

# CNBC Bancorp.

NASDAQ: BB-CNBD - \$29.50

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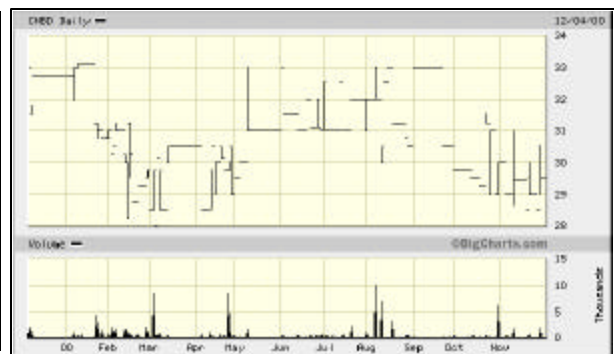
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## 3Q00 EPS +24%: Continues to Outpace the Industry Average and on Track for 19-20% pa Growth

Current Data		EPS	FY: Dec	P/E
Current Price	\$ 29.50	1999	\$ 1.77	16.6
52-Week Range	33-28	2000E	\$ 2.16	13.7
Shares Out (Mill)	1.3	2001E	\$ 2.63	11.2
Ave Vol.-LTM (actual)	68,800	Valuation		LTM
Market Capitalization	\$ 39.4	P/E	13.7	20.5-11.5
Equity/Total Assets	8.6%	P/B	2.0	2.5-1.5
Institutional Holdings	0.8%	Operating Data		LTM
Insider Holdings	50%	Net Int. Inc. Growth	48.8%	17.4%
Book Value	\$ 14.69	Net Inc. Growth	12.7%	31.7%
10Yr Bond	5.52%	Efficiency Ratio	49.1%	49.1%



Source: Big Charts

### Key Investment Points

- 3Q00 EPS and earning assets increased 24.4% from a year ago.
- Impressive Loan Growth: 24.1% from 3Q 1999 and 8.3% from the 2Q 2000.
- Improved Operating Efficiency.
- Recent acquisition quickly adding to non-interest income.
- 12 – 18 month target price is \$43.00, a potential 30%+ gain.

### Company Description

CNBC Bancorp is the bank holding company that owns Commerce National Bank; a nationally chartered bank located in Worthington, Ohio, a Columbus suburb, with \$244 million in assets as of September 2000. 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 1999.

## Investment Summary

CNBD's EPS growth remains in the 19-20% range, significantly higher than its peer group and even better than some large regional banks. This impressive record has been accomplished in a very competitive market by a strict focus on serving the needs of small businesses. We feel that CNBD can continue to growth at high double-digit rates as customers turn to CNBD to get the attention they do not receive from large institutions.

Company Name	Tot Assts (Mill)	Price 12/4/00	Eff. Ratio	Net Int. Margin	ROAA	ROAE	5 Yr. EPS Growth	Price/ Book	EPS (LTM)	P/E
NAT'L CITY	NCC 85045.9	\$ 25.00	57.6%	3.8%	1.5%	*	10%	2.5	\$ 2.17	11.5
KEYCORP	KEY 85500	\$ 25.06	71.7%	3.7%	0.6%	7%	8%	1.6	\$ 2.28	11.0
FIFTH THIRD BANCORP	FITB 44395.9	\$ 53.00	43.0%	3.7%	1.7%	20%	17%	5.5	\$ 1.81	29.3
HUNTINGTON BNCSHRS	HBAN 28577.2	\$ 14.75	73.3%	3.7%	0.7%	*	9%	1.6	\$ 1.60	9.2
FIRSTMERIT	FMER 10372.2	\$ 24.38	51.8%	3.8%	1.5%	-	14%	2.6	\$ 1.81	13.5
<b>CNBC BANCORP</b>	<b>CNBD 243.9</b>	<b>\$ 29.50</b>	<b>49.1%</b>	<b>5.1%</b>	<b>1.3%</b>	<b>14%</b>	<b>25%</b>	<b>2.0</b>	<b>\$ 2.04</b>	<b>14.5</b>

(Source: Baseline and Company data) \* Recent acquisitions distort these results

## 3Q00 Results

CNBD posted impressive results despite increased competition and a higher interest rate environment. EPS increased 24.4% to \$0.56 versus \$0.45 a year ago, in line with the Bank's historical long-term growth rate (20% better since 1996). Net income grew almost 25% to \$799,000 as CNBD was able to expand its loan portfolio 24% versus 3Q99 and kept operating expenses under control. The annualized net interest margin (NIM) was 4.60%, down slightly from 4.77% in 3Q99 but higher than the 4.53% in the 2Q00. The tighter NIM in year 2000 is understandable given the general rise in interest rates and increased competition in the market. These and other results are summarized in Table 2.

(\$Thousands)	3Q99	3Q00	Growth
Total Assets	203,015	243,938	20.2%
Loans	167,996	208,478	24.1%
Net Interest Income	2,101	2,401	<b>14.3%</b>
Net Income	640	799	<b>24.8%</b>
EPS (diluted)	\$ 0.45	\$ 0.56	<b>24.4%</b>
ROAA	1.3%	1.3%	7.6%
ROAE	14.1%	15.6%	10.3%
Ret. On AEA*	4.77%	4.60%	-3.7%
Efficiency Ratio	0.50	0.49	-1.1%
* Annualized return on average earning assets			
Equity/Assets	9.13%	8.59%	-5.9%
<b>Share Price</b>			
End of Period	\$30.50	\$30.50	0.0%
High	\$33.25	\$33.13	-0.4%
Low	\$30.00	\$28.50	-5.0%
Book Value	13.03	14.69	12.7%
P/B (average)	2.44	2.17	-11.2%

Non interest income increased dramatically in the 3Q more than tripling (\$131,000 versus \$41,000) from a year ago. Most of the gain is attributable to CNBC Retirement Services, Inc. ("CRS"). CRS is the new name for The Puppel Companies, an investment advisory firm CNBC acquired in June 2000. \$15,000 was from the gain on sale of securities. The balance of the increase in non-interest income was from the continued growth of credit card business, merchant processing and letters of credit.

Non-interest expenses rose 16.1% versus 3Q99 due largely to 3 changes in the operations of the company:

- the acquisition of CRS, Inc.;
- acquisition of a courier company that used to be contracted (this resulted in a reclassification of 'Customer Courier expense' to 'Salaries and Benefits' and 'Other Expense') in April 1999; and
- The conversion of the Bank's data processing and proof operations areas from a third party processor to in-house effective August 1999 (this resulted in a reclassification of a portion of its data processing expense to 'Salaries and Benefits').

The efficiency ratio (total non-interest expense / net interest income + non-interest income) showed improvement relative to both 3Q99 and 2Q00. CNBD's efficiency ratio improved from 49.6% in 3Q99 to 49.1% in 3Q00. The ratio was adversely impacted in 2Q00 due largely to the acquisition of Puppel and other factors discussed above.

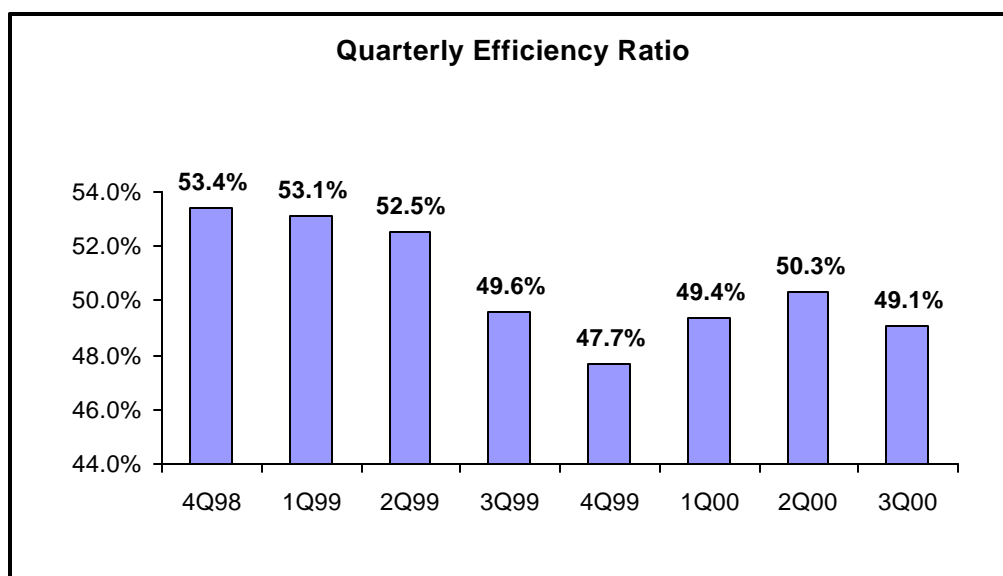


Figure 1

### First 9 months 2000 Result Summary

Table 3 illustrates the growth achieved during first 9 months in 2000 versus same period in 1999. We included part of Table 1 (3Q00 growth rates) to show the impact of higher interest rates; internalizing the courier and data processing functions; and the Peppel acquisition. Please note that the slight decline in ROAE is due to the effects of a very strong 1Q99 and the tightening of interest rate spreads during the last year.

<b>Table 3: 9Mos00 Operating Summary</b>				<b>Growth</b>	
<b>(\$Thousands)</b>	<b>9Mos99</b>	<b>9Mo00</b>	<b>Growth</b>	<b>3Q Only</b>	
Net Interest Income	5,938	6,896	<b>16.1%</b>	<b>14.3%</b>	
Net Income	1,706	2,210	<b>29.5%</b>	<b>24.8%</b>	
EPS (diluted)	\$ 1.28	\$ 1.56	<b>21.9%</b>	<b>24.4%</b>	
ROAA (annlzd)	1.1%	1.3%	16.8%	<b>7.6%</b>	
ROAE (annlzd)	15.0%	14.7%	-1.8%	<b>10.3%</b>	
Ret. On AEA*	4.67%	4.55%	-2.6%	<b>-3.7%</b>	
Efficiency Ratio	0.52	0.50	-4.2%	<b>-1.1%</b>	

\* Annualized return on average earning assets

### Financial Condition

CNBD's financial condition remains solid. The loan loss reserve is being maintained at about 1.44% of loans and the bank continues to maintain high credit standards.

Management of the Company has also experienced some positive changes during 3Q00. CNBD recently hired three experienced loan officers with 65 years of combined experience in the Columbus banking market (replacing two that left during 3Q00) with expertise in three critical areas - real estate, credit, and loan review. We believe that these changes add the necessary expertise require to maintain the Bank's growth rate.

### Outlook

We continue to expect CNBD to post EPS growth of between 18% - 19% over the next two years. While we have fine-tuned some of our assumptions, our EPS forecast remains relatively unchanged.

We revised our net interest margin assumption due to the slightly better than expected performance in 3Q00. Previously, we assumed that annualized net interest margin would decline to the 4.5% - 4.4% range. However, with the 3Q00 rate at 4.6% (increased from 2Q00, we now estimate the annualized rate will be 4.58%. Our other main assumptions are:

- Earning assets will grow sequentially at 6% in the 4<sup>th</sup> quarter of 2000, and 14.5% in 2001 (compared to the historic rate of 26%).
- Operating efficiencies continue to improve as the growth in salaries and benefits lag the growth in net interest income.

Table 4 contains our earnings model.

\$ Thousand	1995	1996	1997	1998	1999	2000e	2001e
Net Interest Income	3,326	3,974	5,106	6,506	8,112	<b>9,435</b>	<b>10,931</b>
Loan Loss Prov	288	254	386	480	509	<b>413</b>	<b>470</b>
Service Chrgs	52	95	118	131	175	<b>148</b>	<b>174</b>
Other Non-Int.	60	66	70	117	170	<b>377</b>	<b>441</b>
Tot. Non-Int Inc	112	161	188	248	345	<b>525</b>	<b>614</b>
Securities G/L	0	0	0	0	15	<b>0</b>	<b>0</b>
Salaries & Reltd	946	1,206	1,529	2,077	2,566	<b>3,176</b>	<b>3,579</b>
Office/Equip	149	180	167	83	269	<b>346</b>	<b>356</b>
Amortz/Intang	13	6	0	0	0	<b>0</b>	<b>0</b>
Other Non-Int Exp	779	853	1,073	1,321	1,416	<b>1,357</b>	<b>1,398</b>
Tot. Non-Int Exp	1,887	2,245	2,769	3,481	4,266	<b>4,878</b>	<b>5,333</b>
Pre-Tax Inc	1,263	1,636	2,139	2,793	3,697	<b>4,669</b>	<b>5,743</b>
Taxes	440	573	745	970	1,290	<b>1,608</b>	<b>2,010</b>
Net Income	823	1,063	1,394	1,823	2,407	<b>3,061</b>	<b>3,733</b>
Eff Tax Rate	35%	35%	35%	35%	35%	<b>34%</b>	<b>35%</b>
<b>EPS</b>	<b>\$ 0.76</b>	<b>\$ 0.95</b>	<b>\$ 1.21</b>	<b>\$ 1.48</b>	<b>\$ 1.77</b>	<b>\$ 2.16</b>	<b>\$ 2.63</b>
<i>Growth Rate</i>		25.0%	27.4%	22.3%	19.9%	<b>21.6%</b>	<b>21.9%</b>
Shares	1,083	1,119	1,151	1,232	1,357	<b>1,419</b>	<b>1,419</b>
Ave. Earning Assets	\$ 69,581	\$ 85,774	\$ 110,961	\$ 144,433	\$ 176,243	<b>\$ 209,009</b>	<b>\$ 242,908</b>
<i>Growth Rate</i>		23.3%	29.4%	30.2%	22.0%	<b>18.6%</b>	<b>16.2%</b>
Ret./Ave. Earning Assets	4.78%	4.63%	4.60%	4.50%	4.60%	<b>4.51%</b>	<b>4.50%</b>
Efficiency Ratio	54.89%	54.29%	52.30%	51.54%	50.44%	<b>48.98%</b>	<b>46.19%</b>

**Boldfaced data are estimates**

## Valuation

We continue to view them as undervalued based on our earnings model. CNBD shares should trade at higher multiples due to the bank's ability to post EPS growth and operating ratios that exceed much larger banks (see Table 5). The valuation multiples could expand if the Fed stops raising interest rates and financial stocks come back into favor. We think that CNBD's stock could appreciate as the Fed eases and investors look for less risky investment opportunities outside the high-tech sector

	LTM Price Change	Price/Book	NPLs/Loans	ROAA	ROACE	NIM (%)	Efficiency Ratio	% Own Insiders
CNBD	-12.5	185.8	0.0	1.36	15.5	4.3	49.04	49.60
<b>Averages of Banks with Assets of:</b>								
LT \$250MM*	-13.1	105.0	0.2	0.72	6.5	3.7	56.39	13.94
250-500	-25.0	143.7	1.6	1.04	10.9	4.0	62.63	13.79
500-1bn	-22.7	161.0	0.5	1.11	12.6	4.2	57.18	11.24
1bn +	-22.2	209.0	0.5	1.00	12.1	3.8	54.14	6.97
<p><b>Key:</b> * CNBD's peer group  NIM = Net Interest Margin  NPLs = Non Performing Loans  ROAA = Return on Average Assets  ROACE = Return on Average Core Equity</p>								

We reiterate our 12-18 month target price of \$43.00. Table 6 reviews our methodology.

<b>Table 6: Valuation Analysis</b>				
	<b>Valuation</b>	<b>2001</b>	<b>Target</b>	
	(Last 4 Qtrs)	<b>Estimate</b>	<b>Range</b>	
<b>P/E</b>		<b>EPS</b>		
High	18.4	\$ 2.63	\$	48.44
Low	16.1		\$	42.30
<b>P/B</b>		<b>Book Val.</b>		
High	2.4	\$ 18.04	\$	43.78
Low	2.1		\$	38.22
<b>Average Range</b>				
		High	\$	46.11
		Low	\$	40.26
<b>% From Current Price</b>				
		High		49%
		Low		30%

### 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
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 and lack of market makers.
- The market is slow to react to news on the shares due to a lack of analytical coverage. As of this report, we are the only research firm covering the Bank.
- The banking sector has been out of favor due to interest rate fears and the potential for greater returns in other "hot" sectors. However, we feel that the market overly discounts the impact of interest rate hikes on bank stocks, creating buying opportunities.
- Operating results are dependent upon the economic health of one market, the Columbus, Ohio metropolitan area and surrounding cities.

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