

CNBC Bancorp.

NASDAQ: BB-CNBD - \$32.00

July 31, 2000

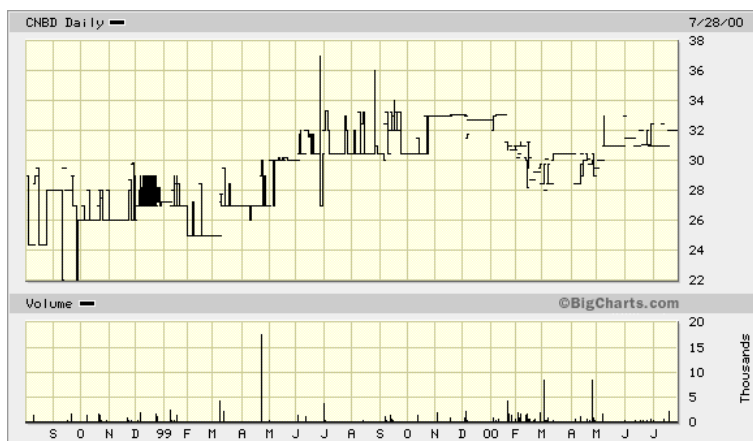
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CNBC Bancorp Continues to Post Impressive Gains in a Competitive Market

Current Data		EPS	FY: Dec	P/E
Current Price	\$ 32.00	1999	\$ 1.77	18.0
52-Week Range	37 - 27	2000E	\$ 2.11	15.2
Shares Out (Mill)	1.3	2001E	\$ 2.54	12.6
Ave Vol.-LTM (actual)	68,800	Valuation		LTM
Market Capitalization	\$ 41.6	P/E	15.2	20.5-11.5
Equity/Total Assets	8.7%	P/B	2.3	2.5-1.5
Institutional Holdings	0.8%	Operating Data		LTM
Insider Holdings	50%	Net Int. Inc. Growth	50.6%	19.7%
Book Value	\$ 14.20	Net Inc. Growth	16%	34.5%
10Yr Bond	6.00%	Efficiency Ratio	50.3%	49.2%

Key Investment Points

- 2Q00 EPS and earning assets increased 22%.
- Continues to Grow Loans at an Impressive Pace (almost 16% vs. year ago)
- Net Interest Margin Better Than Expected.
- 12 – 18 month target price is \$43.00, a potential 30%+ gain.



Source: Big Charts

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 \$230 million in assets as of June 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.

2Q00 Results

CNBD posted impressive results despite increased competition and a higher interest environment. EPS increased 22% to \$0.50 versus \$0.41, in line with the Bank's historical long-term growth rate. Net income grew almost 26% to \$709,000 as CNBD was able to expand its loan portfolio almost 16% versus 2Q99 and kept operating expenses under control. The annualized net interest margin (NIM) was an estimated 4.53%, down slightly from 4.62% in 2Q99. The tighter NIM is understandable given the general rise in interest rates and increased competition in the market. These and other results are summarized in Table 1.

(\$Thousands)	2Q99	2Q00	Growth
Total Assets	205,627	230,296	12.0%
Loans	166,306	192,448	15.7%
Net Interest Income	1,973	2,275	15.3%
Net Income	563	709	25.9%
EPS (diluted)	\$ 0.41	\$ 0.50	22.0%
ROAA	1.1%	1.3%	15.2%
ROAE	14.9%	14.2%	-4.8%
Ret. On AEA*	4.62%	4.53%	-1.9%
Efficiency Ratio	0.53	0.50	-4.2%
* Annualized return on average earning assets			
Equity/Assets	8.64%	8.74%	1.2%
Share Price			
End of Period	\$30.50	\$31.00	1.6%
High	\$32.00	\$33.00	3.1%
Low	\$26.00	\$28.50	9.6%
Book Value	12.94	14.20	9.7%
P/B (average)	3.18	2.33	-26.6%

Non-interest income more than doubled (\$72,000 versus \$34,000) thanks to significant growth in merchant credit card business. It is interesting to note that this growth is the result of relationship building rather than a marketing campaign by the bank to generate credit card income. And as such, we think it represents a more stable source of revenues.

Non-interest expenses increased 11.6% versus 2Q99 due largely to the recent Puppel acquisition (discussed below). Of all the line items in this category, only compensation and benefits exceeded our forecast. We feel this one-time variance is directly attributable to the acquisition and adversely impacted the improving trend in operating efficiency (see Figure 1). Despite this spike, on a year-to-date basis, CNBD's efficiency ratio improved to 0.50 from 0.53.

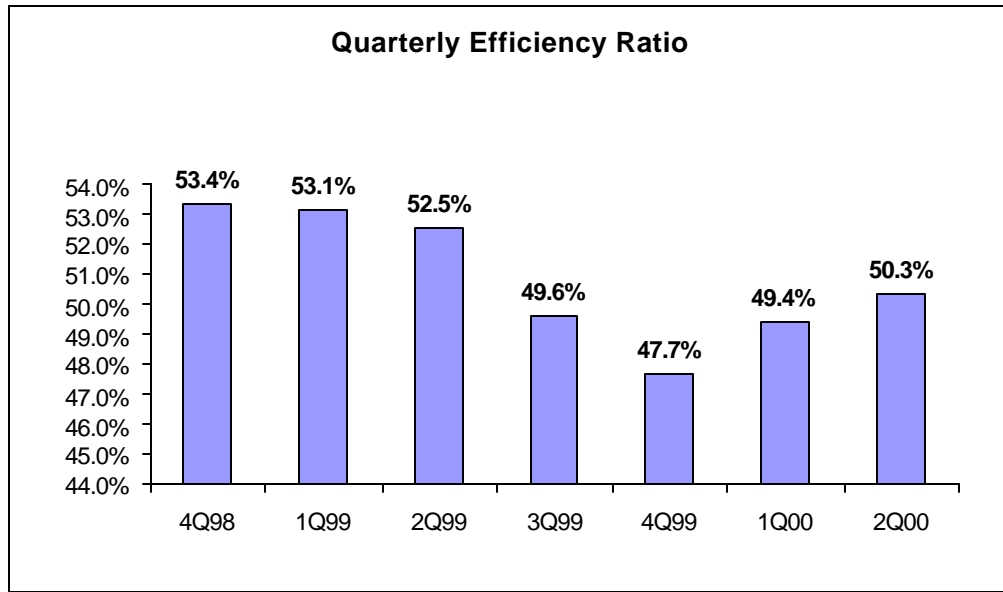


Figure 1

CNBD's financial condition remains solid. The loan loss reserve is being maintained at about 1.43% of loans and the bank continues to maintain high credit standards. CNBD had just \$334,000 in the Past Due/Impaired category at March 31, 2000.

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. Peppel 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.

First Half 2000 Result Summary

Table 2 illustrates the growth achieved during 1H00 versus 1H99. We included part of Table 1 (2Q00 growth rates) to show the impact of higher interest rates and the Peppel acquisition.

Table 2: 1H00 Operating Summary				Growth	
(\$Thousands)	2H99	2H00	Growth	2Q Only	
Net Interest Income	3,837	4,495	17.1%	15.3%	
Net Income	1,066	1,411	32.4%	25.9%	
EPS (diluted)	\$ 0.83	\$ 1.00	20.5%	22.0%	
ROAA (annlzd)	1.1%	1.3%	22.2%	15.2%	
ROAE (annlzd)	15.4%	14.3%	-7.4%	-4.8%	
Ret. On AEA*	4.63%	4.53%	-2.0%	-1.9%	
Efficiency Ratio	0.53	0.50	-5.6%	-4.2%	

* Annualized return on average earning assets

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 better than expected performance in 2Q00. Previously, we assumed that annualized net interest margin would decline to the 4.4% to 4.3% range. However, with the 2Q00 rate at 4.53% (unchanged from 1Q00) and the increased likelihood of just one more rate hike, we now estimate the annualized rate will be 4.5%. Our other 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%).
- Operating efficiencies continue to improve as Salaries and benefits remain at 30% of total income.

Table 3 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	9,212	10,457
Loan Loss Prov	288	254	386	480	509	402	449
Service Chrgs	52	95	118	131	175	164	192
Other Non-Int.	60	66	70	117	170	260	304
Tot. Non-Int Inc	112	161	188	248	345	424	496
Securities G/L	0	0	0	0	15	0	0
Salaries & Reltd	946	1,206	1,529	2,077	2,566	3,016	3,286
Office/Equip	149	180	167	83	269	338	348
Amortz/Intang	13	6	0	0	0	0	0
Other Non-Int Exp	779	853	1,073	1,321	1,416	1,299	1,338
Tot. Non-Int Exp	1,887	2,245	2,769	3,481	4,266	4,653	4,972
Pre-Tax Inc	1,263	1,636	2,139	2,793	3,697	4,582	5,532
Taxes	440	573	745	970	1,290	1,596	1,936
Net Income	823	1,063	1,394	1,823	2,407	2,986	3,596
Eff Tax Rate	35%	35%	35%	35%	35%	35%	35%
EPS	\$ 0.76	\$ 0.95	\$ 1.21	\$ 1.48	\$ 1.77	\$ 2.11	\$ 2.54
<i>Growth Rate</i>		25.0%	27.4%	22.3%	19.9%	19.0%	20.4%
Shares	1,083	1,119	1,151	1,232	1,357	1,415	1,415
Ave. Earning Assets	\$ 69,581	\$ 85,774	\$ 110,961	\$ 144,433	\$ 176,243	\$ 204,105	\$ 232,387
<i>Growth Rate</i>		23.3%	29.4%	30.2%	22.0%	15.8%	13.9%
Ret./Ave. Earning Assets	4.78%	4.63%	4.60%	4.50%	4.60%	4.51%	4.50%
Efficiency Ratio	54.89%	54.29%	52.30%	51.54%	50.44%	48.28%	45.39%

Boldfaced data are estimates

Valuation

While these shares trade at a premium to the peer group, we think they are undervalued based on our earnings model. We think the valuation multiples could expand if the Fed stops raising interest rates and financial stocks come back into favor. However, the upside will continue to be limited due to the small number of shares available for trading and the market's lack of awareness of CNBD's operating performance.

	Valuation (Last 4 Qtrs)	2001 Estimate	Target Range
P/E		EPS	
High	19.3	\$ 2.53	\$48.77
Low	17.0		\$43.12
P/B		Book Val.	
High	2.5	\$ 17.90	\$44.49
Low	2.2		\$39.31
Average Range			
		High	\$46.63
		Low	\$41.21
% From Current Price			
		High	50%
		Low	33%

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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