



Solomon's Select: Riverview Bancorp (RVSB)

Is the banking/mortgage crisis over? We have no idea. Might some banks have been punished more than they deserve? We think so. Are there some areas of the country with fewer distress signals? Yes. Is it possible that we're "early?" Yes.

That said ... Riverview Bancorp of Vancouver, Washington has been in business for 85 years and it's a pretty good bet that they've made more than a few good decisions along the way. Growth has been fairly steady and profitability has been increasing in recent years. A scan of their financial reports reveals less relative mortgage exposure and a solid track record when it comes to problem assets.

Combine all of that with the fact that their officers and "inside stakeholders" have an 18% interest in company and a geography that seems to be less affected by current economic thralls and it adds up to intriguing potential.

Growth

The historical rate of book value growth is 7-8%. We've assumed a forward-looking rate of 8% for this study.

Profitability


The 5-year average return-on-equity (ROE) is 10% reaching a recent all-time high of 11.6% during 2006. The average ROE for thrifts is 9.5% and we've used 11.9% for RVSB for forward-looking estimates. Based on the book value growth forecast and the approximate 12% ROE, the 5-year EPS estimate is \$1.49.

Valuation

The industry average projected P/E for Thrifts is 13.5x. Based on P/E forecasts by S&P and historical trends, a P/E of 14-16x is feasible. The current P/E was 11.7x at the time of selection.

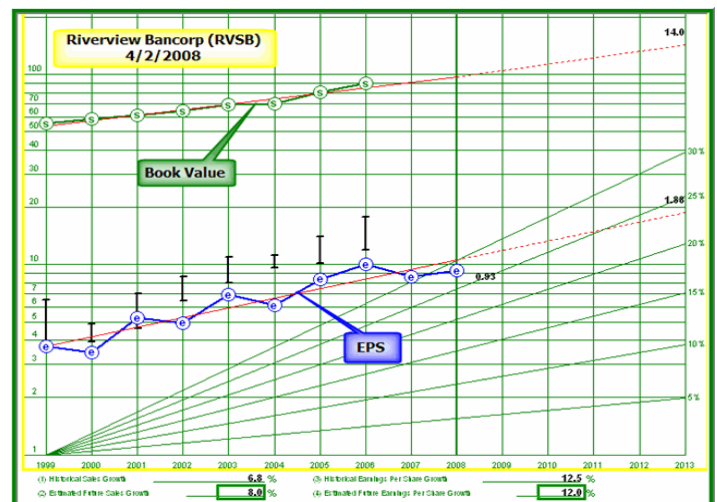
Expected Returns, Quality & Conclusions

Based on a price at the time of the study of \$9.27, the projected annual return was approximately 21%. The quality rating is 76.1 (Excellent). The financial strength index is 87%. Insiders hold 18% of outstanding shares and institutions account for less than 20%.

Within a month or so, RVSB will report results for its 4th quarter ending 3/31/2008. Is it possible that these results will be weaker than expected? Sure ... and the company has already given clear guidance (3/14) that problem assets may be "up." But over the long haul, RVSB appears to be quite capable of navigating choppy waters and delivering solid returns. 

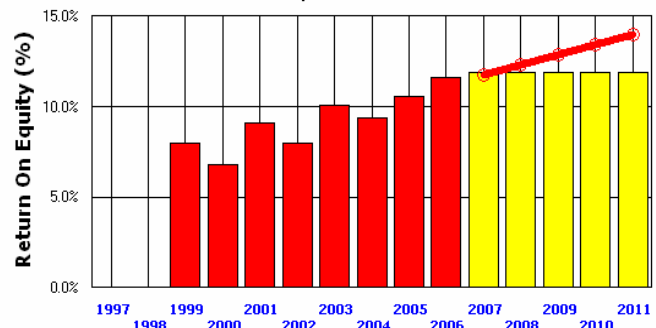


Riverview Bancorp (RVSB) displays the powerful visual of northwestern peaks with its 3/31/2007 Annual Report. The bank has a solid legacy and track record but keep in mind that the estimates here are the work of (2) analysts and the stock is fairly thinly traded.



Riverview Bancorp: Visual Analysis. Historical growth (book value) has been steady and EPS growth is forecasted at 12% (2 analysts).

Riverview Bancorp (RVSB) Profitability Trend & Forecast



 Manifest Investing

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Riverview Bancorp: Profitability Trend. ROE has steadily increased and approaches 12%. The 4Q results may deliver a "speed bump" but the long-term characteristic and management report card has merit.