

"2 Small Bank Dividend Stocks Outperforming The Market In 2015"

With the specter of Fed interest rate hikes looming over the market for the past 2 years, many interest-rate sensitive stocks have gotten sold off. However, there are some stocks which will benefit from higher rates, namely banks, and, in particular, small banks.

Why small banks vs. large ones? Because smaller banks stick to traditional lending and deposits as their business model, whereas larger banks also play with derivatives and other forms of trading to make \$.

We found 2 small/micro cap bank stocks, which have gotten good support from the market in 2015: Oritani Financial Corp., ORIT, and United Bank Corp. UBCP. ORIT has a much larger market cap than UBCP, and has way more trading volume, but both stocks have attractive features. especially in the dividends department.

Ticker	Price	Performance (Month)	Performance (Quarter)	Performance (YTD)	52 Week High	52 Week Low
ORIT	\$16.48	6.01%	9.79%	15.32%	-2.63%	24.69%
UBCP	\$9.37	16.84%	18.59%	21.98%	-12.64%	29.01%
S&P 500	\$2,043.41	-0.48%	3.30%	-0.75%	-4.28%	12.23%

Ticker	Company	Sector	Industry	Market Cap	Avg. Daily Volume
ORIT	Oritani Financial Corp.	Financial	Regional - Northeast Banks	\$726.93M	183,623.00
UBCP	United Bancorp Inc.	Financial	Regional - Midwest Banks	\$50.41M	1,253.00

Dividends: Although these aren't **high dividend stocks**, they both have a 4%-plus dividend yield. In addition, both declared a special dividend in the 4th quarter of 2015. Over the past few years, ORIT's special dividends have ranged from \$.25 to the \$.50 it declared this November, which gives it a trailing yield of over 7%.

UBCP raised its quarterly dividend by \$.01, and declared a special dividend of \$.04 in Q4 2015. It does have more of a checkered past for dividends, though - it cut its \$.14 quarterly payout to \$.07 in 2012, due to higher regulatory expenses that all banks had to assume as a result of the Financial crisis fallout. However, it has been working its way back upwards since 2013.

Ticker	Dividend Yield	Payout Ratio	Most Recent Quarterly Dividend	Q4 2015 Special Dividend	Next Ex-Dividend Date (approx.)	Next Pay Date (approx.)
ORIT	4.25%	59.30%	\$0.175	\$0.50	2/4/16	2/19/16
UBCP	4.27%	58.10%	\$0.10	\$0.05	3/4/16	3/21/16

Options: Although ORIT has options available, there is very poor liquidity for them, so we haven't added any to our **Covered Calls Table** or to our **Cash Secured Puts Table**. However, you can see details on over 25

income-producing trades in each of these tables.

Earnings: ORIT has shown good earnings growth over the past several years, even in the face of low interest rates.

Period Ended	2016 FQ1 YTD 9/30/2015	2015 FY 6/30/2015	2014 FY 6/30/2014	2013 FY 6/30/2013	2012 FY 6/30/2012
Balance Sheet (\$000)					
Total Assets	<u>3,348,652</u>	<u>3,353,065</u>	<u>3,140,200</u>	<u>2,831,922</u>	<u>2,700,982</u>
Total Net Loans	<u>2,764,475</u>	<u>2,756,212</u>	<u>2,503,894</u>	<u>2,275,782</u>	<u>1,992,817</u>
Total Deposits	<u>2,008,395</u>	<u>1,962,737</u>	<u>1,580,975</u>	<u>1,419,703</u>	<u>1,389,706</u>
Equity Attributable to Parent Company	<u>522,287</u>	<u>517,670</u>	<u>526,292</u>	<u>518,710</u>	<u>510,709</u>
Total Equity	<u>522,287</u>	<u>517,670</u>	<u>526,292</u>	<u>518,710</u>	<u>510,709</u>
Profitability (%)					
Net Income (\$000)	<u>12,182</u>	<u>46,902</u>	<u>41,059</u>	<u>39,544</u>	<u>31,650</u>

(Source: ORIT website)

UBCP has also grown its net income and net loans since 2012, and looks poised to do so again in 2015, with 1 quarter left to report:

Period Ended	2015 FQ3 YTD 9/30/2015	2014 FY 12/31/2014	2013 FY 12/31/2013	2012 FY 12/31/2012
Total Assets	408,255	401,812	389,166	438,354
Total Net Loans	323,598	313,354	306,608	293,774
Total Deposits	323,197	322,681	310,641	350,416
Equity Attributable to Parent Company	41,567	40,390	38,871	36,626
Total Equity	41,567	40,390	38,871	36,626
Profitability (%)				
Net Income (\$000)	2,358	2,651	2,612	2,398

(Source: UBCP website)

Valuations: Excepting its P/E, much larger ORIT is commanding higher valuations than UBCP, most likely due in part to its big special dividend.

Ticker	P/E	P/Sales	P/Book	Enterprise Value/Revenue
ORIT	14.33	5.49	1.3	11.67
UBCP	15.36	3.15	1.09	3.58

Financials: ORIT also has a much higher Return On Assets ratio than UBCP, which is a key ratio for measuring banks' earnings efficiency.

Ticker	Return on Assets	Return on Equity	Return on Investment	Total Debt/Equity	Operating Margin
ORIT	1.50%	9.50%	13.60%	0.00	73.30%
UBCP	0.80%	7.60%	27.20%	0.10	81.90%

Profiles: Oritani Financial Corp. operates as a savings and loan holding company for Oritani Bank that provides various banking services for individual and corporate customers in the US. It accepts a range of deposit products, including non-interest and interest-bearing demand and NOW checking accounts, money market deposit accounts, savings accounts, retirement accounts, and time deposits. It also provides residential commercial real estate loans comprising mortgage loans secured by apartment buildings; commercial real estate loans, including mortgage loans secured by retail anchor shopping centers, commercial offices, retail space, warehouses, and mixed-use buildings; and residential real estate loans, such as one to four family residential real property and home equity loans. It also offers second mortgage and equity loans, and home equity lines of credit, as well as construction loans.

In addition, ORIT owns and invests in securities and real estate properties. As of 6/30/15, it operated 25 full service branches in Bergen, Hudson, Essex, and Passaic counties in New Jersey; and 2 lending offices in New York. The company was founded in 1911 and is headquartered in Township of Washington, NJ.

United Bank Corp.: Operates as the bank holding company for The Citizens Savings Bank that provides commercial and retail banking services to individuals, businesses, and other organizations in northeastern, east-central and southeastern Ohio. The company provides a range of services, which include accepting demand, savings, and time deposits, as well as granting commercial, real estate, and consumer loans. It also offers brokerage services through LPL Financial member NASD/SIPC.

UBCP operates through its main office; stand alone operations center in Martins Ferry, Ohio; and 18 branches located in Belmont, Harrison, Jefferson, Tuscarawas, Carroll, Athens, Hocking, and Fairfield counties and the surrounding localities. United Bancorp, Inc. was founded in 1974 and is headquartered in Martins Ferry, Ohio.

Disclosure: Author owned no shares of either stock covered in this article as of yet.

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