

The Community Bankers' Monitor



May 25, 2006

The banking sector continued to percolate during the first half of 2006 as operating fundamentals and regulatory proposals suggested changes may be in the future for the industry. Interest rates continued to rise after recent Federal Reserve tightening actions, thereby creating the potential of both good and bad fundamentals for banks. Meanwhile, in Washington DC both Congress and regulators are debating new rules and guidelines for the industry. Additionally, debate has arisen over WalMart's application to offer banking products. Regardless, the second half of 2006 should be an interesting time for the banking group.

The biggest story during the first half of 2006 has been rising interest rates. The Federal Reserve once again increased rates by another ¼ point during its May FOMC meeting. Some argue the Fed's raising of rates is due to a growing US economy, attempts to dampen the real estate market, and/or keeping a lid on inflation. Our sense is that a combination of these three, and a fourth, large US current account and trade deficits, are forcing action by the Federal Reserve.

Higher interest rates are already impacting the banking sector. First, many of the companies we follow are experiencing rising deposit costs with many 1-year CD rates now crossing over the 5% level. Second, a slowing real estate sector has caused loan originations to decline from a slowing housing market. The US Commerce Department reported housing starts fell during February, March, and April. Housing starts fell 5.9% in February, 6.4% in March, and 7.4% in April. Third, some banks have benefited from higher interest rates as adjustable rate loans have been recently reset at higher rates, thus producing higher net interest margins. Other banks experiencing rising deposit costs, &/or operating expenses, have seen declines in their net interest margins. Higher interest rates in 2H06 could be problematic for many banks given a slowing real estate market.

On the regulatory front, various agencies are weighing in on certain issues facing the banking sector. The Federal Deposit Insurance Corp. (FDIC) is delaying ruling on a proposal to preempt certain state laws for state-chartered banks. Currently, the FDIC has 4 members and is awaiting Senate approval for its 5th board member, Sheila Bair (recently nominated by President Bush), before taking up the proposal. This proposal would allow state chartered banks to operate across state lines without having to comply with consumer protection laws in multiple states.

Another issue gaining industry attention is reducing the burden created by Sarbanes-Oxley compliance issues. The NASD wants to ease the cost and burden of compliance on small banks. Meanwhile the SEC wants to take a harder stand and make smaller companies comply thereby making Sarbanes-Oxley a costly expense for the small bank community.

One threatening issue facing the banking industry is WalMart's (WMT-\$48.03) desire to offer banking services. WMT has said they have no intentions of opening branch banks, or getting into consumer lending, but would rather open a charter bank to handle the \$140 million credit, debit, and electronic check payments handled annually by its retail stores. Most regional and community banks oppose WMT's move into banking fearing the dominance it has gained over every business sector it has moved into during its history. Recently, 45 members of Congress sent a letter to the FDIC opposing WMT's entry into the banking business. It is likely, the winner of this battle will be whoever uses largest amount of lobbying dollars in Washington, DC.

For important disclosure information regarding the Firm's rating system, valuation methods and potential conflicts of interest, please refer to the back page of this report.

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Mergers continued in the banking industry where the acquiring parties paid between 1.2x-3.6x book value for their purchases, translating to between 13x-24x recent earnings. The biggest recent news in the takeover front was Wachovia Bank's (WB-\$53.03) announced purchase of Golden West Financial (GDW-\$72.01) for approximately \$25 billion. WB's shares sold off on the announcement as some investors believed the company was paying too much for GDW which is heavily involved in the mortgage business, as signs of softness appear in the real estate market.

The small cap bank index during 1Q06 rose 5% as investors greeted good quarterly earnings reports with cheer and largely forgot about the growing negative fundamentals facing the sector. However, since the 1Q the small cap bank index has declined 2% as Wall Street seemed to take heed of these negative fundamentals. The direction of small cap bank shares going into 2H06 is likely to be dominated by two items: interest rates and the real estate market. Lower interest rates and a stabilizing real estate market could produce good earnings going into 2007. However, a continuation of Fed tightening and a contraction in real estate may have adverse affects on the entire banking group...either way, " it's gonna be an interesting 2H06."

<u>Anderson & Strudwick Community Bank Coverage List</u>			
Company	Symbol	5/24/06	
		Price	Rating
Albemarle First Bank	AFBK	15.00	Neutral
Broadway Financial	BYFC	10.25	Neutral
Center Financial Corp.	CLFC	22.68	Neutral
Commonwealth Bankshares	CWBS	24.35	Neutral
Mercantile Bankshares	MRBK	36.52	Neutral
First Capital Bank	FCRV	20.50	Neutral
First Commerce Bank	GRAN	19.64	Neutral
First Community Bancshares	FCBC	31.46	Outperform
First Trust Bank	NCFT	21.45	Neutral
First Regional Bancorp	FRGB	88.27	Outperform
FNB Corp.	FNBP	32.97	Neutral
FNB Financial Corp.	FNBF	15.00	Outperform
Hanmi Financial Group	HAFC	19.03	Neutral
International Bankshares	IBOC	28.47	Neutral
James Monroe Bancorp	JMBI	22.58	Neutral
Middleburg Financial Corp.	MBRG	32.73	Neutral
National Mercantile Bancorp	MBLA	15.49	Outperform
Northern States Financial	NSFC	23.00	Outperform
Pacific Mercantile Bank	PMBC	18.32	Outperform
Premier Community Bankshares	PREM	20.25	Neutral
Shore Financial	SHBK	16.66	Neutral
Village Bank & Trust	VBFC	12.76	Outperform
UCBH Holdings	UCBH	17.51	Neutral
Union Bankshares	UBSH	39.64	Outperform
Virginia Commonwelath Fin. Corp.	VFGI	39.21	Neutral
Virginia National Bank	VABK	36.00	Neutral

Please see tables on following pages for additional information

“For Important Disclosure Information, Please Call 804-643-2400”

Selected Banks and Thrifts in Virginia, North Carolina, Maryland, West Virginia and Washington, DC

Company Name	Ticker	State	5/24/2006 Price	Assets	2002 EPS	2003 EPS	LTM EPS	Q3 '04 EPS (\$)	Total Shares Out	Market Value (mil)	Book Value/ Share	Price to Book	ROAA (%)	ROAE (%)	Net Interest Margin (%)	Effic. Ratio (%)	NPA Assets (%)	Div. Rate (\$/Yr)	Current Dividend Yield
Banks between \$500 million and \$1.5 billion in assets																			
First Bancorp	FBNC	NC	20.55	1,907,887	1.40	1.12	1.14	0.52	14,229,148	294.0	10.94	184.8	1.69	19.18	4.41	55.36	0.17	0.7200	3.50
◆ Union Bankshares Corporation	UBSH	VA	39.64	1,885,682	2.11	2.81	2.90	0.66	8,797,325	349.7	20.39	190.2	1.30	13.29	4.51	61.70	0.62	0.9200	2.32
TowneBank	TOWN	VA	21.20	1,881,922	0.53	0.74	0.73	0.20	23,011,526	497.2	9.21	231.7	1.11	9.47	4.35	68.10	0.03	0.0000	0.00
Virginia Commerce Bancorp, Inc.	VCBI	VA	24.52	1,678,432	0.66	0.87	0.93	0.25	21,074,403	525.7	5.31	441.8	1.50	20.52	4.37	46.40	0.00	0.0000	0.00
◆ Virginia Financial Group, Inc.	VFGI	VA	39.21	1,551,120	2.11	2.52	2.58	0.69	7,172,734	281.5	18.98	202.1	1.32	14.71	4.43	57.07	0.12	0.9200	2.35
FNB Corporation	FNBP	VA	32.97	1,486,690	1.95	2.39	2.46	0.62	7,312,868	241.9	21.94	147.8	1.26	11.54	4.06	55.08	0.42	0.8000	2.43
Cardinal Financial Corporation	CFNL	VA	12.16	1,481,719	0.19	0.44	0.45	0.12	24,362,685	296.3	6.07	197.7	0.84	8.04	3.01	66.86	0.01	0.0400	0.33
◆ First Mariner Bancorp	FMAR	MD	19.59	1,354,920	0.96	1.20	1.23	0.37	6,262,442	122.9	11.60	168.3	0.73	14.10	3.85	75.99	0.29	0.0000	0.00
◆ Southern Community Financial Corp.	SCMF	NC	9.56	1,342,125	0.45	0.45	0.46	0.11	17,612,472	168.8	7.69	123.8	0.62	5.99	3.30	68.51	0.13	0.1400	1.46
First United Corporation	FUNC	MD	20.95	1,297,793	1.25	1.99	2.00	0.69	6,118,103	128.3	15.04	137.4	1.29	18.48	3.58	57.27	0.23	0.7600	3.63
◆ Bank of Granite Corporation	GRAN	NC	19.64	1,150,798	0.94	1.14	1.25	0.29	12,911,922	252.6	10.83	179.4	1.37	10.79	5.15	45.64	0.66	0.5600	2.85
Summit Financial Group, Inc.	SMMF	WV	20.02	1,137,692	1.49	1.56	1.63	0.34	7,126,220	142.9	10.36	188.3	0.92	13.15	3.42	66.23	0.09	0.3200	1.60
◆ FNB United Corp.	FNBN	NC	18.01	1,106,268	1.13	1.69	1.71	0.45	6,370,486	198.9	16.06	110.7	1.07	11.45	4.20	58.85	0.58	0.6000	3.33
Yadkin Valley Bank and Trust Company	YAVY	NC	14.11	1,037,951	0.89	1.03	1.07	0.27	10,680,061	150.4	10.89	127.8	1.17	10.03	4.26	59.02	0.39	0.4400	3.12
FNB Financial Services Corporation	FNBF	NC	15.00	1,019,878	1.17	0.11	0.13	-0.80	7,038,110	106.7	9.55	153.2	-2.22	-30.23	4.26	61.23	1.18	0.4800	3.20
Gateway Financial Holdings, Inc.	GBTB	NC	15.40	986,311	0.34	0.46	0.50	0.15	10,442,784	166.4	9.45	162.5	0.60	6.26	3.85	71.64	0.02	0.1092	0.71
LSB Bancshares, Inc.	LXBK	NC	17.31	985,751	0.97	1.12	1.06	0.29	8,524,033	147.5	10.77	160.6	1.01	10.69	4.91	65.38	0.63	0.6800	3.93
First South Bancorp, Inc.	FSBK	NC	39.20	869,870	1.79	2.12	2.30	0.62	6,339,548	255.2	10.76	353.8	1.98	24.35	5.33	44.10	0.27	1.0000	2.55
Severn Bancorp, Inc.	SVBI	MD	18.98	869,708	1.42	1.59	1.69	0.44	9,150,002	173.7	7.95	228.1	1.90	22.39	4.65	31.93	0.20	0.2180	1.15
Shore Bancshares, Inc.	SHBI	MD	41.51	855,422	1.84	2.32	2.40	0.57	5,556,985	231.5	18.26	222.3	1.48	12.48	4.67	52.85	0.13	0.8800	2.12
National Bankshares, Incorporated	NKSH	VA	23.25	847,956	1.73	1.76	1.77	0.46	7,019,874	163.1	13.10	173.0	1.55	13.96	4.22	47.94	0.07	0.7200	3.10
BCSB Bankcorp, Inc. (MHC)	BCSB	MD	12.85	808,679	0.15	0.10	0.07	-0.02	5,912,177	76.0	6.89	191.1	-0.06	-1.17	1.93	105.65	0.09	0.5000	3.89
Eastern Virginia Bankshares, Inc.	EVBS	VA	22.03	783,076	1.48	1.37	1.35	0.37	4,905,701	108.2	12.61	173.2	0.96	11.79	4.50	68.76	0.12	0.6400	2.91
Cooperative Bankshares, Inc.	COOP	NC	23.47	782,627	1.07	1.26	1.32	0.33	4,305,316	101.3	11.87	193.7	0.80	11.41	3.69	59.47	0.01	0.2000	0.85
Old Point Financial Corporation	OPOF	VA	29.36	781,664	2.10	1.78	1.70	0.40	4,013,553	117.1	17.70	164.9	0.89	9.20	3.69	69.34	0.06	0.6800	2.32
◆ Middleburg Financial Corporation	MBRG	VA	32.73	762,017	1.81	1.84	2.01	0.41	3,806,053	124.7	14.05	228.6	0.88	12.13	4.06	63.06	0.01	0.7600	2.32
Peoples Bancorp of North Carolina, Inc.	PEBK	NC	30.40	761,749	1.26	1.80	2.08	0.46	3,440,805	104.6	15.80	188.4	0.88	11.68	4.46	60.53	0.55	0.4400	1.45
Citizens South Banking Corporation	CSBC	NC	12.45	702,275	0.38	0.45	0.48	0.06	8,291,544	102.9	10.16	121.9	0.33	2.47	3.19	71.97	0.53	0.3000	2.41
◆ Premier Community Bankshares, Inc.	PREM	VA	21.50	698,529	1.26	1.41	1.41	0.39	4,955,648	106.8	10.15	205.2	1.18	15.58	4.43	62.53	0.11	0.2500	1.16
◆ Eagle Bancorp, Inc.	EGBN	MD	24.60	694,566	0.69	1.00	1.04	0.27	7,184,891	178.3	9.04	264.8	1.25	12.85	4.95	56.34	0.07	0.2800	1.14
C&F Financial Corporation	CFFI	VA	40.15	681,575	3.00	3.36	3.44	0.84	3,140,868	126.6	19.13	205.4	1.65	18.68	6.31	64.78	0.88	1.1600	2.89
American National Bankshares Inc.	AMNB	VA	23.15	639,451	1.42	1.81	1.79	0.49	5,441,758	143.1	13.49	169.9	1.73	14.79	4.24	53.37	0.71	0.8800	3.80
BNC Bancorp	BNCN	NC	19.10	623,936	0.82	0.97	1.00	0.26	4,367,953	83.6	7.58	248.5	0.83	15.44	3.82	58.24	0.25	0.1600	0.84
Alliance Bankshares Corporation	ABVA	VA	18.65	608,282	0.57	0.80	0.88	0.22	4,811,050	89.7	10.10	181.8	0.74	9.07	3.78	65.18	0.03	0.0000	0.00
◆ Commonwealth Bankshares, Incorporated	CWBS	VA	28.40	603,065	1.16	1.65	1.71	0.43	4,073,547	120.2	15.40	180.7	1.49	12.83	4.96	47.68	0.02	0.2400	0.85
Highlands Bankshares, Inc.	HBKA	VA	16.50	600,408	0.87	0.94	0.95	0.25	5,281,000	86.4	7.98	204.9	0.90	12.82	3.19	64.48	0.65	0.1500	0.91
ECB Bancorp, Inc.	ECBE	NC	33.77	581,771	1.60	2.37	2.42	0.62	2,040,042	98.0	16.94	165.3	0.93	14.75	4.14	69.37	0.01	0.6800	2.01
Tri-County Financial Corporation	TCFC	MD	35.40	546,523	2.07	2.16	2.12	0.48	1,760,991	62.4	19.64	176.7	0.66	10.46	3.10	67.30	0.20	0.5500	1.55
◆ James Monroe Bancorp, Inc.	JMBI	VA	22.58	544,871	0.51	0.72	0.77	0.22	5,574,710	137.1	7.11	306.8	0.97	12.97	3.80	59.53	0.04	0.0000	0.00
Premier Financial Bancorp, Inc.	PFB	WV	15.45	539,147	1.28	0.84	0.95	0.29	5,233,897	80.9	10.37	146.3	1.15	11.45	4.07	67.97	1.39	0.0000	0.00
Four Oaks Fincorp, Inc.	FOFN	NC	31.50	537,148	1.02	1.22	1.39	0.32	4,379,258	139.2	9.58	316.6	1.13	13.32	4.61	54.03	0.24	0.3200	1.02
Valley Financial Corporation	VYFC	VA	13.65	516,179	0.70	0.80	0.81	0.26	4,076,993	56.1	7.53	178.5	0.95	13.26	3.32	60.66	0.02	0.1400	1.03
Banks between \$499 million and \$250 million in assets																			
Washington Savings Bank, F.S.B.	WSB	MD	8.55	496,566	1.11	0.98	0.77	0.19	7,401,594	63.4	7.71	108.6	1.22	11.56	4.17	58.55	NA	0.0000	0.00
First National Corporation	FXNC	VA	28.00	492,623	1.44	1.84	2.02	0.49	2,922,860	81.8	10.06	269.5	1.24	19.71	4.07	54.56	0.03	0.4800	1.71
Fauquier Bankshares, Inc.	FBSS	VA	25.25	477,566	1.41	1.60	1.62	0.47	3,448,786	87.7	10.32	240.0	1.43	18.91	4.64	60.83	0.04	0.7600	3.01
American Community Bancshares, Inc.	ACBA	NC	12.74	459,842	0.50	0.66	0.68	0.17	6,853,010	87.3	7.43	169.2	1.11	9.57	4.40	58.54	0.33	0.2000	1.57
Crescent Financial Corporation	CRFN	NC	14.26	445,018	0.47	0.61	0.64	0.17	5,780,353	82.6	7.17	194.8	0.98	10.63	4.09	65.06	0.01	0.0000	0.00
◆ Millennium Bankshares Corporation	MBVA	VA	9.00	419,584	0.27	0.18	0.20	0.00	8,848,239	80.1	5.39	165.4	-0.02	-0.13	3.13	86.53	0.14	0.0800	0.89
Community Financial Corporation	CFFC	VA	22.54	417,529	1.63	1.76	1.94	0.49	2,104,956	47.6	16.30	138.3	1.04	12.60	3.60	63.92	0.21	0.4800	2.13
Hampton Roads Bankshares, Inc.	HMPR	VA	11.40	412,469	0.50	0.66	0.68	0.18	8,242,822	95.2	5.96	193.6	1.49	12.86	5.83	61.67	0.44	0.4000	3.51
Central Virginia Bankshares, Inc.	CVBK	VA	28.62	407,789	1.91	2.11	2.15	0.56	2,285,618	65.5	14.40	196.7	1.32	16.22	4.33	62.10	0.21	0.7200	2.52
MidCarolina Financial Corporation	MCFI	NC	18.00	398,111	0.53	0.61	0.66	0.17	3,444,518	62.0	5.31	328.1	0.77	12.29	3.63	59.49	0.83	0.0000	0.00
North State Bancorp	NSBC	NC	24.00	393,957	0.46	0.79	0.86	0.22	2,842,159	69.5	7.44	313.6	0.74	12.77	3.84	64.48	0.00	0.0000	0.00
Bank of the Carolinas	BCAR	NC	16.60	393,742	0.50	0.59	0.68	0.18	3,825,192	63.5	9.06	180.1	0.73	8.06	3.76	64.80	0.99	0.2000	1.20
First Century Bankshares, Inc.	FCBS	WV	23.50	393,072	1.53	2.02	2.09	0.53	1,958,273	46.0</									

Company Name	Ticker	State	5/24/2006 Price	Assets	2002 EPS	2003 EPS	LTM EPS	Q3 '04 EPS (\$)	Total Shares Out	Market Value (mil)	Book Value/ Share	Price to Book	ROAA (%)	ROAE (%)	Interest Margin (%)	Effic. Ratio (%)	NPA Assets (%)	Div. Rate (\$/Yr)	Current Dividend Yield
Carolina Bank Holdings, Inc.	CLBH	NC	13.12	379,692	0.59	0.73	0.76	0.20	2,720,496	35.7	8.38	153.1	0.64	9.85	3.41	62.06	1.48	0.0000	0.00
Calvin B. Taylor Bankshares, Inc.	TYCB	MD	38.85	374,920	1.74	2.13	2.21	0.53	3,187,556	123.8	20.81	181.8	1.70	9.90	4.42	42.54	0.00	0.7000	1.80
Peoples National Bank	PNVB	VA	16.50	357,306	1.19	0.88	0.88	0.24	2,375,683	39.2	15.95	103.5	0.62	5.94	2.99	75.70	0.85	0.8000	4.85
F & M Bank Corp.	FMBM	VA	28.75	356,650	1.80	1.99	1.96	0.53	2,402,037	69.0	15.22	185.0	1.40	13.84	4.14	55.70	0.02	0.8000	2.78
Abigail Adams National Bancorp, Inc.	AANB	DC	13.79	352,936	1.08	0.98	0.89	0.21	3,462,129	47.7	8.10	169.8	0.85	10.45	4.84	70.99	0.12	0.5000	3.63
Carrollton Bancorp	CRRB	MD	18.03	349,561	0.31	0.87	1.03	0.13	2,809,698	50.7	12.33	150.4	0.42	4.33	4.07	87.47	0.39	0.4400	2.44
Monarch Bank	MNRK	VA	24.50	348,718	0.28	0.69	0.80	0.24	3,149,729	77.2	9.47	252.6	0.99	10.08	4.28	63.07	0.00	0.0000	0.00
Highlands Bankshares, Incorporated	HBSI	WV	32.00	339,787	2.23	2.65	2.76	0.76	1,436,874	46.0	23.66	132.7	1.31	12.73	4.89	56.40	0.23	0.9200	2.88
Waccamaw Bankshares, Inc.	WBNK	NC	17.70	336,712	0.52	0.64	0.68	0.19	4,564,587	81.2	4.93	344.4	1.13	16.36	3.80	53.13	0.57	0.0000	0.00
IBW Financial Corporation	IBWC	DC	35.27	333,370	2.53	3.04	3.04	1.59	651,083	23.0	38.69	91.2	1.24	16.31	4.31	86.03	0.73	0.8000	2.27
Glen Burnie Bancorp	GLBZ	MD	17.00	332,717	1.25	1.13	1.11	0.27	2,467,229	42.0	10.79	159.5	0.86	10.08	3.96	74.76	0.08	0.4800	2.82
First Trust Bank	NCFT	NC	23.00	329,253	0.91	1.06	1.09	0.30	2,999,150	69.5	9.28	242.5	1.31	14.14	4.36	47.69	0.00	0.0000	0.00
Greater Atlantic Financial Corp.	GAFC	VA	5.90	318,169	-1.06	-0.52	-1.79	-0.71	3,020,934	17.8	4.42	146.4	-2.48	-54.14	2.29	134.60	0.59	0.0000	0.00
American Bank Holdings, Inc.	ABKD	MD	11.05	306,489	1.25	1.43	1.43	0.35	3,158,997	34.9	9.48	116.6	1.03	12.24	3.60	67.35	0.35	0.0000	0.00
Annapolis Bancorp, Inc.	ANNB	MD	9.10	303,299	0.52	0.71	0.72	0.24	4,072,800	37.1	5.15	174.0	1.31	19.56	4.07	57.58	0.41	0.0000	0.00
Bay Banks of Virginia, Inc.	BAYK	VA	15.25	302,927	0.93	1.07	1.08	0.26	2,385,966	36.1	11.15	136.9	0.81	9.29	4.20	70.07	0.27	0.6400	4.20
Benchmark Bankshares, Inc.	BMBN	VA	16.75	302,004	1.18	1.36	1.43	0.38	2,736,752	45.9	10.22	158.3	1.35	14.62	4.32	59.05	0.06	0.4800	2.87
Virginia National Bank	VABK	VA	43.00	285,328	0.89	1.36	1.36	0.37	2,045,925	91.8	13.09	328.5	1.18	12.17	4.53	65.15	0.01	0.0000	0.00
Potomac Bancshares, Inc.	PTBS	WV	15.50	283,857	0.89	1.05	1.06	0.23	3,460,984	53.6	7.24	209.0	1.16	12.91	4.44	58.59	0.04	0.3700	2.39
Cecil Bancorp, Inc.	CECB	MD	16.65	280,043	0.93	1.23	1.21	0.19	1,785,763	30.0	12.29	132.8	0.50	6.20	4.38	65.85	1.20	0.2000	1.20
KS Bancorp, Inc.	KSBI	NC	26.00	271,727	0.91	1.24	1.32	0.34	1,309,501	34.1	11.92	214.9	0.69	11.59	3.60	64.45	0.38	0.5200	2.00
BOE Financial Services of Virginia, Inc.	BSXT	VA	33.89	268,734	2.42	2.58	2.58	0.69	1,198,059	40.7	21.90	151.7	1.28	12.77	3.93	60.52	0.07	0.7600	2.24
First West Virginia Bancorp, Inc.	FWV	WV	19.00	266,965	1.73	1.48	1.51	0.39	1,528,443	29.0	15.68	121.6	0.89	9.47	3.94	65.21	0.53	0.7600	4.00
South Street Financial Corp.	SSFC	NC	9.35	255,549	0.37	0.54	0.55	0.16	2,999,594	27.6	8.66	107.5	0.77	7.21	3.39	67.32	0.46	0.4000	4.28
◆ Shore Financial Corporation	SHBK	VA	16.66	254,832	1.12	1.27	1.30	0.35	2,074,207	34.6	11.39	143.0	1.19	12.49	3.81	59.45	0.43	0.2800	1.68
Banks between \$249 million and \$100 million in assets																			
M&F Bancorp, Inc.	MFBP	NC	11.00	239,103	0.66	0.45	0.84	0.05	1,685,646	18.5	12.06	88.9	0.15	1.77	4.10	101.75	2.12	0.2000	1.82
Pinnacle Bankshares Corporation	PPBN	VA	21.80	238,663	1.23	1.43	1.49	0.38	1,458,706	31.8	15.91	135.1	0.98	9.77	3.92	69.12	0.24	0.5200	2.39
Citizens Financial Corporation	CIWV	WV	18.00	237,259	0.88	1.10	1.20	0.33	1,853,964	33.2	10.58	167.4	1.05	12.39	4.14	65.03	NA	0.4800	2.67
Patapsco Bancorp, Inc.	PATD	MD	10.15	228,398	0.77	0.70	0.71	0.18	1,468,011	18.3	10.48	104.4	0.66	7.87	4.39	74.96	0.09	0.2500	2.46
First Capital Bank	FCRV	VA	18.50	225,314	0.31	0.70	0.76	0.20	1,796,021	33.2	7.78	232.7	0.74	11.00	3.53	63.00	0.00	0.0000	0.00
AF Financial Group, Inc. (MHC)	ASFE	NC	18.50	223,264	-0.30	0.62	0.88	0.22	1,050,804	19.4	12.77	142.3	0.42	6.83	3.88	85.40	0.30	0.2000	1.08
Bay National Corporation	BAYN	MD	19.20	216,451	0.41	1.37	1.45	0.56	1,924,436	37.1	8.43	219.4	2.18	28.78	5.10	60.66	0.00	0.0000	0.00
United Financial Banking Companies, Inc.	UFBC	VA	22.50	203,196	1.05	1.23	1.31	0.38	1,077,682	24.3	14.00	157.4	0.82	10.98	4.34	70.40	0.00	0.0000	0.00
Harford Bank	HFBK	MD	46.50	197,798	2.35	2.52	2.62	0.68	776,723	35.7	27.54	168.5	1.08	9.87	4.87	63.94	0.31	1.3200	2.84
Cardinal Bankshares Corporation	CDBK	VA	21.25	191,887	1.46	1.44	1.53	0.39	1,535,733	32.6	17.62	117.8	1.23	8.86	4.04	63.29	0.21	0.5600	2.64
Surrey Bancorp	SRYB	NC	23.50	175,631	1.05	1.26	1.43	0.38	1,472,094	34.6	9.95	226.2	1.49	15.44	4.59	54.24	0.33	0.0000	0.00
Independence Federal Savings Bank	IFSB	DC	11.78	170,205	-1.38	-0.65	-0.58	-0.62	1,552,448	18.3	9.43	127.5	-2.34	-24.82	3.21	155.51	0.40	0.0000	0.00
Pioneer Bankshares, Inc.	PNBI	VA	24.00	150,173	1.45	1.42	1.45	0.50	1,011,481	24.3	13.79	170.4	1.45	14.76	5.05	52.21	0.17	0.4800	2.00
Weststar Financial Services Corporation	WFSC	NC	13.00	144,290	0.38	0.60	0.77	0.22	1,681,519	21.9	6.30	199.1	1.14	14.53	4.57	59.66	1.36	0.0000	0.00
Coddle Creek Financial Corp.	CDLX	NC	34.50	141,192	1.63	1.15	1.15	0.28	649,279	22.4	33.03	104.5	0.48	3.19	3.35	88.14	2.20	1.0000	2.90
BUCS Financial Corp	BUCS	MD	11.00	137,537	0.70	0.71	0.71	0.18	882,165	9.7	12.82	85.0	0.49	5.97	3.39	78.97	0.08	0.0000	0.00
◆ Albemarle First Bank	AFBK	VA	15.56	116,584	0.06	0.14	0.14	0.10	1,751,619	27.3	6.90	225.5	0.60	6.05	4.57	70.82	1.46	0.0000	0.00
CommerceFirst Bancorp, Inc.	CMFB	MD	14.75	102,011	1.33	0.62	0.63	0.16	1,803,583	26.6	9.63	150.6	1.12	6.87	4.61	60.32	0.53	0.0000	0.00
Wake Forest Bancshares, Inc. (MHC)	WAKE	NC	21.30	100,520	0.94	1.13	1.20	0.33	1,152,761	24.6	15.38	136.3	1.55	8.79	4.13	31.15	1.02	0.6800	3.19
Banks less than \$100 million in assets																			
Mutual Community Savings Bank, Inc., SSB	MTUC	NC	13.00	84,566	0.72	-1.06	-1.06	-0.93	363,719	4.7	19.33	67.3	-1.54	-18.79	3.37	197.67	0.49	0.0000	2.54

Glossary of Symbols and Terms

- ◆ = Anderson & Strudwick is a Market Maker
- ✓ = Participated as an underwriter in public offering within the last 12 months
- ⌘ = A&S employee/employees serve on the Board of Directors
- ❖ = Analyst(s) own shares in this security

- LTM = Trailing Twelve Months
- ROAA = Return on Average Assets
- ROAE = Return on Average Equity

DIVIDEND CHANGES

Company	New Dividend Rate per Share	Old Dividend Rate per Share	Frequency
American National Bankshares	\$ 0.2200	\$ 0.2100	Quarterly
Fauquier Bankshares Inc.	\$ 0.1900	\$ 0.1750	Quarterly
Provident Bankshares Corp.	\$ 0.2900	\$ 0.2850	Quarterly
Eagle Financial Services, Inc.	\$ 0.1500	\$ 0.1400	Quarterly
Eastern Virginia Bankshares	\$ 0.1600	\$ 0.1500	Quarterly
Security Federal Corp.	\$ 0.0600	\$ 0.0400	Quarterly
Central Virginia Bankshares	\$ 0.1800	\$ 0.1700	Quarterly
IBW Financial Corp.	\$ 0.4000	\$ 0.2000	Semiannual
Southern Community Financial	\$ 0.0350	\$ 0.0300	Quarterly
Virginia Financial Group	\$ 0.2300	\$ 0.2200	Quarterly
American Community Bancshares	\$ 0.0500	\$ 0.0333	Quarterly
Union Financial Bcshts Inc.	\$ 0.1100	\$ 0.1000	Quarterly
Citizens South Banking Corp.	\$ 0.0750	\$ 0.0700	Quarterly
ECB Bancorp, Inc.	\$ 0.1700	\$ 0.1600	Quarterly
Access National Corporation	\$ 0.0050	NM	Quarterly
Carrollton Bancorp	\$ 0.1100	\$ 0.1000	Quarterly
Union Bankshares Corp.	\$ 0.2200	\$ 0.4000	Quarterly
Millennium Bankshares Corp.	\$ 0.0200	NM	Quarterly
C&F Financial Corp.	\$ 0.2900	\$ 0.2700	Quarterly

CAPITAL CHANGES

First South Bancorp indicated that its board declared a 3-for-2 stock split, payable in the form of a 50% dividend.

Peoples Bancorp of North Carolina announced its board approved a 10% dividend be paid in conjunction with the company's regular cash dividend for the second quarter.

Central Virginia Bankshares declared a special 5% stock dividend, payable June 15 to shareholders of record as of May 31.

Gateway Financial Holdings approved an 11-for-10 stock split, to be effected in the form of a 10% stock dividend.

Crescent Financial Corp. declared a 23-for-20 stock split, effected as a 15% stock dividend.

First National Bank of Virginia said May 1st that its capital campaign had begun; it plans on raising between \$12-24 million to build the community bank.

Village Bank & Trust Financial Corp.'s board elected to cancel the common stock warrants issued in connection with its October 2002 common stock offering.

Virginia Commerce Bancorp said May 1st that its shareholders voted to increase the number of authorized shares of common stock to 50 million from 20 million.

MidCarolina Financial Corp. said that its board approved a 10% stock dividend.

Union Bankshares Corp. said on May 2nd its board renewed its authorization to repurchase up to 150,000 shares of the company's common stock on the open market through May 31, 2007.

Monarch Bank announced on May 4th that its board approved a 25% stock split to be effected as a stock dividend.

Bay Banks of Virginia announced that its board approved an increase of 100,000 shares for repurchase in its stock repurchase program.

First Market Bank FSB named James Spisak as investment adviser representative, and promoted Tom Powell to vice president.

Shore Bancshares said its board declared a 3-for-2 common stock dividend.

National Bankshares Inc. announced May 10th that its board renewed authorization of a stock repurchase plan authorizing the repurchase of 100,000 shares of common stock.

SFSB Inc. announced its intention to repurchase up to 5%, or approximately 66,314 shares of its common stock outstanding.

BV Financial Inc. said April 12th that its board approved the repurchase of up to 5%, or approximately 132,250 shares.

Old Line Bancshares Inc. announced that its board approved a proposal to increase the authorized common shares to 15.0 million from 5.0 million.

TriSummit Bank exceeded the \$25-million minimum capital offering set by organizers.

Four Oaks Fincorp reported on March 30th that it completed a private placement of \$12 million of capital stock.

Founders Bank & Trust a group of investors hopes to raise as much as \$60 million to start the proposed de novo based in Leesburg, VA.

Weststar Financial Services Corp. announced that its board declared a 20% stock dividend in the form of a 6-for-5 split of common stock.

Carrollton Bancorp reported that it is restructuring a \$35 million long-term advance at 6.84% maturing Feb. 2, 2010.

National Bankshares declared a 2-for-1 stock split.

Heritage Bankshares declared a dividend of 6 cents per share, payable March 17th.

Bay Banks of Virginia declared a dividend of 16 cents per share.

C&F Financial Corp. declared a regular cash dividend of 27 cents per share.

Capital Bank Corp. said its board authorized the repurchase of up to 1.0 million shares of common stock, representing approximately 8.5% of currently outstanding shares.

Old Point Financial Corp. declared a dividend of 17 cents per share.

Union Bankshares Corp. declared a dividend of 22 cents per share.

American National Bankshares declared a 22-cent per share dividend.

Commonwealth Bankshares said May 18th that its board declared an 11-for-10 stock split. LSB Bancshares authorized an extension of its stock repurchase program through May 31, 2008, and approved the repurchase of 400,000 shares of common stock. C&F Financial Corp. declared a dividend of 29 cents per share, payable July 1st. FNB Financial Services Corp. declared a dividend of 12 cents per share, payable June 30th. New Century Bancorp announced on May 17th that it filed a registration statement with the SEC for the public offering of 1 million shares of common stock. Shore Bancshares Inc. declared a dividend of 22-cents per share, payable May 31st.

OTHER BANKING NEWS

Central Virginia Bankshares announced the appointment of Phoebe Zarnegar to the audit committee of its board of directors. Union Bankshares changed the name of unit Bank of Williamsburg to Bay Community Bank as well as that of Mortgage Capital Investors to Union Mortgage Group Inc. LSB Bancshares elected J. David Branch, Mary Rittling, and G. Alfred Webster to its board and the board of unit Lexington State Bank. Weststar Financial Services Corp. announced that its board elected David Wilcox as chairman and Stephen Pignatiello as vice chairman. Cardinal Financial Corp. announced that Wayne Broadwater resigned from the board, effective April 21st. First Bancorp announced that William Samuels will retire from its board. First Charter Corp. announced the retirement of Harold Alexander from its board of directors, effective April 26th. Cardinal State Bank announced that Leon Meyers resigned from its board on April 19th. MainStreet BankShares announced that effective May 4th, C.R. McCullar resigned as a director. Gateway Financial Holdings announced on May 9th that it formed a new unit called Gateway Financial Mortgage Inc. Frederick County Bancorp, Inc. named Taitia Elliott vice president, cash management officer. Union Bankshares Corp. announced that it changed the name of unit Bank of Williamsburg to Bay Community Bank as well as that of Mortgage Capital Investors Inc. to Union Mortgage Group Inc. Delmar Bancorp plans to go private through a reverse stock split aimed at reducing the number of shareholders of record, some of whom stand to receive \$2.75 per share over the current market price for their shares. FNB Corp. announced that CFO Daniel Becker announced his planned retirement, effective Dec. 31, 2006. Valley Financial Corp. received approval from NASDAQ to list its securities on the NASDAQ Capital Market. Central Virginia Bankshares received a NASDAQ deficiency letter indicating the registrant was no longer in compliance with NASDAQ's audit committee requirement due to the vacancy on its audit committee created by the death of Charles Binford on March 17th. Bay National Corp. announced May 12th that its common stock was approved for listing on the NASDAQ Capital Market. VantageSouth Bank received final approval to open for business and was FDIC approved. Eagle Bancorp announced that Michael Himmel joined as vice president-commercial loan officer. Hampton Roads Bankshares reported on March 15th that Warren Aleck, Robert Bagley, Durwood Curling and Robert Powell III declared their intent to retire from the board effective April 25th. Premier Community Bankshares reported that on March 14th it elected D. Frank Hill III to its board of directors and agreed to increase its board to 11.

Virginia Commerce Bancorp federal prosecutors in Chicago dismissed fraud charges against former director Frank Cowles Jr.

American National Bankshares announced that Richard Barkhouser and Willie Barker Jr. will retire from the board.

Cardinal Financial Corp. named Henry Peterson vice president and manager of its office in Woodbridge, VA.

First United Corp. announced that it terminated its employment relationship with Senior Vice President and COO Phillip Frantz and appointed Jason Rush as his successor.

Hampton Roads Bankshares elected Douglas Glenn and Roland Smith Sr. to its board of directors.

Bank of the James Financial Group reported on Feb 21st that it appointed Lewis Addison to its board of directors.

Capital Bank Corp appointed James Barnwell Jr., Ernest Koury Jr., and James McClure Jr. and Richard Shirley to its board of directors.

Potomac Bank of Virginia announced Jan. 31st that its common stock was approved by the NASD for OTC BB listing.

Bay Banks of Virginia announced the retirement of Thomas Gosse from its board of directors. Virginia Credit Union Inc. named Linda Locey assistant vice president of transaction operations.

Virginia National Bank hired Hill Edward, previously of Bank of America corp., to join its trust division to expand trust and asset management.

OFFICE OPENINGS/SALES/ACQUISITIONS

First South Bancorp announced plans to open a new branch in Buxton, N.C. in June. FNB Corp. received approval from the Federal Reserve for its proposed acquisition of Integrity Financial Corp.

SuffolkFirst Bank indicated that it plans to open a full-service office in Suffolk, VA in late 2006 or early 2007.

Crescent Financial Corp. indicated it would open its first Raleigh, N.C., branch on April 18th.

Virginia Commerce Bancorp opened a new branch in Newington, VA in January.

Congressional Bank plans to open its third and fourth branches in Rockville, MD, and Washington D.C., respectively.

Eastern Virginia Bankshares consolidated Bank of Northumberland, Hanover Bank and Southside Bank into a single entity known as EVB.

First Community Bancshares announced plans to open as many as 10 new branches during the next 12-18 months.

Virginia Financial Group said in an earning release filed April 24 that it opened its first branch in Lynchburg, VA.

Bank of the James Financial Group opened its sixth branch in Lynchburg, Va.

First Community Bancshares, Inc. indicated that it would open two branches in North Carolina. In the filing, the company said it acquired branch sites in the Winston-Salem area.

Village Bank & Trust announced that it will open three new branches in the Richmond, VA, metropolitan area.

New Century Bank South a unit of New Century Bancorp said April 27th that the shareholders of Progressive State Bank voted to approve the company's acquisition of New Century.

Gateway Financial Holdings opened a financial center in Kitty Hawk, N.C. on April 20th.

FNB United Corp. said April 28th that it had completed its acquisition of Integrity Financial Corp, a Hickory, N.C. based bank.

Waccamaw Bankshares announced that it completed its acquisition of Bank of Health Springs.

Mountain 1st Bank & Trust Co. plans to open two new branch offices in Etowah and Marion, N.C.

First Bancorp plans to open two new branches in the towns of Shallotte and Leland in Brunswick County, N.C.

River City Bank will open a branch in Highland Springs, VA., and expects the office to start operations before June 30th.

Cardinal State Bank received shareholder approval for the creation of a holding company and the opening of three additional offices.

Crescent Financial Corp. said that it will open its first Raleigh, N.C. branch on April 18th.

Virginia Commerce Bancorp said April 13th that it opened a new branch in Newington, VA. in January.

New Century Bancorp opened a new office in Lillington, N.C.

Crescent Financial Corp. reached an agreement to acquire Wilmington N.C.-based Port City Capital Bank in a cash and stock deal valued at \$39.0 million.

Union Bankshares Corp. completed its acquisition of Springfield, VA-based Prosperity Bank & Trust in a deal valued at approximately \$36 million.

American National Bankshares completed its acquisition of Lynchburg, VA-based Community First Financial Corp.

Premier Community Bankshares agreed to acquire Albemarle First Bank in a stock and cash deal valued at \$29.7 million.

Provident Bankshares Corp. unit Provident Bank of Maryland opened a new branch in east Baltimore.

Cardinal Financial Corp filed an application to open a banking office in Chantilly, VA. It is expected to open in May and will be the 12th banking location in Fairfax County, VA.

SterlingSouth Bank & Trust on March 20th announced the opening of its third branch in downtown Greensboro, N.C.

James Monroe Bancorp entered into an agreement in which Mercantile Bankshares will acquire it.

Gateway Financial Holdings opened two new branches in Norfolk and Virginia Beach, bringing its total network to 21 offices, 11 of which are located in Virginia.

CB Financial opened two new offices in the fourth quarter of 2005.

First Charter Corp opened three branch locations in Garner, Cary and north Raleigh, N.C.

BNC Bancorp executed a definitive agreement to acquire SterlingSouth Bank & Trust in a deal valued at \$34.8 million.

Mountain 1st Bank & Trust said May 16th that it opened its first office in McDowell County, N.C.

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- (2) Neutral – The stock's total return including dividends is expected to be in line with the industry or market average of +/- 10% over the next twelve months.
- (3) Under perform – The Stock's total return including dividends is expected to be below the industry or market average by 10% or more over the next twelve months.

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