

UNITED STATES OF AMERICA
BEFORE
THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

STATE OF COLORADO
DIVISION OF BANKING
DENVER, COLORADO

_____)	
Written Agreement by and among)	
)	
PREMIER BANK)	Docket No. 07-019-WA/RB-SM
Denver, Colorado)	
)	
FEDERAL RESERVE BANK)	
OF KANSAS CITY)	
Kansas City, Missouri)	
)	
and)	
)	
COLORADO DIVISION OF BANKING)	
Denver, Colorado)	
_____)	

WHEREAS, in recognition of their common goal to restore and maintain the financial soundness of Premier Bank, Denver, Colorado (the “Bank”), a state chartered bank that is a member of the Federal Reserve System, the Bank, the Federal Reserve Bank of Kansas City (the “Reserve Bank”), and the Colorado Division of Banking (the “Division “) have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on August 23, 2007, the board of directors of the Bank, at a duly constituted meeting, adopted a resolution authorizing and directing Eric Wang to enter into this Agreement on behalf of the Bank, and consenting to compliance by the Bank and its institution-affiliated parties, as defined in section 3(u) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. § 1813(u)(3)), with each and every provision of this Agreement.

NOW, THEREFORE, the Bank, the Reserve Bank, and the Division agree as follows:

Lending and Credit Administration

1. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Division acceptable written revised loan and credit administration policies and procedures that shall, at a minimum, address, consider, and include:

(a) Underwriting standards that include, at a minimum, documented analysis of the borrower's repayment source, creditworthiness, cash flow, and debt service ability;

(b) procedures to effectively measure, monitor, and control concentrations of credit, including, but not limited to:

(i) establishment of concentration of credit limits for industries and types of loans; and

(ii) periodic reporting to the board of directors regarding concentrations of credit and the measures taken by Bank management to control the concentrations;

(c) procedures to effectively manage loans that have deferred payment provisions, including, but not limited to:

(i) appropriate accounting for such loans; and

(ii) appropriate charge-off of accrued interest;

(d) periodic written reports to the board of directors that include the number and dollar volume of loans that: (i) have deferred payment provisions; (ii) have been identified as negatively amortizing; or (iii) for which the Bank does not have adequate documentation to support the borrower's ability to make required loan payments; and collection efforts on loans guaranteed by the Small Business Administration; and

(e) the deficiencies related to loan policies, procedures, and credit administration noted in the report of the examination of the Bank conducted by the Reserve Bank and the Division that concluded in May 2007 (the “Report of Examination”).

2. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Division acceptable written procedures to prevent negative amortized loans and monitor existing negative amortized loans. These written procedures shall at a minimum address, consider, and include:

- (a) The collection of interest earned; and
- (b) the placement of all loans with negative amortization on the Bank’s internal watch list.

Asset Improvement

3. (a) The Bank shall not, directly or indirectly, extend or renew any credit to or for the benefit of any borrower, including any related interest of the borrower, who is obligated to the Bank in any manner on any extension of credit or portion thereof that has been charged off by the Bank or classified, in whole or in part, “loss” or “doubtful” in the Report of Examination or in any subsequent report of examination, as long as such credit remains uncollected.

(b) The Bank shall not, directly or indirectly, extend or renew any credit to or for the benefit of any borrower, including any related interest of the borrower, whose extension of credit has been classified “substandard” in the Report of Examination or in any subsequent report of examination, without the prior approval of the board of directors, who shall document in writing the reasons for the extension of credit or renewal, specifically certifying that: (i) the extension of credit is necessary to protect the Bank’s interest in the ultimate collection of the credit already granted or (ii) the extension of credit is in full compliance with the Bank’s written

loan policy, is adequately secured, and a thorough credit analysis has been performed indicating that the extension or renewal is reasonable and justified, all necessary loan documentation has been properly and accurately prepared and filed, the extension of credit will not impair the Bank's interest in obtaining repayment of the already outstanding credit, and the board of directors reasonably believes that the extension of credit or renewal will be repaid according to its terms. The written certification shall be made a part of the minutes of the board of directors' meeting, and a copy of the signed certification, together with the credit analysis and related information that was used in the determination, shall be retained by the Bank in the borrower's credit file for subsequent supervisory review.

(c) For purposes of this Agreement, the term "related interest" is defined as set forth in section 215.2(n) of Regulation O of the Board of Governors of the Federal Reserve System (the "Board of Governors") (12 C.F.R. § 215.2(n)).

4. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Division an acceptable written plan, approved by the Bank's loan committee, designed to improve the Bank's position through repayment, amortization, liquidation, additional collateral, or other means on each loan or other asset in excess of \$100,000, including other real estate owned ("OREO"), that (i) is past due as to principal or interest more than 90 days as of the date of this Agreement; (ii) is on the Bank's watch list; or (iii) was adversely classified in the Report of Examination.

(b) Within 30 days of the date that any additional loan or other asset in excess of \$100,000, including OREO, becomes past due as to principal or interest for more than 90 days, is on the Bank's watch list, or is adversely classified in any subsequent report of examination of the Bank, the Bank shall submit to the Reserve Bank and the Division an

acceptable written plan, approved by the Bank's loan committee, to improve the Bank's position on such loan or asset.

(c) Within 30 days after the end of each calendar quarter thereafter, the Bank shall submit a written progress report to the Reserve Bank and the Division to update each asset improvement plan, which shall include, at a minimum, the carrying value of the loan or other asset and changes in the nature and value of supporting collateral, along with a copy of the Bank's current watch list, extension report, and past due/non-accrual report.

Allowance for Loan and Lease Losses

5. (a) Within 10 days of this Agreement, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "loss" in the Report of Examination that have not been previously collected in full or charged off. Thereafter the Bank shall, within 30 days from the receipt of any federal or state report of examination, charge off all assets classified "loss" unless otherwise approved in writing by the Reserve Bank and the Division.

(b) The Bank shall maintain, in accordance with generally accepted accounting principles ("GAAP"), an adequate valuation reserve for loan and lease losses (the "ALLL"). The adequacy of the ALLL shall be determined in accordance with relevant supervisory guidance, including the Interagency Policy Statements on the Allowance for Loan and Lease Losses, dated July 2, 2001 and December 13, 2006. The elements of supervisory guidance to be considered shall include, but are not limited to, the reliability of the Bank's loan grading system, the volume of criticized loans, the current level of past due and nonperforming loans, past loan loss experience, evaluation of probable losses in the Bank's loan portfolio,

including the potential for the existence of unidentified losses in loans adversely classified, the imprecision of loss estimates, and examiners' criticisms noted in the Report of Examination.

(c) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Department a description of the methodology used to determine the Bank's ALLL. Thereafter, the Bank shall conduct, at least on a quarterly calendar basis, an assessment of its ALLL and, within 30 days after the end of each calendar quarter, shall submit to the Reserve Bank and the Department the quarterly assessment, including the methodology used in determining the amount of ALLL for that quarter. The Bank shall maintain for subsequent supervisory review documentation to support the methodology used for each quarterly assessment.

Business Plan and Budget

6. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Division a written business plan for 2007 to improve the earnings and overall condition of the Bank. The plan, at a minimum, shall provide for or describe:

- (i) the responsibilities of the Bank's board of directors for the development, approval, implementation, and monitoring of the business plan;
- (ii) the major areas in and means by which the Bank's board of directors will seek to improve the Bank's operating performance;
- (iii) a realistic and comprehensive budget;
- (iv) a description of the operating assumptions in the Bank's plan to reduce overhead expenses and increase revenues; and
- (v) formulas used to determine incentive compensation.

(b) A business plan and budget for each calendar year subsequent to 2007 shall be submitted to the Reserve Bank and the Division at least one month prior to the beginning of that calendar year.

Capital Plan

7. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Division an acceptable written plan to achieve and maintain sufficient capital at the Bank. The plan shall, at a minimum, address, consider, and include the Bank's current and future capital requirements, including:

(a) Compliance with the Capital Adequacy Guidelines for State Member Banks: Risk-Based Measure and Tier 1 Leverage Ratio, Appendices A and B of Regulation H of the Board of Governors (12 C.F.R. Part 208, App. A and B);

(b) the volume of adversely classified assets;

(c) the adequacy of the loan loss reserve;

(d) any planned asset growth;

(e) the anticipated level of retained earnings;

(f) anticipated and contingent liquidity needs; and

(g) the source and timing of additional funds to fulfill the future capital and loan loss reserve needs of the Bank.

Liquidity/Funds Management

8. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Division an acceptable written revised liquidity/funds management policy designed to improve management of the Bank's liquidity position and funds management practices. The revised policy shall, at a minimum, address, consider, and include:

(i) Appropriate measures to monitor the Bank's liquidity position;

(ii) formal tools to estimate liquidity needs on an ongoing basis;

(iii) specific liquidity targets and parameters, and the maintenance of sufficient liquidity to meet contractual obligations and unanticipated demands; and

(iv) the deficiencies related to liquidity and funds management noted in the Report of Examination.

(b) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Division an acceptable contingency funding plan that, at a minimum, identifies available sources of liquidity and includes adverse scenario planning.

Dividends

9. The Bank shall not declare or pay any dividends without the prior written approval of the Reserve Bank, the Director of the Division of Banking Supervision and Regulation of the Board of Governors, and the Division. All requests for prior approval shall be received by the Reserve Bank and the Division at least 30 days prior to the proposed dividend declaration date and shall contain, but not be limited to, current and projected information on earnings, cash flow, capital, asset quality, and loan loss reserve needs of the Bank.

Appointment of New Officers and Directors, and Severance and Indemnification Payments

10. The Bank shall comply with the notice provisions of section 32 of the FDI Act (12 U.S.C. § 1831i) and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. §§ 225.71 *et seq.*) in the appointment of new directors and the hiring or promotion of senior executive officers and with the restrictions on severance payments and indemnification of section 18(k) of the FDI Act (12 U.S.C. § 1828(k)) and Part 359 of the Federal Deposit Insurance Corporation's regulations (12 C.F.R. Part 359).

Approval, Implementation, and Progress Reports

11. (a) The Bank shall submit written plans, policies, and procedures that are acceptable to the Reserve Bank and the Division within the applicable time periods set forth in paragraphs 1, 2, 4, 7, 8(a), and 8(b) of this Agreement.

(b) Within 10 days of approval by the Reserve Bank and the Division, the Bank shall adopt the approved plans, policies, and procedures. Upon adoption, the Bank shall implement the approved plans, policies, and procedures and thereafter fully comply with them.

(c) During the term of this Agreement, the approved plans, policies, and procedures shall not be amended or rescinded without the prior written approval of the Reserve Bank and the Division.

12. (a) Within 10 days of this Agreement, the board of directors shall appoint a compliance committee (the "Compliance Committee") to monitor and coordinate the Bank's compliance with the provisions of this Agreement. The Compliance Committee shall include at least two outside directors who are not executive officers or principal shareholders of the Bank or its parent bank holding company, PB Financial Group, Inc., Denver, Colorado. At a minimum, the Compliance Committee shall meet at least monthly, shall keep detailed minutes of each meeting, and shall report its findings to the board of directors monthly.

(b) Within 30 days after the end of each calendar quarter following the date of this Agreement, the board of directors shall submit to the Reserve Bank and the Division a written progress report detailing the form and manner of all actions taken to secure compliance with this Agreement and the results thereof. Such reports may be discontinued when the corrections required by this Agreement have been accomplished and the Reserve Bank and the Division have, in writing, released the Bank from making further reports.

Communications

13. All communications regarding this Agreement shall be sent to:
 - (a) Ms. Susan E. Zubradt
Vice President
Federal Reserve Bank of Kansas City
925 Grand Boulevard
Kansas City, Missouri 64198
 - (b) Mr. Richard Fulkerson
Commissioner
Colorado Division of Banking
Department of Regulatory Agencies
1560 Broadway, Suite 975
Denver, Colorado 80202-5144
 - (c) Mr. Eric Wang
Chairman of the Board
Premier Bank
1630 Stout
Denver, Colorado 80202
14. The Written Agreement between the Bank and the Reserve Bank, dated March 24, 2003, is hereby superseded by this Agreement and, therefore, terminated.
15. Notwithstanding any provision of this Agreement, the Reserve Bank and the Division may, in their sole discretion, grant written extensions of time to the Bank to comply with any provision of this Agreement.
16. The provisions of this Agreement shall be binding upon the Bank and its institution-affiliated parties, in their capacities as such, and their successors and assigns.
17. Each provision of this Agreement shall remain effective and enforceable until jointly stayed, modified, terminated, or suspended in writing by the Reserve Bank and the Division.
18. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, the Division, or any other federal or state agency from

taking any other action affecting the Bank or any of its current or former institution-affiliated parties and their successors and assigns.

19. This Agreement is a “written agreement” for the purposes of, and is enforceable by the Board of Governors as an order issued under, section 8 of the FDI Act (12 U.S.C. § 1818).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 23rd day of August, 2007.

PREMIER BANK

FEDERAL RESERVE BANK OF
KANSAS CITY

By: _____/s/_____
Eric Wang

By: _____/s/_____
Ms. Susan E. Zubradt
Vice President

COLORADO DIVISION OF
BANKING

By: _____/s/_____
Richard Fulkerson
Commissioner