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# CNBC Bancorp.

NASDAQ: BB-CNBD - \$21.00

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## 1Q01 Results

### EPS meets forecast expectation, grew 14% and continues to Outperform Larger Banks

Current Data	EPS	FY: Dec	P/E
Current Price	\$ 21.00	2000 \$ 1.42	14.8
52-Week Range	22-17.6	2001E \$ 1.64	12.8
Shares Out (Mill)	2.1	2002E \$ 1.91	11.0
Ave Vol.-LTM (actual)	800		
Market Cap. (Mil.)	\$ 43.5		
Equity/Total Assets	8.0%		
Institutional Holdings	2.0%		
Insider Holdings	47%		
Book Value	\$ 10.57		
10Yr Bond	5.25%		
Valuation	Current	LTM	
P/E	12.8	17.7-12.5	
P/B	2.0	2.3-1.7	
Operating Data	This Qtr	LTM	
Net Int. Inc. Growth	49.1%	17.5%	
Net Inc. Growth	15.0%	19.9%	
Efficiency Ratio	49.3%	49.7%	



Source: Big Charts

### Key Investment Points

- Diluted EPS grew 14% in 1Q01 from a year ago.
- Since 1995, net income and diluted EPS have grown at an annual compounded rate of 29.6% and 22.8%, respectively.
- Stock split of 3-for-2 in April 2001.
- 12 – 18 month target price (split adjusted) is \$28.00.

### Company Description

CNBC Bancorp (“CNBD”) is the bank holding company that owns Commerce National Bank; a nationally chartered bank located in Worthington, Ohio, a Columbus suburb, with \$281 million in assets as of March 2001. CNBD focuses on providing commercial banking services in the central Ohio marketplace with an emphasis on high levels of service. Despite the highly competitive marketplace, bank assets have grown at an average annual rate of 26% from 1995 to 2000.

## 1Q01 Results

Diluted EPS increased 14% to \$0.38 versus \$0.33 in 1Q00 as the Bank continued to increase its market share and controlled its operating costs. The bank was able to achieve a strong bottom line, despite the drop in net interest margin ("NIM"), due to cost controls and increased non-interest income.

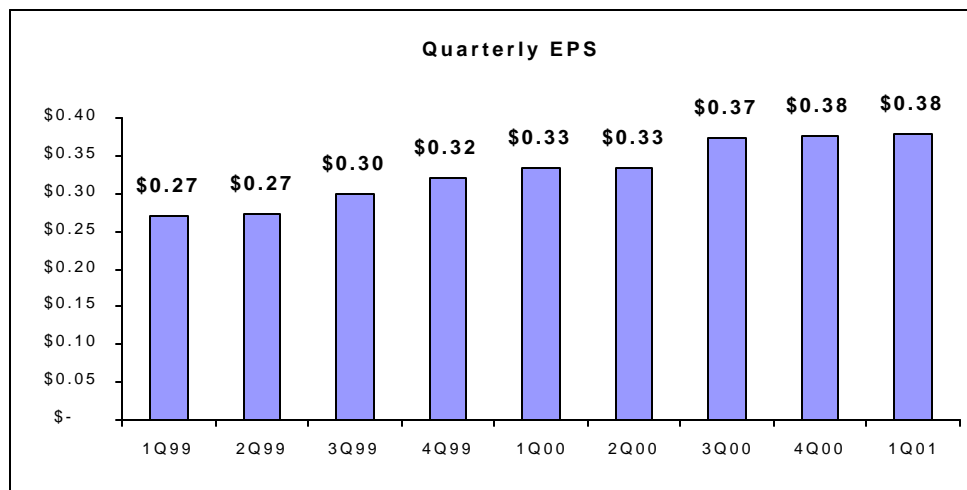


Figure 1

Earning assets increased 29% from a year ago and 4.8% from 4Q00 to \$ 264.4 million. Loans, the largest component of earning assets, grew 23.8% from 1Q00 and 2.8% from 4Q00 with the bulk of the growth occurring in real estate investment and real estate construction loans. Short-term investments accounted for the balance of the earning assets growth as cash from the sale of the Trust Preferred Securities and deposit growth was temporarily invested until the bank can re-deploy the funds into loans.

The provision for loan losses increased \$88,000 to \$188,000 in response to charge offs that occurred during 1Q01. During the quarter, CNBD charged off \$137,500 in loans versus \$0 in 1Q00. The ratio of allowances/total loans continues to decline as the result of a decision to bring this ratio more in-line with peer group norms. Historically, CNBD has had higher reserve ratios than its peer group. We feel that the Bank's lending practices and allowances are more than adequate to maintain adequate protection against loan losses. CNBD's allowance/average loan ratio of 1.24% compares favorably to the peer group of publicly traded banks with assets between \$200 and \$300 million (see Table 1).

	NPLs/ Loans	Reserves/ Loans	NCOs/ Avg Loans
<b>CNBD</b>	<b>0.03</b>	<b>1.24</b>	<b>0.24</b>
Assets: \$300-200MM	0.41	1.28	0.14
Assets: Greater Than \$1Bn	0.69	1.33	0.31

Notes: NPLs=Non-Performing Loans  
NCOs= Net Charge Offs

CNBD's efficiency ratio continued to improve and ended 1Q01 at 49.3% vs. 50.2% in 4Q00. Operating efficiencies improved as a result of growth in other income and as the bank was able to leverage the investment in infrastructure it made in the 4Q00.

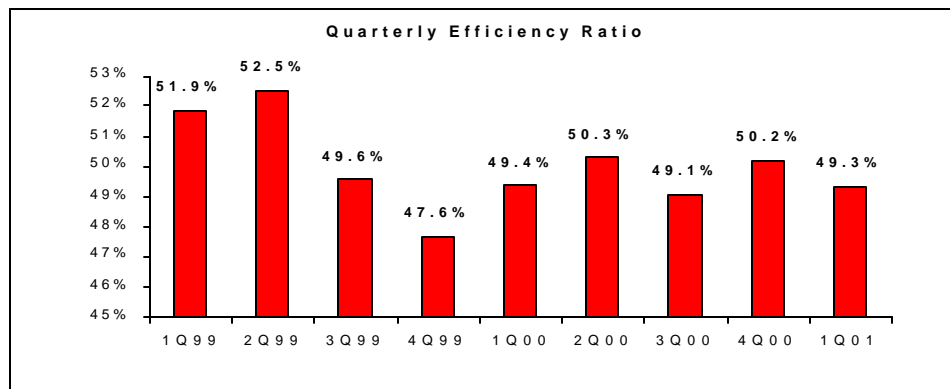


Figure 2

### Operating Comparison

CNBD continues to outperform its peer group (banks with assets between \$200 and \$300 million), as well as much larger banks. As shown in Table 2, CNBD posted high returns on assets and capital employed. As noted above, these results are attributable to very favorable operating efficiencies. Despite this performance, the shares continue to trade at a discount to the peer group's average P/E.

	ROAA	ROACE	NIM (%)	Effic Ratio	Price/LTM Core EPS	Price/Book (%)
<b>CNBD</b>	<b>1.21</b>	<b>14.58</b>	<b>4.16</b>	<b>49.57</b>	<b>13.72</b>	<b>183.24</b>
Assets: \$300-200MM	0.79	8.27	3.19	63.60	15.36	116.80
Assets: Greater Than \$1Bn	1.18	13.37	3.58	57.92	16.26	196.33

### Financial Condition

The Bank remains in good financial condition. As of March 31, 2001, CNBD maintained its "well capitalized" status and exceeded the ratios required for that classification.

In February 2001, CNBD participated in a pooled transaction that further strengthened its financial condition. CNBD issued \$4.0 million in Trust Preferred Securities with an annual interest rate of 10.2%. (The interest on the Trust Preferred is tax deductible and the principle qualifies for inclusion in Tier 1 capital.) The net proceeds of \$3.85 million were used to inject \$2.0 million into Commerce National, general corporate purposes and to fund a stock repurchase program (for up to 50,000 shares).

### Outlook

Our EPS forecasts for 2001 and 2002 are \$1.64 and \$1.91, respectively (approximately a 16% annual growth rate). We reduced our 2001 EPS forecast \$0.04 to reflect our reduced expectations for net interest margin and other non-interest income. Our main assumptions are:

- Earning assets grow 19.6% and 17.0% for 2001 and 2002 respectively (the historical range is 16.6%-32.7%).

- The net interest margin is expected to range between 4.01% and 3.93% (historical range is 4.2%-4.7%). A significant factor in the decline in the NIM is the additional interest expense of the Trust preferred.
- The loan loss provision decreases to 1.2% of total loans from the most recent three-year average of 1.35%.
- Compensation and benefit expense rises 24% and 20% for 2001 and 2002, respectively to accommodate growth and motivate employees.
- Quarterly Occupancy expense rises slightly from 2000 levels then rises 4.5% in 2002, and
- The effective tax rate is 35%.

Table 1 contains historical results and our annual forecast.

<b>Table 1: Annual Operating Performance &amp; Forecast</b>								
\$ Thousand	1995	1996	1997	1998	1999	2000	2001e	2002e
Net Interest Income	3,326	3,974	5,106	6,506	8,087	9,430	<b>11,103</b>	<b>12,850</b>
Loan Loss Prov	288	254	386	480	509	412	<b>519</b>	<b>530</b>
Service Chrgs	52	95	118	131	175	156	<b>178</b>	<b>196</b>
Other Non-Int.	60	66	70	117	170	229	<b>519</b>	<b>536</b>
<b>Tot. Non-Int Inc</b>	<b>112</b>	<b>161</b>	<b>188</b>	<b>248</b>	<b>361</b>	<b>542</b>	<b>697</b>	<b>732</b>
Securities G/L	0	0	0	0	0	0	<b>0</b>	<b>0</b>
Salaries & Reltd	946	1,206	1,529	2,077	2,566	3,203	<b>3,985</b>	<b>4,782</b>
Office/Equip	149	180	167	83	269	362	<b>396</b>	<b>414</b>
Amortz/Intang	13	6	0	0	0	0	<b>0</b>	<b>0</b>
Other Non-Int Exp	779	853	1,073	1,321	1,415	1,395	<b>1,546</b>	<b>1,616</b>
<b>Tot. Non-Int Exp</b>	<b>1,887</b>	<b>2,245</b>	<b>2,769</b>	<b>3,481</b>	<b>4,250</b>	<b>4,960</b>	<b>5,927</b>	<b>6,812</b>
Pre-Tax Inc	1,263	1,636	2,139	2,793	3,689	4,600	<b>5,354</b>	<b>6,240</b>
Taxes	440	573	745	970	1,290	1,590	<b>1,874</b>	<b>2,184</b>
<b>Net Income</b>	<b>823</b>	<b>1,063</b>	<b>1,394</b>	<b>1,823</b>	<b>2,399</b>	<b>3,010</b>	<b>3,480</b>	<b>4,056</b>
Eff Tax Rate	35%	35%	35%	35%	35%	35%	<b>35%</b>	<b>35%</b>
<b>EPS</b>	<b>\$ 0.76</b>	<b>\$ 0.95</b>	<b>\$ 1.21</b>	<b>\$ 0.99</b>	<b>\$ 1.17</b>	<b>\$ 1.42</b>	<b>\$ 1.64</b>	<b>\$ 1.91</b>
<i>Growth Rate</i>		25.0%	27.4%	-18.5%	19.0%	20.6%	<b>15.6%</b>	<b>16.6%</b>
Shares	1,624	1,678	1,727	1,848	2,044	2,126	<b>2,126</b>	<b>2,126</b>
Ave. Earning Assets (\$mil)	\$ 70.8	\$ 88.9	\$ 116.3	\$ 150.5	\$ 182.4	\$ 224.3	<b>\$ 277.0</b>	<b>\$ 327.4</b>
<i>Growth Rate</i>		25.6%	30.9%	29.4%	21.1%	23.0%	<b>23.5%</b>	<b>18.2%</b>
Ret./Ave. Earning Assets	4.70%	4.47%	4.39%	4.32%	4.43%	4.20%	<b>4.01%</b>	<b>3.93%</b>
Efficiency Ratio	54.89%	54.29%	52.30%	51.54%	50.31%	49.74%	<b>50.23%</b>	<b>50.15%</b>

**Boldfaced data are estimates**

## Valuation

We reiterate our 12-18 month target price of \$28.00 (adjusted for the recent stock split). Our target price is at the low end of the range and reflects our expectations that the market will remain concerned about the industry's loan quality for the next several months. However, we think that the stock's valuation may increase if CNBD moves the listing from the OTC BB to NASDAQ's Small Cap market. Recent press releases and actions taken by CNBD indicate that this is what is planned, but when this might occur is unknown.

As shown in Table 2, the target range is \$26-\$32 as the result of using our 2002 estimates. The average high and low target prices use a weighed average of 80% P/B and 20% P/E. We used a weighted average to reflect the relative importance of the P/B ratio in the banking sector.

<b>Table 2: Valuation Analysis</b>					
	<b>Valuation Assumed</b>	<b>2002</b>	<b>Target</b>		
	(Last 4 Qtrs)	<b>Multiples</b>	<b>Estimate</b>	<b>Range</b>	
<b>P/E</b>			<b>EPS</b>		
High	17.7	16.5	\$ 1.91	\$	31.48
Low	12.5	15.0		\$	28.62
<b>P/B</b>			<b>Book Val.</b>		
High	2.3	2.1	\$ 13.66	\$	28.69
Low	1.7	1.9		\$	25.96

<b>Average Range</b>		
High		\$ 29.25
Low		\$ 26.49
Average		\$ 27.87
<b>% From Current Price</b>		
High		39%
Low		26%

### Market Makers

Presented below are CNBD's market makers and their contact information.

Sweney Carwright & Co.	Columbus, Ohio	1-800-334-7481	Steve Cartwright
Stifel Nicolaus & Co. Inc.	Columbus, Ohio	1-877-875-9352	Steve Jefferis
		614-228-5391	Mike Kenney
McDonald Investments	Dayton, Ohio	1-800-344-1406	Bob Lucas

### Investment Risks

Investors need to consider the following risks when investing in these shares:

- The shares are not very liquid due to the high percentage of insider ownership.
- The market is slow to react to news on the shares due to a lack of analytical coverage.
- During the last year, the banking sector has been out of favor due to interest rate fears and the potential for greater returns in other "hot" sectors. Now, although interest rates have declined, increased concern about the state of the economy has raised concerns about loan quality.
- Operating results are dependent upon the economic health of one market, the Columbus, Ohio metropolitan area and surrounding cities.

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