

Title:

On Valley National Bancorp

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1016

Summary:

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Valley has consistently earned extraordinary returns on assets and equity. Over the last twenty years,

Valley's worst two-year performance occurred in 1990 and 1991. During that period, Valley's returns

Keywords:

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Article Body:

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It was at this low-point in 1991 that the board of directors decided not to increase the cash dividend.

The company has 79 consecutive years of profitable operations. That's over 300 quarters (Valley's history).

Location

Northern New Jersey is about the best place in the world to situate a bank. This isn't hyperbole.

In a September 20th, 2001 interview with The Wall Street Transcript, Valley's chairman, Gerald Lipkin,

"Northern New Jersey is the single most densely populated area on earth. There are more people here than in any other state."

Focus

Valley maintains a narrow focus both in terms of geography and services. The company's offices are located in

Valley focuses on relationship banking. The company has residency requirements for its directors and

Discipline

Valley has a history of highly disciplined lending. Charge-offs are immaterial. Current reserves are

Undoubtedly, the local economy is helpful in this regard. Valley does not need to make questionable

Management

Banking, like insurance, is a business where a particularly good or particularly poor management can

Of course, the real responsibility for avoiding mistakes lies with others in the organization.

Mr. Lipkin made his management philosophy quite clear with his concluding remarks in the aforementioned

"We never bet the ranch ~ we never put the bank in harms way on any single issue that could result in

Valuation

Valley National Bancorp is a solid, well-run bank operating in a geographic area with excellent growth potential. Unfortunately, the company is trading at more than three times book. Three times book is a lot.

#### Conclusion

Valley is a good bank. It has a real moat, albeit a narrow one. Competition is increasing with the entry of new banks. The stock isn't cheap today, but there is one wrinkle worth keeping in mind. Valley is more dependent on the local economy. The current dividend yield on a share of Valley National Bancorp is a little less than 3.5%. C

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