



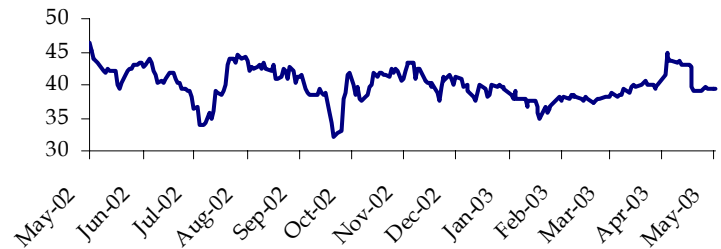
CATHAY BANCORP

BUY

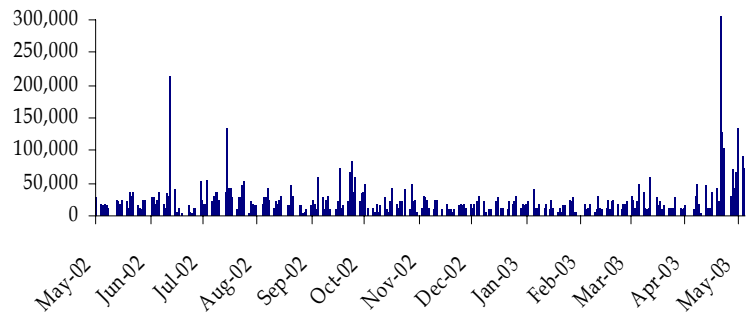
Stock Data

Price (52 weeks)	31.90 - 47.65
Symbol/Exchange	CATY
Beta	0.96
Dividend yield	1.42
Fully diluted shares	18M
Average daily volume	40,409
Current market cap	707.8M
Book Value/Share	\$16.48
Current trading price	\$39.65

Daily Closing Price



Daily Volume



Trading volume on May 7th was 991000

Valuation (per share)

ECF Analysis 1	55.00
2	53.14
FCF Analysis 1	52.26
2	55.24
Comparables Analysis	41.23
Target Price	50.00

Summary Financials (in millions)

	Last 4 Quarters
Revenue	\$144.06M
Earnings	\$48.7M
Free Cash Flow	89.8M

Business Overview

Cathay Bancorp Inc. is the holding company of Cathay Bank, a California-based bank. It was established in 1962 with \$550,000 and now has \$288 Million of stockholder's equity. It has 19 branches in California, 3 branches in New York and one branch in Houston, Texas, also with representative office in Hong Kong and Shanghai. It also has a subsidiary, Cathay Investment Company, with office in Los Angeles and Taipei. The company mainly serves Chinese community. Most employees of the company speak English, and one or more Chinese dialects or Vietnamese to help better Chinese, Vietnamese and English speaking customers.

History of the Company

The company was the first Chinese-American community bank in California. At that time, Chinese people were having trouble in getting mortgage loan due to misunderstandings. The bank was originally founded to serve the financial needs of the Los Angeles Chinatown community. Cathay Bancorp was formed in 1990 as the bank holding company of Cathay Bank. It acquired the Los Angeles - based First Public Savings Bank, the first merger between two Chinese-American banks. The acquisition made Cathay Bancorp the 15th largest publicly traded Banking Corporation in California. In 1997, Cathay Bank acquired the Westminster Branch of Lippo Bank. It helped the bank to increase their market share and also develop a boarder range of customer.

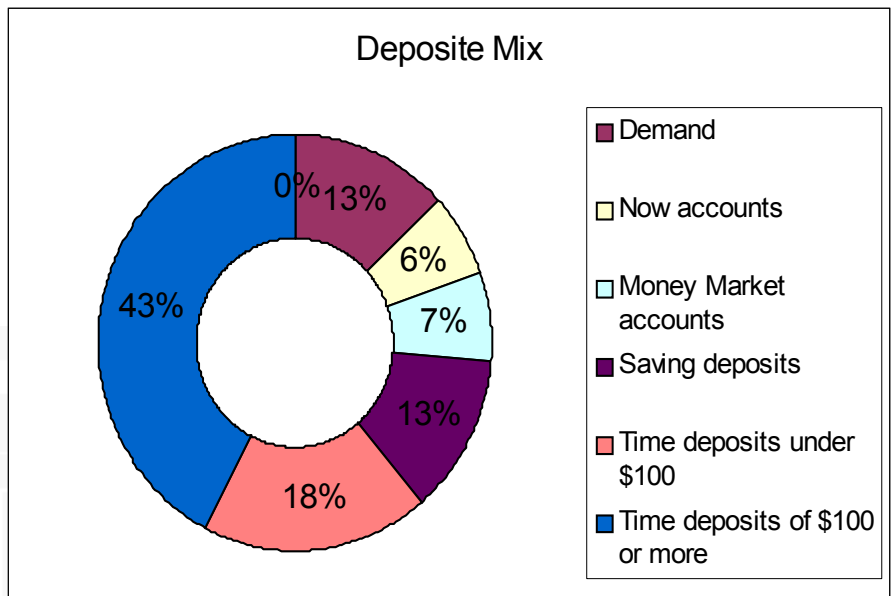
Business Units

Cathay Bank

This is the core business of Cathay Bancorp. It offers traditional bank services to customers. About 85% of the customers are Chinese and most employees are either able to speak Cantonese or Mandarin. Cathay bank has 11 branches in Southern California, 8 in Northern California, 3 in New York, 1 in Texas and 1 representative office in Hong Kong and Shanghai each. The bank concentrates on Community Reinvestment Act delineation, which includes the contiguous areas surrounding each of the branch offices. It is their policy to reach out and actively offer services to low and moderate-income groups in the delineated branch service area.

It also includes services:

- Letter of credit
- Wire transfers
- Forward currency, spot and forward contracts
- Traveler's checks
- Safe deposit
- Night deposit
- Social Security payment deposit
- Collection
- Bank-by-mail
- Drive-up and walk-up windows
- Automatic teller machines ("ATM")
- Internet banking services
- Other customary bank services

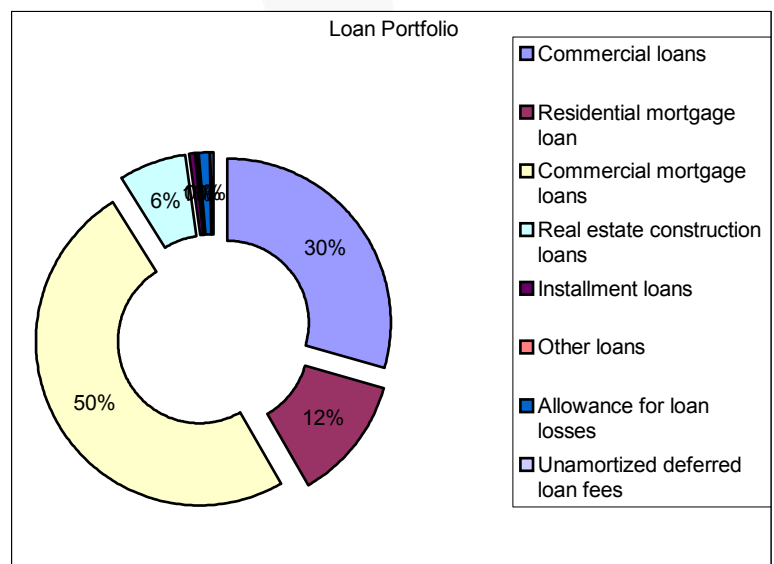


Cathay Bancorp is open on Saturday in most branches, and Sunday at the New York branch. In addition, the operations of the drive-up and walk-up facilities are extended past normal banking hours.

The three major bank borrowers are

- Residential mortgage loans, commercial mortgage loans, construction loans, mortgage warehousing loan, home equity lines loans;
- Commercial loans, trade financing loans, Small Business Administration ("SBA") loans; and
- Installment loans to individual for automobile, household, and other consumer expenditures.

Cathay Bancorp also offers a program called Cathay Global Investment Services, which allows its customers to trade stocks online and to purchase mutual funds,



annuities, equities, bonds and short-term money market instruments, through UWest Financial Services Group, Inc.

Cathay Investment Company

Cathay Investment Company is a wholly owned subsidiary the Cathay Bank formed in 1984 to invest in real property. It opened an office in Taipei in 1987 to promote Taiwanese real estate investments in Southern California.

Cathay Securities Fund Inc.

A wholly owned subsidiary of Cathay Bank and is a registered investment company. Formed in 2000, its aim is to invest in, owning and holding loans and securities.

The two subsidiaries only take up a very small portion of the revenue. With business extended to Taiwan after the merge with GBC Bancorp, I believe the percentage of revenue of these 2 companies will grow in the future.

Major Acquisition

Cathay Bancorp has declared merger with GBC Bancorp, another Chinese-American community bank. GBC Bank will become Cathay Bank and Cathay Bancorp will become Cathay General Bancorp. Cathay Bank will become the largest Chinese-American community bank in the US, and second largest bank in Los Angeles County. Since GBC Bancorp has a very strong relation with businesses in Taiwan, it will help Cathay Investment Company to have easier access to investing opportunities there. Cathay Bancorp is considering turning the office in Taiwan into a branch. Cathay Bancorp will pay 37.95 for each share of GBC Bancorp, 64% with new shares of the new company and 36% with cash. The whole transaction will cost approximately \$450M. Acquiring GBC Bancorp not only increase market share of the company, but also extend the potential of Cathay Bank into an international company.

Industry Analysis

Overview of the Industry

It's been tough years for banks in recent years. The NYSE Financial was down from 646.95 in Dec 2000 to 540.29 in May 2003. Net Income from 1999 to 2002 growth rate is near zero. Due to the economic downturn, asset quality deteriorates. Industry's large players were hurt badly by some major bankruptcies led by Enron and WorldCom. Non-performing Assets to loan ratio has gone up to 1.8% compare to 0.8% in 1998.

Despite the factors mentioned above, US commercial banks earnings managed to hit a record high in the second quarter of 2002, mainly caused by the low interest rate. Total interest income is lowered by 13% but the interest expense is lowered by 38%. It illustrated that banks are able to transfer most of the interest rate difference to customers.

Most analysts predict that the interest rate is not going to go down much further in the future. That will cause banks not to be able to increase their interest margin by transferring it to customer long-term debts. As refinancing become popular, I would expect the net interest margin continue to go down. Commercial lending is not expected to grow in the near future. It will be tough for banks to maintain their growth rate.

As experienced in the past, loan loss provision is expected not to go down until the whole economy started to recover. I do not see incentives for the market to start growing, at least in next 2 quarters of the year. If there is more bad news coming out, international investors may lose their confidence in investing in US and may move back to their home country. Local investors may seek investing opportunity in Europe and Asia. If that happens, the economy will need years to recover.

The Chinese Market

Wherever you can see the sun, you can find Chinese. Chinese is the biggest population in the world. About 1/4 of the world population is Chinese, that's not including Chinese living in foreign country. With Chinatown in every major city, you can get a general idea how big is the market.

Most Chinese have a comparatively conservative saving strategy. Part of it is because most Chinese work really hard to make their money. They do not want anything that can lead them to a loss. Another part of it would be their tradition. Chinese has many common sayings involve saving. Saving is a very important part of Chinese culture.

Many Chinese came here after their 30's will have difficulties in learning English. Unlike languages in Europe, Chinese uses characters instead of Alphabet. Since it is a totally different system, people usually have difficulties with learning other language after they got out of school.

Chinese also has a lot of dialects. The most popular 2 will be Mandarin and Cantonese. Mandarin is the official language that Chinese government has rules that all schools in China have to speak in Mandarin. However, since Hong Kong was not part of the Mainland China and due to the one country two systems, such rule does not apply to Hong Kong. Although Hong Kong people are just a small part among Chinese, because of their financial strength, many of them are able to travel or migrate to other countries. And so, Cantonese is a very popular language among Chinese community in foreign countries. In US, when serving the Chinese community, it is very important that the service provider can speak in a Chinese dialect.

How I analyze...

I am going to look at this bank in 3 approaches, profitability, asset quality and liquidity.

Profitability – how profitable is the business

Net interest margin – the difference between cost and return of money, is a very important part when analyzing a bank. With a good ability of expand the net interest margin, a bank will not need to use as much money to make as much as money, as lending money out will affect their liquidity and therefore, increase their risk. Usually larger banks can get a larger interest margin because they have more bargaining power when they borrow money from other banks. Some of the large banks with a good credit rating can get money with a rate lower than LIBOR while most banks need to pay a premium.

Efficiency - is the portion of non-interest expense divided by net operating revenue. It measure how efficient is the bank's operation. The lower the ratio means the bank id more efficient. The industry average for Efficiency is about 59.7% in 2001.

Return on Asset and Return on Equity - These measure how well the company in generating income from their fund available. The industry average is around 1.16% for ROA and 13.1 for ROE.

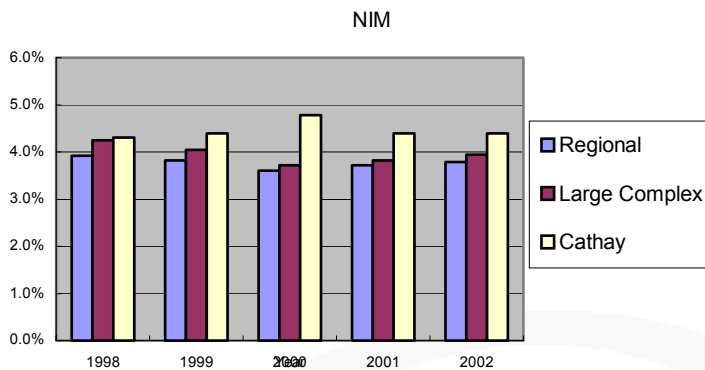
Asset Quality – how much risk is the company facing

Loan Loss Provision/gross loan (LLP/Loan), Loan Loss Reserve/Loan (LLR/Loan), Non-performing Asset/Loan (NPA/Loan) – Loan Loss Provision is the portion of loan that the bank predicts would not be able to pay back. Loan Loss Reserve is the amount of money that the bank is actually preparing to write-off. Non-performing Asset are loan that income is no longer accrued. All these ratios are indication of quality of the asset, the lower, the better.

Liquidity - the ability to respond to an emergency

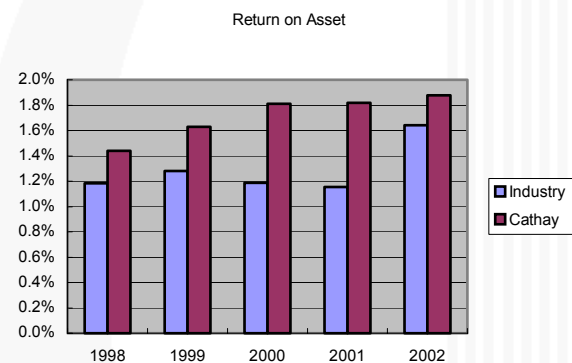
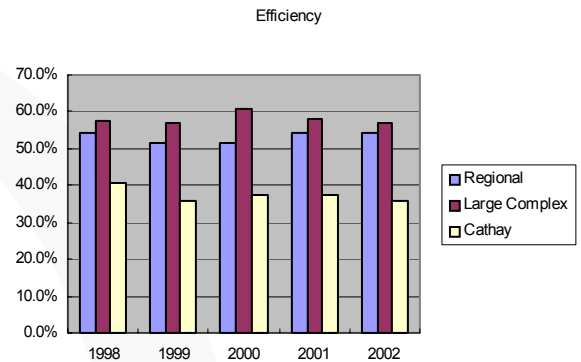
Capital levels - The 2 measures established by the Federal Reserve of capital adequacy. The capital ratio represents capital as a percentage of total risk-weighted assets. At least half of the total capital must consist of Tier 1 capital. Leverage ratio is the Tier 1 capital to average assets. A minimum of 8% and 3 % respectively must be met or will face variety of enforcement actions, including termination of deposit insurance by FDIC.

Loan to Asset ratio, long-term debt to debt + equity - Loan to Asset ratio is the percentage of asset coming from loan. The lower the ratio, the more liquidity the bank has long term debt to debt + equity ratio represent the where their fund coming from. The lower the ratio, the easier the bank can seek for further borrowing.



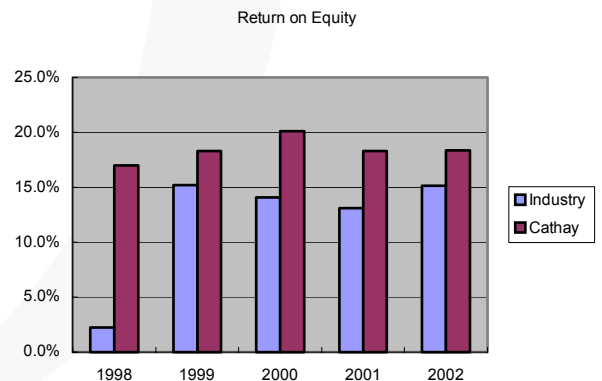
Surprisingly, despite of their size, Cathay Bancorp has been very successful in controlling their net interest margin. With a net interest margin over 4.3% compare to Regional bank average 3.8% and large complex average 3.9%. Sometime banks can sacrifice their asset quality to improve their interest margin. But it doesn't seem to be the case here.

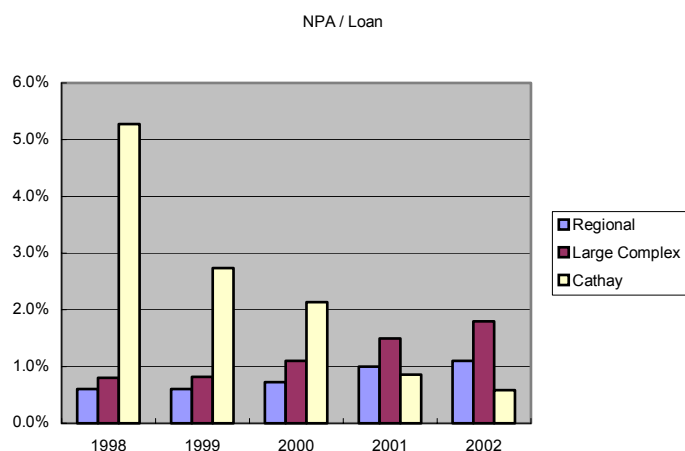
The efficiency ratio of Cathay Bancorp is way lower than industry average, compare with both Large Complex and Regional banks. It seems that high efficiency is a characteristic of Chinese community bank as I have seen a couple of other Chinese community bank also have that characteristic. One of the reasons might be that most Chinese are willing to work overtime without paid.



The return on Asset of Cathay seems to be much higher than the Industry. It reflects that Cathay Bancorp is better than the peers in managing their assets and make profit. A note here would be data from 1998 to 2001 are from FDIC web page while the 2002 record is from www.multexinvestor.com. That may explain the inconsistency.

Same as the Return on Asset, Cathay Bancorp show their strength in turning equity into profit. It has a much higher return on equity that the industry. Same as the data from Return on Asset, data from 1998 to 2001 are from FDIC web page while 2002 is from www.multexinvestor.com.





Among the Asset quality, NPA / Loan is the only ratio I am able to find the industry average. We can see that Cathay used to have a very bad asset quality in the past. As the overall market credit deteriorates, Cathay has shown its determination and ability to improve asset quality. A concern here might be large write-off to neutralize the NPA, but the write-off in the financial statement did not show a sharp increase in the past few years.

I was not able to find the industry average of liquidity. I've talked to the investor relation and they seem to be interested in raising some trust preferred in order to improve the Capital ratio. As of year-end of 2002, the capital ratio and leverage ratio are 13.01% and 10.11%; both are much higher than the requirement of Federal Reserve. The long term debt to debt + Equity ratio is about 14.79% and the loan to Asset ratio is 67.11%.

According to the data I've found so far, Cathay Bancorp seems to be a well-managed bank with a lot of potential. It has showed it's highly profitable meanwhile have a strong financial fundamental.

Opportunities and Threats

Merging - Merging with GBC Bancorp certainly will increase the market share and the size of the bank and therefore improve the economies of scale, but GBC Bancorp is not well managed as Cathay Bancorp. It may take time for Cathay General Bancorp to improve the business of GBC Bancorp.

The economic environment - banks is an industry that is sensitive to the economic environment. If the economic does not start to recover, I believe all banks including Cathay Bancorp will be affected negatively. The economic environment did not affect Cathay Bancorp last couple years because it improved its profitability and asset quality, but I don't think it is going to last long because it already has a very good asset quality and profitability level. I believe the bank is going to increase their debt for further growth due to low interest rate.

Comparables Analysis

For my comparables analysis I equally weighted the multiples of Price / Sales, Book Value and earnings. For the three primary competitors, the analysis resulted in an implied price of 41.23. This is higher than the current trading price 39.45. I still think this analysis has undervalued the company because of the advantage of Cathay having a much better ratios comparing to the industry.

East West Bancorp: East West Bancorp is one of the major competitors of Cathay Bancorp. It is also a Chinese-community bank holding company based in California with 40 branches around Los Angeles. It offers similar service as Cathay is offering. It opened a branch in Beijing and bought Pacific Business Bank, which has four branches in Southern California.

UCBH Holding Inc.: Another Chinese-community bank based in California, with 40 branches. It also concentrates its loans to commercial mortgages. The bank also offers international trade finance. It has bought a branch in New York Brooklyn and extended its business to the large Chinese community in New York.

GBC Bancorp: Although it is going to merge with Cathay Bancorp, I think it is still worthwhile in putting this bank into the analysis. GBC Bancorp is also a bank offering traditional bank services to the Chinese community. It has a very strong relationship with the Taiwan market. It has performed badly in recent years in earnings and therefore I did not include it in the analysis.

Cash Flow Analysis

I have made 4 Discounted Cash Flow Analyses. 2 are FCF analysis and 2 are Equity Cash Flow analysis, both with the merge successful and unsuccessful.

I used the percentage of interest bearing asset method to forecast Cathay's free cash flows out for five years into the future. I chose to limit the forecast to five years, because the market atmosphere in recent years is quite hard to predict. I used a ten-year Treasury bond rate of 3.4% as the risk-free rate, 7% for the market-risk premium, and an estimated beta of .96 to arrive at a return on equity (CAPM) of 10.13%. With a cost of debt of 4.9%, SLB has a WACC of 9.12%.

The beta 0.96 seems to be a bit high when looking at other comparable companies, but the merger has increased the risk of investing in this company. Although a 0.96 beta seems to be a little high even taking the merger into account, as I want to be conservative, I decided not to adjust the beta.

Asset Growth: Cathay Bancorp Investor Relations expects they will have a 10% growth each year. I believe it is a good assumption as the growth rates in previous years are consistently over 10%. Cathay Bancorp is still a small bank. I believe the growth rate can maintain for over 10 years.

In my assumption that the deal is done, I lowered the growth rate as I expect the company will have to concentrate in restructuring the GBC Bancorp.

Interest rate: I expect the interest rate will be fairly consistent in the rest of the year. I expect the interest rate will not go up until we have a clear sign of the economic recovery. I believe Cathay Bancorp will be able to maintain their interest margin.

Using all of these inputs I arrived at an implied share price between 52.26 and 55.24.

Recommendation

As all analysis I did has shown that the company is undervalued, I am happy to recommend a BUY for the company.



UNIVERSITY OF OREGON
INVESTMENT GROUP

January 17, 2003

Financial

Numbers are in million

Except the per share value	CATY	EWBC	UCBH	GBCB	Average
Price	39.50	35.00	25.05	35.25	33.70
Beta	0.96	-0.12	0.12	0.25	0.30
Share Outstanding	18.00	24.00	42.20	11.60	23.95
Market Capital	707.80	840.00	1057.11	408.90	753.45
Sales	143.40	167.20	220.60	141.10	168.08
Earning	50.00	49.50	43.80	1.24	36.14
Book Value	295.00	312.96	298.35	205.09	277.85
Valuation Multiplication					
Price / Sales	4.94	5.02	4.79	2.90	4.41
Price / Book Value	0.13	0.11	0.08	0.17	0.13
Price / Earning	14.16	16.97	24.13	NM	18.42

Mean Indicator of Value Implied price

Price / Sales	4.41	35.31
Price / Book Value	0.13	36.99
Price / Earning	18.42	51.40
Implied price		41.23

GBCB Price / Earning ratio doesn't seem to be meaningful.

GBCB performed badly due to large loan loss provision last year. With the price/earning ratio included will overvalue the price of Cathay.

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	1998A	1999A	2000A	2001A	2002A	2003E	2004E	2005E	2006E	2007E
Interest bearing asset	\$1,619,960	\$1,832,908	\$2,002,303	\$2,263,346	\$2,555,803	\$2,811,383	\$3,092,522	\$3,401,774	\$3,741,951	\$4,116,146
growth rate		13.1%	9.2%	13.0%	12.9%	10.0%	10.0%	10.0%	10.0%	10.0%
Interest bearing liab.	\$1,606,838	\$1,798,726	\$1,954,620	\$2,174,462	\$2,393,143	\$2,670,814	\$2,937,896	\$3,231,685	\$3,554,854	\$3,910,339
% of Interest bearing asset	99.2%	98.1%	97.6%	96.1%	93.6%	95.0%	95.0%	95.0%	95.0%	95.0%
Interest Income	\$123,309	\$133,046	\$164,553	\$159,352	\$144,061	\$151,815	\$166,996	\$183,696	\$202,065	\$222,272
Non-interest income	\$8,136	\$8,855	\$12,756	\$14,779	\$16,171	\$16,868	\$18,555	\$20,411	\$22,452	\$24,697
% of Interest bearing asset	0.5%	0.5%	0.6%	0.7%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Interest rate (lending out)	7.6%	7.3%	8.2%	7.0%	5.6%	5.4%	5.4%	5.4%	5.4%	5.4%
Interest rate (borrowing)	3.6%	3.2%	3.8%	3.0%	1.7%	1.8%	1.8%	1.8%	1.8%	1.8%
Interest Expense	\$57,225	\$57,408	\$74,156	\$66,153	\$39,920	\$48,075	\$52,882	\$58,170	\$63,987	\$70,386
non-interest Expense	\$30,065	\$30,282	\$38,504	\$40,165	\$43,317	\$50,605	\$55,665	\$61,232	\$67,355	\$74,091
% of Interest bearing asset	1.9%	1.7%	1.9%	1.8%	1.7%	1.8%	1.8%	1.8%	1.8%	1.8%
Net Interest Inc. before LLP	\$66,084	\$75,638	\$90,397	\$93,199	\$104,141	\$103,740	\$114,114	\$125,525	\$138,078	\$151,886
Loan Loss Provision (LLP)	\$3,600	\$4,200	\$4,200	\$6,373	\$6,000	\$5,623	\$6,185	\$6,804	\$7,484	\$8,232
% of Interest bearing asset	0.2%	0.2%	0.2%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Net Interest Inc. after LLP	\$62,484	\$71,438	\$86,197	\$86,826	\$98,141	\$98,117	\$107,929	\$118,722	\$130,594	\$143,654
Net Income before tax	\$40,555	\$50,011	\$60,449	\$61,440	\$70,995	\$64,381	\$70,819	\$77,901	\$85,691	\$94,260
Tax Expense	\$15,976	\$19,720	\$21,862	\$18,820	\$22,295	\$20,602	\$22,662	\$24,928	\$27,421	\$30,163
Effective tax ratio	39.4%	39.4%	36.2%	30.6%	31.4%	32.0%	32.0%	32.0%	32.0%	32.0%
Net Income	\$24,579	\$30,291	\$38,587	\$42,620	\$48,700	\$43,779	\$48,157	\$52,972	\$58,270	\$64,097
Income growth rate		23.2%	27.4%	10.5%	14.3%	-10.1%	10.0%	10.0%	10.0%	10.0%
Depreciation & Amortizaion	\$2,467	\$2,569	\$1,389	\$2,911	\$2,567	\$2,811.38	\$3,092.52	\$3,401.77	\$3,741.95	\$4,116.15
% of Interest bearing asset	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Investment in Goodwill			-\$815	-\$3,222	\$0					
Free Cash Flow	\$27,046	\$32,860	\$40,791	\$48,753	\$51,267	\$46,590	\$51,249	\$56,374	\$62,012	\$68,213

PV

Beta	0.96	CAPM	10.13%	PV of Terminal Value	\$704,247
Risk free rate	3.4%	WACC	9.12%	PV of Forecasted CF	284,192
Market risk premium	7.0%	Terminal Growth Rate	3.00%	Total PV of Cash Flows	988,439
Return on debt	4.90%			Long term debt	50,000
% equity	85.2%			Shares Outstanding	17,957
% debt	14.79%			Implied Price	\$52.26
Debt	50,000				
Equity	287,961				

89,777 51,249 47,341 47,721 48,104

*4Q 2002 Free Cash Flow = \$89777

All numbers in thousand except the per share value.

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	1998A	1999A	2000A	2001A	2002A	2003E	2004E	2005E	2006E	2007E
Interest bearing asset	\$1,619,960	\$1,832,908	\$2,002,303	\$2,263,346	\$2,555,803	\$5,281,469	\$5,387,099	\$5,494,841	\$5,714,634	\$5,943,220
growth rate		13.1%	9.2%	13.0%	12.9%	106.6%	2.0%	2.0%	4.0%	4.0%
Interest bearing liab.	\$1,606,838	\$1,798,726	\$1,954,620	\$2,174,462	\$2,393,143	\$5,017,396	\$5,117,744	\$5,220,099	\$5,428,903	\$5,646,059
% of Interest bearing asset	99.2%	98.1%	97.6%	96.1%	93.6%	95.0%	95.0%	95.0%	95.0%	95.0%
Interest Income	\$123,309	\$133,046	\$164,553	\$159,352	\$144,061	\$285,199	\$290,903	\$296,721	\$308,590	\$320,934
Non-interest income	\$8,136	\$8,855	\$12,756	\$14,779	\$16,171	\$31,689	\$32,323	\$32,969	\$34,288	\$35,659
% of Interest bearing asset	0.5%	0.5%	0.6%	0.7%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Interest rate (lending out)	7.6%	7.3%	8.2%	7.0%	5.6%	5.4%	5.4%	5.4%	5.4%	5.4%
Interest rate (borrowing)	3.6%	3.2%	3.8%	3.0%	1.7%	1.8%	1.8%	1.8%	1.8%	1.8%
Interest Expense	\$57,225	\$57,408	\$74,156	\$66,153	\$39,920	\$90,313	\$92,119	\$93,962	\$97,720	\$101,629
non-interest Expense	\$30,065	\$30,282	\$38,504	\$40,165	\$43,317	\$95,066	\$96,968	\$98,907	\$102,863	\$106,978
% of Interest bearing asset	1.9%	1.7%	1.9%	1.8%	1.7%	1.8%	1.8%	1.8%	1.8%	1.8%
Net Interest Inc. before LLP	\$66,084	\$75,638	\$90,397	\$93,199	\$104,141	\$194,886	\$198,784	\$202,760	\$210,870	\$219,305
Loan Loss Provision (LLP)	\$3,600	\$4,200	\$4,200	\$6,373	\$6,000	\$10,563	\$10,774	\$10,990	\$11,429	\$11,886
% of Interest bearing asset	0.2%	0.2%	0.2%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Net Interest Inc. after LLP	\$62,484	\$71,438	\$86,197	\$86,826	\$98,141	\$184,323	\$188,010	\$191,770	\$199,441	\$207,418
Net Income before tax	\$40,555	\$50,011	\$60,449	\$61,440	\$70,995	\$120,946	\$123,365	\$125,832	\$130,865	\$136,100
Tax Expense	\$15,976	\$19,720	\$21,862	\$18,820	\$22,295	\$38,703	\$39,477	\$40,266	\$41,877	\$43,552
Effective tax ratio	39.4%	39.4%	36.2%	30.6%	31.4%	32.0%	32.0%	32.0%	32.0%	32.0%
Net Income	\$24,579	\$30,291	\$38,587	\$42,620	\$48,700	\$82,243	\$83,888	\$85,566	\$88,988	\$92,548
Income growth rate		23.2%	27.4%	10.5%	14.3%	68.9%	2.0%	2.0%	4.0%	4.0%
Depreciation & Amortizaion	\$2,467	\$2,569	\$1,389	\$2,911	\$2,567	\$5,281.47	\$5,387.10	\$5,494.84	\$5,714.63	\$5,943.22
% of Interest bearing asset	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Investment in Goodwill			-\$815	-\$3,222	\$0					
Free Cash Flow	\$27,046	\$32,860	\$40,791	\$48,753	\$51,267	\$87,525	\$89,275	\$91,060	\$94,703	\$98,491

PV

Beta	0.96	CAPM	10.13%	PV of Terminal Value	\$1,016,848					
Risk free rate	3.4%	WACC	9.12%	PV of Forecasted CF	397,856					
Market risk premium	7.0%	Terminal Growth Rate	3.00%	Total PV of Cash Flows	1,414,704	89,777	89,275	76,469	72,878	69,456
Return on debt	4.90%			Long term debt	50,000					
% equity	85.2%			Shares Outstanding	24,707					
% debt	14.79%			Implied Price	\$55.24					
Debt	50,000									
Equity	287,961									

*4Q 2002 Free Cash Flow = \$89777

All numbers in thousand except the per share value.

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	1998A	1999A	2000A	2001A	2002A	2003E	2004E	2005E	2006E	2007E
Interest bearing asset	\$1,619,960	\$1,832,908	\$2,002,303	\$2,263,346	\$2,555,803	\$2,811,383	\$3,092,522	\$3,401,774	\$3,741,951	\$4,116,146
growth rate		13.1%	9.2%	13.0%	12.9%	10.0%	10.0%	10.0%	10.0%	10.0%
Interest bearing liab.	\$1,606,838	\$1,798,726	\$1,954,620	\$2,174,462	\$2,393,143	\$2,670,814	\$2,937,896	\$3,231,685	\$3,554,854	\$3,910,339
% of Interest bearing asset	99.2%	98.1%	97.6%	96.1%	93.6%	95.0%	95.0%	95.0%	95.0%	95.0%
Interest Income	\$123,309	\$133,046	\$164,553	\$159,352	\$144,061	\$151,815	\$166,996	\$183,696	\$202,065	\$222,272
Non-interest income	\$8,136	\$8,855	\$12,756	\$14,779	\$16,171	\$16,868	\$18,555	\$20,411	\$22,452	\$24,697
% of Interest bearing asset	0.5%	0.5%	0.6%	0.7%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Interest rate (lending out)	7.6%	7.3%	8.2%	7.0%	5.6%	5.4%	5.4%	5.4%	5.4%	5.4%
Interest rate (borrowing)	3.6%	3.2%	3.8%	3.0%	1.7%	1.8%	1.8%	1.8%	1.8%	1.8%
Interest Expense	\$57,225	\$57,408	\$74,156	\$66,153	\$39,920	\$48,075	\$52,882	\$58,170	\$63,987	\$70,386
non-interest Expense	\$30,065	\$30,282	\$38,504	\$40,165	\$43,317	\$50,605	\$55,665	\$61,232	\$67,355	\$74,091
% of Interest bearing asset	1.9%	1.7%	1.9%	1.8%	1.7%	1.8%	1.8%	1.8%	1.8%	1.8%
Net Interest Inc. before LLP	\$66,084	\$75,638	\$90,397	\$93,199	\$104,141	\$103,740	\$114,114	\$125,525	\$138,078	\$151,886
Loan Loss Provision (LLP)	\$3,600	\$4,200	\$4,200	\$6,373	\$6,000	\$5,623	\$6,185	\$6,804	\$7,484	\$8,232
% of Interest bearing asset	0.2%	0.2%	0.2%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Net Interest Inc. after LLP	\$62,484	\$71,438	\$86,197	\$86,826	\$98,141	\$98,117	\$107,929	\$118,722	\$130,594	\$143,654
Net Income before tax	\$40,555	\$50,011	\$60,449	\$61,440	\$70,995	\$64,381	\$70,819	\$77,901	\$85,691	\$94,260
Tax Expense	\$15,976	\$19,720	\$21,862	\$18,820	\$22,295	\$20,602	\$22,662	\$24,928	\$27,421	\$30,163
Effective tax ratio	39.4%	39.4%	36.2%	30.6%	31.4%	32.0%	32.0%	32.0%	32.0%	32.0%
Net Income	\$24,579	\$30,291	\$38,587	\$42,620	\$48,700	\$43,779	\$48,157	\$52,972	\$58,270	\$64,097
Adj. to CF from Oper. Act.	\$10,905	-\$2,988	\$11,312	\$7,364	\$44,354	\$36,547.98	\$40,202.78	\$44,223.06	\$48,645.37	\$53,509.90
	0.67%	-0.16%	0.56%	0.33%	1.74%	1.30%	1.30%	1.30%	1.30%	1.30%
CF from Fin. Act.	\$129,675	\$186,249	\$149,668	\$205,601	\$210,126					
Dividend paid	6272	7248	7965	9057	9802					
purchase of treasury stock	\$0	\$0	\$0	\$7,342	\$945					
shares issued	\$1,649	\$1,600	\$1,691	\$1,811	\$1,898					
stock option excersised	\$0	\$9	\$48	\$347	\$294					
Net new debt CF	\$134,298	\$191,888	\$155,894	\$219,842	\$218,681	\$198,586	\$218,444	\$240,289	\$264,318	\$290,750
% change / net int. bearing asset		90.1%	92.0%	84.2%	74.8%	77.7%	77.7%	77.7%	77.7%	77.7%
CF from Invest. Act.	-\$208,231	-\$231,127	-\$178,961	-\$253,758	-\$299,917	-\$272,062.67	-\$297,084.50	-\$317,181.39	-\$317,181.39	-\$348,899.53
% of new debt finance	-155.1%	-120.4%	-114.8%	-115.4%	-137.1%	-137.0%	-136.0%	-132.0%	-120.0%	-120.0%
Equity Cash Flow	-\$38,449	-\$11,936	\$26,832	\$16,068	\$11,818	\$6,850	\$9,720	\$20,303	\$54,051	\$59,457

PV \$20,021.48 6,651 9,162 18,580 48,024 51,288

Capital structure

Liability	2466
Market Value	707.8
% of liab.	0.77698658
% of MVE	0.22301342
Equity	287961

Beta	0.96	CAPM	10.13%	PV of Terminal Value	\$833,894
Risk free rate	3.4%			PV of Forecasted CF	153,726
Market risk premium	7.0%	Terminal Growth Rate	3.00%	Total PV of Cash Flows	987,619
				Shares Outstanding	17,957
				Implied Price	\$55.00

*4Q 2002 Free Cash Flow = \$89777

All numbers in thousand except the per share values

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	1998A	1999A	2000A	2001A	2002A	2003E	2004E	2005E	2006E	2007E
Interest bearing asset	\$1,619,960	\$1,832,908	\$2,002,303	\$2,263,346	\$2,555,803	\$5,280,289	\$5,385,895	\$5,493,613	\$5,713,357	\$5,941,891
growth rate		13.1%	9.2%	13.0%	12.9%	106.6%	2.0%	2.0%	4.0%	4.0%
Interest bearing liab.	\$1,606,838	\$1,798,726	\$1,954,620	\$2,174,462	\$2,393,143	\$5,016,275	\$5,116,600	\$5,218,932	\$5,427,689	\$5,644,797
% of Interest bearing asset	99.2%	98.1%	97.6%	96.1%	93.6%	95.0%	95.0%	95.0%	95.0%	95.0%
Interest Income	\$123,309	\$133,046	\$164,553	\$159,352	\$144,061	\$285,136	\$290,838	\$296,655	\$308,521	\$320,862
Non-interest income	\$8,136	\$8,855	\$12,756	\$14,779	\$16,171	\$31,682	\$32,315	\$32,962	\$34,280	\$35,651
% of Interest bearing asset	0.5%	0.5%	0.6%	0.7%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Interest rate (lending out)	7.6%	7.3%	8.2%	7.0%	5.6%	5.4%	5.4%	5.4%	5.4%	5.4%
Interest rate (borrowing)	3.6%	3.2%	3.8%	3.0%	1.7%	1.8%	1.8%	1.8%	1.8%	1.8%
Interest Expense	\$57,225	\$57,408	\$74,156	\$66,153	\$39,920	\$90,293	\$92,099	\$93,941	\$97,698	\$101,606
non-interest Expense	\$30,065	\$30,282	\$38,504	\$40,165	\$43,317	\$95,045	\$96,946	\$98,885	\$102,840	\$106,954
% of Interest bearing asset	1.9%	1.7%	1.9%	1.8%	1.7%	1.8%	1.8%	1.8%	1.8%	1.8%
Net Interest Inc. before LLP	\$66,084	\$75,638	\$90,397	\$93,199	\$104,141	\$194,843	\$198,740	\$202,714	\$210,823	\$219,256
Loan Loss Provision (LLP)	\$3,600	\$4,200	\$4,200	\$6,373	\$6,000	\$10,561	\$10,772	\$10,987	\$11,427	\$11,884
% of Interest bearing asset	0.2%	0.2%	0.2%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Net Interest Inc. after LLP	\$62,484	\$71,438	\$86,197	\$86,826	\$98,141	\$184,282	\$187,968	\$191,727	\$199,396	\$207,372
Net Income before tax	\$40,555	\$50,011	\$60,449	\$61,440	\$70,995	\$120,919	\$123,337	\$125,804	\$130,836	\$136,069
Tax Expense	\$15,976	\$19,720	\$21,862	\$18,820	\$22,295	\$38,694	\$39,468	\$40,257	\$41,867	\$43,542
Effective tax ratio	39.4%	39.4%	36.2%	30.6%	31.4%	32.0%	32.0%	32.0%	32.0%	32.0%
Net Income	\$24,579	\$30,291	\$38,587	\$42,620	\$48,700	\$82,225	\$83,869	\$85,547	\$88,968	\$92,527
Adj. to CF from Oper. Act.	\$10,905	-\$2,988	\$11,312	\$7,364	\$44,354	\$68,643.76	\$48,473.05	\$43,948.90	\$39,993.50	\$35,651.35
	0.67%	-0.16%	0.56%	0.33%	1.74%	1.30%	0.90%	0.80%	0.70%	0.60%
CF from Fin. Act.	\$129,675	\$186,249	\$149,668	\$205,601	\$210,126					
Dividend paid	6272	7248	7965	9057	9802					
purchase of treasury stock	\$0	\$0	\$0	\$7,342	\$945					
shares issued	\$1,649	\$1,600	\$1,691	\$1,811	\$1,898	162000				
stock option excersised	\$0	\$9	\$48	\$347	\$294					
Net new debt CF	\$134,298	\$191,888	\$155,894	\$219,842	\$218,681	\$198,586	\$82,056	\$83,697	\$170,741	\$177,571
% change / net int. bearing asset		90.1%	92.0%	84.2%	74.8%	77.7%	77.7%	77.7%	77.7%	77.7%
CF from Invest. Act.	-\$208,231	-\$231,127	-\$178,961	-\$253,758	-\$299,917	-\$722,062.67	-\$111,595.74	-\$110,479.78	-\$204,889.78	-\$213,085.37
% of new debt finance	-155.1%	-120.4%	-114.8%	-115.4%	-137.1%	-137.0%	-136.0%	-132.0%	-120.0%	-120.0%
Equity Cash Flow	-\$38,449	-\$11,936	\$26,832	\$16,068	\$11,818	-\$372,608	\$102,802	\$102,712	\$94,814	\$92,664
				PV	\$20,021.48	(361,756)	96,901	93,996	84,241	79,933

Capital structure	
Liability	2466
Market Value	707.8
% of liab.	0.77698658
% of MVE	0.22301342
Equity	287961

Beta	0.96	CAPM	10.13%	PV of Terminal Value	\$1,299,639
Risk free rate	3.4%			PV of Forecasted CF	13,337
Market risk premium	7.0%	Terminal Growth Rate	3.00%	Total PV of Cash Flows	1,312,976
				Shares Outstanding	24,707
				Implied Price	\$53.14

*4Q 2002 Free Cash Flow = \$89777

All numbers in thousand except the per share values.