

Bank INVESTOR

NEWS BRIEFS

The Best of 1997

For financial investors, 1997 was one of the best years ever, with bank stocks soaring despite an early market hiccup.

Bank stocks returned handsomely for their investors in 1997, and not just because of acquisition fever. While the name of the game in 1997 was consol-

idation, only five out of the top 25 performers (and one of the bottom 25), ranked by total return, were merger targets on Dec. 31. The rankings do not include "pink sheet"® companies.

Leading the way in 1997 was Bank of Commerce of San Diego, CA, which returned an astronomical 401.88% for the year. This number almost doubled the distant second place finish of U.S.B. Holding Co., which finished

with a total return of 204.85%.

Earlier in the year, Bank of Commerce made a bid for FallBrook National Bank. However, Fallbrook's board declined to consider the deal, and Bank of Commerce withdrew its offer. In spite of this failure, Bank of Commerce is a leading SBA lending bank, and the key to its future success, according to Torrey Pines Securities Inc. analyst Hans Schroeder, has been

Best and Worst Performances for 1997 Among all Publicly Traded Banks

Rank	Ticker	Name	Total Return 1997 (%)	Rank	Ticker	Name	Total Return 1997 (%)
1	BCOM	Bank of Commerce	401.88	426	UNIB	University Bancorp Inc.	-33.90
2	UBH	U.S.B. Holding Co.	204.85	425	LION	Fidelity National Corp.	-24.49
3	GLDB	Gold Banc Corp.	194.38	424	PBK	PonceBank	-21.86
4	CACB	Cascade Bancorp	174.66	423	CMFH	Community Financial Holding	2.16
5	FUSC	First United Bancorp.	170.68 ^M	422	CNAF	Commercial National Financial	3.43
6	MBNY	Merchants New York Bancorp	166.91	421	CIBN	California Independent Bancorp	6.27
7	VTRA	Vectra Banking Corp.	166.21 ^M	420	GRAN	Bank of Granite Corp.	7.34
8	STBC	State Bancorp Inc.	161.22	419	CBN	Cornerstone Bank	7.92
9	CYFN	Century Financial Corp.	159.15 ^M	418	PNBK	Patriot National Bank	8.00
10	RBNK	Regent Bancshares Corp.	154.55	417	SWPA	Southwest National Corp.	9.02
11	KHG	Keystone Heritage Group Inc.	146.77 ^M	416	FCBIA	First Commerce Bancshares Inc.	10.78
12	SNBC	Sun Bancorp Inc.	145.63	415	PAB	PAB Bankshares Inc.	13.36
13	AMBC	American Bancorp.	142.76	414	SBGA	Summit Bank Corp.	13.82
14	PMB	Premier Bancshares Inc.	141.43	413	CBTC	CBT Corp.	15.24
15	FPBN	FP Bancorp Inc.	140.00 ^M	412	WTFC	Wintrust Financial Corp.	15.25
16	CSB	ComSouth Bankshares Inc.	135.90	411	HABC	Habersham Bancorp	15.49
17	RBKV	Resource Bank	135.29	410	FSBT	First State Corp.	16.29 ^M
18	WBPR	Westernbank Puerto Rico	133.62	409	SGB	Southwest Georgia Financial	16.47
19	GBCB	GBC Bancorp	132.28	408	MNBB	MNB Bancshares Inc.	17.31
20	SWBS	SierraWest Bancorp	132.06	407	FHWN	First Hawaiian Inc.	17.57
21	AMPBB	American Pacific Bank	129.41	406	AREA	Area Bancshares Corp.	17.76
22	FBA	First Banks America Inc.	129.02	405	JPM	J.P. Morgan & Co.	19.43
23	CBCL	Capitol Bancorp Ltd.	126.62	404	BOH	Pacific Century Financial Corp.	20.99
24	IMP	Imperial Bancorp	126.02	403	CHFC	Chemical Financial Corp.	21.16
25	CICS	Citizens Bancshares	125.15	402	AANB	Abigail Adams National Bancorp	22.09

^MCompany was the target of an announced merger on Dec. 31, 1997.
Source: SNL Financial DataSource

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the sale of the unguaranteed portions of its SBA loan portfolio.

Smaller banks comprised many of the top performers. Bank of Commerce has \$492.9 million in assets, and **Cascade Bancorp** and **Regent Bancshares Corp.** each have less than \$300 million in assets.

The SNL Index of all banks returned a superb 51.53% during the year, as compared to the S&P 500's 33.37% total return. The median total return for all banks was 57.65%, again reflecting the strong bull market that lasted for most of the year.

Even in a record year, some banks still floundered. Three different banks had double-digit negative returns, with **University Bancorp Inc.** finishing on the bottom with -33.90%. Four out of the last six quarters, University

Bancorp has reported a net loss for the quarter, and the thinly traded \$67.6 million-asset bank has seen its stock price drop below \$5.00, closing out the year at \$4.875 per share.

Fidelity National Corp. recently sold three million shares in a public offering in December, but its problems may go back to the end of 1996, when Fidelity was required to achieve higher capital levels by the OCC. The majority of Fidelity's stock price decline occurred in the first quarter of 1997.

The new year may see the industry in transition. Schroeder commented that while a positive growth environment still prevails, growth should continue, but it will not be as rapid. Schroeder further said that eventually the market's good fortune will run out, according to the law of averages.

Indeed, **Merrill Lynch & Co.** analyst Judah Kraushaar lowered estimates and ratings for several money center bank stocks Jan. 6. The stocks were hard hit, with **Citicorp** losing 5.66% to close at \$123.00, **Chase Manhattan Corp.** losing 4.67% to close at \$107.19, and **BankAmerica Corp.** losing 5.07% to close at \$69.13.

Market observers say that the downgrades could affect more than just the money centers. Although smaller banks don't face the same international risks as money centers, they also don't have the diversity of funding sources, and therefore could be vulnerable to analyst downgrades and sinking stock prices. ☞

By Andy Burt, an associate research editor of BankINVESTOR

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