

**PARAGON COMMERCIAL CORPORATION**

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**

**March 31, 2014 and December 31, 2013**

<b>ASSETS</b>	March 31, 2014	December 31, 2013	Changes	% Change
<i>(In thousands)</i>	<i>(Unaudited)</i>			
Cash and due from banks:				
Interest-earning	\$ 60,779	\$ 25,238	\$ 35,541	140.8%
Non-interest-earning	5,489	19,899	(14,410)	-72.4%
Federal funds sold	-	-	-	n/a
Investment securities - available for sale, at fair value	145,062	147,196	(2,134)	-1.4%
Loans-net of unearned income and deferred fees	779,673	767,392	12,281	1.6%
Allowance for loan losses	(7,581)	(6,939)	(642)	9.3%
Net loans	<u>772,092</u>	<u>760,453</u>	<u>11,639</u>	<u>1.5%</u>
Premises and equipment, net	16,561	15,268	1,293	8.5%
Bank owned life insurance	26,817	26,622	195	0.7%
Federal Home Loan Bank stock, at cost	6,106	6,323	(217)	-3.4%
Interest Receivable	2,996	3,130	(134)	-4.3%
Deferred tax assets	6,786	8,477	(1,691)	-19.9%
Other real estate owned	17,959	18,174	(215)	-1.2%
Other assets	<u>4,463</u>	<u>4,991</u>	<u>(528)</u>	<u>-10.6%</u>
<b>Total assets</b>	<u><u>\$ 1,065,110</u></u>	<u><u>\$ 1,035,771</u></u>	<u><u>\$ 29,339</u></u>	<u><u>2.8%</u></u>
<b>LIABILITIES</b>				
Deposits:				
Demand, non-interest bearing	\$ 93,162	\$ 83,897	\$ 9,265	11.0%
Money market accounts and interest checking	308,578	277,205	31,373	11.3%
Time deposits	<u>420,991</u>	<u>409,050</u>	<u>11,941</u>	<u>2.9%</u>
Total deposits	<u>822,731</u>	<u>770,152</u>	<u>52,579</u>	<u>6.8%</u>
Repurchase agreements and federal funds purchased	15,846	28,012	(12,166)	-43.4%
Borrowings	124,034	124,616	(582)	-0.5%
Subordinated debentures	18,558	30,338	(11,780)	-38.8%
Other liabilities	<u>4,222</u>	<u>5,050</u>	<u>(828)</u>	<u>-16.4%</u>
<b>Total liabilities</b>	<u><u>985,391</u></u>	<u><u>958,168</u></u>	<u><u>27,223</u></u>	<u><u>2.8%</u></u>
<b>STOCKHOLDERS' EQUITY</b>				
Common stock - Class A, \$1 par value; 10,000,000 shares authorized; 34,608 issued and outstanding as of March 31, 2014 and December 31, 2013, respectively	34	34	-	0.0%
Common stock - Class B, \$1 par value; 10,000,000 shares authorized; 884 issued and outstanding as of March 31, 2014 and December 31, 2013, respectively	1	1	-	0.0%
Additional paid-in-capital	51,963	51,963	-	0.0%
Retained earnings	27,719	26,167	1,552	5.9%
Accumulated other comprehensive income	<u>2</u>	<u>(562)</u>	<u>564</u>	<u>-100.4%</u>
<b>Total stockholders' equity</b>	<u><u>79,719</u></u>	<u><u>77,603</u></u>	<u><u>2,116</u></u>	<u><u>2.7%</u></u>
<b>Total liabilities and stockholders' equity</b>	<u><u>\$ 1,065,110</u></u>	<u><u>\$ 1,035,771</u></u>	<u><u>\$ 29,339</u></u>	<u><u>2.8%</u></u>

**PARAGON COMMERCIAL CORPORATION**

**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

**Three Months ended March 31, 2014 and 2013**

	2014	2013	Changes	% Change
<i>(In thousands)</i>	<i>(Unaudited)</i>			
<b>Interest income:</b>				
Loans and loan fees	\$ 9,112	\$ 8,809	\$ 303	3.4%
Investment securities	1,120	905	215	23.8%
Federal funds and other interest income	16	7	9	128.6%
<b>Total interest income</b>	<u>10,248</u>	<u>9,721</u>	<u>527</u>	<u>5.4%</u>
<b>Interest expense:</b>				
Interest-bearing checking and money markets	466	309	157	50.8%
Time deposits	1,416	1,893	(477)	-25.2%
Borrowings and repurchase agreements	358	559	(201)	-36.0%
<b>Total interest expense</b>	<u>2,240</u>	<u>2,761</u>	<u>(521)</u>	<u>-18.9%</u>
<b>Net interest income</b>	<u>8,008</u>	<u>6,960</u>	<u>1,048</u>	<u>15.1%</u>
Provision for loan losses	538	537	1	0.2%
<b>Net interest income after provision for loan losses</b>	<u>7,470</u>	<u>6,423</u>	<u>1,047</u>	<u>16.3%</u>
<b>Noninterest income:</b>				
Mortgage banking revenues	25	46	(21)	-45.7%
Deposit service charges and other fees	47	68	(21)	-30.9%
Net gain (loss) on sale of securities	96	(39)	135	n/a
Increase in cash surrender value of bank owned life insurance	195	218	(23)	-10.6%
Net loss on sale of other real estate	(66)	(1,011)	945	n/a
Other noninterest income	77	87	(10)	-11.5%
<b>Total noninterest income</b>	<u>374</u>	<u>(631)</u>	<u>1,005</u>	<u>n/a</u>
<b>Noninterest expenses:</b>				
Salaries and employee benefits	2,891	2,037	854	41.9%
Occupancy	109	269	(160)	-59.5%
Problem loan and foreclosure related expenses	108	359	(251)	-69.9%
FDIC and other supervisory assessments	273	579	(306)	-52.8%
Data processing	262	279	(17)	-6.1%
Professional fees	297	205	92	44.9%
Furniture and equipment	276	215	61	28.4%
Directors fees and expenses	232	95	137	144.2%
Other expenses	758	572	186	32.5%
<b>Total noninterest expenses</b>	<u>5,206</u>	<u>4,610</u>	<u>596</u>	<u>12.9%</u>
<b>Net income before tax expense</b>	<u>2,638</u>	<u>1,182</u>	<u>1,456</u>	<u>123.2%</u>
Income tax expense	1,086	360	726	201.7%
<b>Net income</b>	<u>\$ 1,552</u>	<u>\$ 822</u>	<u>\$ 730</u>	<u>88.8%</u>
Earnings per share - basic	<u>\$ 43.74</u>	<u>\$ 23.22</u>	<u>\$ 20.52</u>	<u>88.4%</u>
Earnings per share - diluted	<u>\$ 43.63</u>	<u>\$ 23.19</u>	<u>\$ 20.44</u>	<u>88.1%</u>
<b>Weighted Average Shares:</b>				
Basic	<u>35,492</u>	<u>35,408</u>	<u>84</u>	<u>0.2%</u>
Fully Diluted	<u>35,580</u>	<u>35,454</u>	<u>126</u>	<u>0.4%</u>