

# Roma Financial Corporation ROMA (NAS)

Last Close	Industry	Sector
11.00 USD	Savings & Cooperative Banks	Financial Services

## Profile

Pricing data through 09 Feb 2012

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Roma Financial Corporation is a unitary savings and loan holding company. The banks offer traditional retail banking services, one-to four-family residential mortgage loans, multi-family and commercial mortgage loans, construction loans, commercial business loans and consumer loans, including home equity loans and lines of credit. It has traditionally focused on the origination of one- to four-family loans, which comprise a significant majority of the total loan portfolio. The company also provides financing for commercial real estate, including multi-family dwellings/apartment buildings, service/retail and mixed-use properties, churches and non-profit properties, medical and dental facilities and other commercial real estate. After real estate mortgage lending, consumer lending is its next largest category of lending and is mainly composed of home equity loans and lines of credit. It also originates construction loans for individual single-family residences and commercial loans to businesses and non-profit organizations, generally secured by real estate.

# Roma Financial Corporation ROMA

**Sales USD Mil** 60    **Mkt Cap USD Mil** 334    **Industry** Savings & Cooperative Banks    **Sector** Financial Services

Roma Financial is the holding company for Roma Bank, which operates approximately 8 branches in New Jersey. The bank provides checking, savings, money market, and individual retirement accounts, as well as certificates of deposit. In addition, the bank originates real estate, business, and consumer loans. The bank also provides other financial services, including online banking, credit cards, and direct deposit.

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Website: <http://www.romabank.com>

Employees: 370

Growth Rates Compound Annual		1 Yr	3 Yr	5 Yr	10 Yr
Revenue %	48.9	18.6	15.0	—	—
Operating Income %	—	—	—	—	—
Earnings/Share %	88.9	-9.6	-5.9	—	—
Dividends %	-20.0	10.1	—	—	—
Book Value/Share %	0.3	1.4	—	—	—
Stock Total Return %	7.4	0.9	-4.5	—	—
+/- Industry	17.1	3.8	4.1	—	—
+/- Market	5.0	-14.9	-3.3	—	—

Profitability Analysis		Current	5 Yr Avg	Ind	Mkt
Return on Equity %	3.0	2.4	0.6	22.3	—
Return on Assets %	0.3	0.5	0.1	9.5	—
Revenue/Employee USD K	161.8	145.5	—	1050.6	—
Compensation Exp/Rev	0.4	0.4	—	—	—
Operating Margin %	—	—	52.3	16.7	—
Net Margin %	11.0	14.3	1.9	11.2	—
Free Cash Flow/Rev %	9.2	—	8.1	0.1	—

Financial Position		12-10 USD Mil	09-11 USD Mil
Loans (Gross)	904	942	—
Less: Allowances	11	11	—
Net Loans	894	932	—
Securities	722	721	—
Trading Assets	—	—	—
Intangibles	2	2	—
Other	201	272	—
Total Assets	1819	1927	—
Deposits	1504	1599	—
Short-Term Debt	—	—	—
Long-Term Debt	37	35	—
Other	67	76	—
Total Liabilities	1608	1710	—
Preferred Stock	—	—	—
Total Equity	211	217	—

Valuation Analysis		Current	5 Yr Avg	Ind	Mkt
Price/Earnings	50.5	79.4	144.9	14.6	—
Forward P/E	44.0	—	—	13.5	—
Price/Free Cash Flow	60.6	—	4.1	17.0	—
Dividend Yield %	2.9	—	3.7	2.0	—
Price/Book	1.5	1.8	0.9	2.0	—
Price/Sales	5.6	9.8	3.0	1.2	—
PEG Ratio	—	—	—	1.4	—

**Morningstar Rating** —    **Last Price** 11.00    **Fair Value** —    **Uncertainty** —    **Economic Moat™** —    **Stewardship Grade** —

per share prices in USD



2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	YTD	Stock Performance
—	—	—	—	—	-4.2	-17.9	0.7	-11.7	-3.4	11.8	Total Return %
—	—	—	—	—	-7.7	20.6	-22.7	-24.5	-3.4	4.3	+/- Market
—	—	—	—	—	10.5	-12.7	10.3	-8.2	12.8	4.3	+/- Industry
—	—	—	—	—	1.1	2.4	2.6	3.0	3.3	2.9	Dividend Yield %
—	—	—	—	542	514	389	382	321	298	334	Market Cap USD Mil

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	TTM	Financials
21	24	23	24	24	26	28	28	33	46	53	Net Interest Inc USD Mil
1	1	2	2	3	3	4	4	3	7	7	Fee Income
—	—	—	—	—	—	—	—	—	—	—	Oper Income USD Mil
7	8	8	8	8	5	7	5	3	5	7	Net Income USD Mil
—	0.34	0.34	0.33	0.23	0.19	0.23	0.15	0.09	0.17	0.22	Earnings Per Share USD
—	—	—	—	—	—	0.24	0.24	0.40	0.32	0.32	Dividends USD
—	23	23	23	33	27	32	31	31	31	30	Shares Mil
—	—	—	—	7.17	6.67	6.84	6.94	6.96	7.15	7.15	Book Value Per Share USD
578	629	672	712	798	876	907	1077	1312	1819	1927	Assets USD Mil
108	116	124	131	139	235	218	211	215	211	217	Total Equity USD Mil
—	-1	0	0	0	-91	24	12	-1	9	5	Free Cash Flow

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	TTM	Profitability
—	1.3	1.2	1.1	1.0	0.6	0.8	0.5	0.2	0.3	0.3	Return on Assets %
—	6.9	6.4	6.0	5.6	2.8	3.2	2.2	1.2	2.4	3.0	Return on Equity %
33.5	31.7	31.1	30.0	28.3	18.0	22.5	14.3	7.3	9.5	11.0	Net Margin %
—	0.04	0.04	0.04	0.04	0.03	0.04	0.03	0.03	0.03	0.03	Asset Turnover
—	5.4	5.4	5.4	5.8	3.7	4.2	5.1	6.1	8.6	8.9	Financial Leverage

  

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	09-11	Financial Health
244	259	304	335	379	420	459	520	586	894	932	Net Loans USD Mil
0	0	0	0	10	8	29	47	25	37	35	Long-Term Debt USD Mil
467	510	545	576	644	626	651	764	1016	1504	1599	Deposits USD Mil

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	TTM	Valuation
—	—	—	—	87.0	68.0	84.0	137.0	62.5	45.3	50.5	Price/Earnings
—	—	—	—	—	—	—	—	—	2.6	3.5	P/E vs. Market
—	—	—	—	17.9	15.5	11.8	10.6	6.0	5.0	5.6	Price/Sales
—	—	—	—	2.3	2.4	1.8	1.8	1.5	1.4	1.5	Price/Book

Quarterly Results		Revenue USD Mil			
		Dec 10	Mar 11	Jun 11	Sep 11
Most Recent Period	16.1	14.5	14.7	14.6	—
Prior Year Period	8.5	11.3	11.8	14.3	—
Rev Growth %		Dec 10			
		Mar 11	Jun 11	Sep 11	—
Most Recent Period	88.8	28.2	24.1	2.1	—
Prior Year Period	-1.6	35.5	30.5	42.9	—
Earnings Per Share USD		Dec 10			
		Mar 11	Jun 11	Sep 11	—
Most Recent Period	0.04	0.06	0.05	0.07	—
Prior Year Period	0.01	0.05	0.05	0.03	—

Industry Peers by Market Cap		Mkt Cap USD Mil	Rev USD Mil	P/E	ROE%
Roma Financial Corpo	334	60	50.5	3.0	—
Public Financial Hol	—	—	—	—	—
New York Community B	5520	1484	10.7	9.3	—

Major Fund Holders		% of shares
		—
		—
		—

TTM data based on rolling quarterly data if available; otherwise most recent annual data shown.



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## Management & Ownership

### Management Activity

Name	Position	Shares Held	Report Date*	InsiderActivity
MAURICE T. PERILLI	Director	44,266	15 Nov 2010	-
MS. MICHELE N. SIEKERKA,ESQ.	Director	13,999	31 Dec 2011	-
ALFRED DEBLASIO,JR	Director	8,000	04 Aug 2011	-
ROBERT C. ALBANESE	Director	4,000	18 Nov 2010	-
JEFFREY P. TAYLOR	Director	3,000	24 May 2011	-
C. KEITH PERICOLOSO	COO/Executive VP	2,525	02 Aug 2010	-
MR. WILLIAM J. WALSH, JR	Director	2,290	05 Aug 2011	-
MARGARET T. NORTON		2,000	22 Nov 2010	-

\*Report date represents the date on which the owner's common shares held was audited.

### Fund Ownership

Top Owners	Morningstar Rating	% of Shares Held	% of Fund Assets	Change (k)	Portfolio Date
iShares Russell 2000 (AU)		0.36	0.01	2	03 Feb 2012
Vanguard Small Cap Index		0.38	0.00	-3	30 Sep 2011
Vanguard Small Cap Index Inv	QQQ	0.38	0.00	0	30 Sep 2011
DFA US Micro Cap I	QQQ	0.28	0.03	0	30 Nov 2011
DFA US Small Cap I	QQQ	0.21	0.02	0	30 Nov 2011
Concentrated Holders					
Great-West Life Global Equity (S) NL	QQQ	0.07	0.21	0	31 Jan 2012
LONDON GLOBAL EQUITY (S34)		0.19	0.21	0	31 Jan 2012
Canada Life Flex Global Eq (Setanta)	QQQ	0.04	0.20	0	31 Jan 2012
Russell 2000 Low Beta ETF		0.00	0.11	0	03 Feb 2012

### Institutional Transactions

Top 5 Buyers	Morningstar Rating	% of Shares Held	% of Fund Assets	Shares Bought/Sold (k)	Portfolio Date
Vanguard Total Stock Mkt Idx		0.14	0.00	42	30 Sep 2011
SSgA Russell Small Cap Idx Fund Class A	QQQ	0.16	0.01	26	30 Jun 2011
American Beacon Small Cap Idx Inst	QQQ	0.01	0.01	3	31 Oct 2011
Vanguard Balanced Index Inv	QQQQ	0.03	0.00	2	30 Sep 2011
iShares Russell 2000 (AU)		0.36	0.01	2	03 Feb 2012
Top 5 Sellers					
The Vanguard Total Stock Market Index	QQQQ	0.04	0.00	-5	30 Sep 2011
Vanguard Small Cap Index		0.38	0.00	-3	30 Sep 2011
Wilmington Small-Cap Strategy Inst	QQQ	0.00	0.00	-2	30 Nov 2011
Vanguard Small Cap Value Index Inv	QQQ	0.21	0.01	-1	30 Sep 2011

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### Industry Focus: Banks

Michael Kon, CFA  
Senior Stock Analyst

The market is discounting this firm's improving credit quality and attractive business model.

#### Wilshire Will Reward Those Banking on Its Turnaround

08 February 2012

Wilshire Bancorp (WIBC) is one of our favorite turnaround plays in regional banking. With a new management team at the helm, plenty of reserves for loan losses, and a record level of capital, Wilshire is positioned to return to high profitability. While its focus on the Korean-American market isolates it from the competitive pressures of mainstream banks, its low-cost operating model serves it well when competing with other ethnic banks. The stock trades nearly 40% below our fair value estimate, an unwarranted discount considering Wilshire's successful turnaround and the quality of its franchise.

Wilshire entered the financial crisis and the Great Recession in a slightly better shape than most California banks of a similar size. The bank had more capital and fewer problem loans than many peers and in June 2009 was even chosen by the FDIC to acquire the failed Mirae Bank, a privilege reserved only for banks that score high on periodic regulatory reviews.

However, in early 2009, the bank's nonperforming loans began to creep up and by 2010, the level of nonperforming loans exceeded that of most peers. While Mirae Bank came with a sizable portfolio of nonperforming loans, Wilshire's legacy loans also started to weaken, becoming a major cause for concern. What exacerbated the problem, in our view, was management's lack of action in light of the worsening credit quality. While Wilshire's peers were selling bad credit and jettisoning weak assets at market prices, management stayed put and failed to introduce a credible loan workout plan.

As a result of management's neglect to address the bank's problem loans, during the second half of 2009 and through 2010 nonperforming loans trended well above its ethnic peers and other California banks. Even more troubling was management's failure in managing the bank's capital. Despite the mounting credit problems, Wilshire's

management ignored the bank's growing need to raise capital and continued to argue that capital wasn't an issue because regulatory capital ratios were still above the official requirements. While nonperforming loans were rising, the bank's common equity plunged almost 40%.

To make matters worse, Wilshire was bleeding capital when most of its California peers were building their own. By the first quarter of 2011, Wilshire's tangible common equity deteriorated to half of the level reported by most peers, reaching 3.9% of total tangible assets—a troubling level, in our view. The bank's regulators noticed the deterioration in Wilshire's financial health and slapped it with a memorandum of understanding, a regulatory action reserved for banks that exhibit financial weakness.

Despite Credit Woes, Wilshire's Business Model Was Never Broken

Despite its credit woes, we think Wilshire still has a viable and attractive business model. Underwriting practices aside, Wilshire's focus on the Korean-American population in Southern California provides it with several advantages over mainstream banks: Unlike the general population, the bank's clients value the relationship with an ethnic bank and usually don't shop around for the best available rate. Wilshire's clients tend to be more entrepreneurial than the general population; the rate of small-business owners among the bank's clients is double the U.S. average. Most of the bank's clients live in proximity to one another, reducing the need to build many branches. The Korean-American population is more educated than the general U.S. population, which leads to a higher saving rate (double the U.S. average) among the bank's clients; since clients tend to keep a sizable portion of their savings in CDs, the bank benefits from a stable deposit base. Serving the Korean-American population enables Wilshire to benefit from trade with South Korea, America's sixth-largest trading partner. We think these advantages led Wilshire to earn higher returns on assets during the period that preceded the financial crisis and could help it return to profitability once credit issues are fully resolved.

Turnaround Efforts Bear Fruit

After sitting on its hands during 2010, Wilshire's board

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### Industry Focus: Banks

finally woke up in early 2011 and launched an aggressive turnaround program to resolve its credit issues. In February, Wilshire replaced its CEO. Jae Whan Yoo joined Wilshire after successfully leading one of its largest competitors through a similar credit turnaround. In May, the bank raised \$100 million by issuing new shares to the public. This doubled the bank's common equity and boosted its capital ratios to record levels. In September, the bank appointed Jack Choi as its new chief credit officer.

Also during 2011, Wilshire changed its credit risk management: It separated the loan production and underwriting functions, established an enterprise risk management department, created a cross-team credit task force to improve credit quality and reduce problem assets, and increased its in-house lending limit to single borrowers. With these actions, Wilshire scrapped its previous underwriting practices and adopted a more robust credit culture. We think this had an immediate impact on the bank's performance. Nonperforming loans in the following quarters declined and the flow of new problem loans began to ebb.

While nonperforming loans dropped 50% from their peak, reserves for loan losses actually increased 33% during the same period and exceeded the level reported by peer ethnic banks and other competitors in California in the second half of 2011. Thanks to management's turnaround efforts, Wilshire ended the third quarter of 2011 with more capital, more reserves, and fewer problem loans than most of its main peers.

Wilshire still has work to do, as its nonperforming assets remain above 3%, higher than its historical levels, and returns on assets and equity still trend below past levels. That said, we believe the bank's comeback in 2011 will make the hurdles ahead of it seem not as hard to overcome.

While bank stocks came under pressure on fears of another recession and a spillover from the European sovereign debt crisis, Wilshire's stock cratered more than 50%. Ironically, this sell-off occurred as the bank's financial health strengthened and performance started to improve. We believe the market is ignoring Wilshire's successful turnaround and prospects. We value the stock at \$6 per share, while it trades around \$3.80--a decent discount,

especially given the successful credit turnaround and the quality of the bank's franchise.