost, gross unrealized gains and losses, and the fair values of securities available for sale and held to maturity are shown below. Where applicable, the maturity distribution and the fair value of securities, by contractual maturity, are shown. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

Dollars in Thousands

	September 30, 2011			Fair Value
	Amortized Cost	Gross Unrealized		
<u>Available for Sale:</u>		Gains	Losses	
Obligations of the Federal Home Loan Bank:				
Due after 1 year through 5 years	\$ 6,197	\$ 47	\$ (7)	\$ 6,237
Due after 5 years through 10 years	<u>7,000</u>	<u>1</u>	<u>---</u>	<u>7,001</u>
Total	\$ <u>13,197</u>	\$ <u>48</u>	\$ <u>(7)</u>	\$ <u>13,238</u>

	September 30, 2011			Fair Value
	Amortized Cost	Gross Unrealized		
		Gains	Losses	
Obligations of Freddie Mac:				
Due after 10 years	\$ <u>5,000</u>	\$ <u>34</u>	\$ <u>---</u>	\$ <u>5,034</u>
Total	\$ <u>5,000</u>	\$ <u>34</u>	\$ <u>---</u>	\$ <u>5,034</u>

	September 30, 2011			Fair Value
	Amortized Cost	Gross Unrealized		
		Gains	Losses	
Obligations of Fannie Mae:				
Due after 1 year through 5 years	\$ 2,000	\$ 4	\$ (3)	\$ 2,001
Due after 10 years	<u>2,000</u>	<u>---</u>	<u>(2)</u>	<u>1,998</u>
Total	\$ <u>4,000</u>	\$ <u>4</u>	\$ <u>(5)</u>	\$ <u>3,999</u>

<u>Held to Maturity</u>	September 30, 2011			Fair <u>Value</u>
	Amortized	<u>Gross Unrealized</u>		
	<u>Cost</u>	<u>Gains</u>	<u>Losses</u>	
Municipal Obligations:				
Due after 1 years through 5 years	\$ 1,000	\$ 55	\$ ---	\$ 1,055
Due after 5 years through 10 years	3,444	62	(7)	3,499
Due after 10 years	<u>19,076</u>	<u>577</u>	<u>---</u>	<u>19,653</u>
Total	\$ <u>23,520</u>	\$ <u>694</u>	\$ <u>(7)</u>	\$ <u>24,207</u>

<u>Available for Sale:</u>	December 31, 2010			Fair <u>Value</u>
	Amortized	<u>Gross Unrealized</u>		
	<u>Cost</u>	<u>Gains</u>	<u>Losses</u>	
Obligations of the Federal Home Loan Bank:				
Due after 1 year through 5 years	\$ 10,000	\$ 1	\$(53)	\$ 9,948
Due after 5 years through 10 years	<u>1,996</u>	<u>71</u>	<u>(15)</u>	<u>2,052</u>
Total	\$ <u>11,996</u>	\$ <u>72</u>	\$ <u>(68)</u>	\$ <u>12,000</u>

	December 31, 2010			Fair <u>Value</u>
	Amortized	<u>Gross Unrealized</u>		
	<u>Cost</u>	<u>Gains</u>	<u>Losses</u>	
Obligations of Freddie Mac:				
Due after 1 year through 5 years	\$ 3,000	\$ 2	\$ (2)	\$ 3,000
Due after 5 years through 10 years	2,995	17	---	3,012
Due after 10 years	<u>5,000</u>	<u>---</u>	<u>(95)</u>	<u>4,905</u>
Total	\$ <u>10,995</u>	\$ <u>19</u>	\$ <u>(97)</u>	\$ <u>10,917</u>

	December 31, 2010			Fair <u>Value</u>
	Amortized	<u>Gross Unrealized</u>		
	<u>Cost</u>	<u>Gains</u>	<u>Losses</u>	
Obligations of Fannie Mae:				
Due after 1 year through 5 years	\$ 6,000	\$ 2	\$ (23)	\$ 5,979
Due after 5 years through 10 years	<u>6,000</u>	<u>---</u>	<u>(108)</u>	<u>5,892</u>
Total	\$ <u>12,000</u>	\$ <u>2</u>	\$ <u>(131)</u>	\$ <u>11,871</u>

	December 31, 2010			Fair <u>Value</u>
	Amortized	<u>Gross Unrealized</u>		
	<u>Cost</u>	<u>Gains</u>	<u>Losses</u>	
Obligations of Federal Farm Credit:				
Due after 1 years through 5 years	\$ <u>2,000</u>	\$ <u>---</u>	\$ <u>(4)</u>	\$ <u>1,996</u>
Total	\$ <u>2,000</u>	\$ <u>---</u>	\$ <u>(4)</u>	\$ <u>1,996</u>

<u>Held to Maturity</u>	December 31, 2010			Fair <u>Value</u>
	Amortized	<u>Gross Unrealized</u>		
	<u>Cost</u>	<u>Gains</u>	<u>Losses</u>	
Municipal Obligations:				
Due after 5 years through 10 years	\$ 5,155	\$ 146	---	\$ 5,301
Due after 10 years	<u>19,489</u>	<u>102</u>	\$ (373)	<u>19,218</u>
Total	\$ <u>24,644</u>	\$ <u>248</u>	\$ (373)	\$ <u>24,519</u>

Included in obligations of U.S. Government agencies at September 30, 2011 and December 31, 2010, were \$22.3 million and \$30.7 million, respectively, of structured notes. These structured notes were comprised of step-up bonds that provide the U.S. Government agency with the right, but not the obligation, to call the bonds on certain dates. Investment securities with an aggregate carrying value of \$2.1 million and \$3.1 million were pledged as collateral for certain deposits at September 30, 2011 and December 31, 2010, respectively. In September of 2011, the Company identified a held-to-maturity security whose issuer had shown evidence of a significant deterioration of its credit worthiness and sold the security which had an amortized cost of \$688,000. As a result of the sale the Company recorded a gain on the sale of the investment of \$13,000. In addition, during the nine months ended September 30, 2011 the Company recorded a \$57,000 loss on the sale of \$268,000 of equity securities, which previously were owned by the mutual holding company.

Mortgage-Backed Securities Available for Sale

The amortized cost, gross unrealized gains and losses, and the fair values of mortgage-backed securities available for sale are as follows:

Dollars in Thousands

	September 30, 2011			Fair <u>Value</u>
	Amortized	<u>Gross Unrealized</u>		
	<u>Cost</u>	<u>Gains</u>	<u>Losses</u>	
GNMA pass-through certificates	\$ 1,490	\$ 97	\$ ---	\$ 1,587
FHLMC pass-through certificates	3,932	288	---	4,220
FNMA pass-through certificates	<u>6,181</u>	<u>320</u>	<u>(1)</u>	<u>6,500</u>
Total	\$ <u>11,603</u>	\$ <u>705</u>	\$ <u>(1)</u>	\$ <u>12,307</u>

	December 31, 2010			Fair <u>Value</u>
	Amortized	<u>Gross Unrealized</u>		
	<u>Cost</u>	<u>Gains</u>	<u>Losses</u>	
GNMA pass-through certificates	\$ 1,667	\$ 81	---	\$ 1,748
FHLMC pass-through certificates	5,464	349	---	5,813
FNMA pass-through certificates	<u>8,200</u>	<u>401</u>	\$ (16)	<u>8,585</u>
Total	\$ <u>15,331</u>	\$ <u>831</u>	\$ (16)	\$ <u>16,146</u>

At September 30, 2011 and December 31, 2010, the Company had \$2.3 million and \$8.1 million, respectively, in mortgage-backed securities pledged as collateral for the treasury, tax and loan account and certain deposits. There were no sales of mortgage-backed securities in 2011 or 2010.

(10) Loans Receivable - Net

Loans receivable consist of the following:

<i>Dollars in Thousands</i>	At September 30, 2011	At December 31, 2010
Real estate loans:		
Single-family	\$ 118,158	\$ 114,984
Multi-family	10,780	6,293
Commercial	129,944	131,510
Land and construction	15,261	23,757
Commercial business	8,999	7,822
Consumer	<u>6,785</u>	<u>7,152</u>
Total loans receivable	289,927	291,518
Less:		
Deferred fees	(412)	(372)
Allowance for loan losses	<u>(4,051)</u>	<u>(5,090)</u>
Loans receivable - net	\$ <u>285,464</u>	\$ <u>286,056</u>

The Company originates loans to customers located primarily in Southeastern Pennsylvania. This geographic concentration of credit exposes the Company to a higher degree of risk associated with this economic region.

Single-family real estate loans primarily consist of first mortgage liens on existing single-family residences and home equity loans. The Company and intends to continue to originate permanent loans secured by first mortgage liens and home equity loans on single-family residential properties in the future.

Multi-family and commercial real estate loans are made on terms up to 30 years, some of which include call or balloon provisions ranging from five to 15 years. The Company will originate and purchase these loans either with fixed interest rates or with interest rates which adjust in accordance with a designated index.

The Company also originates residential and commercial construction loans, and to a limited degree, land acquisition and development loans. Construction loans are classified as either residential construction loans or commercial real estate construction loans at the time of origination, depending on the nature of the property securing the loan.

The Company has a commercial loan department to provide a full range of commercial loan products to small business customers in its primary marketing area. These loans generally have shorter terms and higher interest rates as compared to mortgage loans.

The Company offers consumer loans in order to provide a full range of financial services to its customers and because such loans generally have shorter terms and higher interest rates than mortgage loans. The consumer loans presently offered by the Company include deposit account

secured loans and lines of credit.

(11) Loan Credit Quality

For all classes of loans receivable, the accrual of interest is discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectability of principal or interest, even though the loan may be currently performing. A loan that is 90 days past due may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. Generally, when a loan is placed on nonaccrual status, unpaid interest credited to income in the current year is reversed and unpaid interest accrued in prior years is charged against the allowance for loan losses. Interest received on nonaccrual loans, including impaired loans, generally is either applied against principal or reported as interest income, according to management's judgment as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time (generally six months) and the ultimate collectability of the total contractual principal and interest is no longer in doubt. The past due status of all classes of loans receivable is determined based on contractual due dates for loan payments.

The performance and credit quality of the loan portfolio is also monitored by analyzing the age of the loans receivable as determined 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, 2011:

<i>(Dollars in thousands)</i>	30-59 Days Past Due	60-89 Days Past Due	90 or More Days Past Due	Total Past Due	Current	Total Loans Receivable	Loans Receivable Greater Than 90 Days Past Due and Accruing
Real estate:							
Single-family	\$ 1,155	\$ 1,006	\$ 3,344	\$ 5,505	\$ 112,653	\$ 118,158	\$ 2,996
Multi-family	---	---	---	---	10,780	10,780	---
Commercial	4,189	326	3,039	7,554	122,390	129,944	---
Land and construction	1,438	359	5,861	7,658	7,603	15,261	---
Commercial business	137	131	74	342	8,657	8,999	---
Consumer	177	104	503	784	6,001	6,785	503
Total	<u>\$ 7,096</u>	<u>\$ 1,926</u>	<u>\$ 12,821</u>	<u>\$ 21,843</u>	<u>\$ 268,084</u>	<u>\$ 289,927</u>	<u>\$ 3,499</u>

The following table presents the classes of the loan portfolio summarized by the past due status as of December 31, 2010:

<i>(Dollars in thousands)</i>	30-59 Days Past Due	60-89 Days Past Due	90 or More Days	Total Past Due	Current	Total Loans Receivable	Loans Receivable Greater Than 90 Days Past Due and Accruing
Real estate:							
Single-family	\$ 1,772	\$ 582	\$ 2,382	\$ 4,736	\$ 110,249	\$ 114,985	\$ 2,308
Multi-family	---	---	---	---	6,293	6,293	---
Commercial	2,134	1,115	2,128	5,377	126,132	131,509	---
Land and construction	---	---	1,720	1,720	22,037	23,757	---
Commercial business	---	---	74	74	7,748	7,822	---
Consumer	251	105	284	640	6,512	7,152	284
Total	<u>\$ 4,157</u>	<u>\$ 1,802</u>	<u>\$ 6,588</u>	<u>\$ 12,547</u>	<u>\$ 278,971</u>	<u>\$ 291,518</u>	<u>\$ 2,592</u>

The following table presents nonaccrual loans by classes of the loan portfolio as of September 30, 2011 and December 31, 2010:

<i>(Dollars in thousands)</i>	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Real estate:		
Single-family	\$ 348	\$ 74
Multi-family	---	---
Commercial	3,039	2,128
Land and construction	5,861	11,423
Commercial business	74	74
Consumer	---	---
Total non-accruing loans	<u>\$ 9,322</u>	<u>\$ 13,699</u>

Allowance for Loan Losses

The allowance for loan losses is increased by charges to income and decreased by chargeoffs (net of recoveries). Allowances are provided for specific loans when losses are probable and can be estimated. When this occurs, management considers the remaining principal balance, fair value and estimated net realizable value of the property collateralizing the loan. Current and future operating and/or sales conditions are also considered. These estimates are susceptible to changes that could result in material adjustments to results of operations. Recovery of the carrying value of such loans is dependent to a great extent on economic, operating and other conditions that may be beyond management's control.

The allowance for loan losses is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management performs a quarterly evaluation of the adequacy of the allowance. The allowance is based on the Company's past loan loss experience, known

and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, composition of the loan portfolio, current economic conditions and other relevant factors. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant revision as more information becomes available.

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are classified as impaired. For loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

The general component covers pools of loans by loan class including commercial loans not considered impaired, as well as smaller balance homogeneous loans, such as residential real estate, home equity and other consumer loans. These pools of loans are evaluated for loss exposure based upon historical loss rates for each of these categories of loans, adjusted for qualitative factors. These qualitative risk factors include:

1. Lending policies and procedures, including underwriting standards and collection, charge-off, and recovery practices.
2. National, regional, and local economic and business conditions as well as the condition of various market segments, including the value of underlying collateral for collateral dependent loans.
3. Nature and volume of the portfolio and terms of loans.
4. Experience, ability, and depth of lending management and staff.
5. Volume and severity of past due, classified and nonaccrual loans as well as and other loan modifications.
6. Quality of the Company's loan review system, and the degree of oversight by the Company's Board of Directors.
7. Existence and effect of any concentrations of credit and changes in the level of such concentrations.
8. Effect of external factors, such as competition and legal and regulatory requirements.

Each factor is assigned a value to reflect improving, stable or declining conditions based on management's best judgment using relevant information available at the time of the evaluation. Adjustments to the factors are supported through documentation of changes in conditions in a narrative accompanying the allowance for loan loss calculation.

Single family real estate loans involve certain risks such as interest rate risk and risk of non repayment. Adjustable-rate single family real estate loans mitigates the interest rate risk to the Company that is associated with changes in interest rates but involve other risks, primarily because as interest rates rise, the payment by the borrower rises to the extent permitted by the terms of the loan, thereby increasing the potential for default. At the same time, the marketability of the underlying property may be adversely affected by higher interest rates. Repayment risk can be affected by job loss, divorce, illness and personal bankruptcy or the borrower.

Multi-family and commercial real estate lending entails significant risks. Such loans typically involve large loan balances to single borrowers or groups of related borrowers. The payment experience on such loans is typically dependent on the successful operation of the real estate project. The success of such projects is sensitive to changes in supply and demand conditions in the market for multi-family and commercial real estate as well as economic conditions generally.

Construction lending is generally considered to involve a high risk due to the concentration of principal in a limited number of loans and borrowers and the effects of general economic conditions on developers and builders. Moreover, a construction loan can involve additional risks because of the inherent difficulty in estimating both a property's value at completion of the project and the estimated cost (including interest) of the project. The nature of these loans is such that they are generally difficult to evaluate and monitor. In addition, speculative construction loans to a builder are not necessarily pre-sold and thus pose a greater potential risk to the Company than construction loans to individuals on their personal residences.

Commercial business lending is generally considered higher risk due to the concentration of principal in a limited number of loans and borrowers and the effects of general economic conditions on the business assets. Commercial business loans are primarily secured by inventories and other business. In most cases, any repossessed collateral for a defaulted commercial business loans will not provide an adequate source of repayment of the outstanding loan balance.

Consumer loans generally have shorter terms and higher interest rates than other lending but generally involve high credit risk because of the type and nature of the collateral and, in certain cases, the absence of collateral. In addition, consumer lending collections are dependent on the borrower's continuing financial stability, and thus are more likely to be adversely effected by job loss, divorce, illness and personal bankruptcy. In most cases, any repossessed collateral for a defaulted consumer loan will not provide an adequate source of repayment of the outstanding loan.

The allowance calculation methodology includes further segregation of loan classes into risk rating categories. The borrower's overall financial condition, repayment sources, guarantors and value of collateral, if appropriate, are evaluated annually for commercial and construction loans or when credit deficiencies arise, such as delinquent loan payments, for commercial and consumer loans. Credit quality risk ratings include regulatory classifications of special mention, substandard, doubtful and loss. Loans criticized special mention have potential weaknesses that deserve management's close attention. If uncorrected, the potential weaknesses may result in deterioration of the repayment prospects. Loans classified substandard have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They include loans that are inadequately protected by the current sound net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans classified doubtful have all the weaknesses inherent in loans classified substandard with the added characteristic that collection or liquidation in full, on the basis of current conditions and facts, is highly improbable. Loans classified as a loss are considered uncollectible and are charged to the allowance for loan losses. Loans not classified are rated pass.

While management uses the best information available to make loan loss allowance evaluations, adjustments to the allowance may be necessary based on changes in economic and other conditions or changes in accounting guidance. Historically, our estimates of the allowance for loan losses have not required significant adjustments from management's initial estimates. In addition, the Department and the FDIC, as an integral part of their examination processes, periodically review our allowance for loan losses. The Department and the FDIC may require the recognition of adjustments to the allowance for loan losses based on their judgment of information available to them at the time of their examinations. To the extent that actual outcomes differ from management's estimates, additional provisions to the allowance for loan losses may be required that would adversely impact earnings in future periods.

Following is a summary of changes in the allowance for loan losses for the three and nine months ended September 30, 2011 and the year ended December 31, 2010:

<i>Dollars in Thousands</i>	For the three months ended <u>September 30, 2011</u>	For the nine months ended <u>September 30, 2011</u>	For the year ended, <u>December 31, 2010</u>
Balance, beginning of period	\$ 5,297	\$ 5,090	\$ 3,538
Provision charged to operations	2,425	3,025	2,120
Charge-offs	(3,712)	(4,122)	(599)
Recoveries	<u>41</u>	<u>58</u>	<u>31</u>
Balance, end of year	\$ <u>4,051</u>	\$ <u>4,051</u>	\$ <u>5,090</u>

The following table presents the activity in the allowance for loan losses and related recorded investment in loans receivable by classes of the loans individually and collectively evaluated for impairment as of and for the three and nine months ended September 30, 2011:

<i>(Dollars in thousands)</i>	Single Family Real Estate	Multi Family Real Estate	Commercial Real Estate	Land and Construction	Commercial Business	Consumer	Total
Allowance for loan losses for the three months ended September 30, 2011:							
Beginning balance	\$ 426	\$ 345	\$ 1,990	\$ 2,279	\$ 238	\$ 19	\$ 5,297
Charge-offs	(14)	---	---	(3,673)	(24)	(1)	(3,712)
Recoveries	---	---	1	40	---	---	41
Provisions	<u>82</u>	<u>(95)</u>	<u>517</u>	<u>1,905</u>	<u>16</u>	<u>---</u>	<u>2,425</u>
Ending balance	\$ <u>494</u>	\$ <u>250</u>	\$ <u>2,508</u>	\$ <u>551</u>	\$ <u>230</u>	\$ <u>18</u>	\$ <u>4,051</u>
Allowance for loan losses for the nine months ended September 30, 2011:							
Beginning balance	\$ 411	\$ 247	\$ 2,072	\$ 2,151	\$ 190	\$ 19	\$ 5,090
Charge-offs	(47)	---	(147)	(3,898)	(24)	(6)	(4,122)
Recoveries	---	---	18	40	---	---	58
Provisions	<u>130</u>	<u>3</u>	<u>565</u>	<u>2,258</u>	<u>64</u>	<u>5</u>	<u>3,025</u>
Ending balance	\$ <u>494</u>	\$ <u>250</u>	\$ <u>2,508</u>	\$ <u>551</u>	\$ <u>230</u>	\$ <u>18</u>	\$ <u>4,051</u>
Ending balance:							
individually evaluated							
for impairment	\$ <u>---</u>	\$ <u>151</u>	\$ <u>727</u>	\$ <u>---</u>	\$ <u>13</u>	\$ <u>---</u>	\$ <u>891</u>
Ending balance:							
collectively evaluated							
for impairment	\$ <u>494</u>	\$ <u>99</u>	\$ <u>1,781</u>	\$ <u>551</u>	\$ <u>217</u>	\$ <u>18</u>	\$ <u>3,160</u>
Ending balance:							
loans acquired with							
deteriorated credit							
quality	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>
Loans receivable:							
Ending balance	\$ <u>118,158</u>	\$ <u>10,780</u>	\$ <u>129,944</u>	\$ <u>15,261</u>	\$ <u>8,999</u>	\$ <u>6,785</u>	\$ <u>289,927</u>
Ending balance:							
individually evaluated							
for impairment	\$ <u>---</u>	\$ <u>2,834</u>	\$ <u>3,909</u>	\$ <u>7,348</u>	\$ <u>197</u>	\$ <u>---</u>	\$ <u>14,288</u>
Ending balance:							
collectively evaluated							
for impairment	\$ <u>118,158</u>	\$ <u>7,946</u>	\$ <u>126,035</u>	\$ <u>7,913</u>	\$ <u>8,802</u>	\$ <u>6,785</u>	\$ <u>275,639</u>
Ending balance:							
loans acquired with							
deteriorated							
credit quality	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>

The following table presents the allowance for loan losses and recorded investment in loans receivable by classes of the loans individually and collectively evaluated for impairment as of December 31, 2010:

<i>(Dollars in thousands)</i>	Single Family Real Estate	Multi Family Real Estate	Commercial Real Estate	Land and Construction	Commercial Business	Consumer	Total
Allowance for loan losses:							
Ending balance	\$ <u>411</u>	\$ <u>247</u>	\$ <u>2,072</u>	\$ <u>2,151</u>	\$ <u>190</u>	\$ <u>19</u>	\$ <u>5,090</u>
Ending balance:							
individually evaluated							
for impairment	\$ <u>---</u>	\$ <u>---</u>	\$ <u>26</u>	\$ <u>1,751</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>1,777</u>
Ending balance:							
collectively evaluated							
for impairment	\$ <u>411</u>	\$ <u>247</u>	\$ <u>2,046</u>	\$ <u>400</u>	\$ <u>190</u>	\$ <u>19</u>	\$ <u>3,313</u>
Ending balance:							
loans acquired with deteriorated credit quality	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>
Loans receivable:							
Ending balance	\$ <u>114,985</u>	\$ <u>6,293</u>	\$ <u>131,509</u>	\$ <u>23,757</u>	\$ <u>7,822</u>	\$ <u>7,152</u>	\$ <u>291,518</u>
Ending balance:							
individually evaluated							
for impairment	\$ <u>---</u>	\$ <u>---</u>	\$ <u>2,128</u>	\$ <u>11,423</u>	\$ <u>74</u>	\$ <u>---</u>	\$ <u>13,625</u>
Ending balance:							
collectively evaluated							
for impairment	\$ <u>114,985</u>	\$ <u>6,293</u>	\$ <u>129,381</u>	\$ <u>12,334</u>	\$ <u>7,748</u>	\$ <u>7,152</u>	\$ <u>277,893</u>
Ending balance:							
loans acquired with deteriorated credit quality	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>	\$ <u>---</u>

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 within the Company's internal risk rating system as of September 30, 2011:

<i>(Dollars in thousands)</i>	<u>Pass</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Total</u>
Real estate:					
Single-family	\$114,314	\$ 500	\$ 3,344	\$ ---	\$118,158
Multi-family	7,946	---	2,834	---	10,780
Commercial	121,872	4,163	3,909	---	129,944
Land and construction	7,554	359	7,348	---	15,261
Commercial business	8,802	---	197	---	8,999
Consumer	6,785	---	---	---	6,785
Total	<u>\$267,273</u>	<u>\$5,022</u>	<u>\$ 17,632</u>	<u>\$ ---</u>	<u>\$289,927</u>

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 within the Company's internal risk rating system as of December 31, 2010:

<i>(Dollars in thousands)</i>	<u>Pass</u>	<u>Special Mention</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Total</u>
Real estate:					
Single-family	\$ 112,603	\$ ---	\$ 2,382	\$ ---	\$114,985
Multi-family	3,397	2,896	---	---	6,293
Commercial	126,066	3,315	2,128	---	131,509
Land and construction	10,677	1,657	11,423	---	23,757
Commercial business	7,698	50	74	---	7,822
Consumer	7,152	---	---	---	7,152
Total	<u>\$267,593</u>	<u>\$ 7,918</u>	<u>\$ 16,007</u>	<u>\$ ---</u>	<u>\$291,518</u>

Loan Impairment

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis for commercial and industrial loans, commercial real estate loans and commercial construction loans by either the present value of expected future cash

flows discounted at the loan's effective interest rate or the fair value of the collateral if the loan is collateral dependent.

An allowance for loan losses is established for an impaired loan if its carrying value exceeds its estimated fair value. Currently, estimated fair values of substantially all of the Company's impaired loans are measured based on the estimated fair value of the loan's collateral.

The Company does not separately identify individual single-family loans secured by real estate unless such loans are the subject of a troubled debt restructuring agreement. Large groups of these smaller balance homogeneous loans are collectively evaluated for impairment.

For multi-family, land and construction, and commercial loans secured by real estate, estimated fair values are determined primarily through third-party appraisals. When a real estate secured loan becomes impaired, a decision is made regarding whether an updated certified appraisal of the real estate is necessary. This decision is based on various considerations, including the age of the most recent appraisal, the loan-to-value ratio based on the original appraisal and the condition of the property. Appraised values are discounted to arrive at the estimated selling price of the collateral, which is considered to be the estimated fair value. The discounts also include estimated costs to sell the property.

For commercial business loans secured by non-real estate collateral, such as accounts receivable, inventory and equipment, estimated fair values are determined based on the borrower's financial statements, inventory reports, accounts receivable agings or equipment appraisals or invoices. Indications of value from these sources are generally discounted based on the age of the financial information or the quality of the assets.

The Company does not separately identify consumer and other loans unless such loans are the subject of a troubled debt restructuring agreement. Large groups of these smaller balance homogeneous loans are collectively evaluated for impairment.

Loans whose terms are modified are classified as troubled debt restructurings if the Company grants such borrowers concessions and it is deemed that those borrowers are experiencing financial difficulty. Concessions granted under a troubled debt restructuring generally involve a temporary reduction in interest rate or an extension of a loan's stated maturity date. Non-accrual troubled debt restructurings are restored to accrual status if principal and interest payments, under the modified terms, are current for six consecutive months after modification. Loans classified as troubled debt restructurings are designated as impaired.

The following table summarizes information in regards to impaired loans by loan portfolio class as of and for the three months ended September 30, 2011:

<i>(Dollars in Thousands)</i>	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized While Impaired
With no related allowance recorded:					
Real estate:					
Multi-family	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Commercial	\$ 2,208	\$ 2,208	\$ ---	\$ 2,016	\$ 18
Land and construction	\$ 5,861	\$ 10,289	\$ ---	\$ 5,861	\$ ---
Commercial business	\$ 149	\$ 149	\$ ---	\$ 49	\$ 1
With an allowance recorded:					
Real estate:					
Multi-family	\$ 2,834	\$ 2,834	\$ 151	\$ 945	\$ 17
Commercial	\$ 1,701	\$ 1,701	\$ 437	\$ 1,137	\$ 7
Land and construction	\$ 1,487	\$ 1,487	\$ 290	\$ 496	\$ 8
Commercial business	\$ 48	\$ 48	\$ 13	\$ 49	\$ ---
Total:					
Real estate:					
Multi-family	\$ 2,834	\$ 2,834	\$ 151	\$ 945	\$ 17
Commercial	\$ 3,909	\$ 3,909	\$ 437	\$ 3,153	\$ 25
Land and construction	\$ 7,348	\$ 11,776	\$ 290	\$ 6,357	\$ 8
Commercial business	\$ 197	\$ 197	\$ 13	\$ 98	\$ 1

The following table summarizes information in regards to impaired loans by loan portfolio class as of and for the nine months ended September 30, 2011:

<i>(Dollars in Thousands)</i>	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized While Impaired
With no related allowance recorded:					
Real estate:					
Multi-family	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Commercial	\$ 2,208	\$ 2,208	\$ ---	\$ 1,464	\$ 52
Land and construction	\$ 5,861	\$ 10,289	\$ ---	\$ 4,396	\$ ---
Commercial business	\$ 149	\$ 149	\$ ---	\$ 13	\$ 1
With an allowance recorded:					
Real estate:					
Multi-family	\$ 2,834	\$ 2,834	\$ 151	\$ 236	\$ 17
Commercial	\$ 1,701	\$ 1,701	\$ 437	\$ 335	\$ 7
Land and construction	\$ 1,487	\$ 1,487	\$ 290	\$ 124	\$ 8
Commercial business	\$ 48	\$ 48	\$ 13	\$ 16	\$ ---
Total:					
Real estate:					
Multi-family	\$ 2,834	\$ 2,834	\$ 151	\$ 236	\$ 17
Commercial	\$ 3,909	\$ 3,909	\$ 437	\$ 1,799	\$ 59
Land and construction	\$ 7,348	\$ 11,776	\$ 290	\$ 4,520	\$ 8
Commercial business	\$ 197	\$ 197	\$ 13	\$ 29	\$ 1

The following table summarizes information in regards to impaired loans by loan portfolio class as of and for the year ended December 31, 2010:

<i>(Dollars in Thousands)</i>	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized While Impaired
With no related allowance recorded:					
Real estate:					
Multi-family	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Commercial	\$ 1,924	\$ 1,924	\$ ---	\$ 1,264	\$ 45
Land and construction	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Commercial business	\$ 74	\$ 74	\$ ---	\$ 74	\$ ---
With an allowance recorded:					
Real estate:					
Multi-family	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Commercial	\$ 204	\$ 204	\$ 26	\$ 204	\$ 2
Land and construction	\$ 11,423	\$ 12,010	\$ 1,751	\$ 9,433	\$ 378
Commercial business	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Total:					
Real estate:					
Multi-family	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Commercial	\$ 2,128	\$ 2,128	\$ 26	\$ 1,468	\$ 47
Land and construction	\$ 11,423	\$ 12,010	\$ 1,751	\$ 9,433	\$ 378
Commercial business	\$ 74	\$ 74	\$ ---	\$ 74	\$ ---

The following table summarizes information in regards to troubled debt restructurings at September 30, 2011:

<i>(Dollars in Thousands)</i>	Number of Contracts	Pre-Modification Outstanding Recorded Investments	Post-Modification Outstanding Recorded Investments
Real estate:			
Single-family	---	---	---
Multi-family	2	\$2,834	\$2,834
Commercial	3	\$1,280	\$1,280
Land and construction(1)	2	\$9,702	\$5,861
Commercial business	---	---	---
Consumer	---	---	---
	Number of Contracts	Recorded Investment	
That Subsequently Defaulted			
Real estate:			
Single-family	---	---	
Multi-family	---	---	
Commercial	---	---	
Land and construction	2	\$ 5,861	
Commercial business	---	---	
Consumer	---	---	

At September 30, 2011, the Company has two multi-family, three commercial real estate, and two land and construction loans classified as troubled debt restructurings. The two multi-family loans are to one borrower, are classified as substandard in the Company's allowance for loan loss, and have a \$151,000 reserve against them. The three commercial real estate loans are to one borrower, are classified as special mention in the Company's allowance for loan loss, and have no reserve against them. The two land and construction loans are to two borrowers, are classified as substandard in the Company's allowance for loan loss, partially written down by \$3.7 million in charge-offs for the nine months ended September 30, 2011, and have no reserve against them. All of the troubled debt restructurings were changes in interest rates and no debt was forgiven.

The two multi-family and the two land and construction loans were classified as troubled debt restructurings at December 31, 2010, while the three commercial real estate were classified as troubled debt restructurings during the three and nine month period ended September 30, 2011.

The following table summarizes information in regards to troubled debt restructurings at December 31, 2010:

<i>(Dollars in Thousands)</i>	Number of Contracts	Pre-Modification Outstanding Recorded Investments	Post-Modification Outstanding Recorded Investments
Real estate:			
Single-family	---	---	---
Multi-family	2	\$2,895	\$2,895
Commercial	---	---	---
Land and construction(1)	2	\$9,702	\$9,702
Commercial business	---	---	---
Consumer	---	---	---
	Number of Contracts	Recorded Investment	
That Subsequently Defaulted			
Real estate:			
Single-family	---	---	
Multi-family	---	---	
Commercial	---	---	
Land and construction	---	---	
Commercial business	---	---	
Consumer	---	---	

At December 31, 2010, the Company had two multi-family and two land and construction loans classified as troubled debt restructurings. The two multi-family loans were to one borrower, were classified as special mention in the Company's allowance for loan loss, and had a \$205,000 reserve against them. The two land and construction loans were to two borrowers, were classified as substandard in the Company's allowance for loan loss, and had a \$1.6 million reserve against them. All of the troubled debt restructurings were changes in interest rates and no debt was forgiven. At December 31, 2010, there were no troubled debt restructurings in default subsequent to the restructuring.

(12) Comprehensive Income

Total comprehensive income includes all changes in stockholders' equity during a period from transactions and other events and circumstances from non-owner sources. The Company's other comprehensive income (loss) is comprised of unrealized holding gains and losses on securities available-for-sale and the effects of changes in the liability for retirement plans.

The table below provides a reconciliation of the components of other comprehensive income (loss) to the disclosure provided in the consolidated statement of changes in stockholders' equity.

The components of comprehensive income (loss), net of taxes, were as follows for the following fiscal periods:

(Dollars in Thousands)

	Before <u>Tax</u>	Tax <u>Impact</u>	Net of <u>Tax</u>
For the three month period ended September 30, 2011:			
Unrealized gains on available for sale securities			
Unrealized holding gains arising during period	\$ 61	\$ (20)	\$ 41
Plus: reclassification adjustment for net gains realized during the period	<u>(13)</u>	<u>4</u>	<u>(9)</u>
Change in unrealized gain on available for sale securities	<u>48</u>	<u>(16)</u>	<u>32</u>
Change in liability in retirement plans	---	---	---
Other comprehensive income	<u>\$ 48</u>	<u>\$ (16)</u>	<u>\$ 32</u>

For the three month period ended September 30, 2010:

Unrealized losses on available for sale securities			
Unrealized holding losses arising during period	\$ (120)	\$ 41	\$ (79)
Change in unrealized losses on available for sale securities	<u>(120)</u>	<u>41</u>	<u>(79)</u>
Change in liability in retirement plans	---	---	---
Other comprehensive loss	<u>\$ (120)</u>	<u>\$ 41</u>	<u>\$ (79)</u>

	Before <u>Tax</u>	Tax <u>Impact</u>	Net of <u>Tax</u>
For the nine month period ended September 30, 2011:			
Unrealized gains on available for sale securities			
Unrealized holding gains arising during period	\$ 126	\$ (43)	\$ 83
Plus: reclassification adjustment for net losses realized during the period	<u>44</u>	<u>(15)</u>	<u>29</u>
Change in unrealized gain on available for sale securities	<u>170</u>	<u>(58)</u>	<u>112</u>
Change in liability in retirement plans	---	---	---
Other comprehensive income	<u>\$ 170</u>	<u>\$ (58)</u>	<u>\$ 112</u>

For the nine month period ended September 30, 2010:

Unrealized gains on available for sale securities			
Unrealized holding gains arising during period	\$ 277	\$ (94)	\$ 183
Change in unrealized gain on available for sale securities	<u>277</u>	<u>(94)</u>	<u>183</u>
Change in liability in retirement plans	---	---	---
Other comprehensive income	<u>\$ 277</u>	<u>\$ (94)</u>	<u>\$ 183</u>

The components of accumulated other comprehensive loss are as follows:

(Dollars in Thousands)

	For the Nine months <u>September 30, 2011</u>	For the Twelve months <u>December 31, 2010</u>
Net unrealized gain on available for sale securities	\$ 513	\$ 401
Net unrealized loss on retirement plans	<u>(858)</u>	<u>(858)</u>
Total accumulated other comprehensive loss	<u>\$ (345)</u>	<u>\$ (457)</u>

(13) Stock-Based Compensation

Recognition and Retention Plan and Trust

In July of 2011, the shareholders of the Company approved the adoption of the 2011 Recognition and Retention Plan and Trust (the “2011 RRP”). In order to fund the 2011 RRP, the 2011 Recognition Plan Trust (the “2011 Trust”) acquired 47,300 shares of the Company’s common stock in the open market for approximately \$500,000 at an average price of \$10.58 per share. The Company made sufficient contributions to the 2011 Trust to fund the purchase of these shares. Pursuant to the terms of the RRP, an additional 160,900 shares will need to be acquired. The 2011 RRP shares generally vest at the rate of 20% per year over five years. On July 20, 2011, 208,200 shares of restricted stock were awarded. The restricted shares had a grant date fair value of \$11.05 per share. As of September 30, 2011, a total of 10,777 shares of common stock have been reserved for future issuance pursuant to the 2011 RRP.

A summary of the status of the shares under the 2011 RRP as of September 30, 2011 and changes during the nine months ended September 30, 2011 are presented below:

	<u>Nine Months Ended September 30, 2011</u>	
	<u>Number of shares</u>	<u>Weighted average grant date fair value</u>
Restricted at the beginning of the year	---	---
Granted	208,200	\$ 11.05
Vested	---	---
Forfeited	---	---
Restricted at the end of the period	<u>208,200</u>	\$ 11.05

Compensation expense on RRP shares granted is recognized ratably over the five year vesting period in an amount which totals the market price of the common stock at the date of grant. During the three and nine month periods ended September 30, 2011, approximately 10,408 shares were amortized to expense, based on the proportional vesting of the awarded shares, resulting in recognition of approximately \$110,000 in compensation expense. As of September 30, 2011, approximately \$2.2 million in additional compensation expense is scheduled to be recognized over the remaining vesting period of 4.8 years. Under the terms of the 2011 RRP, any unvested RRP awards will become fully vested upon a change in control resulting in the full recognition of any unrecognized expense.

Stock Options

In July 2011, the shareholders of the Company also approved the adoption of the 2011 Stock Option Plan (the “2011 Option Plan”). The 2011 Option Plan options generally become vested and exercisable at the rate of 20% per year over five years and are generally exercisable for a period of ten years after the grant date. On July 20, 2011, options to purchase 277,750 shares of common stock were awarded. As of September 30, 2011, a total of 48,092 shares of common stock have been reserved for future issuance pursuant to the 2011 Option Plan.

A summary of the status of the Company’s stock options under the 2011 Option Plan as of September 30, 2011, and changes during the nine months ended September 30, 2011, is

presented below:

	Nine Months Ended September 30, 2011	
	Number of shares	Weighted average exercise price
Options outstanding at the beginning of the year	---	---
Granted	277,750	\$ 11.05
Exercised	---	---
Vested	---	---
Forfeited	---	---
Options outstanding at the end of the period	<u>277,750</u>	\$ 11.05
Exercisable at the end of the period	<u>---</u>	---

The fair value of each option grant is estimated using the Black-Scholes pricing model with the following weighted average assumptions from the options granted in 2011: dividend yield of 2.0%, risk-free interest rate of 1.58%, expected life of 7.0 years, and volatility of 30.34%. The calculated fair value of options granted in 2011 was \$2.99. The weighted average contractual term of the option was 9.7 years at September 30, 2011. No options were exercisable at September 30, 2011.

During the three and nine months ended September 30, 2011, approximately \$39,000 was recognized in compensation expense for the Option Plan. At September 30, 2011, approximately \$757,000 in additional compensation expense for awarded options remained unrecognized. The weighted average period over which this expense will be recognized is approximately 4.8 years.

(14) Contingent Obligations

The Company does not issue any guarantees that would require liability-recognition or disclosure, other than its standby letters of credit. The Company has issued unconditional commitments in the form of standby letters of credit to guarantee payment on behalf of a customer and guarantee the performance of a customer to a third party. Standby letters of credit generally arise in connection with lending relationships. The credit risk involved in issuing these instruments is essentially the same as that involved in extending loans to customers. Contingent obligations under standby letters of credit totaled approximately \$661,000 at September 30, 2011 and \$829,000 at December 31, 2010 and represent the maximum potential future payments the Company could be required to make. Typically, these instruments have terms of twelve months or less and expire unused; therefore, the total amounts do not necessarily represent future cash requirements. Each customer is evaluated individually for creditworthiness under the same underwriting standards used for commitments to extend credit for on-balance sheet instruments. Company policies governing loan collateral apply to standby letters of credit at the time of credit extension. Loan-to-value ratios are generally consistent with loan-to-value requirements for other commercial loans secured by similar types of collateral. The fair value of the Company's standby letters of credit at September 30, 2011 and December 31, 2010 were insignificant.

Part I – Item 2.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements. Alliance Bancorp, Inc. of Pennsylvania (the “Company”) may from time to time make written or oral “forward-looking statements,” including statements contained in the Company’s filings with the Securities and Exchange Commission (including this Quarterly Report on Form 10-Q and the exhibits hereto and thereto), in its reports to shareholders and in other communications by the Company, which are made in good faith by the Company pursuant to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995.

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

The Company cautions that the foregoing list of important factors is not exclusive. Readers are also cautioned not to place undue reliance on these forward-looking statements, which reflect management’s analysis only as of the date of this report. The Company does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by or on behalf of the Company.

General. The Company’s profitability is highly dependent on net interest income. The components that drive net interest income are the amounts of interest-earning assets and interest-bearing liabilities along with rates earned or paid on such rate sensitive instruments. The Company manages interest rate exposure by attempting to match asset maturities with liability maturities. In addition to managing interest rate exposure, the Company also considers the credit risk, prepayment risk and extension risk of certain assets. The Company maintains asset quality by utilizing comprehensive loan underwriting standards and collection efforts as well as originating or purchasing primarily secured or guaranteed assets.

The Company’s profitability is also affected by fee income, gain or loss on the sale of other real estate owned, general and administrative expenses, provisions for loan losses, other real estate

owned expenses, and income taxes.

Critical Accounting Policies. In reviewing and understanding financial information for the Company, you are encouraged to read and understand the significant accounting policies used in preparing our consolidated financial statements included elsewhere herein. These policies are described in Note 2 of the notes to the consolidated financial statements in the December 31, 2010 annual report to stockholders. The accounting and financial reporting policies of the Company conform to accounting principles generally accepted in the United States of America (US GAAP) and to general practices within the banking industry. Accordingly, the consolidated financial statements require certain estimates, judgments, and assumptions, which are believed to be reasonable, based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the periods presented. The following accounting policies comprise those that management believes are the most critical to aid in fully understanding and evaluating our reported financial results. These policies require numerous estimates or economic assumptions that may prove inaccurate or may be subject to variations which may significantly affect our reported results and financial condition for the period or in future periods.

Allowance for Loan Losses. The allowance for loan losses is established through a provision for loan losses charged to expense. Charges against the allowance for loan losses are made when management believes that the collectability of loan principal is unlikely. Subsequent recoveries are added to the allowance. The allowance is an amount that management believes will cover known and inherent losses in the loan portfolio, based on evaluations of the collectability of loans. The evaluations take into consideration such factors as changes in the types and amount of loans in the loan portfolio, historical loss experience, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, estimated losses relating to specifically identified loans, and current economic conditions. This evaluation is inherently subjective as it requires material estimates including, among others, exposure at default, the amount and timing of expected future cash flows on impaired loans, value of collateral, estimated losses on our commercial and residential loan portfolios and general amounts for historical loss experience. All of these estimates may be susceptible to significant change.

While management uses the best information available to make loan loss allowance evaluations, adjustments to the allowance may be necessary based on changes in economic and other conditions or changes in accounting guidance. Historically, our estimates of the allowance for loan losses have not required significant adjustments from management's initial estimates. In addition, the Department and the FDIC, as an integral part of their examination processes, periodically review our allowance for loan losses. The Department and the FDIC may require the recognition of adjustments to the allowance for loan losses based on their judgment of information available to them at the time of their examinations. To the extent that actual outcomes differ from management's estimates, additional provisions to the allowance for loan losses may be required that would adversely impact earnings in future periods.

Income Taxes. Management makes estimates and judgments to calculate various tax liabilities and determine the recoverability of our deferred tax assets, which arise from temporary differences between the tax and financial statement recognition of revenues and expenses. As of September 30, 2011, the Company carried \$858,000 in deferred tax assets from the loss on the

sale and impairment charges taken on certain mutual funds. The amounts and expiration dates of these capital losses are \$860,000, \$1.1 million, \$292,000, and \$267,000 for the years ending December 31, 2012, 2013, 2014, and 2015, respectively. Management believes it has the ability to generate sufficient capital gains within the necessary time periods to realize the tax benefit from these capital losses. We also estimate a deferred tax asset valuation allowance if, based on the available evidence, it is more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods. These estimates and judgments are inherently subjective. Historically, our estimates and judgments to calculate our deferred tax accounts have not required significant revision to our initial estimates.

In evaluating our ability to recover deferred tax assets, we consider all available positive and negative evidence, including our past operating results, and our forecast of future taxable income. In determining future taxable income, we make assumptions for the amount of taxable income, the reversal of temporary differences and the implementation of feasible and prudent tax planning strategies. These assumptions require us to make judgments about our future taxable income and are consistent with the plans and estimates we use to manage our business. Any reduction in estimated future taxable income may require us to record a valuation allowance against our deferred tax assets. An increase in the valuation allowance would result in additional income tax expense in the period and could have a significant impact on our future earnings.

Other than Temporary Impairment of Investment Securities and Mortgage Backed Securities. The Company is required to perform periodic reviews of individual securities in its investment portfolio to determine whether a decline in the fair value of a security below its amortized cost is other than temporary. A review of other than temporary impairment requires management to make certain judgments regarding the nature of the decline, its effect on the consolidated financial statements and the probability, extent and timing of a valuation recovery. Management evaluates securities for other than temporary impairment on at least a quarterly basis, and more frequently when economic or market conditions warrant such evaluations. The other-than-temporary impairment is separated into (a) the amount of the total other-than-temporary impairment related to a decrease in cash flows expected to be collected from the debt security (the credit loss) and (b) the amount of the total other-than-temporary impairment related to all other factors. The amount of the total other-than-temporary impairment related to the credit loss is recognized in earnings. The amount of the total other-than-temporary impairment related to all other factors is recognized in other comprehensive income.

Comparison of Financial Condition at September 30, 2011 and December 31, 2010

Total assets increased \$5.6 million or 1.2% to \$460.0 million at September 30, 2011 compared to \$454.5 million at December 31, 2010. This increase was primarily due to a \$23.6 million or 38.1% increase in total cash and cash equivalents and a \$2.0 million or 80.0% increase in premises and equipment. The increase in premises and equipment is primarily due to additional premises and equipment previously owned by the mutual holding company. These increases were partially offset by a \$14.5 million or 39.5% decrease in investment securities available for sale, a \$3.8 million or 23.8% decrease in mortgage-backed securities available for sale, a \$1.1 million or 4.6% decrease in investment securities held to maturity, and a \$592,000 or 0.2% decrease in net loans. Total liabilities decreased \$29.4 million or 7.3% to \$376.1 million at September 30, 2011 compared to \$405.5 million at December 31, 2010. This decrease was due to a \$15.4 million or 4.1% decrease in interest bearing deposits, a \$4.7 million or 63.2% decrease in other borrowings, a \$575,000 or 10.3% decrease in accrued expenses and other liabilities, and

a \$7.9 million decrease in subscriptions payable related to the January 2011 stock offering and reorganization.

Stockholders' equity increased \$35.0 million to \$84.0 million as of September 30, 2011 compared to \$49.0 million at December 31, 2010. The increase was primarily due to the stock offering in connection with the "second-step" conversion of the Bank from the mutual holding company structure to the stock holding company structure on January 18, 2011. In connection with the conversion and reorganization, 3,258,425 shares of common stock, par value \$0.01 per share, of the new Alliance Bancorp, Inc. of Pennsylvania were sold in subscription, community and syndicated community offerings to certain depositors of the Bank and other investors for \$10 per share, or \$32.6 million in the aggregate, and 2,216,235 shares of common stock were issued in exchange for the outstanding shares of common stock of the former federally chartered mid-tier holding company for the Bank, which also was known as Alliance Bancorp, Inc. of Pennsylvania, held by the "public" shareholders of the mid-tier holding company.

Nonperforming assets decreased \$4.3 million to \$14.7 million or 3.20% of total assets at September 30, 2011 as compared to \$19.0 million or 4.17% of total assets at December 31, 2010. The nonperforming assets at September 30, 2011 included \$12.8 million in nonperforming loans and \$2.0 million in other real estate owned. The decrease in nonperforming assets during the first nine months of 2011 was primarily due to a \$5.6 million decrease in nonperforming real estate construction loans that was primarily due to the \$3.7 million in charge-offs and the transfer of a \$1.7 million commercial real estate construction loan to other real estate owned which was sold in September 2011 and resulted in a \$40,000 recovery against the \$224,000 charge-off taken in June 2011. In addition, other changes in nonperforming assets included a \$777,000 decrease in other real estate owned, a \$962,000 increase in nonperforming single-family residential real estate loans, a \$910,000 increase in non-performing commercial real estate loans and a \$220,000 increase in non-performing consumer loans as of September 30, 2011. Overall, nonperforming loans included \$3.3 million in single-family residential real estate loans, \$3.0 million in commercial real estate loans, \$5.9 million in real estate construction loans, \$74,000 in commercial business loans and \$503,000 in consumer loans. The allowance for loan losses amounted to \$4.1 million or 31.6% of nonperforming loans at September 30, 2011 as compared to \$5.1 million or 31.2% of non-performing loans at December 31, 2010.

The Company continues to work towards the resolution of its nonperforming assets. During the third quarter of 2011, the company received updated appraisals using the bulk sale or liquidation value for the collateral supporting its two largest nonperforming loans. In September of 2011, the Company charged-off \$2.6 million related to a land and development loan located in Bradenton, FL which had a carrying value of \$3.2 million at September 30, 2011. Management is currently in discussions with a potential buyer to dispose of this property which would result in a small recovery. Also, in September 2011, the Company charged-off \$1.1 million related to a residential construction loan located in center city Philadelphia, PA which had a carrying value of \$2.7 million at September 30, 2011. Management is currently in the process of securing a management agreement for this property followed by a sale of the property to a third party developer for its carrying value of \$2.7 million.

Although management uses the best information available to make determinations with respect to the provisions for loan losses, additional provisions for loan losses may be required to be established in the future should economic or other conditions change substantially. In addition, the Pennsylvania Department of Banking ("Department") and the Federal Deposit Insurance

Corporation (“FDIC”), as an integral part of their examination process, periodically review the Bank’s allowance for loan losses. Such agencies may require the Bank to recognize additions to such allowance based on their judgments about information available to them at the time of their examination.

Comparison of Results of Operations for the Three and Nine Months ended September 30, 2011 and September 30, 2010

General. Net (loss) income decreased \$987,000 or 472.2% to \$(778,000) or \$(0.15) per share for the three months ended September 30, 2011 as compared to \$209,000 or \$0.03 per share (as adjusted) for the same period in 2010. The net loss for the three months ended September 30, 2011 was primarily due to an increase of \$1.7 million in the provision for loan losses to \$2.4 million for the quarter as compared to \$750,000 for the same period in 2010. The increased provision was made primarily due to the receipt of two updated appraisals on real estate construction loans and management’s decision to use the bulk sale or liquidation values of the collateral supporting these loans as their carrying values. The decrease in net income was also attributed to a \$211,000 or 4.3% decrease in interest income and a \$69,000 or 24.5% decrease in other income for the three months ended September 30, 2011 compared to the three months ended September 30, 2010. The decrease in net income was partially offset by a \$364,000 or 26.6% decrease in interest expense, a \$86,000 or 2.9% decrease in other expenses, and a \$518,000 increase in income tax benefit for the three months ended September 30, 2011 compared to the three months ended September 30, 2010.

Net income increased \$67,000 or 14.1% to \$541,000 or \$0.10 per share for the nine months ended September 30, 2011 as compared to \$474,000 or \$0.09 (as adjusted) per share for the same period in 2010. The increase in net income was primarily due to a \$1.9 million or 37.8% decrease in interest expense for the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010. The increase in net income was partially offset by a \$846,000 or 5.6% decrease in interest income, a \$1.1 million or 57.6% increase in provision for loan loss, a \$307,000 or 36.5% decrease in other income, and a \$27,000 or 10.4% decrease in income tax benefit for the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010.

The increase in the provision for loan losses in the third quarter of 2011 compared to the third quarter of 2010 was primarily due to \$2.6 million and \$1.1 million in charge-offs taken on two non-accrual real estate construction loans on property located in Bradenton, Florida and center city Philadelphia, respectively. These charge-offs, of which \$1.9 million was reserved prior to the third quarter of 2011, resulted from updated appraisals that were based on bulk sale or liquidation values for the collateral supporting these loans.

Net Interest Income. Net interest income is determined by the interest rate spread (i.e., the difference between the yields earned on interest-earning assets and the rates paid on its interest-bearing liabilities) and the relative amounts of interest-earning assets and interest-bearing liabilities.

Net interest income increased \$153,000 or 4.31% during the three months ended September 30, 2011 as compared to the same period in 2010. The increase in net interest income was primarily due to a \$364,000 or 26.6% decrease in interest expense on interest bearing liabilities, partially offset by a \$211,000 or 4.3% decrease in interest income on interest earnings assets. Overall, the

interest rate spread decreased 5 basis points from 3.28% for the three months ended September 30, 2010 to 3.23% for the three months ended September 30, 2011.

Net interest income increased \$1.1 million or 11.1% during the nine months ended September 30, 2011 as compared to the same period in 2010. The increase in net interest income was primarily due to a \$1.9 million or 37.8% decrease in interest expense on interest bearing liabilities, partially off-set by an \$846,000 or 5.6% decrease in interest income on interest earnings assets. Overall, the interest rate spread increased 27 basis points from 2.89% for the nine months ended September 30, 2010 to 3.16% for the nine months ended September 30, 2011.

Based on the current economic environment and market competition, management anticipates continued pressure on the interest rate spread for 2011 which may negatively impact net interest income.

Interest Income. Interest income decreased \$211,000 or 4.3% to \$4.7 million for the three months ended September 30, 2011, compared to the same period in 2010. The decrease was due to a \$54,000 or 12.8% decrease in interest income on investment securities, a \$63,000 or 32.3% decrease in interest income on mortgage backed securities, and a \$99,000 or 2.3% decrease on interest income on loans. The decrease was partially off-set by a \$5,000 or 12.5% increase in interest income earned on balances due from depository institutions. The decrease in interest income on investment securities was due to a 74 basis point or 22.0% decrease in the average yield earned, partially off-set by a \$5.8 million or 11.6% increase in the average balance of investment securities. The decrease in interest income on mortgage backed securities was due to a \$5.8 million or 30.7% decrease in the average balance of mortgage backed securities and a 9 basis point or 2.2% decrease in the average yield earned. The decrease in interest income on loans was due to a 24 basis point or 4.1% decrease in the average yield earned, partially offset by a \$4.8 million or 1.7% increase in the average balance of loans outstanding. The increase in interest income on balances due from depository institutions was due to a \$13.3 million or 23.3% increase in the average balance of balances due from depository institutions, partially off-set by a 3 basis point or 10.7% decrease in the average yield earned.

Interest income decreased \$846,000 or 5.6% to \$14.2 million for the nine months ended September 30, 2011, compared to the same period in 2010. The decrease was due to a \$290,000 or 19.6% decrease in interest income on investment securities, a \$205,000 or 31.8% decrease in interest income on mortgage backed securities, a \$55,000 or 28.9% decrease in interest income earned on balances due from depository institutions, and an \$296,000 or 2.3% decrease on interest income on loans. The decrease in interest income on investment securities was due to a 120 basis point or 31.8% decrease in the average yield earned, partially off-set by a \$9.5 million or 18.1% increase in the average balance of investment securities. The decrease in interest income on mortgage backed securities was due to a \$6.5 million or 31.3% decrease in the average balance of mortgage backed securities and a 3 basis point or 0.7% decrease in the average yield earned. The decrease in interest income on balances due from depository institutions was due to a \$153,000 or 0.2% decrease in the average balance of balances due from depository institutions and a 11 basis point or 29.7% decrease in the average yield earned. The decrease in interest income on loans was due to a 22 basis point or 3.7% decrease in the average yield earned, partially offset by a \$4.0 million or 1.4% increase in the average balance of loans outstanding.

Interest Expense. Interest expense decreased \$364,000 or 26.6% to \$1.0 million for the three months ended September 30, 2011, compared to the same period in 2010. This decrease was

primarily due to a \$293,000 or 22.6% decrease in interest expense on deposits and a \$71,000 or 94.7% decrease in interest expense on borrowings. The decrease in interest expense on deposits was due to a 30 basis point or 21.1% decrease in the rates paid on deposits and a \$6.8 million or 1.9% decrease in the average balance of deposits. The decrease in interest expense on borrowings was due to a \$10.8 million or 86.2% decrease in the average balance of borrowings and a 148 basis point or 61.6% decrease in the rates paid on borrowings.

Interest expense decreased \$1.9 million or 37.8% to \$3.2 million for the nine months ended September 30, 2011, compared to the same period in 2010. This decrease was primarily due to a \$1.1 million or 25.6% decrease in interest expense on deposits and an \$848,000 or 98.4% decrease in interest expense on borrowings. The decrease in interest expense on deposits was due to a 37 basis point or 24.5% decrease in the rates paid on deposits and a \$7.1 million or 1.9% decrease in the average balance of deposits. The decrease in interest expense on borrowings was due to a \$17.1 million or 81.5% decrease in the average balance of borrowings and a 499 basis point or 91.2% decrease in the rates paid on borrowings.

Average Balances, Net Interest Income and Yields Earned and Rates Paid. The following average balance sheet table sets forth for the periods indicated, information on the Company regarding: (i) the total dollar amounts of interest income on interest-earning assets and the resulting average yields; (ii) the total dollar amounts of interest expense on interest-bearing liabilities and the resulting average costs; (iii) net interest income; (iv) interest rate spread; (v) net interest-earning assets (interest-bearing liabilities); (vi) the net yield earned on interest-earning assets; and (vii) the ratio of total interest-earning assets to total interest-bearing liabilities. Information is based on average daily balances during the periods presented.

	Three Months Ended September 30,					
	2011			2010		
	<u>Average Balance</u>	<u>Interest</u>	<u>Rate</u>	<u>Average Balance</u>	<u>Interest</u>	<u>Rate</u>
<i>(Dollars in Thousands)</i>						
Interest-earning assets:						
Loans receivable (1) (3)	\$293,399	\$4,162	5.67%	\$288,609	\$4,261	5.91%
Mortgage-backed securities (3)	13,053	132	4.05	18,838	195	4.14
Investment securities (3)	55,970	367	2.62	50,168	421	3.36
Due from depository institutions	<u>70,689</u>	<u>45</u>	0.25	<u>57,342</u>	<u>40</u>	0.28
Total interest-earning assets	433,111	<u>4,706</u>	<u>4.35</u>	414,957	<u>4,917</u>	<u>4.74</u>
Noninterest-earning assets	<u>29,882</u>			<u>27,624</u>		
Total assets	<u>\$462,993</u>			<u>\$442,581</u>		
Interest-bearing liabilities:						
Deposits	\$356,883	1,001	1.12	\$363,679	1,294	1.42
FHLB advances and other borrowings	<u>1,731</u>	<u>4</u>	0.92	<u>12,500</u>	<u>75</u>	2.40
Total interest-bearing liabilities	358,614	<u>1,005</u>	<u>1.12</u>	376,179	<u>1,369</u>	<u>1.46</u>
Noninterest-bearing						
Liabilities	<u>18,659</u>			<u>17,560</u>		
Total liabilities	377,273			393,739		
Stockholders' equity	<u>85,720</u>			<u>48,842</u>		
Total liabilities and stockholders' equity	<u>\$462,993</u>			<u>\$442,581</u>		
Net interest-earning assets	<u>\$74,497</u>			<u>\$38,778</u>		
Net interest income/interest rate spread		<u>\$3,701</u>	<u>3.23%</u>		<u>\$3,548</u>	<u>3.28%</u>
Net yield on interest-earning assets (2)			<u>3.42%</u>			<u>3.42%</u>

1. Nonaccrual loans and loan fees have been included.
2. Net interest income divided by interest-earning assets.
3. The indicated yields are not reflected on a tax equivalent basis.

Average Balances, Net Interest Income and Yields Earned and Rates Paid. The following average balance sheet table sets forth for the periods indicated, information on the Company regarding: (i) the total dollar amounts of interest income on interest-earning assets and the resulting average yields; (ii) the total dollar amounts of interest expense on interest-bearing liabilities and the resulting average costs; (iii) net interest income; (iv) interest rate spread; (v) net interest-earning assets (interest-bearing liabilities); (vi) the net yield earned on interest-earning assets; and (vii) the ratio of total interest-earning assets to total interest-bearing liabilities. Information is based on average daily balances during the periods presented.

	Nine Months Ended September 30,					
	2011			2010		
	<u>Average Balance</u>	<u>Interest</u>	<u>Rate</u>	<u>Average Balance</u>	<u>Interest</u>	<u>Rate</u>
<i>(Dollars in Thousands)</i>						
Interest-earning assets:						
Loans receivable (1) (3)	\$292,558	\$12,440	5.67%	\$288,538	\$12,736	5.89%
Mortgage-backed securities (3)	14,273	440	4.11	20,785	645	4.14
Investment securities (3)	61,708	1,189	2.57	52,253	1,479	3.77
Due from depository institutions	<u>68,921</u>	<u>135</u>	0.26	<u>69,074</u>	<u>190</u>	0.37
Total interest-earning assets	437,460	<u>14,204</u>	<u>4.33</u>	430,650	<u>15,050</u>	<u>4.66</u>
Noninterest-earning assets	<u>26,264</u>			<u>28,214</u>		
Total assets	<u>\$463,724</u>			<u>\$458,864</u>		
Interest-bearing liabilities:						
Deposits	\$361,247	3,195	1.18	\$368,334	4,294	1.55
FHLB advances and other borrowings	<u>3,885</u>	<u>14</u>	0.48	<u>21,028</u>	<u>862</u>	5.47
Total interest-bearing liabilities	365,132	<u>3,209</u>	<u>1.17</u>	389,362	<u>5,156</u>	<u>1.77</u>
Noninterest-bearing						
Liabilities	<u>36,552</u>			<u>20,653</u>		
Total liabilities	401,684			410,015		
Stockholders' equity	<u>62,040</u>			<u>48,849</u>		
Total liabilities and stockholders' equity	<u>\$463,724</u>			<u>\$458,864</u>		
Net interest-earning assets	<u>\$72,328</u>			<u>\$41,288</u>		
Net interest income/interest rate spread		<u>\$10,995</u>	<u>3.16%</u>		<u>\$9,894</u>	<u>2.89%</u>
Net yield on interest-earning assets (2)			<u>3.35%</u>			<u>3.06%</u>

1. Nonaccrual loans and loan fees have been included.
2. Net interest income divided by interest-earning assets.
3. The indicated yields are not reflected on a tax equivalent basis.

Provision for Loan Losses. The provision for loan losses amounted to \$2.4 million for the three months ended September 30, 2011 as compared to \$750,000 for the three months ended September 30, 2010. The provision for loan losses amounted to \$3.0 million for the nine months ended September 30, 2011 as compared to \$1.9 million for the nine months ended September 30, 2010.

The increase in the provision for loan losses in the third quarter of 2011 compared to the third quarter of 2010 was primarily due the need to replenish the allowance for loan losses due to \$2.6 million and \$1.1 million in charge-offs taken on two non-accrual real estate construction loans on property located in Bradenton, Florida and center city Philadelphia, respectively. These charge-offs, of which \$1.9 million was reserved prior to the third quarter of 2011, resulted from updated appraisals that were based on bulk sale or liquidation values for the collateral supporting these loans.

Other Income. Other income was \$213,000 for the three months ended September 30, 2011 as compared to \$282,000 for the same period in 2010. The decrease was primarily the result of an \$84,000 management fee from the former mutual holding company in 2010 that no longer exists following the second step conversion and reorganization on January 18, 2011. The decrease in other income was partially offset by a \$5,000 or 10.6% increase in in other fee income and a \$13,000 gain on the sale of investments for the three months ended September 30, 2011. In September of 2011, the Company identified a held-to-maturity security whose issuer had shown evidence of a significant deterioration of its credit worthiness and sold the security which had an amortized cost of \$688,000 which created the \$13,000 gain for the three months ended September 30, 2011.

Other income was \$533,000 for the nine months ended September 30, 2011 as compared to \$840,000 for the same period in 2010. The decrease was primarily the result of a \$252,000 management fee from the former mutual holding company in 2010 that no longer exists following the second step conversion and reorganization on January 18, 2011. The decrease in other income also included a \$44,000 net loss on the sale of securities, a \$12,000 or 4.7% decline in the increase in cash surrender value of bank owned life insurance, and a \$28,000 or 12.8% decrease in service charges on deposit accounts for the nine months ended September 30, 2011. Partially offsetting this decrease was a \$4,000 or 3.0% increase in other fee income for the nine month period ended September 30, 2011, compared to the same period in 2011.

Other Expenses. Other expenses decreased \$86,000 or 2.9% to \$2.8 million for the three months ended September 30, 2011 compared to the same period in 2010. The decrease was primarily due to a \$175,000 or 52.2% decrease in professional fees, a \$29,000 or 6.0% decrease in occupancy and equipment expense, an \$84,000 or 52.8% decrease in FDIC insurance premiums, a \$4,000 or 9.3% decrease in loan and other real estate owned (“OREO”) expense, a \$17,000 or 23.6% decrease in directors fees. The decrease in other expenses was partially offset by a \$167,000 or 11.4% increase in salaries and benefits expense, a \$2,000 or 2.0% increase in advertising and marketing expense, and a \$54,000 or 19.6% increase in other noninterest expense.

Other expenses decreased \$405,000 or 4.7% to \$8.2 million for the nine months ended September 30, 2011 compared to the same period in 2010. The decrease was primarily due to a \$78,000 or 5.4% decrease in occupancy and equipment expense, a \$121,000 or 24.8% decrease in FDIC insurance premiums, a \$202,000 or 32.5% decrease in professional fees, and a \$32,000

or 15.1% decrease in directors' fees. Also contributing to the decrease was a \$135,000 provision for loss on OREO for the nine month period ended September 30, 2010, compared to no provision for the same period in 2011. These decreases were partially offset by a \$104,000 or 2.3% increase in salaries and employment benefit expense and a \$50,000 or 6.0% increase in other noninterest expense.

Income Tax Benefit. Income tax benefit amounted to \$572,000 and \$54,000 for the three months ended September 30, 2011 and 2010, respectively, resulting in effective tax rates of (42.4)% and (34.8)%, respectively. Income tax benefit amounted to \$232,000 and \$259,000 for the nine months ended September 30, 2011 and 2010, respectively, resulting in effective tax rates of (75.1)% and (120.5%), respectively.

Liquidity and Capital Resources

Liquidity, represented by cash and cash equivalents, is a product of its cash flows from operations. The primary sources of funds are deposits, borrowings, amortization, prepayments and maturities of outstanding loans and mortgage-backed securities, sales of loans, maturities and calls of investment securities and other short-term investments and income from operations. Changes in the cash flows of these instruments are greatly influenced by economic conditions and competition. Management attempts to balance supply and demand by managing the pricing of its loan and deposit products while maintaining a level of growth consistent with the conservative operating philosophy of the management and board of directors. Any excess funds are invested in overnight and other short-term interest-earning accounts. Cash flows are generated through the retail deposit market, its traditional funding source, for use in investing activities. In addition, the borrowings such as Federal Home Loan Bank advances may be utilized for liquidity or profit enhancement. At September 30, 2011, the Company had no outstanding advances and approximately \$130.8 million of additional borrowing capacity from the FHLB of Pittsburgh. Further, the Company has access to the Federal Reserve Bank discount window. At September 30, 2011, no such funds were outstanding.

The primary use of funds is to meet ongoing loan and investment commitments, to pay maturing savings certificates and savings withdrawals and expenses related to general operations of the Company. At September 30, 2011, the total approved loan commitments outstanding amounted to \$9.1 million. At the same date, commitments under unused lines of credit amounted to \$24.0 million. Certificates of deposit scheduled to mature in one year or less at September 30, 2011 totaled \$167.4 million. Management believes that a significant portion of maturing deposits will remain with the Company. For the quarter ended September 30, 2011, there were no material changes in contractual obligations that were outside of the ordinary course of business. Management anticipates that it will continue to have sufficient cash flows to meet its current and future commitments.

Impact of Inflation and Changing Prices

The unaudited condensed consolidated financial statements and related financial data presented herein have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the measurement of financial position and operating results in terms of historical dollars, without considering changes in relative purchasing power over time due to inflation. Unlike most industrial companies, virtually all of the Company's assets and liabilities are monetary in nature. As a result, interest rates generally have a more

significant impact on a financial institution's performance than does the effect of inflation.

Part I - Item 3.

Quantitative and Qualitative Disclosures about Market Risk

Not Applicable.

Part I - Item 4T.

CONTROLS AND PROCEDURES

The Company's management evaluated, with the participation of the Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are designed to ensure that financial information required to be disclosed by the Company in the reports that are filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and regulations and are operating in an effective manner.

No change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) occurred during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

The Company is involved in legal proceedings and litigation arising in the ordinary course of business. It is the opinion of management, after consultation with legal counsel, that these matters will not materially affect the company's financial condition or results of operations. However, there can be no assurance that any of the outstanding legal proceedings and litigation to which the Company is a party will not be decided adversely to the Company's interests and have a material adverse effect on the consolidated financial statements.

Item 1A. Risk Factors

Not Applicable as the Company is a Smaller Reporting Company

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

Not Applicable

Item 4. [Removed and Reserved]

Item 5. Other Information

None

Item 6. Exhibits

(a) The following exhibits are filed herewith:

Ex. No.	Description
31.1	Section 302 Certification of Chief Executive Officer
31.2	Section 302 Certification of Chief Financial Officer
32.1	Section 906 Certification of Chief Executive Officer
32.2	Section 906 Certification of Chief Financial Officer
101.1.INS	XBRL Instance Document*
101.2.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definitions Linkbase Document*

* These interactive files shall not be deemed filed for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, or Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under those sections.

SIGNATURES

Under the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALLIANCE BANCORP, INC. OF PENNSYLVANIA

Date: November 8, 2011

By: /s/ Dennis D. Cirucci
Dennis D. Cirucci, President
and Chief Executive Officer

Date: November 8, 2011

By: /s/ Peter J. Meier
Peter J. Meier, Executive Vice
President and Chief Financial Officer

EXHIBIT 31.1

PURSUANT TO RULES 13a-14 AND 15d-14 OF THE SECURITIES EXCHANGE ACT OF 1934 AND SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002 CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER

I, Dennis D. Cirucci, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Alliance Bancorp, Inc. of Pennsylvania (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors:
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 8, 2011

/s/ Dennis D. Cirucci
Dennis D. Cirucci
President and Chief Executive Officer

EXHIBIT 31.2

**PURSUANT TO RULES 13a-14 AND 15d-14 OF THE SECURITIES EXCHANGE ACT
OF 1934 AND SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002
CERTIFICATION OF THE CHIEF FINANCIAL OFFICER**

I, Peter J. Meier, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Alliance Bancorp, Inc. of Pennsylvania (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors:
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 8, 2011

/s/ Peter J. Meier
Peter J. Meier
Executive Vice President and
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)

The undersigned executive officer of Alliance Bancorp, Inc. of Pennsylvania (the “Registrant”) hereby certifies that the Registrant’s Form 10-Q for the quarterly period ended September 30, 2011 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained therein fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: November 8, 2011

/s/ Dennis D. Cirucci

Dennis D. Cirucci

President and Chief Executive Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act and has been provided to Alliance Bancorp, Inc. of Pennsylvania and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)

The undersigned executive officer of Alliance Bancorp, Inc. of Pennsylvania (the “Registrant”) hereby certifies that the Registrant’s Form 10-Q for the quarterly period ended September 30, 2011 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained therein fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: November 8, 2011

/s/ Peter J. Meier
Peter J. Meier
Executive Vice President and
Chief Financial Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act and has been provided to Alliance Bancorp, Inc. of Pennsylvania and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.