

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

In the Matter of

PB FINANCIAL GROUP, INC.  
Denver, Colorado

and

PREMIER BANK  
Denver, Colorado

Docket Nos. 09-205-B-HC  
09-205-B-SM

Cease and Desist Order Issued  
Upon Consent Pursuant to the  
Federal Deposit Insurance Act,  
as amended, and the Colorado  
Banking Code, as amended

WHEREAS, the Board of Governors of the Federal Reserve System (the “Board of Governors”), PB Financial Group, Inc., Denver, Colorado (“PB Financial”), a registered bank holding company, its subsidiary bank, Premier Bank, Denver, Colorado (the “Bank”), a state chartered bank that is a member of the Federal Reserve System, and the Colorado Division of Banking (the “Division”) have the common goal to restore and maintain the financial soundness of the Bank;

WHEREAS, on August 23, 2007, the Bank entered into a Written Agreement with the Federal Reserve Bank of Kansas City (the “Reserve Bank”) and the Division designed to correct certain deficiencies at the Bank relating to safety and soundness (the “Written Agreement”);

WHEREAS, the Bank has taken steps to comply with the requirements of the Written Agreement, but has not achieved full compliance with each and every provision of the Written Agreement;

WHEREAS, the Reserve Bank and the Division have recently identified additional deficiencies at PB Financial and the Bank related to safety and soundness, and to address these deficiencies PB Financial, the Bank, the Board of Governors, and the Division have mutually agreed to enter into this consent Cease and Desist Order (the “Order”);

WHEREAS, the Division has jurisdiction over the Bank; and

WHEREAS, on March 29, 2010, the boards of directors of PB Financial and the Bank, at duly constituted meetings, adopted resolutions authorizing and directing Kenneth So to enter into this Order on behalf of PB Financial and the Bank, respectively, and consenting to compliance with each and every applicable provision of this Order by PB Financial, the Bank, and their institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. §§ 1813(u) and 1818(b)(3)), and waiving any and all rights that PB Financial and the Bank may have pursuant to section 8 of the FDI Act (12 U.S.C. § 1818), Article 102 of the Colorado Banking Code (§§ 11-102-104(7) and (8) and 11-102-204, C.R.S.), and Article 4 of Title 24 of the Colorado Revised Statutes (§§ 24-4-104, 24-204-105, and 24-4-106), including, but not limited to: (i) the issuance of a notice of charges; (ii) a hearing for the purpose of taking evidence on any matters set forth in this Order; (iii) judicial review of this Order; (iv) contest the issuance of this Order by the Board of Governors and the Division; and (v) challenge or contest, in any manner, the basis, issuance, validity, terms, effectiveness or enforceability of this Order or any provision hereof.

NOW, THEREFORE, IT IS HEREBY ORDERED that, pursuant to sections 8(b)(1) and (3) of the FDI Act (12 U.S.C. §§1818(b)(1) and 1818(b)(3)) and Article 102 of the Colorado Banking Code (§§ 11-102-104(7) and (8), C.R.S), PB Financial, the Bank, and their institution-affiliated parties shall cease and desist and take affirmative action as follows:

## **Board Oversight**

1. Within 60 days of this Order, the board of directors of the Bank shall submit to the Reserve Bank and the Division a written plan to strengthen board oversight of the management and operations of the Bank. The plan shall, at a minimum, address, consider, and include:

(a) The actions that the board of directors will take to improve the Bank's condition and maintain effective control over, and supervision of, the Bank's major operations and activities, including but not limited to, credit risk management, processes to mitigate risks associated with credit concentrations, and earnings;

(b) the responsibility of the board of directors to monitor management's adherence to approved Bank policies and procedures, and applicable laws and regulations;

(c) adequate staffing of the chief credit officer and chief financial officer functions with individuals who have the demonstrated ability, experience, training, and other necessary qualifications required to perform present and anticipated duties; and

(d) a description of the information and reports that will be regularly reviewed by the board of directors in its oversight of the operations and management of the Bank, including information on the Bank's adversely classified assets, concentrations of credits, allowance for loan and lease losses ("ALLL"), capital, liquidity, and earnings.

## **Credit Risk Management**

2. Within 60 days of this Order, the Bank shall submit to the Reserve Bank and the Division an acceptable written plan to strengthen credit risk management practices. The plan shall, at a minimum, address, consider, and include:

- (a) The responsibility of the Bank's board of directors to establish appropriate risk tolerance guidelines and risk limits;
  - (b) procedures to periodically review and revise risk exposure limits to address changes in market conditions;
  - (c) strategies to minimize credit losses and reduce the level of problem assets;
- and
- (d) procedures to identify, limit, and manage concentrations of credit that are consistent with the Interagency Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices, dated December 12, 2006 (SR 07-1).

### **Capital Plan**

3. Within 60 days of this Order, PB Financial and the Bank shall submit to the Reserve Bank and the Division an acceptable joint written plan to maintain sufficient capital at the Bank. The plan shall, at a minimum, address, consider, and include:

- (a) The Bank's current and future capital requirements, including compliance with the Capital Adequacy Guidelines for State Member Banks: Risk-Based Measure and Tier 1 Leverage Measure, Appendices A and B of Regulation H of the Board of Governors (12 C.F.R. Part 208, App. A and B);
- (b) the adequacy of the Bank's capital, taking into account the volume of classified credits, concentrations of credit, ALLL, current and projected asset growth, and projected retained earnings;
- (c) the source and timing of additional funds to fulfill the Bank's future capital requirements; and

(d) the requirements of section 225.4(a) of Regulation Y of the Board of Governors (12 C.F.R. § 225.4(a)) that PB Financial serve as a source of strength to the Bank.

4. PB Financial and the Bank shall notify the Reserve Bank and the Division, in writing, no more than 30 days after the end of any quarter in which any of the Bank's capital ratios (total risk-based, Tier 1, or leverage) fall below the approved capital plan's minimum ratios.

### **Deposit Rate Management**

5. (a) At all times during the term of this Order, the Bank shall not, without the prior written approval of the Reserve Bank and the Division, solicit and accept new deposit accounts or renew any time deposit bearing an interest rate that exceeds the national interest rate cap for brokered deposits for comparable deposit products and maturities, as determined by the Federal Deposit Insurance Corporation (the "FDIC").

(b) Within 30 days of this Order, the Bank shall submit an acceptable plan and timetable to the Reserve Bank and the Division for conforming the rates of interest paid on all existing non-time deposit accounts to interest rates that do not exceed the national interest rate cap for brokered deposits for comparable deposit products, as determined by the FDIC. The plan shall detail the current composition of the applicable deposits by product and rate and provide a specific date for complying with the restrictions of this paragraph.

### **Liquidity/Funds Management**

6. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Division an acceptable revised written plan designed to improve management of the Bank's liquidity position and funds management practices. The revisions shall include, but not be limited to:

(a) Measures to enhance the monitoring and measurement of the Bank's liquidity and reporting to the board of directors; and

(b) a timetable to diversify funding sources.

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

### **Investment Portfolio Management**

8. Within 60 days of this Order, the Bank shall submit to the Reserve Bank and the Division acceptable written policies and procedures to strengthen the management of the Bank's investment portfolio, including but not limited to:

(a) Periodic analysis of the investment portfolio; and

(b) procedures to assess for impairments and to ensure that the Bank's valuation processes and impairment analyses, including recognition of Other Than Temporary Impairment, are in accordance with generally accepted accounting principles, including FASB Staff Position (FSP) FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other Than Temporary Impairments*, and regulatory reporting instructions.

### **Dividends**

9. (a) PB Financial and the Bank shall not declare or pay any dividends without the prior written approval of the Reserve Bank and the Director of the Division of Banking Supervision and Regulation of the Board of Governors (the "Director"), and as to the Bank, the Division.

(b) PB Financial shall not take any other form of payment representing a reduction in capital from the Bank without the prior written approval of the Reserve Bank.

(c) PB Financial and its nonbank subsidiary shall not make any distributions of interest, principal, or other sums on subordinated debentures or trust preferred securities without the prior written approval of the Reserve Bank and the Director.

(d) All requests for prior approval shall be received at least 30 days prior to the proposed dividend declaration date, proposed distribution on subordinated debentures, and required notice of deferral on trust preferred securities. All requests shall contain, at a minimum, current and projected information, as appropriate, on PB Financial's capital, earnings, and cash flow; the Bank's capital, asset quality, earnings and ALLL needs; and identification of the sources of funds for the proposed payment or distribution. PB Financial and the Bank, as appropriate, must also demonstrate that the requested declaration or payment of dividends is consistent with the Board of Governors' Policy Statement on the Payment of Cash Dividends by State Member Banks and Bank Holding Companies, dated November 14, 1985 (Federal Reserve Regulatory Service, 4-877 at page 4-323).

### **Debt and Stock Redemption**

10. (a) PB Financial shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank. All requests for prior written approval shall contain, but not be limited to, a statement regarding the purpose of the debt, the terms of the debt, and the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment.

(b) PB Financial shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank.

## **Compliance with Laws and Regulations**

11. (a) Within 30 days of this Order, the Bank shall eliminate or correct the violations of law and regulation cited in the report of the examination of the Bank conducted jointly by the Reserve Bank and the Division that commenced on May 26, 2009.

(b) In appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position, PB Financial and 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.*).

(c) PB Financial and the Bank shall comply with the restrictions on indemnification and severance payments 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**

12. (a) The Bank and, as applicable, PB Financial shall submit written plans, policies, and procedures that are acceptable to the Reserve Bank and the Division, within the time periods set forth in paragraphs 2, 3, 5(b), 6, 7, and 8 of this Order.

(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 and, as applicable, PB Financial shall promptly implement the approved plans, policies, and procedures, and thereafter fully comply with them.

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

13. (a) The Compliance Committee required by paragraph 12(a) of the Written Agreement shall also monitor PB Financial's and the Bank's compliance with this Order and shall report its findings to the respective boards of directors monthly.

(b) The written progress reports required by paragraph 12(b) of the Written Agreement shall also address compliance with this Order.

### **Communications**

14. All communications regarding this Order shall be sent to:

(a) Ms. Susan E. Zubradt  
Vice President  
Federal Reserve Bank of Kansas City  
1 Memorial Drive  
Kansas City, Missouri 64198

(b) Mr. Fred J. Joseph  
Acting Commissioner  
Colorado Division of Banking  
Department of Regulatory Agencies  
1560 Broadway, Suite 975  
Denver, Colorado 80202-5144

(c) Mr. Kenneth So  
President  
PB Financial Group, Inc.  
Premier Bank  
1630 Stout Street  
Denver, Colorado 80202

15. Notwithstanding any provision of this Order, the Reserve Bank and the Division may, in their joint discretion, grant written extensions of time to PB Financial and the Bank to comply with any provision of this Order.

16. The provisions of this Order shall be binding upon PB Financial, the Bank, and their institution-affiliated parties, in their capacities as such, and their successors and assigns.

17. Each provision of this Order shall remain effective and enforceable until jointly stayed, modified, suspended or terminated in writing by the Reserve Bank and the Division.

18. The provisions of this Order 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 PB Financial, the Bank, or any of their current or former institution-affiliated parties and their successors and assigns.

19. This Order does not supersede, stay, terminate, or suspend any provision of the Written Agreement, except that paragraphs 7, 9, and 10 of the Written Agreement are superseded by paragraphs 3, 9, and 11(b) and (c) of this Order, respectively.

By order of the Board of Governors of the Federal Reserve System and the Colorado Division of Banking, effective this 19<sup>th</sup> day of April, 2010.

PB FINANCIAL GROUP, INC.

BOARD OF GOVERNORS OF THE  
FEDERAL RESERVE SYSTEM

By: /s/ Kenneth So  
Kenneth So  
President

By: /s/ Jennifer J. Johnson  
Jennifer J. Johnson  
Secretary of the Board

PREMIER BANK

COLORADO DIVISION OF  
BANKING

By: /s/ Kenneth So  
Kenneth So  
President

By: /s/ Fred J. Joseph  
Fred J. Joseph  
Chair  
Colorado State Banking Board