

Small Bank Dividend Stocks Outperforming In 2015

by Robert Hauver

Looking for outperforming dividend stocks to capitalize on rising interest rates? As it turns out, many regional and small bank stocks and ETF's have been outperforming the S&P 500 handily over the past month, and year-to-date. Here's a look at how 4 of these ETF's have trumped the S&P 500 in these periods:

Ticker	ETF	Dividend Yield	Performance (Month)	Performance (YTD)	Performance (Year)	52-Week High	52-Week Low	6/17/15 Price
KRE	SPDR S&P Regional Banking ETF	1.62%	7.94%	10.96%	15.56%	-1.56%	26.92%	\$44.29
KBE	SPDR S&P Bank ETF	1.54%	7.24%	10.76%	14.50%	-1.27%	25.10%	\$36.58
QABA	First Trust NASDAQ ABA Community Bank ETF	1.33%	7.70%	8.52%	14.23%	-1.14%	23.06%	\$39.48
IAT	iShares US Regional Banks	1.65%	5.74%	7.77%	11.83%	-1.17%	25.27%	\$37.27
	S&P 500	1.94%	-1.04%	2.56%	9.77%	-1.61%	15.37%	\$2,100.44

Digging down further, we culled out the stocks from the universe of outperforming small and regional banks, to find the high dividend stocks within this group. As you can see, these are a far cry from the 6% to 12% high yielding stocks which we usually write about, and also track in our [High Dividend Stocks By Sector Tables](#). This group has a dividend yield range of 2.42% up to 3.53%, and its Dividend Payout Ratio range is quite wide, from a low of 30.80%, up to 92.60%:

Ticker	Company	Region	Dividend Yield	Payout Ratio
BOKF	BOK Financial Corporation	Regional - Southwest Banks	2.42%	30.80%
FCBC	First Community Bancshares, Inc.	Regional - Mid-Atlantic Banks	2.87%	37.80%
UMPQ	Umpqua Holdings Corporation	Regional - Pacific Banks	3.19%	74.10%
FNB	F.N.B. Corporation	Regional - Southeast Banks	3.37%	57.80%
CHFC	Chemical Financial Corporation	Regional - Midwest Banks	2.92%	46.10%
SBSI	Southside Bancshares Inc.	Regional - Mid-Atlantic Banks	3.16%	92.60%
HBHC	Hancock Holding Company	Regional - Southeast Banks	2.99%	36.90%
WABC	Westamerica Bancorp.	Regional - Pacific Banks	3.04%	65.80%
FFBC	First Financial Bancorp.	Regional - Midwest Banks	3.53%	52.60%

Performance: All of these small bank stocks have outperformed the S&P 500 over the past month, and the overwhelming majority have also outperformed over the past year and year to date:

Ticker	6/17/15 Price	Performance (Month)	Performance (YTD)	Performance (Year)	52-Week High	52-Week Low
BOKF	\$69.21	8.23%	17.22%	10.42%	-0.57%	32.35%
FCBC	\$17.94	9.50%	11.68%	31.51%	-1.81%	39.36%
UMPQ	\$18.57	9.12%	11.45%	11.16%	-1.77%	27.42%
FNB	\$14.12	8.25%	9.02%	17.55%	-1.12%	26.20%
CHFC	\$32.67	9.56%	8.85%	16.06%	-0.82%	28.77%
SBSI	\$29.04	8.25%	7.35%	15.88%	-10.46%	21.48%
HBHC	\$31.79	11.51%	6.38%	-3.78%	-10.09%	29.46%
WABC	\$49.31	13.48%	3.98%	2.01%	-5.48%	22.59%
FFBC	\$18.02	8.02%	-0.63%	12.60%	-3.62%	23.43%
S&P 500	\$2,100.44	-1.04%	2.56%	9.77%	-1.61%	15.37%

Financials: A common trait among these stocks is that they seem to be more conservative than the large mega banks - none of them has a large debt load - they're all way below 1.00, and some of them have no debt at all. As a contrast, Citigroup, JPMorgan Chase, and Wells Fargo all have Debt/Equity loads of over 1.00. The smaller debt loads for these smaller banks may also be a by-product of increased bank regulation, but this trait is one we often hear about them - that they're a more conservatively run group as a whole.

Ticker	Return on Assets	Return on Equity	Return on Investment	Total Debt/Equity	Operating Margin
BOKF	1.30%	11.10%	14.40%	0.11	60.30%
FCBC	1.00%	7.40%	22.10%	0.05	49.90%
UMPQ	0.80%	4.70%	12.70%	0.35	42.00%
FNB	0.90%	7.50%	16.70%	0.14	44.60%
CHFC	1.00%	8.30%	22.50%	0	40.80%
SBSI	0.50%	6.20%	19.40%	0.14	23.20%
HBHC	1.00%	8.50%	19.50%	0.21	35.40%
WABC	1.20%	11.30%	22.00%	0	56.60%
FFBC	1.00%	8.80%	23.70%	0.03	40.20%

Valuations: Most of these banks' Forward P/E valuations seem quite modest, in addition to some of them being much lower than their trailing P/E's, which is also a positive sign that they are moving in the right direction.

Ticker	Market Cap	P/E	Forward P/E	P/S	P/B
BOKF	\$4.79B	16.57	14.43	6.49	1.41
FCBC	\$343.18M	14.14	12.84	3.3	0.97
UMPQ	\$4.14B	23.2	14.23	4.43	1.09
FNB	\$2.49B	17.39	14.43	4.75	1.27
CHFC	\$1.12B	16.01	12.4	4.69	1.33
SBSI	\$736.60M	28.79	13.89	5.66	1.69
HBHC	\$2.50B	15.99	13.73	3.64	1.05
WABC	\$1.28B	21.68	21.15	9.23	2.44
FFBC	\$1.12B	15.77	13.89	4.42	1.39

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