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Premier Commercial Bank (No Formal Market)

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August 14, 2011

Original Offering Price: *	\$11.00	Diluted EPS 2009A:	\$(1.21)	P/E 2009A:	NMF
52 Wk. Range:	NA	(FY: DEC) 2010A:	\$(0.60)	2010A:	NMF
Div/Div Yld:	\$0.00 / 0.00%	2011E:	\$(0.38)	2011E:	NMF
Shrs/Mkt Cap:	1.9 mm / \$21 mm	Book Value:	\$ 7.80	Price/Book Value:	1.42 x

* No formal trading – original offering price.

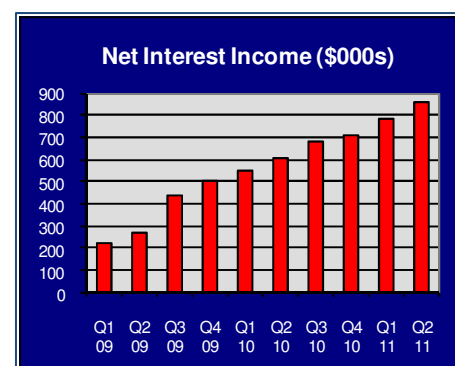
Background

Based in Greensboro, NC, Premier Commercial Bank (“the Bank”) is the only business bank headquartered in North Carolina’s Piedmont Triad that is focused on meeting the banking needs of small and medium-sized businesses. The Bank is strategically positioned in the attractive Piedmont Triad market, and operates out of a full service office in Greensboro and a loan production office in High Point; future expansion plans include Winston-Salem. As of June 30, 2011, the Company had total assets of approximately \$116 million. The Bank focuses on providing highly customized products and services to its customers, which include small to medium-sized operating companies, real estate developers, builders and contractors, professional service firms and entrepreneurs. Products and services include business loans, such as term loans, commercial real estate loans and business acquisition financing, checking and savings accounts, IRAs, CDs and mortgages. The Bank offers cash management services such as sweep accounts, wire transfers, ACH origination and payroll, and specialized services including remote deposit capture, online Billpay, merchant card services and courier services. In addition to a full line of mortgage products, it also offers a full line of personal banking services.

Second Quarter Earnings Were Again in Line with Projections

Second quarter results for Premier Commercial Bank were slightly ahead of the year-ago figures, and were generally in line with our projections. The net loss in 2011’s second quarter was \$244,000, or \$0.13 per diluted share, versus a net loss of \$262,000, or \$0.14 per diluted share, for the second quarter of 2010. While the loss in this year’s second quarter was only marginally better than the year-ago figure, it was a meaningful improvement from 2011’s first quarter loss of \$350,000, or \$0.18 per share. From a core earnings standpoint, earnings improved on a linked quarter basis, but were actually a little behind the year-ago figures, most notably due to the ramping up of the mortgage operation, which led to an increase in noninterest expense in 2011’s first and second quarters. The increase in those expenses relative to the year-ago level was essentially offset by the growth in net interest income and the accelerating momentum in noninterest income (the latter of which was due to the inclusion of those mortgage fees).

In terms of “core earnings” specifics, the pretax loss before security gains and the provision for loan losses was \$192,000 in 2011’s second quarter, versus \$261,000 for 2011’s first quarter and \$157,000 in the year-ago quarter. The key income statement driver this quarter, as it has been for the past several quarters, was net interest income. As can be seen from the adjacent chart (which we are repeating from last quarter), net interest income has continued to advance quite consistently over the past few years, and was \$857,000 in 2011’s second quarter, up 40% from the year-ago level. Most of the growth



TOTAL ASSETS: \$116 MM

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FRANK GAVIGAN, CEO

ROCKY HERRING, CCO

ED SWING, CFO

**JAY HARRIS, SENIOR LENDING
OFFICER**

2ND QUARTER OF 2011:

EPS: (\$0.13) vs. (\$0.14)

**AS HAS BEEN THE CASE FOR
SEVERAL QUARTERS, NET
INTEREST INCOME WAS THE
PRINCIPAL INCOME STATEMENT
DRIVER**

**THE RESULTS REFLECTED THE
BENEFIT OF HIGHER NET
INTEREST INCOME, WHICH WAS
PARTLY OFFSET BY THE HIGHER
EXPENSES OF THE MORTGAGE
OPERATION**

**NET INTEREST INCOME WAS UP
40% FROM THE YEAR-AGO
QUARTER**

THE NET INTEREST MARGIN BENEFITTED FROM A SLIGHTLY HIGHER YIELD ON ASSETS AND A DROP IN THE COST OF FUNDING

from the year-ago level was both margin and volume based. For example, the net interest margin improved to 3.11% in 2011's second quarter from 2.92% in the year-ago quarter. Premier continues to do a commendable job maintaining the margin. Relative to last year, the Bank has slightly boosted its yield on average earning assets while reducing the cost on interest bearing liabilities. While the margin contributed to the net interest income increase, the bigger contribution came from the surge in average earning assets, which increased about 33%. As is discussed more fully below, the Bank continues to do an excellent job building the balance sheet.

NONINTEREST INCOME INCREASED DUE TO THE MORTGAGE OPERATION, THOUGH EXPENSES FROM THE MORTGAGE ARM INCREASED AS WELL

In terms of a few other key quarterly items, noninterest income posted a meaningful increase to \$54,000, or \$61,000 excluding a nonrecurring mark to market adjustment, with \$45,000 of that coming from mortgage related income. Noninterest expense, which included the start up expenses of the mortgage operation, was \$1,110,000 in 2011's second quarter, up from \$777,000 in the year-ago quarter but essentially unchanged from \$1,101,000 in 2011's first quarter. Finally, the provision for loan losses was \$45,000 in the second quarter of 2011, versus \$103,000 in the year-ago quarter. The decrease was due primarily to slower loan growth, as the Bank increased gross loans \$2.3 million in the second quarter of 2011, versus \$7.9 million last year.

FIRST HALF HIGHLIGHTS:

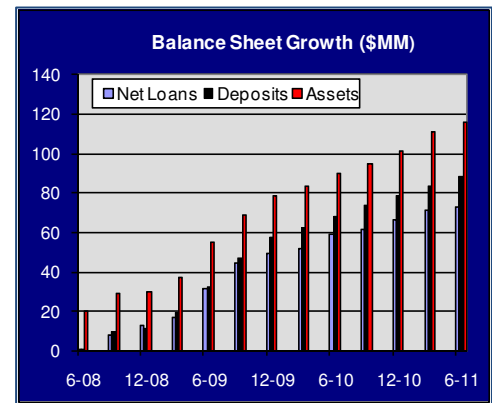
EPS: (\$0.31) vs. (\$0.28)

For the six months ended June 30, 2011, Premier Commercial reported a net loss of \$594,000, or \$0.31 per diluted share, versus \$531,000, or \$0.28 per diluted share, in the year-ago period. The decline in profitability was almost exclusively related to the start up of the mortgage operation.

BALANCE SHEET GROWTH REMAINS QUITE GOOD, WITH ASSETS, LOANS AND DEPOSITS ALL INCREASING MORE THAN 20% FROM YEAR-AGO LEVELS

Balance Sheet Supported By Solid Capital Position

As can be seen in the chart at the right, Premier Commercial Bank's growth continues to be evident in all three key areas of the balance sheet: deposits, loans and total assets. From June 30, 2010 to June 30, 2011, assets and deposits were up 29%, while loans increased 23%. We would also note that, with shareholders' equity of \$15 million, the Company has a strong equity-to-assets ratio of 12.9%, which gives it an important advantage relative to many of the banks with which it is competing. The most recent equity-to-assets ratio for its NC publicly traded peer group was less than 8% and many of those banks had TARP funds.



CAPITAL POSITION REMAINS STRONG AS WELL

Reserve Position is Strong; Asset Quality is Holding Up Well

Premier Commercial has about \$251,000 in loans that are 30 to 89 days past due. Other than that, the Bank had no delinquent loans at June 30, 2011, though it did have about \$525,000 in restructured loans. In comparison, the median NPA-to-asset ratio for the Company's NC publicly traded peer group was 7.8%. Meanwhile, the allowance for loan losses continues to grow, and was \$1,008,000 (1.35% of loans), at June 30, 2011, up from \$784,000, or 1.30% of total loans, at the year-ago date.

NO NPAS, OTHER THAN A RESTRUCTURED LOAN

RESERVES TO LOANS: 1.35% vs. 1.30%

Projections Lowered

Even though results in the second quarter were generally in line with expectations, we believe 2011 profitability may be a little lower than we were projecting. We are currently estimating a 2011 loss of \$739,000, or \$0.38 per share, versus our previous estimate of a loss of \$635,000, or \$0.33 per share. Given that the Bank is still at a relatively early stage of development, these earnings projections are subject to wide variation. For more information about Premier Commercial Bank, please visit the Company's web site at www.premierbanknc.com. For stock quotes or to download an online version of this report, please visit Equity Research Services' web site at www.equityresearch.com.

EPS:

**2009A: (\$1.21)
2010A: (\$0.60)
2011E: (\$0.38)**

ADDITIONAL INFORMATION UPON REQUEST

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