

PARAGON COMMERCIAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

December 31, 2013 and 2012

ASSETS	December 31, 2013	December 31, 2012	Changes	% Change
<i>(In thousands)</i>	<i>(Unaudited)</i>			
Cash and due from banks:				
Interest-earning	\$ 25,238	\$ 2,341	\$ 22,897	978.1%
Non-interest-earning	19,899	16,037	3,862	24.1%
Federal funds sold	-	-	-	n/a
Investment securities - available for sale, at fair value	147,196	147,974	(778)	-0.5%
Loans-net of unearned income and deferred fees	767,392	722,366	45,026	6.2%
Allowance for loan losses	(6,939)	(10,348)	3,409	-32.9%
Net loans	<u>760,453</u>	<u>712,018</u>	<u>48,435</u>	<u>6.8%</u>
Premises and equipment, net	15,268	13,779	1,489	10.8%
Bank owned life insurance	26,622	25,775	847	3.3%
Federal Home Loan Bank stock, at cost	6,323	6,396	(73)	-1.1%
Interest Receivable	3,130	2,796	334	11.9%
Deferred tax assets	8,477	8,347	130	1.6%
Other real estate owned	18,174	18,756	(582)	-3.1%
Other assets	<u>4,991</u>	<u>3,451</u>	<u>1,540</u>	<u>44.6%</u>
Total assets	<u><u>\$ 1,035,771</u></u>	<u><u>\$ 957,670</u></u>	<u><u>\$ 78,101</u></u>	<u><u>8.2%</u></u>
LIABILITIES				
Deposits:				
Demand, non-interest bearing	\$ 83,897	\$ 63,922	\$ 19,975	31.2%
Money market accounts and interest checking	277,205	202,793	74,412	36.7%
Time deposits	<u>409,050</u>	<u>433,586</u>	<u>(24,536)</u>	<u>-5.7%</u>
Total deposits	<u>770,152</u>	<u>700,301</u>	<u>69,851</u>	<u>10.0%</u>
Repurchase agreements and federal funds purchased	28,012	26,303	1,709	6.5%
Borrowings	124,616	120,000	4,616	3.8%
Subordinated debentures	30,338	30,338	-	0.0%
Other liabilities	<u>5,050</u>	<u>4,743</u>	<u>307</u>	<u>6.5%</u>
Total liabilities	<u>958,168</u>	<u>881,685</u>	<u>76,483</u>	<u>8.7%</u>
STOCKHOLDERS' EQUITY				
Common stock - Class A, \$1 par value; 10,000,000 shares authorized; 34,608 and 34,463 issued and outstanding as of December 31, 2013 and 2012, respectively	34	34	-	0.0%
Common stock - Class B, \$1 par value; 10,000,000 shares authorized; 884 issued and outstanding as of December 31, 2013 and 2012, respectively	1	1	-	0.0%
Additional paid-in-capital	51,963	51,832	131	0.3%
Retained earnings	26,167	21,243	4,924	23.2%
Accumulated other comprehensive income	<u>(562)</u>	<u>2,875</u>	<u>(3,437)</u>	<u>-119.5%</u>
Total stockholders' equity	<u>77,603</u>	<u>75,985</u>	<u>1,618</u>	<u>2.1%</u>
Total liabilities and stockholders' equity	<u><u>\$ 1,035,771</u></u>	<u><u>\$ 957,670</u></u>	<u><u>\$ 78,101</u></u>	<u><u>8.2%</u></u>

PARAGON COMMERCIAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Year ended December 31, 2013 and 2012

	2013	2012	Changes	% Change
<i>(In thousands)</i>	<i>(Unaudited)</i>			
Interest income:				
Loans and loan fees	\$ 36,811	\$ 34,432	\$ 2,379	6.9%
Investment securities	3,735	4,385	(650)	-14.8%
Federal funds and other interest income	55	71	(16)	-22.5%
Total interest income	<u>40,601</u>	<u>38,888</u>	<u>1,713</u>	<u>4.4%</u>
Interest expense:				
Interest-bearing checking and money markets	1,479	1,336	143	10.7%
Time deposits	6,931	8,634	(1,703)	-19.7%
Borrowings and repurchase agreements	2,108	4,444	(2,336)	-52.6%
Total interest expense	<u>10,518</u>	<u>14,414</u>	<u>(3,896)</u>	<u>-27.0%</u>
Net interest income	<u>30,083</u>	<u>24,474</u>	<u>5,609</u>	<u>22.9%</u>
Provision for loan losses	156	929	(773)	-83.2%
Net interest income after provision for loan losses	<u>29,927</u>	<u>23,545</u>	<u>6,382</u>	<u>27.1%</u>
Noninterest income:				
Mortgage banking revenues	171	134	37	27.6%
Deposit service charges and other fees	245	220	25	11.4%
Net gain (loss) on sale of securities	49	9	40	444.4%
Increase in cash surrender value of bank owned life insurance	847	907	(60)	-6.6%
Net loss on sale of other real estate	(3,824)	(2,356)	(1,468)	n/a
Other noninterest income	437	380	57	15.0%
Total noninterest income	<u>(2,075)</u>	<u>(706)</u>	<u>(1,369)</u>	<u>n/a</u>
Noninterest expenses:				
Salaries and employee benefits	9,531	7,705	1,826	23.7%
Occupancy	1,550	960	590	61.5%
Problem loan and foreclosure related expenses	1,446	2,444	(998)	-40.8%
FDIC and other supervisory assessments	1,637	2,329	(692)	-29.7%
Data processing	1,097	1,031	66	6.4%
Professional fees	944	525	419	79.8%
Furniture and equipment	336	289	47	16.3%
Directors fees and expenses	400	152	248	163.2%
Other expenses	3,233	2,474	759	30.7%
Total noninterest expenses	<u>20,174</u>	<u>17,909</u>	<u>2,265</u>	<u>12.6%</u>
Net income before tax expense	<u>7,678</u>	<u>4,930</u>	<u>2,748</u>	<u>55.7%</u>
Income tax expense	2,754	1,756	998	56.8%
Net income	<u>\$ 4,924</u>	<u>\$ 3,174</u>	<u>\$ 1,750</u>	<u>55.1%</u>
Earnings per share - basic	<u>\$ 138.81</u>	<u>\$ 90.02</u>	<u>\$ 48.79</u>	<u>54.2%</u>
Earnings per share - diluted	<u>\$ 138.81</u>	<u>\$ 89.84</u>	<u>\$ 48.97</u>	<u>54.5%</u>
Weighted Average Shares:				
Basic	<u>35,464</u>	<u>35,256</u>	<u>208</u>	<u>0.6%</u>
Fully Diluted	<u>35,464</u>	<u>35,328</u>	<u>136</u>	<u>0.4%</u>

PARAGON COMMERCIAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Three Months Ended December 31, 2013 and 2012

	2013	2012	Changes	% Change
<i>(In thousands)</i>	<i>(Unaudited)</i>			
Interest income:				
Loans and loan fees	\$ 9,392	\$ 8,884	\$ 508	5.7%
Investment securities	1,014	1,023	(9)	-0.9%
Federal funds and other interest income	22	17	5	29.4%
Total interest income	<u>10,428</u>	<u>9,924</u>	<u>504</u>	<u>5.1%</u>
Interest expense:				
Interest-bearing checking and money markets	459	336	123	36.6%
Time deposits	1,542	1,993	(451)	-22.6%
Borrowings and repurchase agreements	526	772	(246)	-31.9%
Total interest expense	<u>2,527</u>	<u>3,101</u>	<u>(574)</u>	<u>-18.5%</u>
Net interest income	<u>7,901</u>	<u>6,823</u>	<u>1,078</u>	<u>15.8%</u>
Provision for loan losses	(601)	175	(776)	-443.4%
Net interest income after provision for loan losses	<u>8,502</u>	<u>6,648</u>	<u>1,854</u>	<u>27.9%</u>
Noninterest income:				
Mortgage banking revenues	21	52	(31)	-59.6%
Deposit service charges and other fees	65	54	11	20.4%
Net gain (loss) on sale of securities	25	59	(34)	-57.6%
Increase in cash surrender value of bank owned life insurance	196	215	(19)	-8.8%
Net loss on sale of other real estate	(327)	(725)	398	n/a
Other noninterest income	70	52	18	34.6%
Total noninterest income	<u>50</u>	<u>(293)</u>	<u>343</u>	<u>n/a</u>
Noninterest expenses:				
Salaries and employee benefits	3,145	2,347	798	34.0%
Occupancy	716	214	502	234.6%
Problem loan and foreclosure related expenses	482	506	(24)	-4.7%
FDIC and other supervisory assessments	231	450	(219)	-48.7%
Data processing	285	261	24	9.2%
Professional fees	217	55	162	294.5%
Furniture and equipment	86	81	5	6.2%
Directors fees and expenses	112	36	76	211.1%
Other expenses	918	715	203	28.4%
Total noninterest expenses	<u>6,192</u>	<u>4,665</u>	<u>1,527</u>	<u>32.7%</u>
Net income (loss) before tax expense	<u>2,360</u>	<u>1,690</u>	<u>670</u>	<u>39.6%</u>
Income tax expense (benefit)	<u>993</u>	<u>708</u>	<u>285</u>	<u>40.3%</u>
Net income	<u>\$ 1,367</u>	<u>\$ 982</u>	<u>\$ 385</u>	<u>39.2%</u>
Earnings per share - basic	<u>\$ 38.50</u>	<u>\$ 27.77</u>	<u>\$ 10.73</u>	<u>38.6%</u>
Earnings per share - diluted	<u>\$ 38.50</u>	<u>\$ 27.72</u>	<u>\$ 10.78</u>	<u>38.9%</u>
Weighted Average Shares:				
Basic	<u>35,492</u>	<u>35,348</u>	<u>144</u>	<u>0.4%</u>
Fully Diluted	<u>35,492</u>	<u>35,394</u>	<u>98</u>	<u>0.3%</u>