

**PARAGON COMMERCIAL CORPORATION**

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**

**September 30, 2013 and December 31, 2012**

<b>ASSETS</b>	September 30, 2013	December 31, 2012	Changes	% Change
<i>(In thousands)</i>	<i>(Unaudited)</i>			
Cash and due from banks:				
Interest-earning	\$ 26,874	\$ 2,341	\$ 24,533	1048.0%
Non-interest-earning	14,433	16,037	(1,604)	-10.0%
Federal funds sold	-	-	-	n/a
Investment securities - available for sale, at fair value	141,999	147,974	(5,975)	-4.0%
Loans-net of unearned income and deferred fees	747,461	722,366	25,095	3.5%
Allowance for loan losses	(7,596)	(10,348)	2,752	-26.6%
Net loans	<u>739,865</u>	<u>712,018</u>	<u>27,847</u>	<u>3.9%</u>
Premises and equipment, net	13,811	13,779	32	0.2%
Bank owned life insurance	26,426	25,775	651	2.5%
Federal Home Loan Bank stock, at cost	5,648	6,396	(748)	-11.7%
Interest Receivable	2,986	2,796	190	6.8%
Deferred tax assets	9,383	8,347	1,036	12.4%
Other real estate owned	13,023	18,756	(5,733)	-30.6%
Other assets	<u>4,353</u>	<u>3,451</u>	<u>902</u>	<u>26.1%</u>
<b>Total assets</b>	<u><u>\$ 998,801</u></u>	<u><u>\$ 957,670</u></u>	<u><u>\$ 41,131</u></u>	<u><u>4.3%</u></u>
<b>LIABILITIES</b>				
Deposits:				
Demand, non-interest bearing	\$ 77,167	\$ 63,922	\$ 13,245	20.7%
Money market accounts and interest checking	243,068	202,793	40,275	19.9%
Time deposits	<u>431,673</u>	<u>433,586</u>	<u>(1,913)</u>	<u>-0.4%</u>
Total deposits	<u>751,908</u>	<u>700,301</u>	<u>51,607</u>	<u>7.4%</u>
Repurchase agreements and federal funds purchased	25,176	26,303	(1,127)	-4.3%
Borrowings	110,000	120,000	(10,000)	-8.3%
Subordinated debentures	30,338	30,338	-	0.0%
Other liabilities	<u>4,839</u>	<u>4,743</u>	<u>96</u>	<u>2.0%</u>
<b>Total liabilities</b>	<u>922,261</u>	<u>881,685</u>	<u>40,576</u>	<u>4.6%</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 September 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 September 30, 2013 and December 31, 2012, respectively	1	1	-	0.0%
Additional paid-in-capital	51,963	51,832	131	0.3%
Retained earnings	24,800	21,243	3,557	16.7%
Accumulated other comprehensive income	<u>(258)</u>	<u>2,875</u>	<u>(3,133)</u>	<u>-109.0%</u>
<b>Total stockholders' equity</b>	<u>76,540</u>	<u>75,985</u>	<u>555</u>	<u>0.7%</u>
<b>Total liabilities and stockholders' equity</b>	<u><u>\$ 998,801</u></u>	<u><u>\$ 957,670</u></u>	<u><u>\$ 41,131</u></u>	<u><u>4.3%</u></u>

# PARAGON COMMERCIAL CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Nine months ended September 30, 2013 and 2012

	2013	2012	Changes	% Change
<i>(In thousands)</i>	<i>(Unaudited)</i>			
Interest income:				
Loans and loan fees	\$ 27,419	\$ 25,548	\$ 1,871	7.3%
Investment securities	2,721	3,362	(641)	-19.1%
Federal funds and other interest income	33	54	(21)	-38.9%
<b>Total interest income</b>	<u>30,173</u>	<u>28,964</u>	<u>1,209</u>	<u>4.2%</u>
Interest expense:				
Interest-bearing checking and money markets	1,020	1,000	20	2.0%
Time deposits	5,389	6,641	(1,252)	-18.9%
Borrowings and repurchase agreements	1,582	3,672	(2,090)	-56.9%
<b>Total interest expense</b>	<u>7,991</u>	<u>11,313</u>	<u>(3,322)</u>	<u>-29.4%</u>
<b>Net interest income</b>	<u>22,182</u>	<u>17,651</u>	<u>4,531</u>	<u>25.7%</u>
Provision for loan losses	757	754	3	0.4%
<b>Net interest income after provision for loan losses</b>	<u>21,425</u>	<u>16,897</u>	<u>4,528</u>	<u>26.8%</u>
Noninterest income:				
Mortgage banking revenues	150	82	68	82.9%
Deposit service charges and other fees	180	166	14	8.4%
Net gain (loss) on sale of securities	24	(50)	74	n/a
Increase in cash surrender value of bank owned life insurance	651	692	(41)	-5.9%
Net loss on sale of other real estate	(3,497)	(1,631)	(1,866)	n/a
Other noninterest income	367	328	39	11.9%
<b>Total noninterest income</b>	<u>(2,125)</u>	<u>(413)</u>	<u>(1,712)</u>	<u>n/a</u>
Noninterest expenses:				
Salaries and employee benefits	6,386	5,358	1,028	19.2%
Occupancy	834	746	88	11.8%
Problem loan and foreclosure related expenses	964	1,938	(974)	-50.3%
FDIC and other supervisory assessments	1,406	1,879	(473)	-25.2%
Data processing	812	770	42	5.5%
Professional fees	727	470	257	54.7%
Furniture and equipment	250	208	42	20.2%
Directors fees and expenses	288	116	172	148.3%
Other expenses	2,315	1,759	556	31.6%
<b>Total noninterest expenses</b>	<u>13,982</u>	<u>13,244</u>	<u>738</u>	<u>5.6%</u>
<b>Net income before tax expense</b>	<u>5,318</u>	<u>3,240</u>	<u>2,078</u>	<u>64.1%</u>
Income tax expense	1,761	1,048	713	68.0%
<b>Net income</b>	<u>\$ 3,557</u>	<u>\$ 2,192</u>	<u>\$ 1,365</u>	<u>62.3%</u>
Earnings per share - basic	<u>\$ 100.31</u>	<u>\$ 62.24</u>	<u>\$ 38.07</u>	<u>61.2%</u>
Earnings per share - diluted	<u>\$ 100.31</u>	<u>\$ 62.06</u>	<u>\$ 38.25</u>	<u>61.6%</u>
Weighted Average Shares:				
Basic	<u>35,464</u>	<u>35,225</u>	<u>239</u>	<u>0.7%</u>
Fully Diluted	<u>35,464</u>	<u>35,323</u>	<u>141</u>	<u>0.4%</u>

**PARAGON COMMERCIAL CORPORATION**

**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

**Three Months Ended September 30, 2013 and 2012**

	2013	2012	Changes	% Change
<i>(In thousands)</i>	<i>(Unaudited)</i>			
Interest income:				
Loans and loan fees	\$ 9,472	\$ 8,528	\$ 944	11.1%
Investment securities	934	1,097	(163)	-14.9%
Federal funds and other interest income	17	16	1	6.3%
<b>Total interest income</b>	<u>10,423</u>	<u>9,641</u>	<u>782</u>	<u>8.1%</u>
Interest expense:				
Interest-bearing checking and money markets	372	341	31	9.1%
Time deposits	1,703	2,056	(353)	-17.2%
Borrowings and repurchase agreements	512	1,228	(716)	-58.3%
<b>Total interest expense</b>	<u>2,587</u>	<u>3,625</u>	<u>(1,038)</u>	<u>-28.6%</u>
<b>Net interest income</b>	<u>7,836</u>	<u>6,016</u>	<u>1,820</u>	<u>30.3%</u>
Provision for loan losses	(480)	(253)	(227)	n/a
<b>Net interest income after provision for loan losses</b>	<u>8,316</u>	<u>6,269</u>	<u>2,047</u>	<u>32.7%</u>
Noninterest income:				
Mortgage banking revenues	33	26	7	26.9%
Deposit service charges and other fees	48	58	(10)	-17.2%
Net gain (loss) on sale of securities	(10)	(16)	6	n/a
Increase in cash surrender value of bank owned life insurance	215	230	(15)	-6.5%
Net loss on sale of other real estate	(737)	(406)	(331)	n/a
Other noninterest income	264	85	179	210.6%
<b>Total noninterest income</b>	<u>(187)</u>	<u>(23)</u>	<u>(164)</u>	<u>n/a</u>
Noninterest expenses:				
Salaries and employee benefits	2,265	2,102	163	7.8%
Occupancy	298	228	70	30.7%
Problem loan and foreclosure related expenses	233	654	(421)	-64.4%
FDIC and other supervisory assessments	407	609	(202)	-33.2%
Data processing	266	299	(33)	-11.0%
Professional fees	243	173	70	40.5%
Furniture and equipment	77	71	6	8.5%
Directors fees and expenses	96	30	66	220.0%
Other expenses	871	606	265	43.7%
<b>Total noninterest expenses</b>	<u>4,756</u>	<u>4,772</u>	<u>(16)</u>	<u>-0.3%</u>
<b>Net income (loss) before tax expense</b>	<u>3,373</u>	<u>1,474</u>	<u>1,899</u>	<u>128.8%</u>
Income tax expense (benefit)	<u>1,187</u>	<u>504</u>	<u>683</u>	<u>135.5%</u>
<b>Net income</b>	<u>\$ 2,186</u>	<u>\$ 970</u>	<u>\$ 1,216</u>	<u>125.4%</u>
Earnings per share - basic	<u>\$ 61.61</u>	<u>\$ 27.48</u>	<u>\$ 34.13</u>	<u>124.2%</u>
Earnings per share - diluted	<u>\$ 61.61</u>	<u>\$ 27.42</u>	<u>\$ 34.19</u>	<u>124.7%</u>
Weighted Average Shares:				
Basic	<u>35,492</u>	<u>35,295</u>	<u>197</u>	<u>0.6%</u>
Fully Diluted	<u>35,492</u>	<u>35,374</u>	<u>118</u>	<u>0.3%</u>