

PARAGON COMMERCIAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

March 31, 2013 and December 31, 2012

ASSETS	March 31, 2013	December 31, 2012	Changes	% Change
<i>(In thousands)</i>	<i>(Unaudited)</i>			
Cash and due from banks:				
Interest-earning	\$ 28,003	\$ 2,341	\$ 25,662	1096.2%
Non-interest-earning	4,731	16,037	(11,306)	-70.5%
Federal funds sold	-	-	-	n/a
Investment securities - available for sale, at fair value	141,410	147,974	(6,564)	-4.4%
Loans-net of unearned income and deferred fees	729,877	722,366	7,511	1.0%
Allowance for loan losses	(9,266)	(10,348)	1,082	-10.5%
Net loans	<u>720,611</u>	<u>712,018</u>	<u>8,593</u>	<u>1.2%</u>
Premises and equipment, net	13,879	13,779	100	0.7%
Bank owned life insurance	25,993	25,775	218	0.8%
Federal Home Loan Bank stock, at cost	5,198	6,396	(1,198)	-18.7%
Interest Receivable	2,793	2,796	(3)	-0.1%
Deferred tax assets	8,572	8,347	225	2.7%
Other real estate owned	19,552	18,756	796	4.2%
Other assets	<u>3,346</u>	<u>3,451</u>	<u>(105)</u>	<u>-3.0%</u>
Total assets	<u><u>\$ 974,088</u></u>	<u><u>\$ 957,670</u></u>	<u><u>\$ 16,418</u></u>	<u><u>1.7%</u></u>
LIABILITIES				
Deposits:				
Demand, non-interest bearing	\$ 62,843	\$ 63,922	\$ (1,079)	-1.7%
Money market accounts and interest checking	205,813	202,793	3,020	1.5%
Time deposits	<u>470,545</u>	<u>433,586</u>	<u>36,959</u>	<u>8.5%</u>
Total deposits	<u>739,201</u>	<u>700,301</u>	<u>38,900</u>	<u>5.6%</u>
Repurchase agreements and federal funds purchased	23,538	26,303	(2,765)	-10.5%
Borrowings	100,000	120,000	(20,000)	-16.7%
Subordinated debentures	30,338	30,338	-	0.0%
Other liabilities	<u>4,523</u>	<u>4,743</u>	<u>(220)</u>	<u>-4.6%</u>
Total liabilities	<u><u>897,600</u></u>	<u><u>881,685</u></u>	<u><u>15,915</u></u>	<u><u>1.8%</u></u>
STOCKHOLDERS' EQUITY				
Common stock - Class A, \$1 par value; 10,000,000 shares authorized; 34,607 and 34,463 issued and outstanding as of March 31, 2013 and December 31, 2012, respectively	34	34	-	0.0%
Common stock - Class B, \$1 par value; 10,000,000 shares authorized; 885 issued and outstanding as of December 31, 2012 and December 31, 2011, respectively	1	1	-	0.0%
Additional paid-in-capital	51,957	51,832	125	0.2%
Retained earnings	22,065	21,243	822	3.9%
Accumulated other comprehensive income	<u>2,431</u>	<u>2,875</u>	<u>(444)</u>	<u>-15.4%</u>
Total stockholders' equity	<u><u>76,488</u></u>	<u><u>75,985</u></u>	<u><u>503</u></u>	<u><u>0.7%</u></u>
Total liabilities and stockholders' equity	<u><u>\$ 974,088</u></u>	<u><u>\$ 957,670</u></u>	<u><u>\$ 16,418</u></u>	<u><u>1.7%</u></u>

PARAGON COMMERCIAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Three months ended March 31, 2013 and 2012

	2013	2012	Changes	% Change
<i>(In thousands)</i>	<i>(Unaudited)</i>			
Interest income:				
Loans and loan fees	\$ 8,809	\$ 8,635	\$ 174	2.0%
Investment securities	905	1,111	(206)	-18.5%
Federal funds and other interest income	7	19	(12)	-63.2%
Total interest income	<u>9,721</u>	<u>9,765</u>	<u>(44)</u>	<u>-0.5%</u>
Interest expense:				
Interest-bearing checking and money markets	309	337	(28)	-8.3%
Time deposits	1,893	2,355	(462)	-19.6%
Borrowings and repurchase agreements	559	1,225	(666)	-54.4%
Total interest expense	<u>2,761</u>	<u>3,917</u>	<u>(1,156)</u>	<u>-29.5%</u>
Net interest income	<u>6,960</u>	<u>5,848</u>	<u>1,112</u>	<u>19.0%</u>
Provision for loan losses	537	223	314	140.8%
Net interest income after provision for loan losses	<u>6,423</u>	<u>5,625</u>	<u>798</u>	<u>14.2%</u>
Noninterest income:				
Mortgage banking revenues	46	34	12	35.3%
Deposit service charges and other fees	68	53	15	28.3%
Net loss on sale of securities	(39)	(168)	129	n/a
Increase in cash surrender value of bank owned life insurance	218	229	(11)	-4.8%
Net loss on sale of other real estate	(1,011)	(375)	(636)	n/a
Other noninterest income	87	140	(53)	-37.9%
Total noninterest income	<u>(631)</u>	<u>(87)</u>	<u>(544)</u>	<u>n/a</u>
Noninterest expenses:				
Salaries and employee benefits	2,037	1,565	472	30.2%
Occupancy	269	239	30	12.6%
Problem loan and foreclosure related expenses	359	734	(375)	-51.1%
FDIC and other supervisory assessments	579	636	(57)	-9.0%
Data processing	279	260	19	7.3%
Professional fees	205	148	57	38.5%
Furniture and equipment	90	74	16	21.6%
Directors fees and expenses	95	47	48	102.1%
Other expenses	697	493	204	41.4%
Total noninterest expenses	<u>4,610</u>	<u>4,196</u>	<u>414</u>	<u>9.9%</u>
Net income before tax expense	<u>1,182</u>	<u>1,342</u>	<u>(160)</u>	<u>-11.9%</u>
Income tax expense	360	432	(72)	-16.7%
Net income	<u>\$ 822</u>	<u>\$ 910</u>	<u>\$ (88)</u>	<u>-9.7%</u>
Earnings per share - basic	<u>\$ 23.22</u>	<u>\$ 25.87</u>	<u>\$ (2.65)</u>	<u>-10.2%</u>
Earnings per share - diluted	<u>\$ 23.19</u>	<u>\$ 25.74</u>	<u>\$ (2.55)</u>	<u>-9.9%</u>
Weighted Average Shares:				
Basic	<u>35,408</u>	<u>35,188</u>	<u>220</u>	<u>0.6%</u>
Fully Diluted	<u>35,454</u>	<u>35,375</u>	<u>79</u>	<u>0.2%</u>