



Paragon
NATIONAL BANK®

the Shield *of excellence*

Paragon Hosts Fifth Annual Shareholders' Meeting at Dixon Gallery and Gardens

Shareholders, directors, and employees gathered at the Dixon Gallery and Gardens for Paragon's annual shareholders' meeting on June 24. Official business conducted was the re-election of James F. Freeman, Edwin S. Roberson, Glenn W. Cofield, and Craig L. Weiss to the Board of Directors.

President and CEO Robert Shaw updated shareholders on Paragon's progress during the past year.

Paragon's accomplishments included:

- › Paragon strengthened its executive management team.
- › The loan approval process was enhanced.
- › Paragon implemented a plan to substantially reduce non-performing assets.
- › An efficiency study was completed on Paragon's back-office operations.
- › During the 2nd quarter of 2010, Paragon employed external loan review professionals to review every performing relationship greater than \$500,000. More than 85% of the commercial real estate portfolio was reviewed.
- › Paragon maintained its high level of customer service.
- › Paragon continued its commitment to the local community. The bank received several awards and recognitions because of this commitment.



Senior VP Commercial Lending Gordin McMurtry and 1st VP Private Banking/Paragon Place Banking Center Manager Dorothy Cleaves welcome guests to the shareholders' meeting at the Dixon Gallery and Gardens.

Financial highlights for 2009 and early 2010 included:

- › Paragon's total loans and deposits remain above the average for banks formed during 2005.
- › Paragon has grown core deposits steadily over its history. The number of checking accounts has grown 13% since January of 2009. Demand deposit balances have grown more than 50% since the beginning of 2008.
- › Non-performing assets are at the lowest level since before the recession began.
- › The residential construction loan portfolio has been reduced by approximately 76%, more than \$40 million since December 2007.
- › Since December of 2008, Paragon has disposed of more than \$20 million in non-performing assets with an 84% recovery rate. Paragon's loan loss reserve is at its highest level in its history and is significantly higher than its peer group.
- › Net interest margin has risen seven consecutive months to a level not seen since May 2007.
- › Total non-interest income increased 48% from 2008 to 2009 due in large part to Paragon's mortgage department. Core non-interest income (excluding mortgage fees) increased 27% during that time period.
- › Non-interest expense has been reduced more than \$2 million. Core non-interest expense (excluding OREO expenses and FDIC insurance) is at 2007 levels.
- › As of June 30, 2010, the number of Paragon employees decreased by 16 or 22% from its high in the summer of 2008. Paragon's capital levels are some of the highest of Memphis-based community banks and are at their highest level since the third quarter of 2007.

Shaw stated that Paragon's focus for the remainder of 2010 will continue to be on dealing aggressively with credit issues and building core earnings capacity of the bank. He anticipates a return to consistent profitability during 2011.

St. Agnes Academy Artists Shine at Fifth Annual Paragon Art Exhibit and Reception



Paragon was thrilled to host seven St. Agnes Academy seniors from Janis McCarty's art class at an art exhibit and reception in March. The exhibit marked the fifth year of the event and featured some of the most impressive art yet. This year's artists are pictured with teacher Janis McCarty. From left: Janis McCarty, Kerry Hunt, Chloe Lane, Nida Pathan, Lauren Robison, Anne Mason, Taylor McKeever, and Corie Walker. Each student's art was displayed on the first and third floors of Paragon's Fountain Place office, where it remained for employees and visitors to enjoy through March. Paragon's corporate art collection rounded out the exhibit with pieces from renowned local artists such as Jay Etkin, Rana Rochat, Maysey Craddock, Pam Cobb, and Ephraim Urevbu.

Paragon President & CEO Robert Shaw Named One of 2010's Power Players



Memphis Business Quarterly, a supplement to *Memphis Magazine*, recently released its 2010 Power Players, a list of business leaders in the public and private sectors which included such industries as construction, higher education, hospitality, marketing, tourism, and philanthropy. In the Banking Administration category, *MBQ* recognized 13 leaders, including Paragon's President & CEO Robert Shaw, who have "dedicated their careers to ensuring that their banks run properly and that the money entrusted to them is in good hands."

Paragon Continues CPA Day Tradition



Paragon employees Andy Taylor, Wayne Littleton, Gordin McMurtry, Patrick O'Hearn, Dorothy Cleaves, Bill Freeman, Ashley Cullum, Emily Friedman, Janie Day, Charlene Franklin, Carol McConkey, Kim Hall, Robert Shaw, and Steve Mitchener prepare to deliver ice cream to some area CPA firms to give them a break during the busy tax season.

Team Paragon Reunion Brings Back Old Friends



Earlier this year Paragon invited all employees, board members, and former employees to a celebration honoring them for helping us reach our five-year anniversary. One of our guiding principles is that "employees are the heart of Paragon," and we appreciate every person who has helped us reach this milestone.

Bodine School Students Visit Paragon

Students from Martha Shaw's class at The Bodine School visited Paragon's Grove Park Banking Center in March to learn about banking and saving money. Banking Center Manager Debby Allen gave the students a tour of the bank and showed them how to use Grove Park's coin counter. After the students put coins in the counter, they took their receipts to teller row to get cash.



Kathy Bomar and Leigh Barker gave Bodine students cash in exchange for their coin counter receipts.



Employees Learn About Memphis Child Advocacy Center at Lunch & Learn

Paragon has hosted several Lunch & Learns for employees, and in April the Memphis Child Advocacy Center was the guest of honor. MCAC volunteer coordinator Kelly Gonzales spoke about the mission and volunteer opportunities at the center, while volunteer Amerah Shabazz Bridges, winner of Spirit of Giving's Adult Volunteer of the Year, gave a rousing testimony of her own experiences and the importance of MCAC.



Pictured are Paragon compliance officer and MCAC volunteer Chondrea Black, MCAC volunteer coordinator Kelly Gonzales, MCAC volunteer Amerah Shabazz-Bridges, and Paragon Senior VP of Cash Management and MCAC volunteer Kim Hall.

Team Paragon Delivers Handmade Blankets to Patients at Le Bonheur



As part of Paragon's Employee Appreciation Week, Paragon staff took part in an activity to give back to the community--making fleece no-sew blankets for the patients at Le Bonheur. Ashley Cullum, Donna Bain, Tracey Thesmar, Chondrea Black, and Katie Pemberton delivered the handmade blankets to Le Bonheur patients with the help of Le Bonheur Club Blanket Chair Becky Halvorsen.



Paragon Parties with Hawkins Mill Elementary School Students for Valentine's Day



Residential Construction Loan Officer Steve Maury helps a student play "Pin the Heart on the Target" during a visit to Hawkins Mill.

Staff members at Paragon visit Ms. Kimberly Martin's third grade class at Hawkins Mill quarterly. So far in 2010, we have made a Valentine's Day visit and an end-of-the-school-year trip. Our visits, which last an hour, include a craft, with which employees help the students, a game, a goodie bag, and a snack. At our end-of-the-school-year visit in May, the students presented us with a notebook full of thank-you notes they had written to us.

Community Involvement

Junior Achievement



Several Paragon employees participate in a Junior Achievement program with our adopted Hawkins Mill Elementary School class. Kim Hall, Lisa Barden, and Ashley Cullum pay Ms. Martin's third grade class visits in addition to our regularly scheduled visits to teach the students fun lessons about business and industry.



Saddle Creek Continues to Display Germantown-Area Student Art



Our Saddle Creek Banking Center continues to display art from various Germantown-area schools. Pictured are works from Sue Spice's art classes at Woodland Presbyterian School. This spring we have also displayed work from St. Agnes Academy, The Bodine School, and Farmington Elementary School. For more information or to suggest a featured school or class, contact Charlene Franklin at 901.322.0602.

Paragon Celebrates "More Birthdays" at 2010 Relay for Life

Paragon participated as a team in Memphis' Relay for Life, held at the Cancer Survivors' Park in June, for the third consecutive year. This year the overall theme was "Celebrating More Birthdays," so Team Paragon decorated our tent in a birthday party theme, with giant wrapped gifts, noisemakers, and a cupcake. Several months prior to the event, Paragon's Relay for Life Chair Janie Day held a fundraiser that offered employees ribbons with motivational or funny sayings for a small donation.



Right: Deborah Howell puts the finishing touches on her birthday decorations for the Paragon tent. Below: Mary Jackson, Sharon Gulleddge, and Nancy Walls walk on the track during their shift.



Germantown Golf Tournament



Paragon again participated as a hole sponsor for the Germantown Chamber Golf Tournament, which Paragon Business Development VP Ashley Cullum chaired. Pictured are VP Commercial Lending Josh Miller, VP Private Banking and Chair Elect for the Chamber Janie Day, and VP Commercial Lending Bill Freeman.

Why Businesses Should Use the Electronic Federal Tax Payment System

The IRS strongly encourages all business clients to use the Electronic Federal Tax Payment System to make federal tax deposits. Here's why:

- **It's free...**
and it only takes about 10 minutes to enroll.
- **It helps avoid potential penalties...**
Businesses that meet certain criteria must use EFTPS or be fined by the IRS.
- **It's fast...**
you can make a tax payment in minutes and without leaving your desk.
- **It's accurate...**
verification steps allow you to check and review your information before you send it.
- **It's flexible...**
you can make payments online OR over the phone.
- **It's convenient...**
EFTPS is available by phone or internet 24/7.
- **It's easy to use...**
the step-by-step process tells you what information you need to complete a payment for any Federal tax.
- **It's secure...**
EFTPS offers the highest levels of security available.

For more information visit www.eftps.gov or contact Paragon's Treasury Management at 901.322.0740.



What You Need to Know About the New Overdraft Protection Regulations

In compliance with new Federal Reserve Board regulations going into effect on August 15, Paragon can no longer authorize and pay overdrafts on ATM and debit card transactions unless requested by the customer. That means that customers with consumer deposit accounts opened prior to July 1 must opt in by August 15 to continue having Bounce Protection for ATM and debit card transactions. Bounce Protection on checks and automatic bill payments using the account number will remain an automatic service.

Affected customers should have received a notice with a mailable opt-in form. You may also opt in by calling our Customer Service line at 901.273.2900 and informing a representative that you want to keep your Bounce Protection on ATM and debit transactions.*

* We pay overdrafts at our discretion, which means we do not guarantee that we will always authorize and pay any type of transaction. If we do not authorize and pay an overdraft, your transaction will be declined.

Introducing the Data Breach Security Program for Merchant Bankcard Customers

At Paragon, we do all we can to help our customers avoid losses due to fraud, and that's why we are introducing new insurance called the Data Breach Security Program. Merchant bankcard customers' monthly statements will now include a nominal fee of \$8.95, which provides \$100,000 worth of coverage to protect your business in the event of fraud. To opt out of this coverage, simply call Treasury Management at 901.322.0740.

The Data Breach Security Program insurance protects you from both a network breach, such as hacking and skimming, and from physical loss or theft. The program allows you to safeguard multiple locations at no additional cost and to avoid fines, fees, and penalties that often result from fraud or theft.

Lost or Stolen Debit Card?

Don't panic! By following these simple step-by-step instructions to report the card lost or stolen, you will ensure that you are not liable for any charges, that your card will be unusable, and that you will get a replacement.

To report your card lost or stolen via internet banking, sign in and click "Options," then "ATM/Debit Card," check the box next to the lost card, then click "Submit." Simply contact your personal banker or call Customer Service at 901.273.2900 on the next business day to order your replacement card.

To report a lost or stolen card via telephone, call 901.273.2900. During business hours, a Paragon employee will mark your card as lost or stolen and reorder your replacement card. After business hours, press 6 to be transferred to the "After Hours Card Center." Please note that this service is not staffed by Paragon employees but those who answer are authorized to take your lost or stolen card report. Please call us on the next business day so that we can verify that your card was accurately blocked and so we can process your card reorder. The "After Hours Card Center" can be reached directly at 877-300-3509.

Stay in the Loop on Facebook and Twitter

Want to stay informed on all the latest happenings at Paragon, like events and community service? Then "Like" us on Facebook (search for Paragon National Bank) and "Follow" us on Twitter (twitter.com/bankparagon).

Please remember never to disclose personal or financial information such as social security numbers or account numbers via Twitter or Facebook. For specific questions about your account, please contact your banking officer.



Memorial Day Picnic

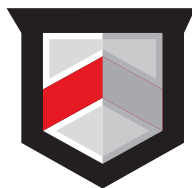


Paragon's Pam Hibler, Hank Word, and Teresa Harris enjoy spending time in the beautiful weather at the Memorial Day Picnic.

Locations:

Paragon Place Poplar at Massey 6300 Poplar Ave., Suite 117 Memphis, TN 38119	Fountain Place Poplar at Valleybrook 5400 Poplar Ave., Suite 150 Memphis, TN 38119
Grove Park 4515 Poplar Ave. Memphis, TN 38117	Saddle Creek 7600 Poplar Ave. Germantown, TN 38138

Telephone:	901.273.2900	
Branch Hours:	8:30 am – 5:00 pm	Mon-Thu
	8:30 am – 6:00 pm	Fri
	(except St. Francis)	
ATM:	24 Hours/7 days a week	
	Approximately 170 ATMs	
Paragon Direct:	901.333.0260	
	24-Hour Voice Response Unit	
Online Banking:	bankparagon.com	
Mailing Address:	P.O. Box 2022 Memphis, TN 38101-2022	



Paragon
NATIONAL BANK

Local banking from locals.



Future Paragon Customers:



Blake Olivia Barden
Daughter of Lisa Barden, Treasury Management Associate



Isabella Fruma Goldin
Daughter of Nadine Goldin, Grove Park Banking Center Associate



Evan Spain
Son of Jay Spain, Fountain Place Banking Center Manager



Patrick O'Hearn Turns 30!



Private Banker and Mortgage Officer Patrick O'Hearn celebrated his 30th birthday this February. As traditional for milestone birthdays, coworkers decorated Patrick's office and brought him birthday cake--this time, cupcakes.



Personnel Changes at Paragon



Ann Clark Rowland
Financial Services Associate
Grove Park Banking Center

You may notice some new faces at your familiar or preferred banking center this summer as some staffing changes have been made at Paragon.

Ann Clark Rowland, pictured, now serves as a financial services associate at Grove Park Banking Center. Ann Clark replaced Kathy Bomar, who is now based in our Saddle Creek Banking Center.

New managers Dorothy Cleaves and Alex Thesmar can be seen at Paragon Place and Grove Park Banking Centers.