

AVAILABLE ON THE WEB AT [WWW.EQUITYRESEARCH.COM](http://www.equityresearch.com)

Premier Commercial Bank (No Formal Market)

John A. (Buddy) Howard, CFA
May 16, 2011

5003 Falls of Neuse Road

Raleigh
North Carolina
27609

919-876-8868 ph
919-876-8839 fax

www.equityresearch.com

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:	\$(0.33)	2011E:	NMF
Shrs/Mkt Cap:	1.9 mm / \$21 mm	Book Value:	\$ 7.75	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 March 31, 2011, the Company had total assets of approximately \$111 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 and CDs. 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. It also offers a full line of personal banking services.

Earnings in Line with Projections, Revenue Growth is Strong

Premier Commercial Bank reported results that were in line with our estimates. Although there was a loss in the quarter, revenue growth remained strong, balance sheet momentum was maintained and there were no nonperforming assets at quarter end. In terms of specifics, the Bank reported a net loss of \$350,000, or \$0.18 per diluted share, in the first quarter of 2011, compared to a net loss of \$184,000, or \$0.10 per diluted share, for the fourth quarter of 2010 and a net loss of \$270,000, or \$0.14 per diluted share, in the year-ago quarter. The “core banking loss” (which we define as pretax income before security gains and the provision for loan losses) was \$261,000 for 2011’s first quarter, versus \$123,000 in 2010’s fourth quarter and \$246,000 in the year-ago quarter. The larger core banking loss on a sequential quarter basis can primarily be attributed to the increase in noninterest expense, most of which related to the start-up of the Bank’s mortgage operation. An increase in the provision for loan losses (\$89,000 for the first quarter of 2011, versus \$63,000 in 2010’s fourth quarter and \$24,000 in the year-ago quarter) also contributed to the drop.

On the positive side of things, though, total revenues continued to advance quite well, increasing 52% in 2011’s first quarter from the year-ago level. Net interest income was the primary driver, as can be seen from the adjacent chart. The increase in net interest income was both volume and rate based, as the net interest margin grew to 3.05% in the first quarter of 2011, versus 2.98% in 2010’s fourth quarter and 2.79% in the year-ago quarter. Average earning assets

TOTAL ASSETS: \$111 MM

HQ: GREENSBORO, NC

PH: (336) 323-1115

CONTACTS:
FRANK GAVIGAN, CEO

ROCKY HERRING, CCO

ED SWING, CFO

**JAY HARRIS, SENIOR LENDING
OFFICER**

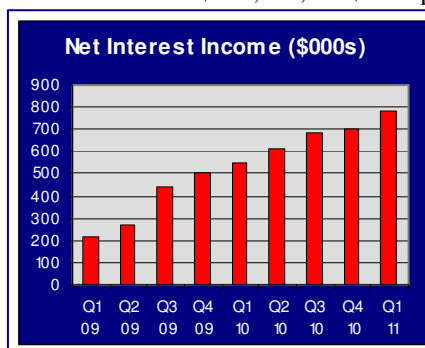
1ST QUARTER OF 2011:

EPS: (\$0.18) vs. (\$0.14)

**TOTAL REVENUES INCREASED
52%**

**NET INTEREST INCOME WAS UP
43% FROM THE YEAR-AGO
QUARTER AND 11% ON A
LINKED QUARTER BASIS**

**THE MARGIN INCREASED FROM
THE YEAR-AGO QUARTER AND
THE FOURTH QUARTER OF 2010,
AND AVERAGE EARNING ASSETS
WERE UP 31%**



Quarter	Net Interest Margin (%)
Q1 10	2.79
Q2 10	2.92
Q3 10	3.10
Q4 10	2.98
Q1 11	3.05

NONINTEREST INCOME AND
NONINTEREST EXPENSE WERE
BOTH AFFECTED BY THE
INCLUSION OF THE NEW
MORTGAGE OPERATION

increased 31% over the past year, the net effect of this with the margin change being that net interest income was up about 43% to \$781,000 in the first quarter of 2011 from \$545,000 in the year-ago quarter. The other two areas that warrant some discussion are noninterest income and expense, both of which are being affected by the start-up of a mortgage operation. Mortgage fees in the first quarter of 2011 totaled about \$48,000, which accounted for the majority of noninterest income in the quarter, and led to an increase in total noninterest income to \$60,000 in the first quarter of 2011, from \$7,000 in the year-ago quarter. (We would note that it was down from \$69,000 in the fourth quarter of 2010.) Noninterest expense also reflected the start-up of the mortgage operation, as noninterest expense increased 38% to \$1,101,000 in the first quarter of 2011, from \$798,000 in the year-ago quarter. Management expects the expenses associated with the mortgage operation to be moderating, while income is expected to maintain good year-over-year growth.

Balance Sheet Growth is Excellent, Deposit Mix is Improving, Loans Well Diversified

Premier Commercial Bank's balance sheet growth continues to be strong. For example, from March 31, 2010 to March 31, 2011, total assets grew 33%, net loans increased 38% and deposits grew 34%. Given the Bank's strong capital position and its expansion strategy, the strong growth is likely to be

BALANCE SHEET GROWTH WAS
IN THE 33% TO 38% RANGE
OVER THE PAST YEAR

CORE DEPOSITS INCREASED
55%, CDS DECLINED AS A
PERCENTAGE OF TOTAL
DEPOSITS

CONSTRUCTION AND LAND
DEVELOPMENT LOANS ONLY
COMPRISED ABOUT 4% OF
TOTAL LOANS AT MARCH 31,
2011

LOAN COMPOSITION AT MARCH 31, 2011 (% OF TOTAL LOANS)	
Owner occupied Commercial	24.8
Non-owner occupied Commercial	26.0
Construction & Land Development	3.8
1-4 Family Residential Construction	0.4
1-4 Family Residential	8.4
Multi Family	7.4
Home Equity Lines of Credit	9.6
Total Real Estate Loans	80.4
Commercial & Industrial	18.7
Personal/Other	0.9
Total Loans	100.0

sustained, which augurs well for a continuation of top line growth. While the balance sheet has been growing, the mix (of both deposits and loans) has been improving as well. From March 31, 2010 to March 31, 2011, certificates of deposit (which are typically higher cost sources of funds) declined to 38% of total deposits from 47%, while core deposits increased 55% over this period. We were also pleased with the composition of Premier Commercial Bank's loan portfolio, as the Bank has very limited exposure to riskier construction and land development lending. As can be seen from the table to the left, construction and development loans were only about 4% of the total loan portfolio at March

31, 2011. Most of the Bank's loans were owner occupied and non-owner occupied commercial loans (51% of total loans). As was stated above, Premier also continues to maintain a solid capital position, with shareholders equity of \$15 million, or 13.43% of total assets, at March 31, 2011 (compared to 9.32% for the NC peer group median).

Premier Commercial Bank has no NPAs, Reserves Grew 41%

At March 31, 2011, Premier Commercial Bank did not have any nonperforming assets, though it did have about \$525,000 in loans that were 30 to 89 days past due. In comparison, the median NPA-to-asset ratio for its NC peer group was 8.6%. The allowance for loan losses increased 41% to \$963,000, or 1.33% of total loans, at March 31, 2011, from \$681,000, or 1.30% of total loans, at the year-ago date.

Projections Lowered

Based on noninterest expense being a little higher than anticipated, we are lowering our 2011 earnings projection to a loss of \$635,000, or \$0.33 per share, from our previous estimate of a loss of \$280,000, or \$0.15 per share. However, we are still expecting the Bank to become profitable by the end of the year. 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.

No NPAs

RESERVES INCREASED 41%
AND WERE 1.33% OF LOANS

EPS:

2009A: (\$1.21)
2010A: (\$0.60)
2011E: (\$0.33)

ADDITIONAL INFORMATION UPON REQUEST

Copyright © 2011 Equity Research Services, Inc. All rights reserved. This material is for your information only and is not a solicitation, or an offer, to buy or sell securities mentioned. Equity Research Services, Inc. ("ERS") is a firm involved in financial advisory, equity research, valuation and investor relations services. All reports generated by ERS for the purpose of investor relations are designated "Investor Relations Report," and ERS receives a fee (from the company whose securities are described) for producing such reports. ERS may also act in a financial advisory role to the company and the analyst may have an ownership in the shares of the company. The information contained herein has been obtained from sources we believe reliable but in no way is guaranteed by us. Furthermore, this report contains forward-looking statements and projections that are based on certain assumptions and expectations. Accordingly, actual results may differ considerably from those reflected in this report due to such factors as those which are listed in the Company's SEC filings. Any non-factual information in the report is our opinion and is subject to change without notice.