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CNBC Bancorp.
NASDAQ: BB-CNBD - $31.50

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Strong 1Q00 Results: 20% Gains, Acquisition, Adds 3rd Market maker

Source: Big Charts

Current Data	
Current Price	$ 31.50
52-Week Range	37 - 27
Shares Out (Mill)	1.3
Ave Vol. (actual)	300
Market Capitalization	$ 41.0
Equity/Total Assets	9.2%
Institutional Holdings	0.8%
Insider Holdings	50%
Book Value	$ 14.15
10Yr Bond	6.13%

EPS	FY: Dec	P/E
1999	$ 1.77	17.8
2000E	$ 2.12	14.8
2001E	$ 2.53	12.4
Valuation	**Current**	**LTM**
P/E	14.8	20.5-11.5
P/B	2.2	2.5-1.5
Operating Data	**This Qtr**	**LTM**
Net Int. Inc. Growth	52.9%	22.3%
Net Inc. Growth	17%	34.6%
Efficiency Ratio	49.4%	49.7%

Key Investment Points

- 1Q00 EPS and earning assets increased 20%.
- Acquired retirement planning firm
- Gained third market maker.
- 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 $203 million in assets as of December 1999. 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 26.8% from 1995 to 1998.

1Q00 Results

EPS increased 20% to $0.50, in-line with our expectations. This pace is especially noteworthy considering the 18% increase in shares outstanding. Net income growth outpaced net interest income during the last 12 months 35% versus 22%. Table 1 summarizes 1Q00's results.

Table 1: 1Q00 Operating Summary
($Thousands)

	1Q99	1Q00	Growth
Total Assets	202,802	216,120	6.6%
Earning Assets	166,079	200,467	20.7%
Net Income	488	702	43.9%
ROAA	1.0%	1.3%	29.7%
ROAE	16.0%	14.4%	-9.8%
NIM	4.34	4.47	3.0%
Efficiency Ratio	0.53	0.49	-7.1%
Equity/Assets	6.15%	9.19%	49.5%
Share Price			
End of Period	$27.00	$31.00	14.8%
High	$29.50	$33.13	12.3%
Low	$25.00	$28.00	12.0%
P/E (average)	34.49	17.37	-49.7%
P/B (average)	2.80	2.31	-17.5%

The driving forces behind this growth were:

- **Growth in the Net Interest Margin to 4.47% from 4.34%.** CNBD continues to exceed the peer group average (4.41%) as the result of its disciplined operating strategy of carefully choosing clients and gathering low/non-interest deposits in return for high service levels.
- **20% increase in earning assets** (now at $200 million).
- **A $63,000 reduction in the loan loss provision** relative to 1Q99 (due to no loans being charged-off).

Non-interest income grew 33% to $99,000 as of higher credit card volumes, deposit growth, and outstanding letters of credit.

Non-interest expenses increased 11% versus 1Q99 to $1.1 million as the result of staff additions and higher occupancy costs. Occupancy expense increased as two tenants moved out of CNBD's building to make room for the Bank's data processing ("DP") operations that were brought in-house in April 1999. The net result of internalizing the DP operations was a to reduce these expenses by 47%.

The net effect of these trends on operating efficiencies was positive relative to 1Q99. As shown in Figure 1, the general trend continues to be positive. The ratio of revenues to personnel expense actually declined slightly to $3.20 versus $3.21 in 1Q99. The uptick in 1Q99 was due to a slight sequential decline in credit card and letter of credit business versus 4Q99.

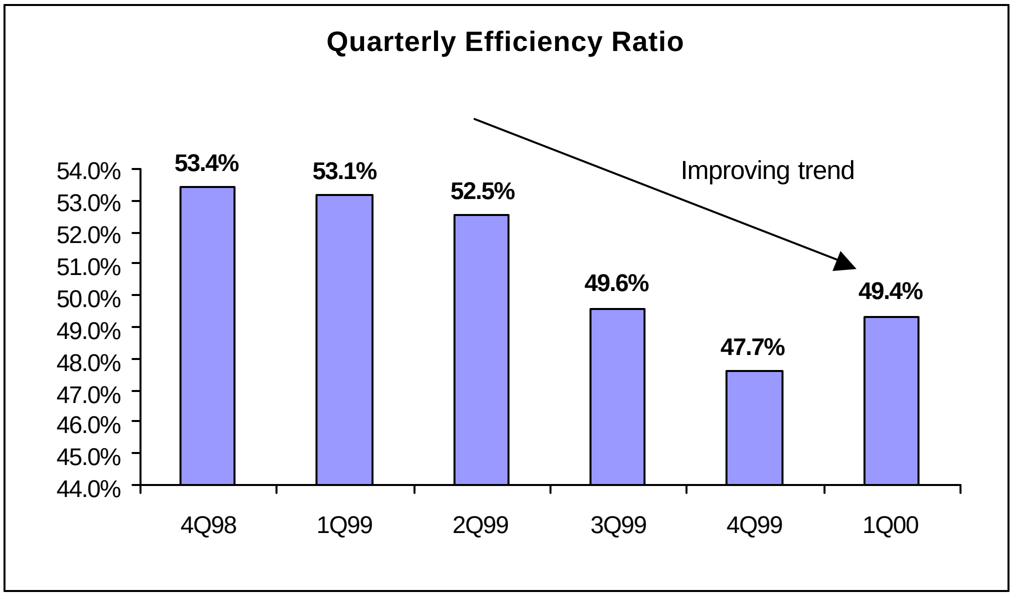

Figure 1

CNBD continues to lead its peer group in several aspects. Table 2 compares CNBD to an average of the 10 Ohio-based banks with less than $250 million in assets. As of 1Q00, CNBD is one of the bigger banks in the group but is also more efficient and thus more profitable. This performance is reflected in the higher valuation (in this case price/book) that the market is according the shares.

Table 2: Peer Group Comparison

	Return on Average Assets	Return on Average Equity	Net Interest Margin	Efficiency Ratio *	Deposits/ Branch	Total Assets	Loans/ Deposits	Price/ Book
CNBD	**1.35**	**14.4**	**4.45**	**49.4**	**181,632**	**216,120**	100.6	208.9
Ave. ex-CNBD	0.86	8.3	4.41	70.9	23,226	128,193	84.5	**150.7**

* The lower the better

CNBD's financial condition remains sound and continued to meet the criteria for being well capitalized. The equity/total assets ratio was 9.2% at 1Q00 versus 6.2% at 1Q99 and the loan/deposit ratio was 1.0 and 0.9, respectively. CNBD had cash and equivalents of $22.3 million at March 2000 versus $11.8 million a year ago.

Third Market Maker Should Increase Liquidity

CNBD recently added a third market maker, which should increase liquidity and the stock's visibility. The firms currently making a market in CNBD shares are:

Sweney Cartwright & Co.: Columbus, Ohio,
Stifel, Nicolus & Co., Inc.: St. Louis, Missouri, and
Capital Securities of America: Canton and Columbus, Ohio

Puppel Cos. Inc Acquisition
CNBD acquired Puppel Cos. in order to provide retirement planning services. Effective June 1, 2000, Puppel was renamed CNBC Retirement Services, Inc. and now markets retirement plan investing, administration and accounting services to small business customers. In order to make this acquisition, CNBD received the new financial holding company status needed to allow it to expand into other business lines. While several large banks have applied for this status, CNBD appears to be one of the first community banks to do so.

While we think this is a good strategic move for CNBD, we have not included it in our forecasts. Peppul generated about $250,000 in revenues in 1999, but additional details were not available so the impact on the bottom line is indeterminate at this time.

Fiscal 1999 Review
CNBD posted another year of impressive results as it continued to execute its strategy of providing high levels of service to a carefully selected customer niche. While growth rates have slowed somewhat due to increased competition and higher interest rates, CNBD continues to be one of the top performers in its peer group (Banks with assets under $250 million).

EPS was $1.72, a 21% increase relative to the $1.48 earned in 1998. As shown in Figure 2, this marks the fourth consecutive year of EPS growth in excess of 20%.

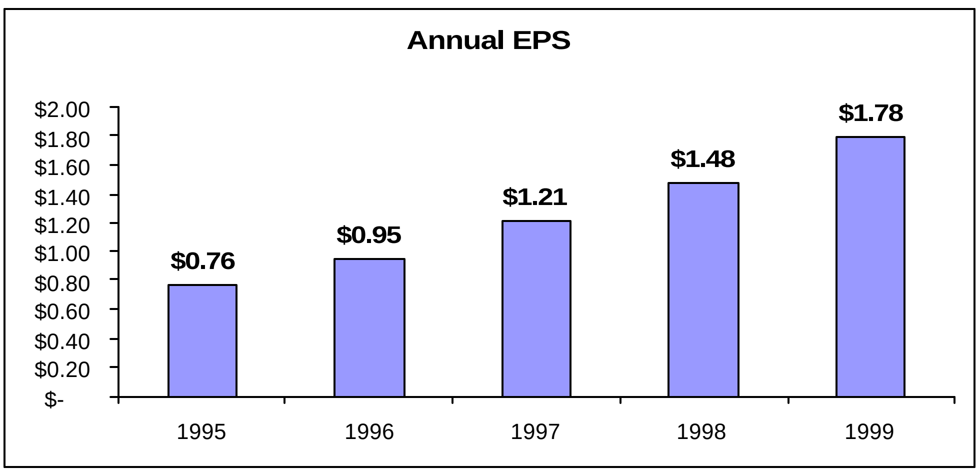

Figure 2

Net income increased 31.5% to almost $2.4 million as growth in both the loan portfolio and non-interest income offset a slight decline in the net interest margin and higher non-interest expense. To summarize:

- **Net Interest income increased 24.3%** as the loan portfolio grew 26% (see Figure 3) and the net interest margin declined slightly to 4.29% from 4.35%. Loan growth was concentrated in real estate investment and business sectors and was slightly higher than budgeted growth plans. The net interest margin declined due to increased competitive pressures and generally rising interest rates.

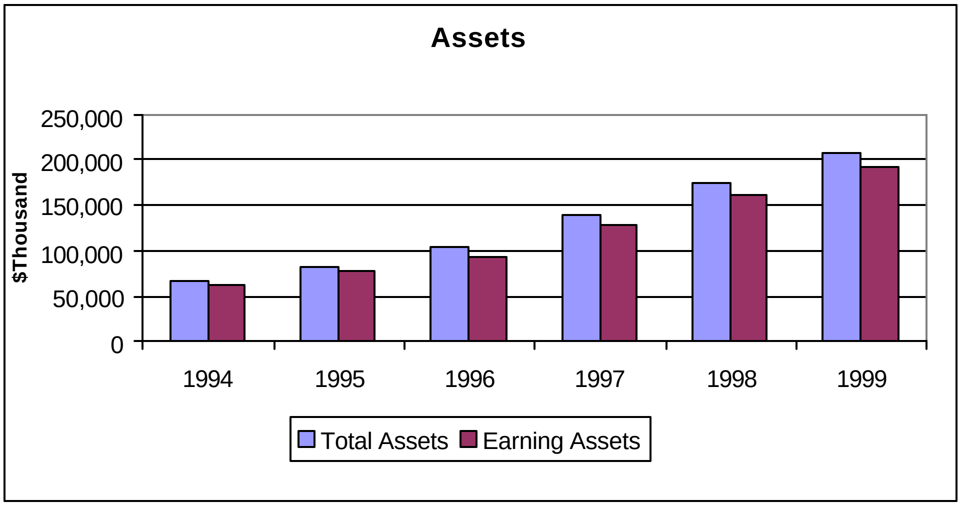

Figure 3

- **Non-interest income rose 45.5%** as CNBD gathered more deposits; experienced greater volumes in credit cards and merchant processing accounts; benefited from increased letter of credit fees; and recorded a $15,000 gain on securities available for sale. Excluding the gain on securities sale, the increase would have been 39.3%.
- **Non-interest expense grew 22.1%** due to the combined effect of rising wages, internalizing data processing operation and increased occupancy expense (as tenants left to make room for DP operations).

On an annual basis, operating efficiencies continued to improve. As shown in Figure 4, despite the added costs from internalizing DP operations, CNBD's efficiency ratio improved to 50% from 52% in 1998. The ratio of revenues per personnel expense improved to $3.29 from $3.25

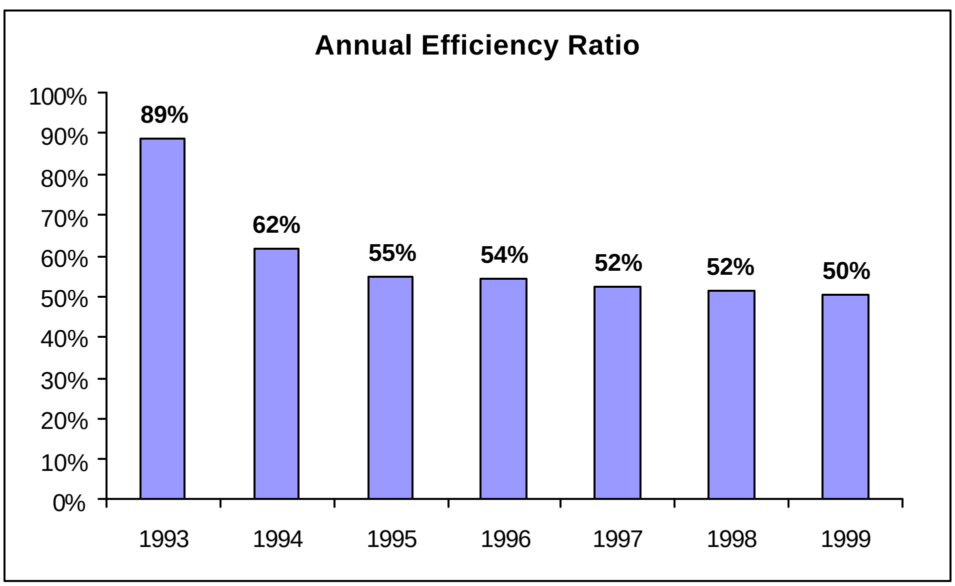

Figure 4

Outlook

We continue to expect CNBD to post EPS growth of between 18% - 19% for the next two years. Our main assumptions are:

- Earning assets will grow sequentially at 4% per quarter in 2000, then 14.5% in 2001 (compared to the historic rate of 26%).
- The net interest margin ranges between 4.4 and 4.3%, declining from 1Q00 levels, due to increased competition and our expectation of a general increase in interest rates.
- Operating efficiencies continue to improve as Salaries and benefits remain at 30% of total income.

Our EPS Forecast increased slightly from our February 16, 2000 report as the result of larger than expected asset growth in 1Q99 and despite a reduction in our expectations of asset growth in 2000 and a lower net interest margin. Our EPS forecast for 2000 increased $0.01 to $2.12 and our forecast for 2001 increased $0.03 to 2.53. Table 3 contains our earnings model.

Table 3: Annual Operating Performance & Forecast

$ Thousand	**1995**	**1996**	**1997**	**1998**	**1999**	**2000e**	**2001e**
Net Interest Income	3,326	3,974	5,106	6,506	8,112	**9,044**	**10,299**
Loan Loss Prov	288	254	386	480	509	**401**	**440**
Service Chrgs	52	95	118	131	175	**173**	**202**
Other Non-Int.	60	66	70	117	170	**208**	**243**
Tot. Non-Int Inc	112	161	188	248	345	**381**	**446**
Securities G/L	0	0	0	0	15	**0**	**0**
Salaries & Reltd	946	1,206	1,529	2,077	2,566	**2,880**	**3,224**
Office/Equip	149	180	167	83	269	**231**	**238**
Amortz/Intang	13	6	0	0	0	**0**	**0**
Other Non-Int Exp	779	853	1,073	1,321	1,416	**1,336**	**1,376**
Tot. Non-Int Exp	1,887	2,245	2,769	3,481	4,266	**4,447**	**4,838**
Pre-Tax Inc	1,263	1,636	2,139	2,793	3,697	**4,577**	**5,467**
Taxes	440	573	745	970	1,290	**1,597**	**1,914**
Net Income	823	1,063	1,394	1,823	2,407	**2,980**	**3,554**
Eff Tax Rate	35%	35%	35%	35%	35%	**35%**	**35%**
EPS	**$ 0.76**	**$ 0.95**	**$ 1.21**	**$ 1.48**	**$ 1.77**	**$ 2.12**	**$ 2.53**
Growth Rate		*25.0%*	*27.4%*	*22.3%*	*19.9%*	***19.6%***	***19.3%***
Shares	1,083	1,119	1,151	1,232	1,357	**1,404**	**1,404**
Ave. Earning Assets	$ 69,581	$ 85,774	$ 110,961	$ 144,433	$ 176,243	**$ 207,430**	**$ 239,521**
Growth Rate		*23.3%*	*29.4%*	*30.2%*	*22.0%*	***17.7%***	***15.5%***
Ret./Ave. Earning Assets	4.78%	4.63%	4.60%	4.50%	4.60%	**4.36%**	**4.30%**
Efficiency Ratio	54.89%	54.29%	52.30%	51.54%	50.44%	**47.18%**	**45.02%**

Boldfaced data are estimates

Valuation

We continue to feel that these shares are undervalued, largely due to a lack of analyst coverage and the current market disdain for banking stocks in general. As shown in Table 4, we think that the shares could appreciate 30%+ to the low $40.00 level over the next 12 – 18 months. This target level assumes an average price/book and P/E for the last four quarters, which we feel is a conservative valuation given the depressed market conditions that have existed during the last year. As noted above, we think the stock could make a quick move up if it is listed on NASDAQ.

Table 4: Valuation Analysis

	Valuation (Last 4 Qtrs)	**2001 Estimate**	**Target Range**
P/E		**EPS**	
High	19.0	$ 2.53	$48.04
Low	16.1		$40.67
P/B		**Book Val.**	
High	2.5	$ 17.90	$43.88
Low	2.1		$37.11

Average Range		
	High	$45.96
	Low	$38.89
% From Current Price		
	High	48%
	Low	25%

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. CNBD just recently added a third market maker.
- 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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