

# PARAGON COMMERCIAL CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

June 30, 2013 and December 31, 2012

ASSETS	June 30, 2013	December 31, 2012	Changes	% Change
<i>(In thousands)</i>	<i>(Unaudited)</i>			
Cash and due from banks:				
Interest-earning	\$ 44,332	\$ 2,341	\$ 41,991	1793.7%
Non-interest-earning	11,155	16,037	(4,882)	-30.4%
Federal funds sold	-	-	-	n/a
Investment securities - available for sale, at fair value	144,798	147,974	(3,176)	-2.1%
Loans-net of unearned income and deferred fees	738,146	722,366	15,780	2.2%
Allowance for loan losses	(9,172)	(10,348)	1,176	-11.4%
Net loans	<u>728,974</u>	<u>712,018</u>	<u>16,956</u>	<u>2.4%</u>
Premises and equipment, net	13,871	13,779	92	0.7%
Bank owned life insurance	26,211	25,775	436	1.7%
Federal Home Loan Bank stock, at cost	5,873	6,396	(523)	-8.2%
Interest Receivable	2,925	2,796	129	4.6%
Deferred tax assets	10,026	8,347	1,679	20.1%
Other real estate owned	13,650	18,756	(5,106)	-27.2%
Other assets	<u>5,498</u>	<u>3,451</u>	<u>2,047</u>	<u>59.3%</u>
<b>Total assets</b>	<u><u>\$ 1,007,313</u></u>	<u><u>\$ 957,670</u></u>	<u><u>\$ 49,643</u></u>	<u><u>5.2%</u></u>
<b>LIABILITIES</b>				
Deposits:				
Demand, non-interest bearing	\$ 72,062	\$ 63,922	\$ 8,140	12.7%
Money market accounts and interest checking	241,460	202,793	38,667	19.1%
Time deposits	<u>443,558</u>	<u>433,586</u>	<u>9,972</u>	<u>2.3%</u>
Total deposits	<u>757,080</u>	<u>700,301</u>	<u>56,779</u>	<u>8.1%</u>
Repurchase agreements and federal funds purchased	23,977	26,303	(2,326)	-8.8%
Borrowings	115,000	120,000	(5,000)	-4.2%
Subordinated debentures	30,338	30,338	-	0.0%
Other liabilities	<u>5,584</u>	<u>4,743</u>	<u>841</u>	<u>17.7%</u>
<b>Total liabilities</b>	<u>931,979</u>	<u>881,685</u>	<u>50,294</u>	<u>5.7%</u>
<b>STOCKHOLDERS' EQUITY</b>				
Common stock - Class A, \$1 par value; 10,000,000 shares authorized; 34,607 and 34,463 issued and outstanding as of June 30, 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 June 30, 2013 and December 31, 2012, respectively	1	1	-	0.0%
Additional paid-in-capital	51,963	51,832	131	0.3%
Retained earnings	22,614	21,243	1,371	6.5%
Accumulated other comprehensive income	<u>722</u>	<u>2,875</u>	<u>(2,153)</u>	<u>-74.9%</u>
<b>Total stockholders' equity</b>	<u>75,334</u>	<u>75,985</u>	<u>(651)</u>	<u>-0.9%</u>
<b>Total liabilities and stockholders' equity</b>	<u><u>\$ 1,007,313</u></u>	<u><u>\$ 957,670</u></u>	<u><u>\$ 49,643</u></u>	<u><u>5.2%</u></u>

**PARAGON COMMERCIAL CORPORATION**

**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

**Six months ended June 30, 2013 and 2012**

	2013	2012	Changes	% Change
<i>(In thousands)</i>	<i>(Unaudited)</i>			
Interest income:				
Loans and loan fees	\$ 17,947	\$ 17,020	\$ 927	5.4%
Investment securities	1,787	2,265	(478)	-21.1%
Federal funds and other interest income	16	38	(22)	-57.9%
<b>Total interest income</b>	<u>19,750</u>	<u>19,323</u>	<u>427</u>	<u>2.2%</u>
Interest expense:				
Interest-bearing checking and money markets	648	659	(11)	-1.7%
Time deposits	3,686	4,585	(899)	-19.6%
Borrowings and repurchase agreements	1,070	2,444	(1,374)	-56.2%
<b>Total interest expense</b>	<u>5,404</u>	<u>7,688</u>	<u>(2,284)</u>	<u>-29.7%</u>
<b>Net interest income</b>	<u>14,346</u>	<u>11,635</u>	<u>2,711</u>	<u>23.3%</u>
Provision for loan losses	1,237	1,007	230	22.8%
<b>Net interest income after provision for loan losses</b>	<u>13,109</u>	<u>10,628</u>	<u>2,481</u>	<u>23.3%</u>
Noninterest income:				
Mortgage banking revenues	117	56	61	108.9%
Deposit service charges and other fees	132	108	24	22.2%
Net gain (loss) on sale of securities	34	(34)	68	n/a
Increase in cash surrender value of bank owned life insurance	436	462	(26)	-5.6%
Net loss on sale of other real estate	(2,760)	(1,225)	(1,535)	n/a
Other noninterest income	103	243	(140)	-57.6%
<b>Total noninterest income</b>	<u>(1,938)</u>	<u>(390)</u>	<u>(1,548)</u>	<u>n/a</u>
Noninterest expenses:				
Salaries and employee benefits	4,121	3,256	865	26.6%
Occupancy	536	518	18	3.5%
Problem loan and foreclosure related expenses	731	1,284	(553)	-43.1%
FDIC and other supervisory assessments	999	1,270	(271)	-21.3%
Data processing	546	471	75	15.9%
Professional fees	484	297	187	63.0%
Furniture and equipment	173	137	36	26.3%
Directors fees and expenses	192	86	106	123.3%
Other expenses	1,444	1,153	291	25.2%
<b>Total noninterest expenses</b>	<u>9,226</u>	<u>8,472</u>	<u>754</u>	<u>8.9%</u>
<b>Net income before tax expense</b>	<u>1,945</u>	<u>1,766</u>	<u>179</u>	<u>10.1%</u>
Income tax expense	574	544	30	5.5%
<b>Net income</b>	<u>\$ 1,371</u>	<u>\$ 1,222</u>	<u>\$ 149</u>	<u>12.2%</u>
Earnings per share - basic	<u>\$ 38.67</u>	<u>\$ 34.74</u>	<u>\$ 3.93</u>	<u>11.3%</u>
Earnings per share - diluted	<u>\$ 38.62</u>	<u>\$ 34.56</u>	<u>\$ 4.06</u>	<u>11.8%</u>
Weighted Average Shares:				
Basic	<u>35,450</u>	<u>35,189</u>	<u>261</u>	<u>0.7%</u>
Fully Diluted	<u>35,496</u>	<u>35,336</u>	<u>160</u>	<u>0.5%</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	\$ 9,138	\$ 8,385	\$ 753	9.0%
Investment securities	882	1,154	(272)	-23.6%
Federal funds and other interest income	9	19	(10)	-52.6%
<b>Total interest income</b>	<u>10,029</u>	<u>9,558</u>	<u>471</u>	<u>4.9%</u>
Interest expense:				
Interest-bearing checking and money markets	339	322	17	5.3%
Time deposits	1,793	2,230	(437)	-19.6%
Borrowings and repurchase agreements	511	1,219	(708)	-58.1%
<b>Total interest expense</b>	<u>2,643</u>	<u>3,771</u>	<u>(1,128)</u>	<u>-29.9%</u>
<b>Net interest income</b>	<u>7,386</u>	<u>5,787</u>	<u>1,599</u>	<u>27.6%</u>
Provision for loan losses	700	784	(84)	-10.7%
<b>Net interest income after provision for loan losses</b>	<u>6,686</u>	<u>5,003</u>	<u>1,683</u>	<u>33.6%</u>
Noninterest income:				
Mortgage banking revenues	71	22	49	222.7%
Deposit service charges and other fees	64	55	9	16.4%
Net gain on sale of securities	73	134	(61)	-45.5%
Increase in cash surrender value of bank owned life insurance	218	233	(15)	-6.4%
Net loss on sale of other real estate	(1,749)	(850)	(899)	n/a
Other noninterest income	16	103	(87)	-84.5%
<b>Total noninterest income</b>	<u>(1,307)</u>	<u>(303)</u>	<u>(1,004)</u>	<u>n/a</u>
Noninterest expenses:				
Salaries and employee benefits	2,084	1,691	393	23.2%
Occupancy	267	279	(12)	-4.3%
Problem loan and foreclosure related expenses	372	550	(178)	-32.4%
FDIC and other supervisory assessments	420	634	(214)	-33.8%
Data processing	267	211	56	26.5%
Professional fees	279	149	130	87.2%
Furniture and equipment	83	63	20	31.7%
Directors fees and expenses	97	39	58	148.7%
Other expenses	747	660	87	13.2%
<b>Total noninterest expenses</b>	<u>4,616</u>	<u>4,276</u>	<u>340</u>	<u>8.0%</u>
<b>Net income (loss) before tax expense</b>	<u>763</u>	<u>424</u>	<u>339</u>	<u>80.0%</u>
Income tax expense (benefit)	214	112	102	91.1%
<b>Net income</b>	<u>\$ 549</u>	<u>\$ 312</u>	<u>\$ 237</u>	<u>76.0%</u>
Earnings per share - basic	<u>\$ 15.46</u>	<u>\$ 8.86</u>	<u>\$ 6.60</u>	<u>74.5%</u>
Earnings per share - diluted	<u>\$ 15.44</u>	<u>\$ 8.82</u>	<u>\$ 6.62</u>	<u>75.1%</u>
Weighted Average Shares:				
Basic	<u>35,492</u>	<u>35,190</u>	<u>302</u>	<u>0.9%</u>
Fully Diluted	<u>35,538</u>	<u>35,337</u>	<u>201</u>	<u>0.6%</u>