



PUBLIC DISCLOSURE

AUGUST 1, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**PREMIER BANK
RSSD# 2380470**

**2480 WEST ALAMEDA AVENUE
DENVER, COLORADO 80223**

**Federal Reserve Bank of Kansas City
1 Memorial Drive
Kansas City, Missouri 64198**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION'S CRA RATING: *This institution is rated **Satisfactory***

Premier Bank (the bank) has a satisfactory record of meeting the credit needs of its entire assessment areas (AAs) including low- and moderate (LMI) neighborhoods, in a manner consistent with its resources and operating philosophy.

For its size, financial capacity, and the competitive conditions within its AAs, the bank's net loan-to-deposit (NLTD) ratio indicated a reasonable effort to extend credit in a competitive lending market consistent with safe and sound banking practices. A substantial majority of the bank's lending activity occurred within its AAs. The bank's geographic distribution of loans reflected a reasonable dispersion throughout its AAs, and the bank's distribution of loans to businesses of different revenue sizes was reasonable, in consideration of the bank's competitive banking environment.

SCOPE OF EXAMINATION

The bank's Community Reinvestment Act (CRA) performance was reviewed using the Federal Financial Institutions Examination Council (FFIEC) Interagency Small Institution Examination Procedures. The rating was assessed under the following four core criteria used for evaluations of CRA lending performance of small banks.

- NLTD
- Lending Inside the AA
- Geographic Distribution of Loans
- Lending to Borrowers of Different Income Levels and Businesses of Different Revenue Sizes

The bank's responsiveness to complaints under the CRA, the fifth criterion used to assess small bank performance, was not evaluated because the bank has not received any complaints regarding its CRA performance.

Conclusions about the bank's performance were based on a statistically-derived sample of 52 commercial loans originated since the last CRA evaluation conducted May 29, 2007. The major product lines were determined through discussions with bank management, a review of the Report of Condition and Income (Call Report), and a review of all outstanding loan originations since the bank's last CRA examination. Additionally, information from a prior interview with a community contact was utilized in this evaluation.

At the previous CRA evaluation conducted May 29, 2007, the bank defined two AAs, the Denver Metropolitan Statistical Area (MSA) and the Colorado Springs MSA. The CRA evaluation was based on a comparison between the bank's performance and area demographics. Loans inside the bank's AAs were analyzed with respect to geographic and borrower distribution.

DESCRIPTION OF INSTITUTION

The bank is headquartered in Denver and is a wholly-owned subsidiary of the bank holding company PB Financial Group, Inc. The bank designated the Alameda office location situated in southwest Denver as its main office after closing the downtown Denver location in 2010. In April 2011, the bank also closed its location in Colorado Springs. In addition to the Alameda location, the bank has a branch office in Aurora which contains the bank's only automated teller machine (ATM). This is a cash-dispensing ATM.

The analysis of the bank's CRA performance considers the bank's financial condition, local economic conditions and demographics. Over the last 4 years, the bank has met the credit needs of its AAs, consistent with its asset size and product offerings. However, its recent lending activity has declined due to its weakened financial condition. This reduced level of lending activity was considered in the overall evaluation. As of the June 30, 2011 Call Report, the bank reported total assets of \$60.2 million, gross loans of \$44.0 million, and total deposits of \$55.8 million.

Table 1 illustrates the distribution of the bank's loan portfolio by product type.

TABLE 1 PREMIER BANK'S LOAN PORTFOLIO AS OF JUNE 30, 2011		
Loan Type	Amount (\$000)	Percent of Total
Commercial	42,396	96.19
Residential RE	1,521	3.46
Consumer	158	.35
Other	2	.00
Total Gross Loans	44,077	100.00

Description of the Denver Assessment Area

The Bank's AA for Denver is comprised of six of nine counties included in the Denver MSA; Adams, Arapahoe, Broomfield, Denver, Douglas, and Jefferson Counties. It contains a total of 531 census tracts: 21 low-, 143 moderate-, 206 middle-, 150 upper-, and 11 unknown-income tracts. Due to the distance from the bank's two locations, the rural counties of Clear Creek, Elbert, Gilpin, and Park have been excluded. Major cities in the Denver AA include Arvada, Aurora, Broomfield, Castle Rock, Centennial, Lakewood, Littleton, Thornton, and Wheat Ridge.

The Denver market has a population of 2,130,766, slightly less than the overall MSA population of 2,179,240 as of the 2000 Census data. Recent unemployment figures reflect a rate of unemployment for the Denver AA of 9.7 percent. Denver remains in a moderate recession, as its tech industry has not fully recovered from the recent economic downturn. The retail industry leads the economic decline, driven by the poor labor market and the increased personal savings rate.

There are 87 financial institutions in the Denver AA, and the bank ranks 67th in deposit market share

at 0.10 percent, according to the June 30, 2010 Federal Deposit Insurance Corporation (FDIC) deposit market share data report.

Major industries in the AA include federal, state, and local governments, limited and full-service restaurants, general medical and surgical hospitals, architectural, engineering, and related services. Denver has maintained its reputation as a center of opportunity for young, skilled workers offering a high quality of life and a number of emerging growth industries. Major employers include the University of Colorado, HealthONE, King Soopers (grocery store), CenturyLink, and Exempla Healthcare. Table 2 reflects the business demographics for the Denver AA.

TABLE 2 DENVER ASSESSMENT AREA BUSINESS DEMOGRAPHICS								
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	4,664	3.5	4,028	3.4	379	4.9	257	4.6
Moderate-income	30,156	22.9	25,849	21.9	2,649	34.4	1,658	29.9
Middle-income	47,485	36.1	43,250	36.6	2,338	30.4	1,897	34.2
Upper-income	48,067	36.6	44,296	37.5	2,153	28.0	1,618	29.2
Unknown-income	1,093	0.8	797	0.7	178	2.3	118	2.1
Total Assessment Area	131,465	100.0	118,220	100.0	7,697	100.0	5,548	100.0
	Percentage of Total Businesses:			89.9		5.9		4.2

Description of the Colorado Springs Assessment Area

The Colorado Springs AA is comprised of El Paso County, and has a total of 117 census tracts: 1 low-income tract, 32 moderate-income tracts, 52 middle-income tracts, and 26 upper-income tracts. The AA has a population of 537,484. These areas are urban and highly diversified in terms of population and industry. Teller County is excluded from the bank’s Colorado Springs AA due to its rural nature and distance from the bank’s office location and also because it contains less than 5 percent of the MSA’s total population. There are 43 financial institutions in the AA, and the bank ranks 41st in deposit market share at 0.10 percent, according to the June 30, 2010 FDIC deposit market share data report. The rate of unemployment for the Colorado Springs AA is 9.0 percent.

The Colorado Springs economy has been unsuccessful in sustaining its previous overall income averages and job growth. In the service industry, previous levels of employment have not fully returned and the area household income continues to steadily decline. The area’s unemployment rate rose to 10.2 percent in March 2011. On the upside, the expanding military population has stimulated the need for additional local services. Further, increased growth in the biotech and alternative energy industries has occurred in the last two years. Table 3 on page 5 reflects the business demographics for the Colorado Springs AA.

**TABLE 3
COLORADO SPRINGS ASSESSMENT AREA BUSINESS DEMOGRAPHICS**

	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	1,290	4.1	1,110	3.8	105	7.1	75	7.0
Moderate-income	6,678	21.0	5,917	20.2	455	30.9	306	28.4
Middle-income	14,138	44.4	13,194	45.0	524	35.5	420	39.0
Upper-income	9,737	30.6	9,071	31.0	390	26.5	276	25.6
Total Assessment Area	31,843	100.0	29,292	100.0	1,474	100.0	1,077	100.0
	Percentage of Total Businesses:			92.0		4.6		3.4

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's record of meeting the credit needs of its AAs is considered satisfactory. The analysis showed that a majority of the loans were made inside the bank's AAs, with a reasonable distribution of loans in geographies of different income levels and among businesses of different sizes based on business revenue.

Loan-to-Deposit Ratio

Based on the bank's size, financial condition, and local economic conditions, the bank's NLTD ratio is considered reasonable. During the last 16-quarter period, the bank's NLTD averaged 74.12 percent. The 16-quarter average for peer banks in the Denver MSA was 69.26 percent and for peer banks in the Colorado Springs MSA the average was 73.38 percent. The average 16-quarter NLTD ratio for nine local banks ranged from 54.71 percent to 106.16 percent over this same time frame. The bank's 16-quarter average of 74.12 percent is similar to the metropolitan Colorado bank's ratio of 74.72 percent and to the rural Colorado bank's ratio of 70.64 percent, respectively.

Lending in the Bank's Assessment Area

This test evaluates the concentration of loans originated by the bank within its AAs. As illustrated in Table 4 on page 7, the bank originated 78.8 percent of its small business loans by number and 66.3 percent by dollar volume within its AAs. Therefore, the bank's lending performance within its AAs is considered reasonable.

Lending Distribution by Income Level of Geographies

This performance criterion focuses on the bank's lending among geographies of different income levels, with emphasis placed on the bank's lending performance in LMI geographies within the defined AA. As reflected in Table 4 on page 7, the bank's overall lending distribution of loans reflects a reasonable dispersion throughout both of the AAs.

The bank's level of lending to small businesses in its Denver AA is considered reasonable. The bank made 23.8 percent of its small business loans within its moderate-income tract. This compares satisfactorily to the total percentage of small businesses located in the LMI geographies at 26.4 percent. The bank's level of lending to small businesses in its Colorado Springs AA is also considered reasonable. The bank made 20 percent of its small business loans to customers within its low and moderate-income tracts. This compares satisfactorily to the total of small businesses located in the moderate-income geography at 25 percent.

Distribution of Lending to Businesses of Different Revenue Sizes

This performance criterion evaluates the bank's lending to businesses with gross annual revenues of \$1,000,000 or less within the bank's AAs. An analysis of the bank's lending in both AAs reflects a reasonable penetration to small businesses of different revenue sizes.

As noted, the bank originated 74.4 percent of its small business loans in the Denver AA to businesses with less than \$1,000,000 in gross annual revenues. This penetration is somewhat lower than the 89.9 percentage of small businesses located in the Denver MSA, but given the bank's financial condition and performance context, is well within the satisfactory range. The bank originated 100 percent of its small business loans in the Colorado Springs AA to businesses with less than \$1,000,000 in gross annual revenues. The penetration is higher than the 92 percent of small businesses located in the Colorado Springs MSA, and reflects a more than reasonable penetration to small businesses of different revenue sizes.

TABLE 4										
SUMMARY OF LENDING PERFORMANCE										
Lending Inside and Outside the Bank's Assessment Area										
	Inside AA					Outside AA				
	#	%	\$(000)	%		#	%	\$(000)	%	
Small Business Total	26	78.8	10,489	66.3		7	21.2	5,340	33.7	
Distribution by Income Level of Geographies - Denver MSA										
	Percent of Bank Loans					Percent of Small Businesses				
	Low	Mod	Middle	Upper	Unkn	Low	Mod	Middle	Upper	Unkn
Small Business Total	0.0	23.8	14.3	52.4	9.5	3.5	22.9	36.1	36.6	.8
Distribution by Income Level of Geographies – Colorado Springs MSA										
	Percent of Bank Loans					Percent of Small Businesses				
	Low	Mod	Middle	Upper	Unkn	Low	Mod	Middle	Upper	Unkn
Small Business Total	0.0	20.0	60.0	20.0	0.0	4.1	21.0	44.4	30.6	0.0
Distribution by Revenue Size of Business – Denver MSA										
	Percent of Bank Loans					Percent of Small Businesses				
	74.4					89.9				
Distribution by Revenue Size of Business – Colorado Springs MSA										
	Percent of Bank Loans					Percent of Small Businesses				
	100.00					92.0				

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

An evaluation of the bank's fair lending activities was conducted during the examination to determine compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act. No apparent signs of discrimination were identified, and the bank was not engaged in any illegal credit practices inconsistent with helping to meet community credit needs.

GLOSSARY OF COMMON CRA TERMS

(For additional information, please see the Definitions section of Regulation BB at 12 CFR 228.12.)

Assessment Area – The geographic area(s) delineated by the bank and used in evaluating the bank’s record of helping to meet the credit needs of its community. The assessment area must include the geographies where the main office, branches, and deposit-taking automated tellers machines are located. The assessment area must consist only of whole geographies, may not reflect illegal discrimination, and may not arbitrarily exclude low- or moderate-income geographies.

Census Tracts – Census tracts are small, relatively permanent geographic entities within counties delineated by a committee of local data users. Census tracts are designed to be homogenous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons and average about 4,000 inhabitants.

Community Development – Includes affordable housing (including multifamily rental housing) for low- and moderate-income individuals; community services targeted to low- and moderate-income individuals; activities that promote economic development by financing businesses or farms that have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, designated distressed or underserved nonmetropolitan middle-income areas or designated disaster areas.

Community Development Loan – A loan that has community development as its primary purpose and (except in the case of a wholesale or limited-purpose bank):

1. Has not been reported or collected by the bank or an affiliate as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan, and
2. Benefits the bank’s assessment area(s) or a broader statewide or regional area that includes the bank’s assessment area(s).

Community Development Service – A service that has as its primary purpose community development, is related to the provision of financial services, has not been considered in the evaluation of the bank’s retail banking services, benefits the bank’s assessment area(s) or a broader statewide or regional area that includes the bank’s assessment area, and has not been claimed by other affiliated institutions.

Consumer Loans – Loans to individuals for household, family, and other personal expenditures. These loans do not include real estate-secured loans.

Dun & Bradstreet Data – Data collected by Dun & Bradstreet regarding types of businesses and their respective gross annual revenues. The data can be sorted by geographies.

Geography – A census tract delineated by the U.S. Bureau of the Census in the most recent decennial census.

Income Level – Both geographies and individuals can be described in terms of their income levels. In MSAs, the level is based on the MSA median family income (**MFI**). In nonMSA areas, the level is based on the statewide, nonMSA median family income.

Low-Income – Less than 50 percent of the area median family income

Moderate-Income – At least 50 percent and less than 80 percent of the area median family income

Middle-Income – At least 80 percent and less than 120 percent of the area median family income

Upper-Income – At least 120 percent or more of the area median family income

LMI – Collectively, low- and moderate-income families or tracts.

Metropolitan Statistical Area (MSA) – The general concept of an MSA is that of a core area containing a large population nucleus, together with adjacent communities having a high degree of economic and social integration with that core. Generally, a single city with at least 50,000 inhabitants or an urbanized area with a total population of at least 100,000 would meet the definition of an MSA.

Qualified Investment – A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Small Business – A business with gross annual revenues of \$1 million or less.

Small Farm – A farm with gross annual revenues of \$1 million or less.

Small Loan(s) to Business(es) – A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (“Call Report”). These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s) – A loan included in “loans to small farms” as defined in the instructions for preparation of the Call Report. These loans have original amounts of \$500 thousand or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.