



Paragon
NATIONAL BANK®

the Shield

of excellence

Paragon Reaches \$300 Million in Assets in Less than Three Years

*Continues to be one of the Fastest Growing
Startup Banks in the Country*

We are pleased to report that Paragon National Bank has surpassed \$300 million in total assets. Although audited financial statements for the year ended December 31, 2007, will not be available until early spring, unaudited totals show that Paragon exceeded \$300 million before the end of 2007. Paragon will mark our third anniversary on January 19, 2008. We continue to be ranked by the American Bankers Association in the top 25 percent of "de novo" banks formed during 2005.

"We feel our growth is a reflection of our excellent team of employees," said Robert Shaw, President and CEO of Paragon. "Our team, which continues to average over 15 years of banking experience each, provides an exceptional level of customer service. Our technology provides convenience and products most people would associate with much larger banks. We feel we have built the foundation for continuing success."



Positive Pay Helps Businesses Fight Check Fraud

Check fraud is becoming an increasingly common way for criminals to target businesses. Advances in technology have made it easy for people to produce fraudulent checks or to alter legitimate checks. To help businesses combat check fraud, Paragon offers Positive Pay, which gives you daily control over your check activity.

Here is how it works: simply transmit a file to Paragon that contains check numbers and amounts of issued checks. Whenever a check is presented, either in one of our lobbies or from another financial institution, Paragon will compare the check number and amount to the check information provided in the file. If the check number or amount does not agree with the file you transmitted, we will call you for verification before returning the check.

We encourage all businesses to explore the advantages of Positive Pay. For more information, please contact Treasury Management @ 322.0745.

Paragon Plans Fifth Branch for Grove Park Area



Architect's depiction of renovated Grove Park Center.

Paragon National Bank has finalized plans for the opening of a fifth Memphis-area branch. Located at 4515 Poplar Avenue, Paragon's Grove Park Banking Center will be located on the first floor of the five-story office building near Oak Court Mall. Following extensive renovations, the banking center is scheduled for a June 2008 grand opening.

"This new location will further expand Paragon's footprint westward on the sought-after Poplar corridor," said Robert Shaw, President and CEO of Paragon National Bank. "Having an additional branch allows us to solidify even more relationships, which is consistent with our growth strategy."

The Grove Park Banking Center will offer Paragon's full range of banking services. It will be staffed by approximately seven banking professionals and will provide the bank's first drive-through service inside the I-40 loop. With the traffic light at Poplar and Grove Park, customers will have easy access in and out of the location.

This fifth branch joins four Memphis-area locations at Poplar/Valleybrook, Poplar/Massey, Poplar/Germantown Road, and in the St. Francis Hospital Complex on Park Avenue. Grove Park will be Paragon's fourth location on Poplar Avenue, inspiring the *Memphis Business Journal* to rechristen the bustling thoroughfare "Paragon Parkway."

Letter from Executive Management

As we come to the end of our third year in business, we thank our customers, shareholders, board of directors, and employees for your contributions to Paragon's success. When the organizers of Paragon envisioned a new locally-owned, customer-focused bank, we did not envision that we could accomplish so much in such a short time.

At the end of the third quarter of 2007, we reported to you a slowdown in residential real estate. Although Paragon has not engaged in sub-prime lending, the fallout from that type of financing has caused a credit crunch for all types of residential lending.

Residential construction lending has been an important component of Paragon's growth. You may recall that during the third quarter we made an additional loan loss provision of \$500,000. That provision reflected our assessment of the elevated risk within our loan portfolio caused by reduced real estate sales, constraints on borrower liquidity, and declining real estate property values. We believe our allowance for loan losses is adequate. Of course, we will continue to monitor our portfolio for any additional provisions caused by further deterioration in real estate conditions.

When our financial statements are audited for the year, we expect to report a return to profitability for the 4th quarter. We look forward to reporting those results at our annual meeting to be held on May 14.

We begin 2008 and our fourth year of banking excited about our future. We have built a large foundation for continued success that includes:

- ▶ An experienced group of employees
- ▶ A focus on Memphis and the Mid-South
- ▶ Convenient banking with advanced technology
- ▶ The best customer service in Memphis
- ▶ Strong capital levels
- ▶ A dedicated board of directors
- ▶ A recognized brand of banking

We are truly raising expectations in banking.

Best wishes for a happy and prosperous 2008!



Robert, Michael, & Andy

Medical Advisory Board Expands

Paragon's Medical Advisory Board held its quarterly meeting in December at Paragon's Fountain Place location to discuss issues of importance to the medical banking community and ways Paragon can continue to grow in that market. CFO Michael Erhardt gave a brief recap of how Paragon



Beth Perry confers with Dr. Lawrence Wruble, Chairman of the Medical Advisory Board.

performed in the medical banking market, and Sr. VP of Treasury Management Kim Hall discussed Positive Pay, a technological innovation that helps prevent fraud on commercial accounts. The Medical Advisory Board recently welcomed two new members: Shade Robinson, VP of Physician Data Services, and Dr. Mark Castellaw, a respected internist.

Society of Entrepreneurs & Paragon National Bank Present Small Business Seminar

Paragon National Bank partnered with the Society of Entrepreneurs in November for the 2nd Annual Small Business Seminar. The event, which took place at Embassy Suites in East Memphis, was attended by over 60 local businesspeople and entrepreneurs. The keynote speaker, author and business owner Bob Furniss, motivated and inspired the crowd with his theme of "Chasing Greatness."



The audience is intrigued by speaker Bob Furniss's "Chasing Greatness" concept.

Paragon Named "Best Places to Work" for Second Consecutive Year

Paragon National Bank is thrilled to be the winner in the medium-sized company category in the *Memphis Business Journal's* 2007 Best Places to Work competition. This is the second consecutive year that the bank has won this prestigious competition, and the third year it has been a finalist, having been honored every year since the bank was established. This is a feat no other business in Memphis has accomplished. Paragon was one of five finalists in the mid-sized company category who were in attendance when the winners were announced at a luncheon on October 19 at the University of Memphis Holiday Inn.

"We've worked hard to develop and maintain a culture in which our employees are recognized as our greatest asset," said Robert Shaw, president of Paragon National Bank. "This honor is testament to the importance of our employees in the success of the bank."

The *Memphis Business Journal's* 2007 Best Places to Work competition has a category for small, medium and large companies. To compete in the medium-sized category, entrants must have 51 to 150 employees. Selection is based on anonymous surveys completed by employees ranking such factors as company loyalty and faith in leadership. More than 120 companies from around the area entered, with 14 finalists chosen.



Proud members of Team Paragon gather in the lobby of the Fountain Place Building for this group photo for the Best Places to Work feature in the *Memphis Business Journal*.

Paragon Community Involvement

Paragon Partners with The Food Bank for High School Student Food Drive

“Giving back to the community is one of Paragon’s guiding principles,” said Robert Shaw, Paragon’s President. “The Food Bank serves a vital need in the Mid-South region, and we were pleased to serve as a corporate sponsor of this drive.”

The Student Food Drive was a food drive conducted by Mid-South area high school students to benefit The Food Bank. Tyson Foods selected The Food Bank in Memphis to be a part of five other pilot locations across the nation to participate in the Student Food Drive. Area public and private high schools competed against each other to see who could collect the most food. In addition to collecting food for those in need, the drive promoted volunteerism and community involvement and gave students the opportunity to see a real-life example of how to get things done through teamwork. Paragon employees and customers also got involved by collecting food.



Carole Hughes and Nadine Goldin display food collected by Paragon Place customers and employees.

The food collected goes to The Food Bank for distribution to its 325 member agencies throughout the Mid-South, which include food pantries, soup kitchens, shelters, youth programs, rehabilitation and residential centers, senior programs, daycares, and schools.



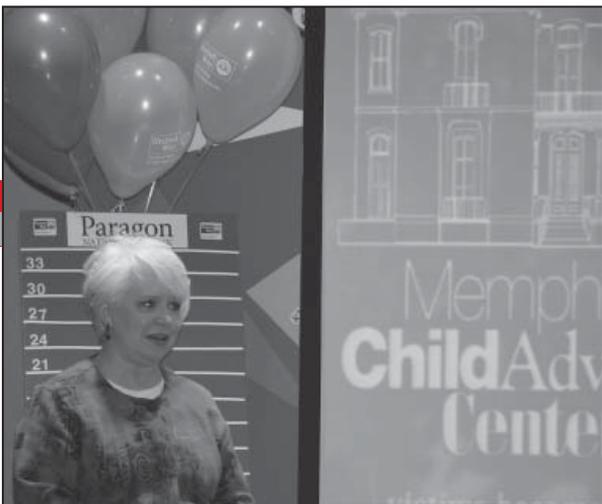
Team Paragon members Mark Nance, Mathis Young, Kim Hall, Jonelle Middlebrook, and Lisa Barden answer the telephones at Make-a-Wish Stories of Light.

Paragon Grants Third Wish

In December, Team Paragon was thrilled to grant its third wish in our three years of operation. With Senior VP of Treasury Management Kim Hall coordinating, the employees participated to make Cornelius Davis’s wish of going to Disney World come true. Cornelius has cerebral palsy and is nonverbal, but he didn’t need words to convey his happiness when he arrived at the carnival Team Paragon created for him. Employees teamed up on committees to create a variety of activities. The Children’s Museum of Memphis partnered with Paragon to donate the decorations that produced the carnival atmosphere. The Cornelius Carnival included several old-fashioned stations such as face painting, basketball throw, bowling game, putting green, milk jug knockdown, cake walk, and a concession stand with popcorn, cotton candy, drinks, and nachos. At each station, he was given a gold coin when he won the game.

After Cornelius made his way through the activities, he was taken to the gift station, where he exchanged his gold coin winnings for gifts, which included cartoon DVDs, toys, and sporting goods. Right as he was opening his last gift, he and his family were surprised by Mickey and Minnie Mouse, who ran in rolling brand new luggage and telling Cornelius that his wish to go to Disney World had been granted!

Make-a-Wish has become an annual event for Team Paragon, and all involved are touched by the experience. In addition to making a deserving child happy, granting the wish is a great team-building exercise.



Nancy Williams, Executive Director of the Memphis Child Advocacy Center, speaks to Team Paragon at our annual United Way Kickoff breakfast. The CAC is just one of many organizations funded by the United Way. The breakfast encouraged employees to give to this worthy cause. Paragon also supports the CAC by participating annually in their Chefs’ Celebrity Gala.



Team Paragon gathers around Cornelius after his wish is granted.

Paragon Community Involvement

Paragon Supports March of Dimes



Shelby County Mayor A C Wharton speaks to the OB/GYNs gathered at a reception held at the Paragon Place location.

Over the last two years several members of the Paragon team have been actively supporting the work of the March of Dimes. The mission of the March of Dimes is to improve the health of babies by preventing birth defects, premature births, and infant mortality.

On October 9, Paragon teamed up with Dr. and Mrs. Roy Bors-Koefoed to host a reception for area OB/GYN's. Dr. Linda Moses detailed for the group some of the efforts of the March of Dimes in Memphis and the Mid-South. Mayor A C Wharton discussed reducing infant mortality in Shelby County and the Infant Mortality Initiative that he is partnering on with Tennessee Governor Phil Bredesen.

One of the March of Dimes largest fund raisers is the annual Signature Chefs Gala. Robert Shaw, Paragon President and CEO, served as Honorary Co-Chairman of the event this year with Matthew Thorton III, Senior VP of FedEx US Operations. This was Shaw's second year to serve as Honorary Co-Chairman. Several other Paragon team members were involved with the gala held November 4 at the Peabody Hotel. Charlene Franklin served as chair of the Publicity Committee, while others assisted by gathering items for the silent auction and with table sales. This year the event was sold out for the first time.



Left: Paragon National Bank had nearly 50 team and family members participate in the Susan G. Komen Race for the Cure in October.

Below: Paragon team members attended the National Civil Rights Museum's Freedom Awards.



Paragon often participates in events to support charitable organizations. Pictured are ten Paragon ladies at the United Methodist Neighborhood Center's Love and Mercy Dinner.



Members of Team Paragon enjoy the company of Santa Claus and the Hawkins Mill class that we have adopted.

Paragon Now Offers Bounce Protection



Paragon is now proud to provide Bounce Protection, a special overdraft privilege service provided automatically for our checking customers. While we never encourage overdrafts, we do understand that unanticipated expenses, unforeseen problems, and computation mistakes do occur. Paragon wants to save you from the additional merchant fees and embarrassment that may result if a check is returned. We will pay nonsufficient items for our checking customers up to certain predetermined limits for a fee of \$32 for each item.

For more information or to opt out of the Bounce Protection program, call your banking officer or Paragon Customer Service at 901.273.2900.

New Regulations Regarding Receipts for Small-Dollar Transactions

The federal rule giving consumers the right to receive a receipt when using a card and/or code at an ATM or point-of-sale terminal has changed and is affecting industry practices regarding the issuance of receipts.

Effective immediately, the Terminal Transfers paragraph in the Electronic Funds Transfer Disclosure and/or Cardholder Agreement provided to you is amended to read as follows: "Terminal transfers. You can get a receipt at the time you make a transfer to or from your account using an automated teller machine or point-of-sale terminal. However, you may not get a receipt if the amount of the transfer is \$15 or less. Your continued use of the card and/or code acknowledges acceptance of these amended account terms."



In order to protect yourself from overdrafts, Paragon recommends that you keep close watch on your account balance. Balance your account with each periodic statement. In the event you do not get a receipt for a small-dollar transaction, jot down the transaction in your check register—or on a separate piece of paper—when the transaction occurs. You can also log on to our Internet website, call us, or come into a branch to check your current account balance and transaction information.

No More Snail Mail!

Is your mailbox overflowing? If you would like to receive a copy of *The Shield* via e-mail, please e-mail Katie Barratt, Newsletter Editor, at katie.barratt@bankparagon.com. Please include your name and the email address for receiving the newsletter.

If you later decide you prefer the paper newsletter, just let us know and we will put you back on our mailing list. Newsletters are also available on our website at bankparagon.com. Click on About Paragon>Investor Relations to find the link.

Paragon VP Tanya Novarese Named to Memphis Business Journal's Top 40 Under 40



Tanya Novarese, Senior Vice President of Commercial Real Estate, was named this year to the *Memphis Business Journal's* Top 40 Under 40. Each year the MBJ honors 40 professionals and civic leaders under the age of 40 who shine not only in their profession but also dedicate their time and energy to their community. Paragon was especially proud to nominate Tanya for this award because she is a professional and community standout and a caring and engaging coworker and friend.

In addition to her 17 years of experience in banking during which she has received numerous other awards, Tanya is also extremely active in the Memphis community. She has served in leadership roles at St. Mary's Catholic Church, her alma mater Rhodes College, and her sorority Chi Omega in various alumnae advisory positions. She is active at her children's school, St. Agnes/St. Dominic Academy, and is a founder and charter member of the Memphis chapter of CREW (Commercial Real Estate Women).



Paragon VP Kim Hall One of Memphis Woman Magazine's "50 Women Who Make a Difference"

Kim Hall, Senior Vice President of Treasury Management and Business Development, was named by *Memphis Woman Magazine* as one of the 2007 "50 Women Who Make A Difference." Each year, *Memphis Woman Magazine* honors outstanding women in the area who play a pivotal role in helping to make Memphis a better place to live through professional and nonprofit involvement.

In addition to Hall's professional commitments, she is also extremely active in the community. She is an ambassador of the Make-A-Wish Foundation and received the organization's 2005 Rising Star Volunteer Award. She teaches for the Junior Achievement program at Hawkins Mill Elementary School and in 2005 was named to the *Memphis Business Journal's* "Top 40 Under 40."



Kim Hall receives her award from Lisa Montgomery, publisher of *Memphis Woman Magazine*, and Rose Flenorl, Manager of Global Community Relations and Philanthropy at FedEx, at a reception at the University of Memphis Holiday Inn in August.



Paragon Advertising Campaign Named Finalist In Prestigious Industry Awards Program

Paragon's advertising campaign was named a finalist in the American Banker's Association Financial Marketing Awards, which recognize marketing innovation and creative excellence in the financial services industry. The campaign, which included print and radio ads done by advertising agency *inferno*, was a finalist in the "Customer Acquisition Marketing/Under 500M" category.



Paragon's Rita Fidducia and Charlene Franklin took a group of seniors on a holiday trip to Branson, Missouri. Here they are pictured in front of the Christmas tree at the famous Shoji Tabuchi Theatre.

Locations:

- | | |
|--|---|
| Paragon Place
Poplar at Massey
6300 Poplar Ave., Suite 117
Memphis, TN 38119 | St. Francis
6005 Park Ave., Suite 111
Loewenberg Building
Memphis, TN 38119 |
| Fountain Place
Poplar at Valleybrook
5400 Poplar Ave., Suite 150
Memphis, TN 38119 | Saddle Creek
7600 Poplar Ave.
Germantown, TN 38138 |

COMING SUMMER 2008

- Grove Park**
4515 Poplar Ave.
Memphis, TN 38117

- 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.



Lordy, Lordy, Look Who's 40!



From top left: Senior VP of Commercial Real Estate Tanya Novarese, Technical Support Specialist Chris Platania, and Senior Credit Officer Andy Taylor all celebrated 40th birthdays in September. Their colleagues decorated their offices with Over-the-Hill paraphernalia.



Three Added to the Paragon Family



William Fletcher Taylor <i>Son of Andy Taylor, Senior Credit Officer</i>	Avery Camile Webb, <i>Daughter of Tim Webb, VP- Commercial Lending</i>	Daniel Thatcher Coward, <i>Son of Karen Coward, Paragon Place Banking Center Manager</i>
---	---	---



Team Paragon Continues to Grow to Provide Superior Service!



Lindsey Esrael <i>Management Associate</i>	Kim West <i>Bank Officer, Mortgage Operations</i>	Linda Wamble <i>Assistant VP, Training and Development</i>	Elizabeth Smith <i>CSR, St. Francis Banking Center</i>
---	--	---	---



Katie Barratt <i>Marketing Coordinator</i>	Michelle Harper <i>VP, Mortgage Operations</i>	Ashley Fairey <i>Business Development</i>
---	---	--