

Paragon Financial Solutions

Annual Shareholders' Meeting

May 18, 2017



Forward-Looking Statements



Certain statements in this presentation include "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, which statements generally can be identified by the use of forward-looking terminology, such as "may," "will," "expect," "estimate," "anticipate," "believe," "target," "plan," "project" or "continue" or the negatives thereof or other variations thereon or similar terminology, and are made on the basis of management's plans and current analyses of Paragon Financial Solutions (the "Company"), its business and the industry as a whole. These forward-looking statements are subject to risks and uncertainties, including, but not limited to, economic conditions in the markets in which The Company operates, the company's short operating history, possible borrower credit problems, potential loss of key executives and employees, competition, interest rate sensitivity and exposure to regulatory and legislative changes. The above factors, in some cases, have affected, and in the future could affect, the Company's financial performance and could cause actual results for the current fiscal year and beyond to differ materially from those expressed or implied in such forward-looking statements. The Company does not undertake to publicly update or revise its forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

Executing Our Long-Term Plan:

*Sustained, Above-Peer
Profitability*



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2016 Milestones



- In January 2016, named the Germantown Chamber of Commerce Large Business of the Year
- In the first quarter of 2016, launched a new Specialty Lending Division

Paragon Specialty Lending

- › Started in February 2016
- › Managed by Senior Vice President Thomas “Tee” Shipmon
 - › Over 20 years of financial services experience
 - › Previously President of Wing Finance
- › Provides interim financing for start-up franchises
- › Assists customer with construction project management



2016 Milestones



- In January 2016, named the Germantown Chamber of Commerce Large Business of the Year
- In the first quarter of 2016, launched a new Specialty Lending Division
- Converted our core imaging system, which upgraded customer products and improved bank efficiency
- Named as a finalist for the *Memphis Business Journal's* Best Places to Work
- 90% of the Paragon Team participated in the bank's ACTS (Assisting the Community Through Service) program contributing almost 1,300 hours to 45 nonprofit organizations in our communities.

2016 Milestones



- Paragon added three prominent Memphis business persons to our board of directors
- Paragon granted its 12th wish in its 12-year history through Make a Wish of the Mid-South
- Paragon continued to rank as one of the nation's top 100 SBA lenders for the fiscal year ending 9-30-2016.
- Named as a finalist for the *Commercial Appeal's* Top Work Places
- Paragon's board of directors completed a new 3-year strategic plan
- Opened an Oxford Loan Production Office

Oxford Loan Production Office



Oxford Loan Production Office

- › **Opened in September 2016**
- › **Managed by Market President Kin Kinney**
 - › **Native of Oxford**
 - › **Over 30 years of financial services experience**
 - › **Previously in executive management at Merchants and Farmers Bank**
- › **As Paragon's presence grows, plans are to convert this to a full-service banking center**



Oxford Loan Production Office



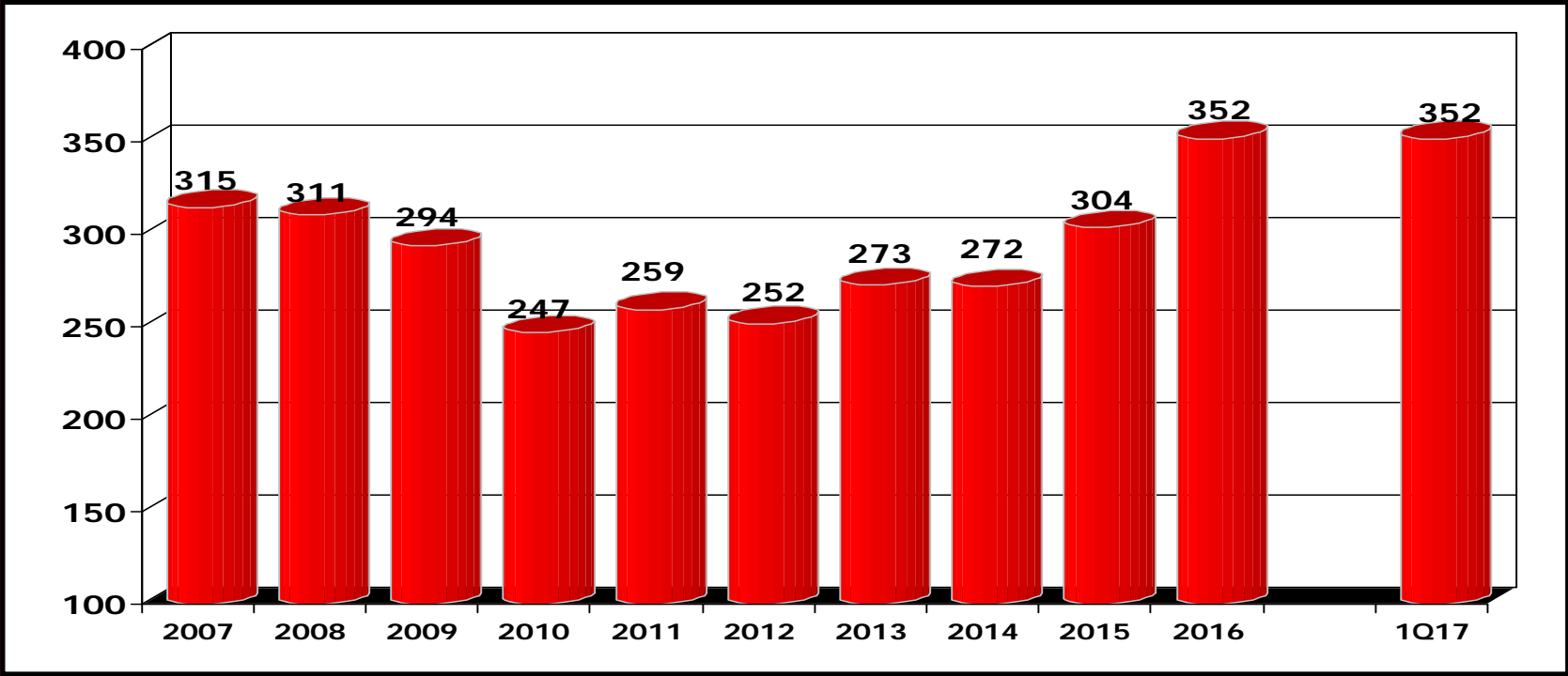
- Fastest growing city in Mississippi
- Home to Ole Miss
- Low unemployment
- Home to new the new \$300 million Baptist Hospital
- Top rated retirement community



ASSET TRENDS

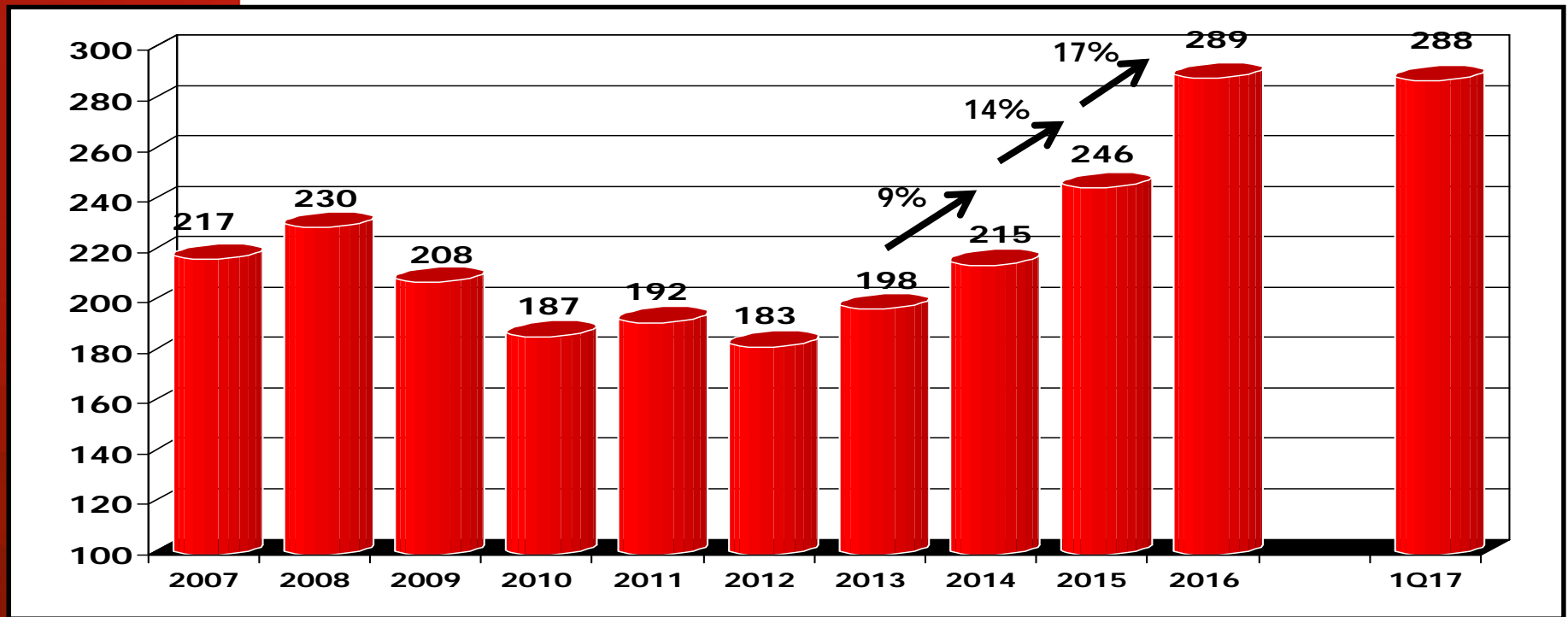
Total Assets

(end of period in millions)



Total Loans

(end of period in millions)



Total Loans – End of Period

(000's)



	12/31/2016	12/31/2015	Difference	Difference
Memphis Bank	233,318	205,086	28,232	13.8%
Small Business Capital Group	31,635	17,663	13,972	79.1%
Specialty Lending	6,767	0	6,767	NA
Purchased Loans	16,015	20,156	(4,141)	-20.5%
Special Assets	1,043	2,677	(1,634)	-61.0%
Total Bank	288,778	245,582	43,196	17.6%

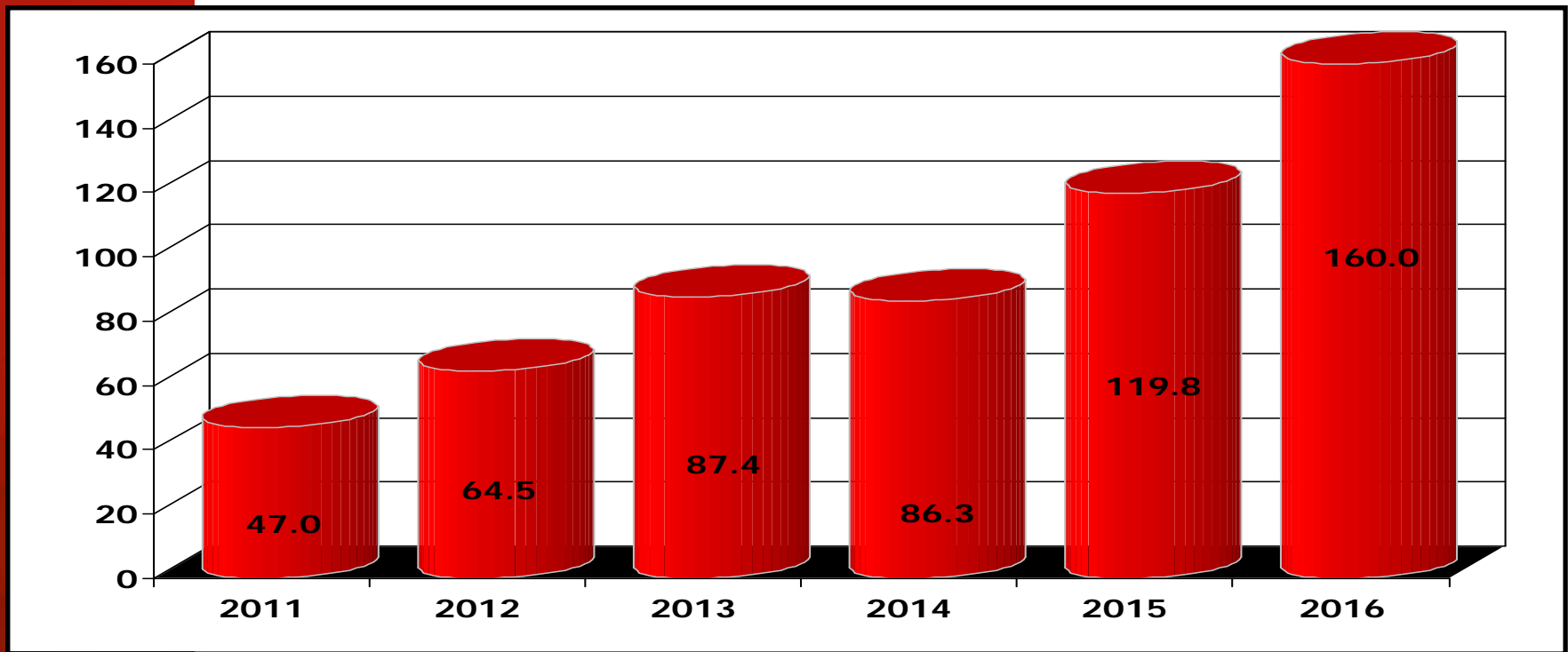
Total Loans

(end of period in 000's)

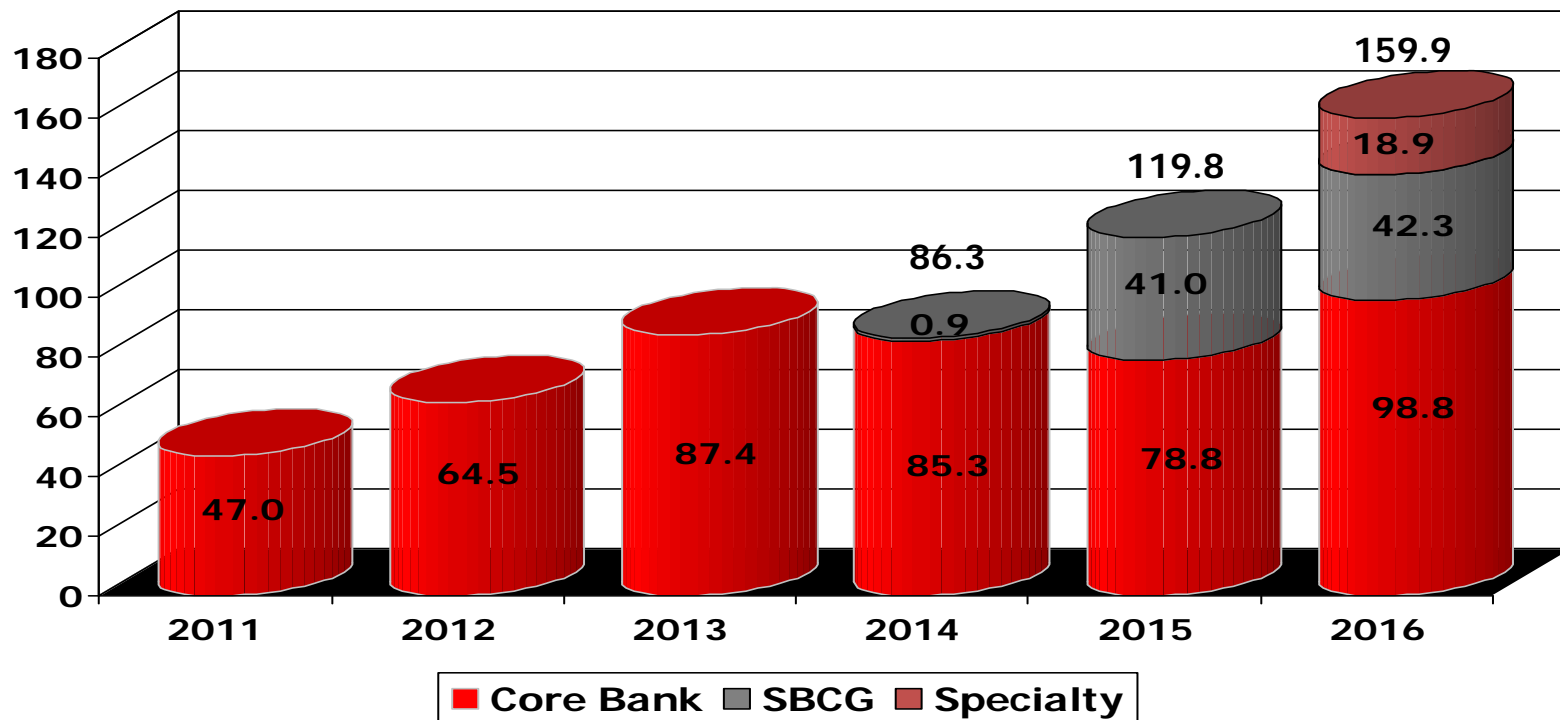


			\$	%
	12/31/2016	12/31/2015	Difference	Difference
Commercial Lending	117,185	101,444	15,741	15.5%
Private Banking	64,966	62,615	2,351	3.8%
Construction Lending	22,254	18,632	3,622	19.4%
Retail Banking	26,564	20,738	5,826	28.1%
Small Business Capital Group	31,635	17,663	13,972	79.1%
Specialty Lending	6,767	0	6,767	NA
Unassigned & Clearing Accounts	2,349	1,657	692	41.7%
Total Sales Force	271,720	222,748	48,972	22.0%
Purchased Loans	16,015	20,156	(4,141)	-20.5%
Special Assets	1,043	2,677	(1,634)	-61.0%
Total Bank	288,778	245,582	43,196	17.6%

New Loan Volume Originated (in millions)



New Loan Volume Originated (in millions)

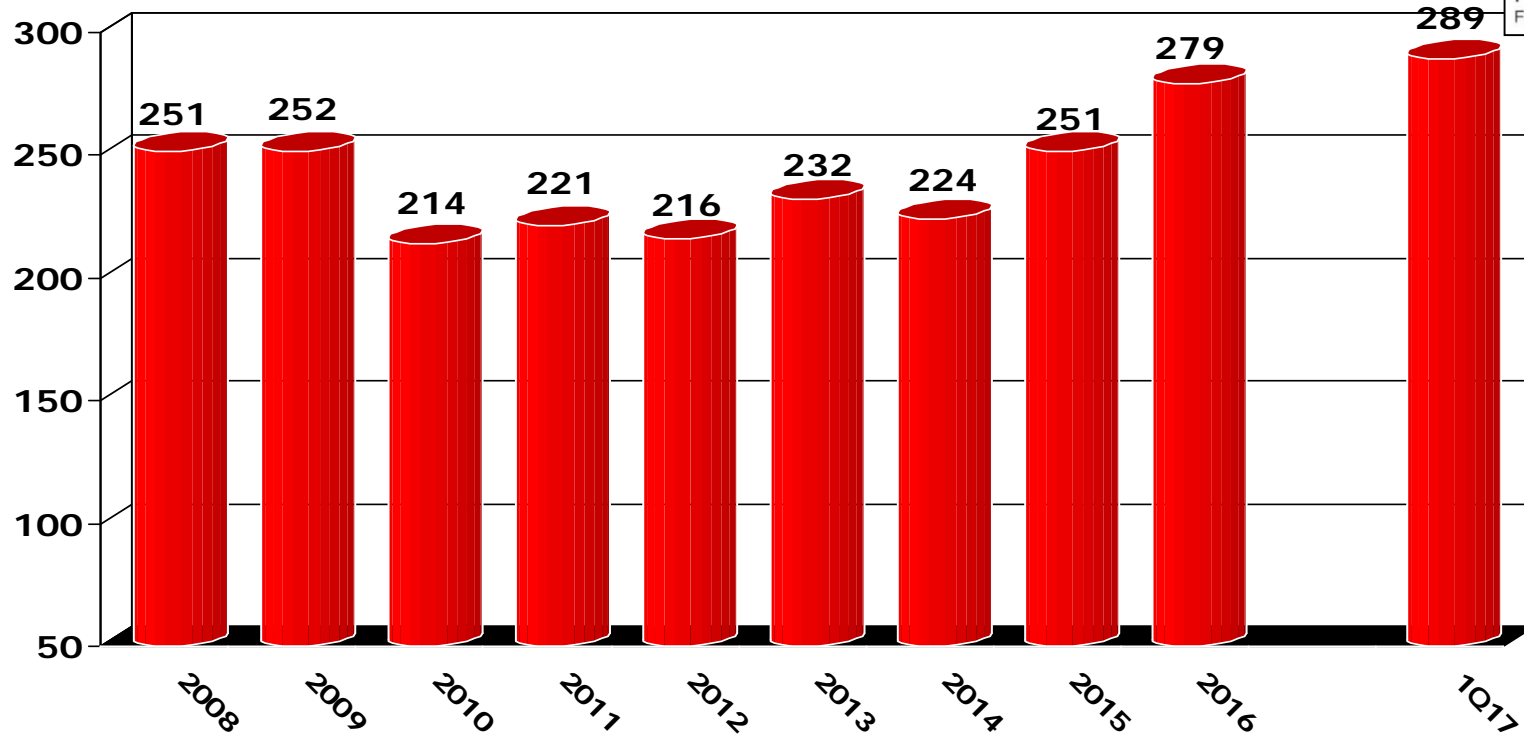




DEPOSIT TRENDS

Total Deposits

(end of period in millions)

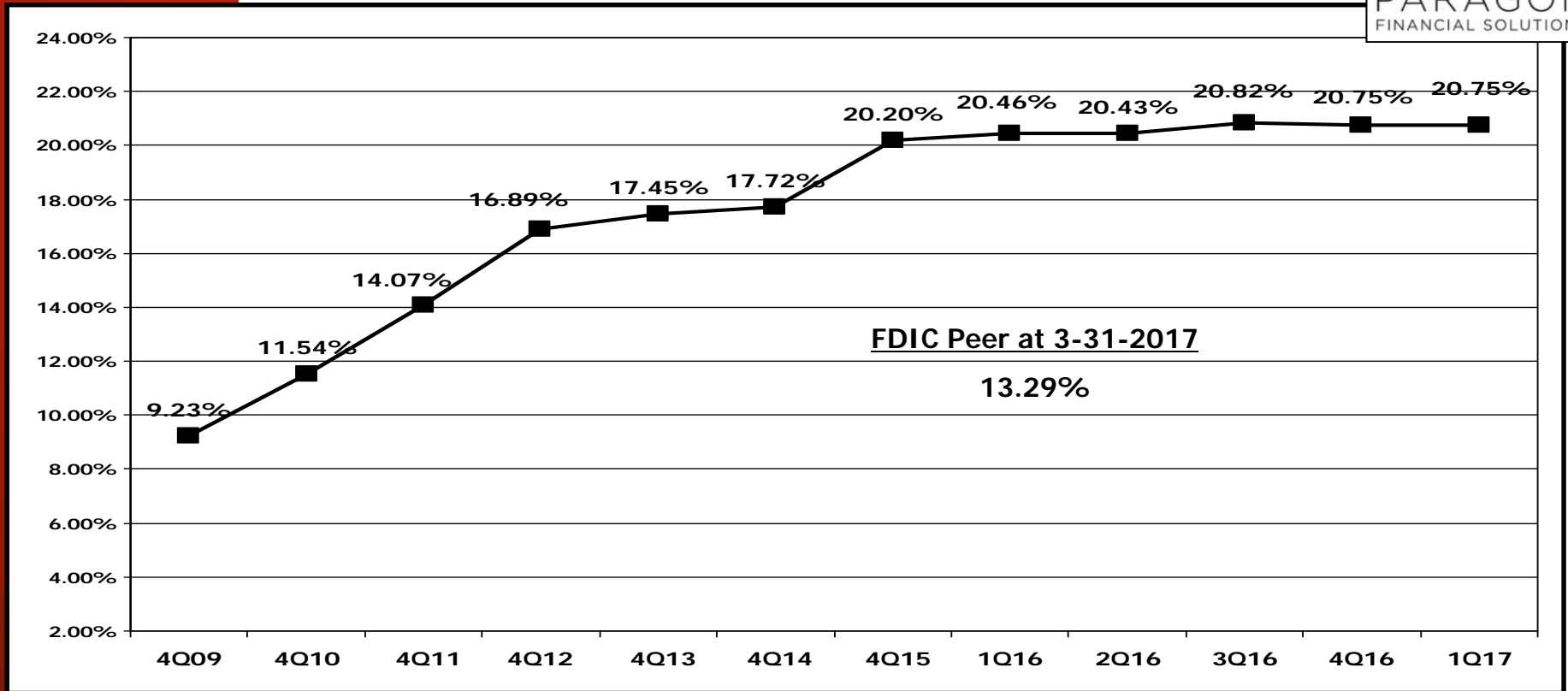


Brokered Deposits (in millions)	12/31/2014	12/31/2015	12/31/2016	3/31/2017
	8.0	23.9	34.2	43.9

DDAs to Average Total Assets

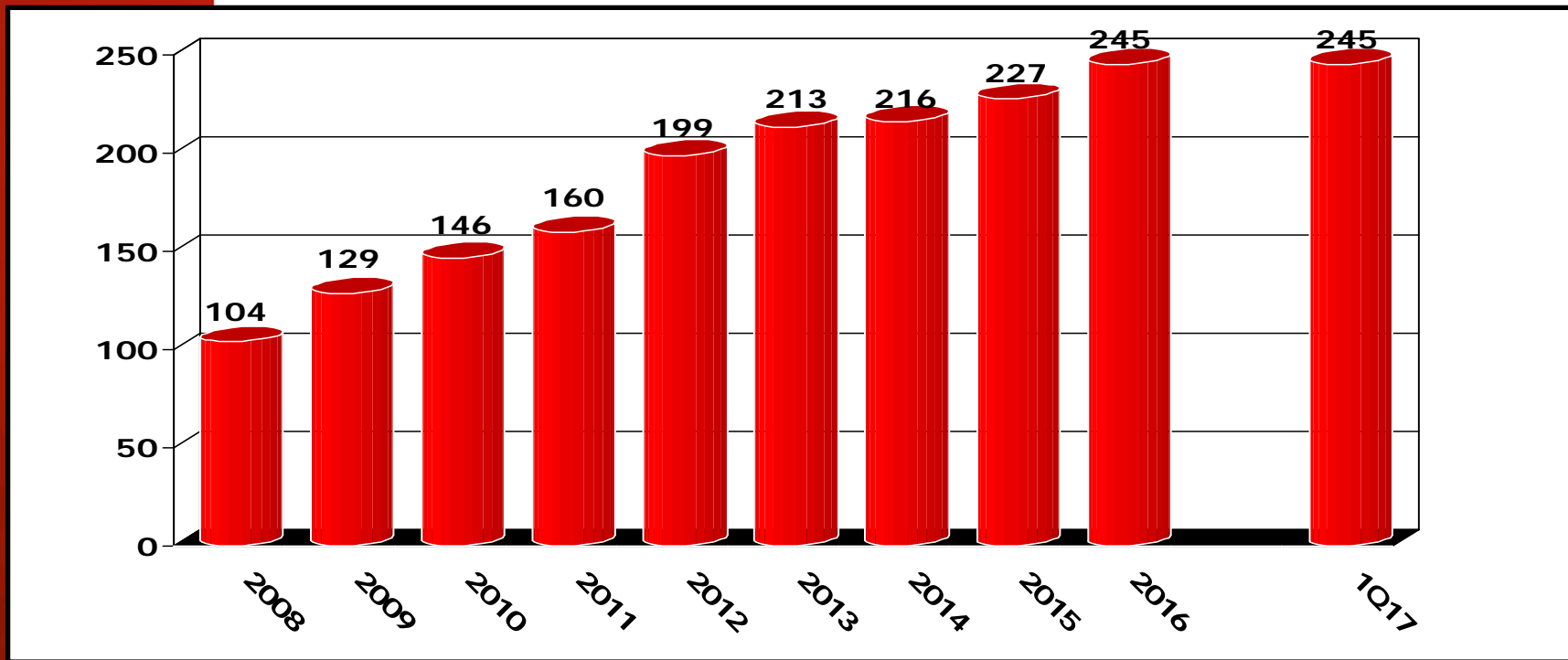


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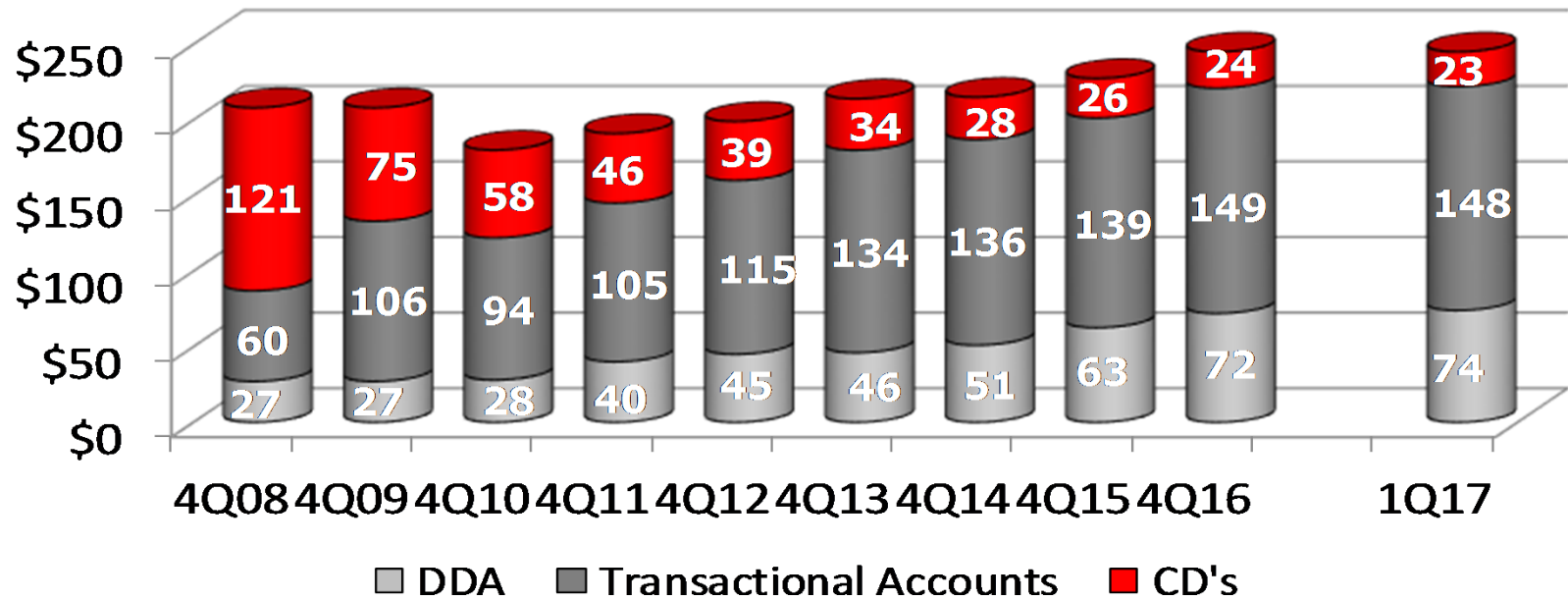
Core Deposits

(end of period in millions)



Core Deposits exclude brokered deposits.

Core Deposits - Targeting the Right Mix (in millions)

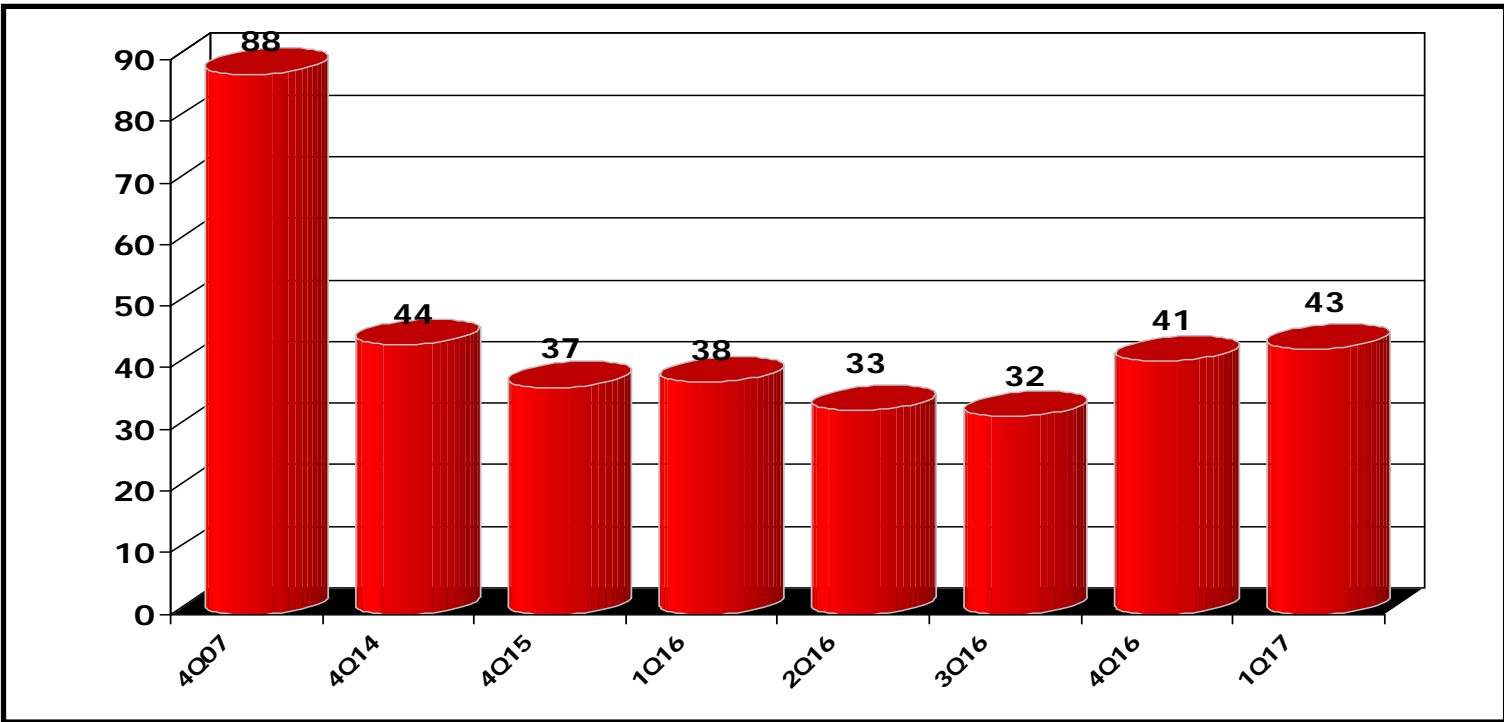




INVESTMENTS

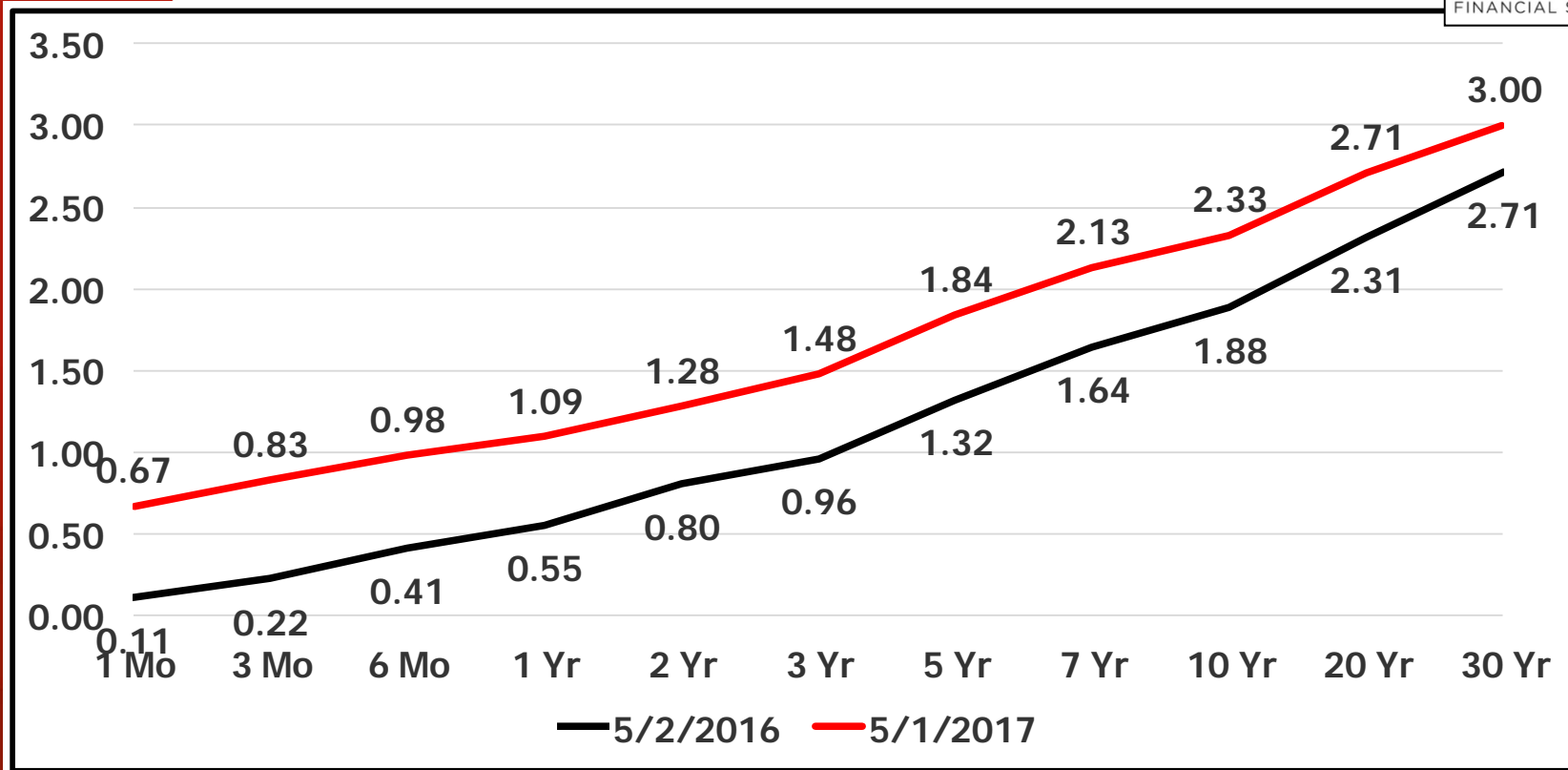
Total Investments

(end of period in millions)



U.S. Treasury Yield Curve

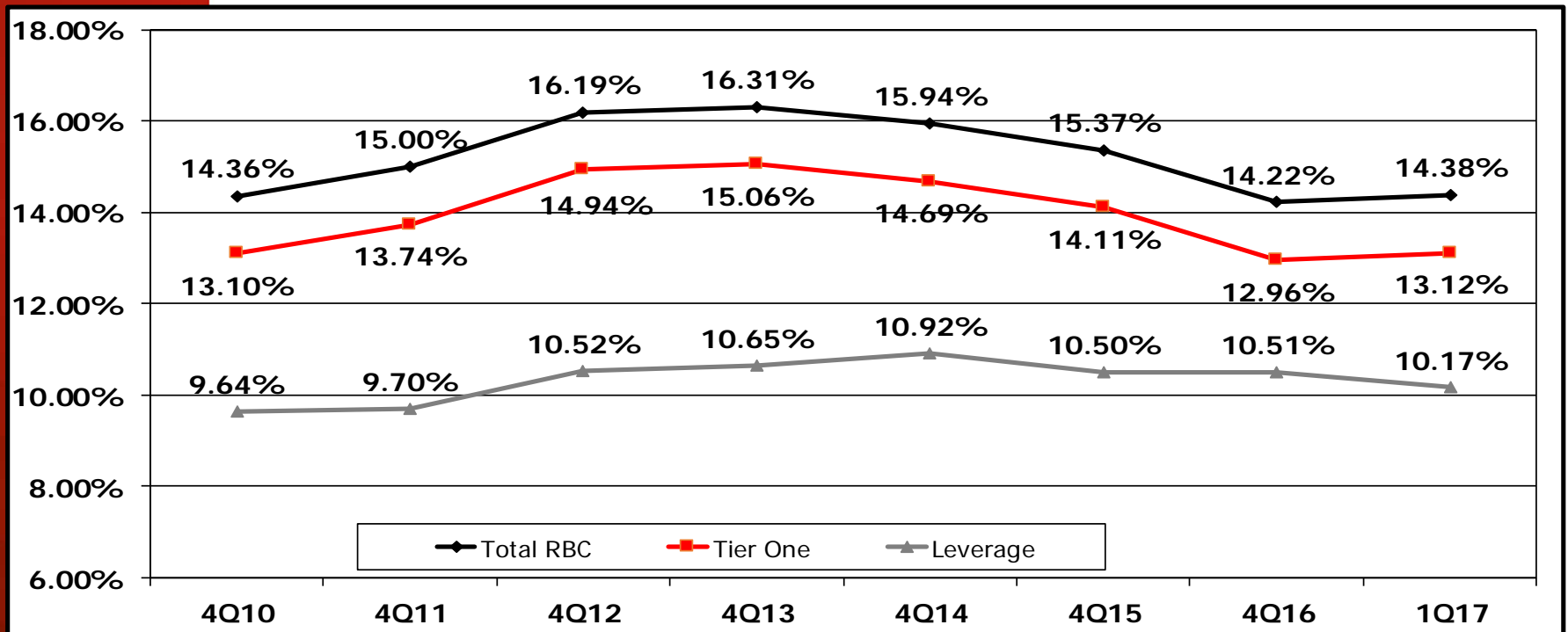
5-2-16 v 5-1-17





CAPITAL TRENDS

Capital Ratios



Capital Ratios



	Well Capitalized Minimum	Paragon Policy Limits	Paragon 3/31/2017
Leverage Ratio	5.00%	9.00%	10.17%
Tier 1 Risk-Based Capital	8.00%	NA	13.12%
Total Risk-Based Capital	10.00%	13.00%	14.38%

Capital Ratios

Memphis-Based Community Banks

December 31, 2016



	Total Risk-Based Capital	Tier 1 Capital	Leverage Ratio
Financial Federal	16.88%	15.63%	14.12%
Landmark	16.06%	14.73%	8.55%
Paragon Bank	14.22%	12.96%	10.51%
BankTN	12.59%	11.33%	9.25%
Bank of Fayette County	12.34%	11.08%	8.43%
Triumph Bank	12.30%	11.26%	10.06%
Bank of Bartlett	12.18%	11.02%	6.59%
First Alliance	10.85%	9.88%	9.08%
First Capital	10.85%	9.88%	9.08%

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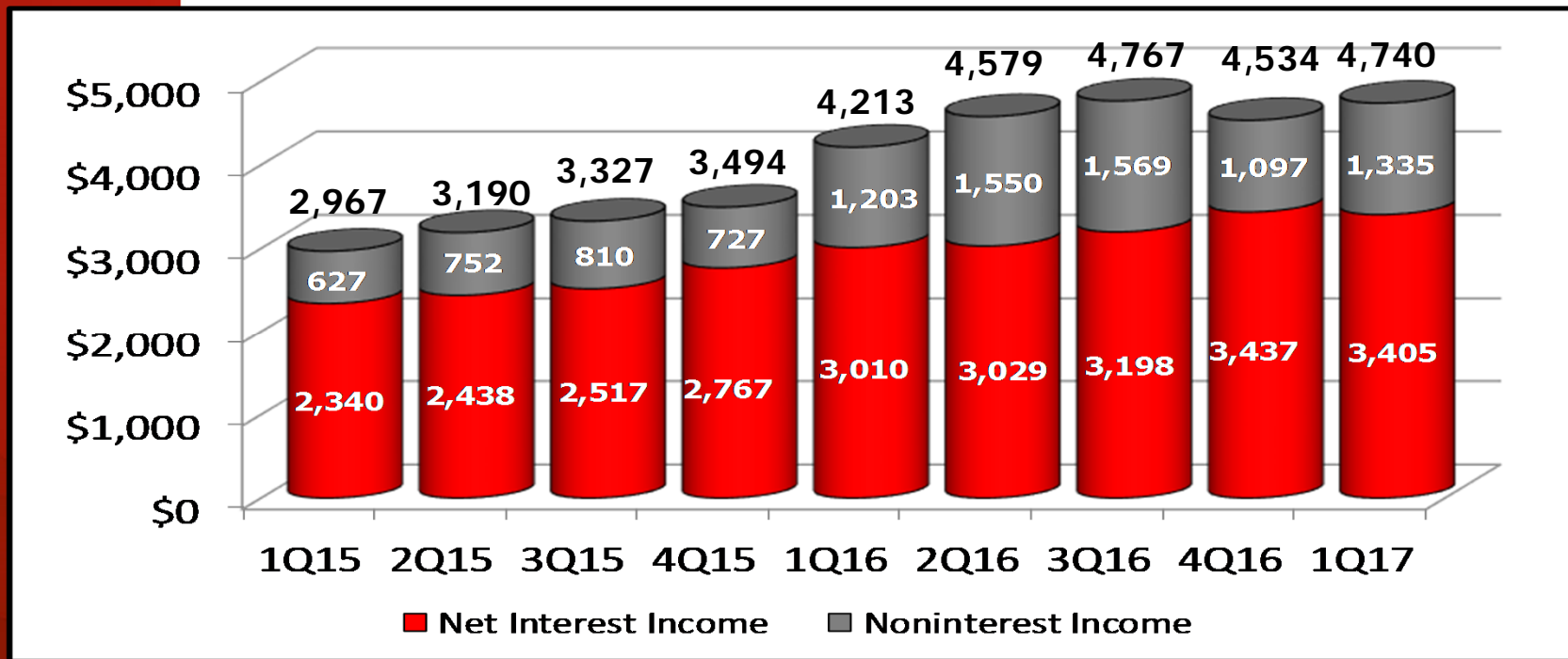
** Capital includes TARP, Trust Preferred, Holding Company Loans, or the Small Business Lending Fund



INCOME TRENDS

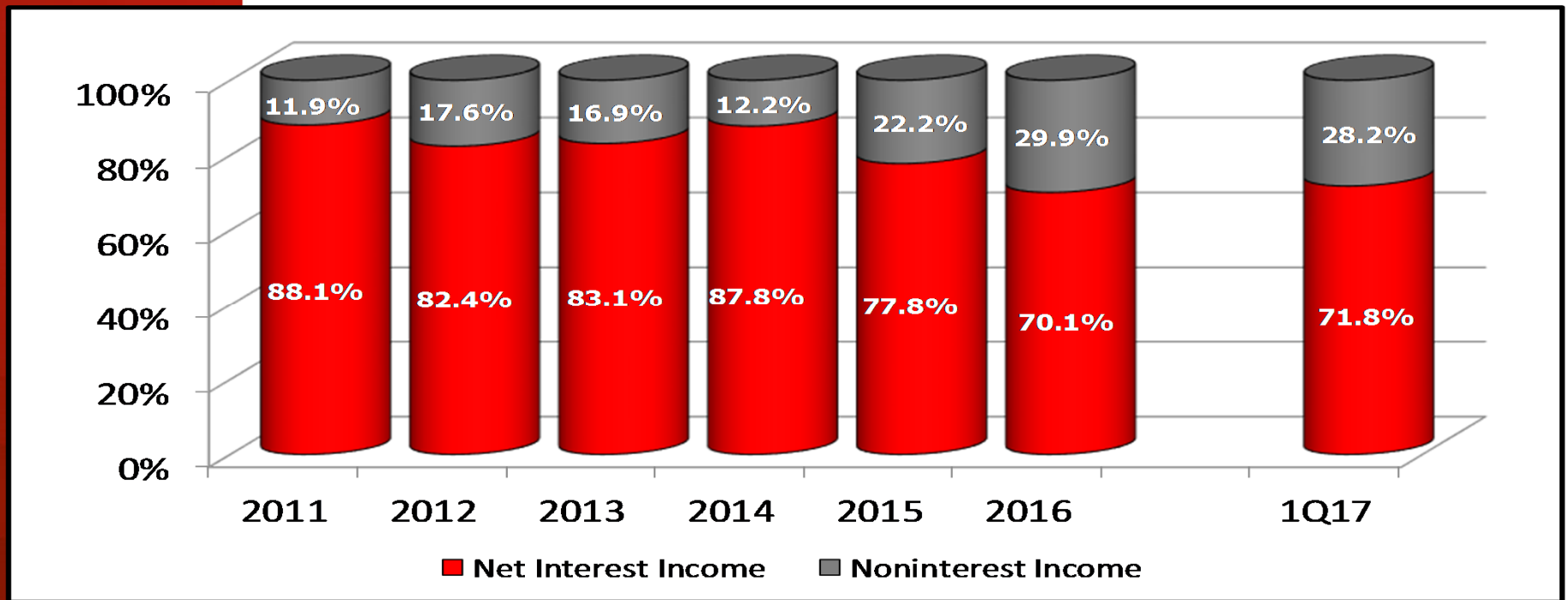
Total Revenue

(in 000's)

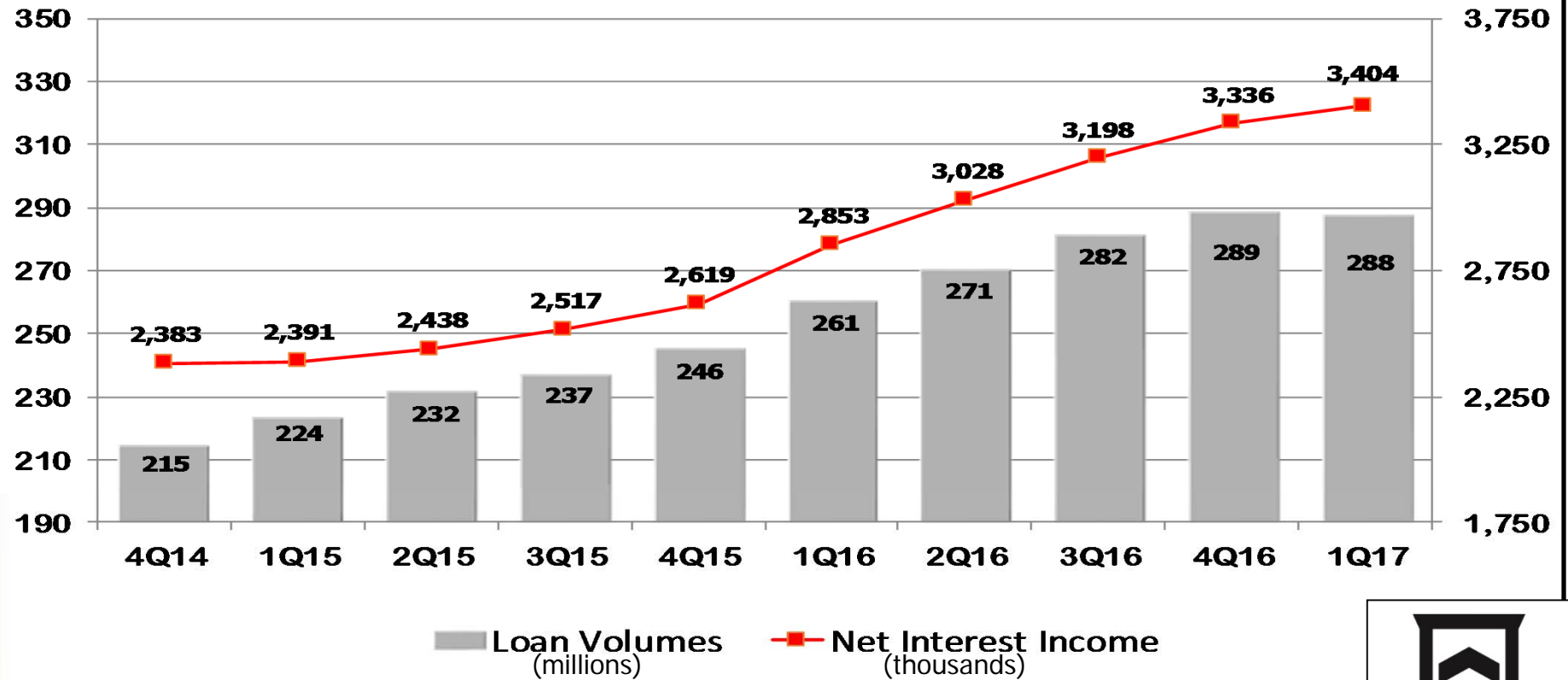


Total Revenue

(in 000's)



Net Interest Income & Loan Volumes (EOP)

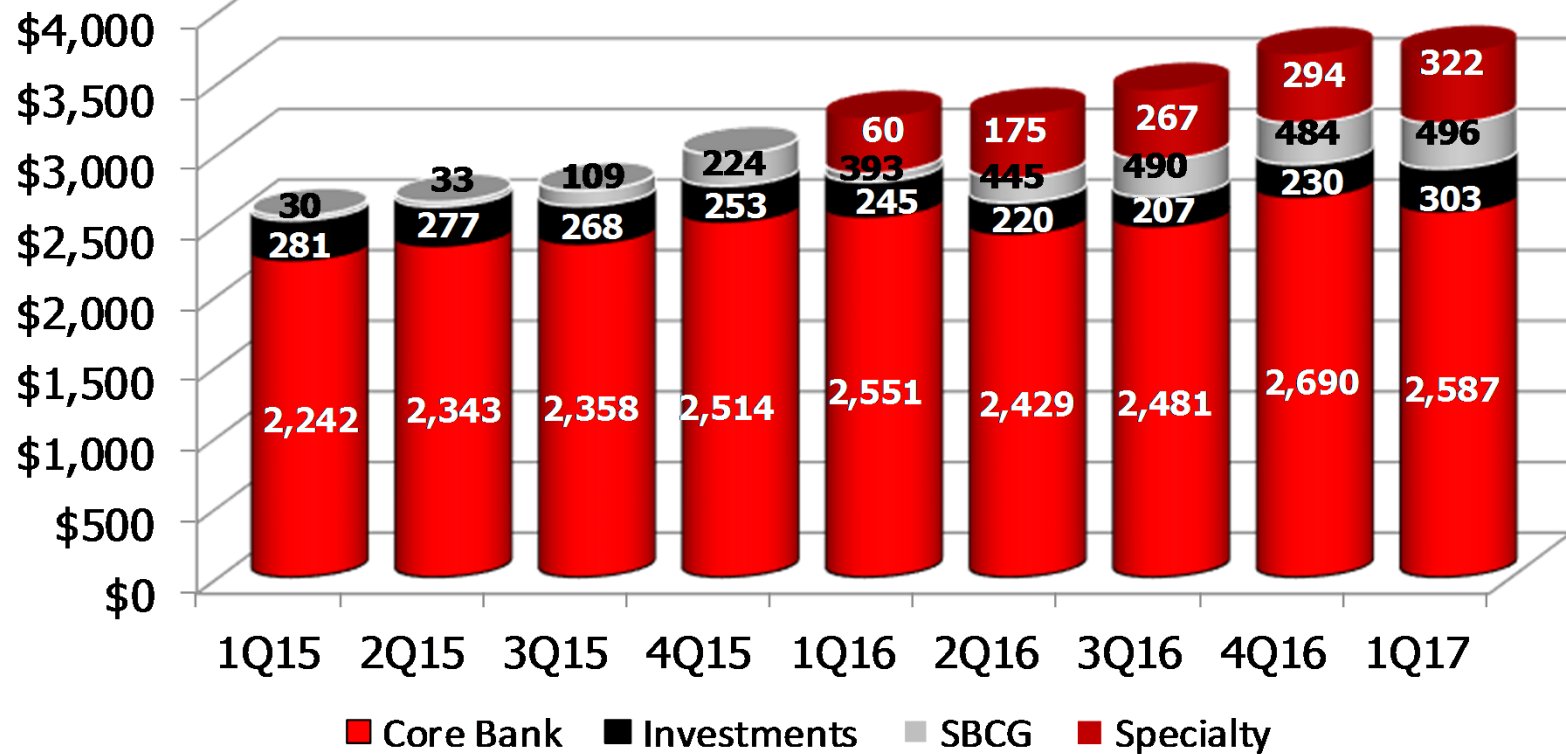


Excludes one-time interest recoveries and interest reversals.

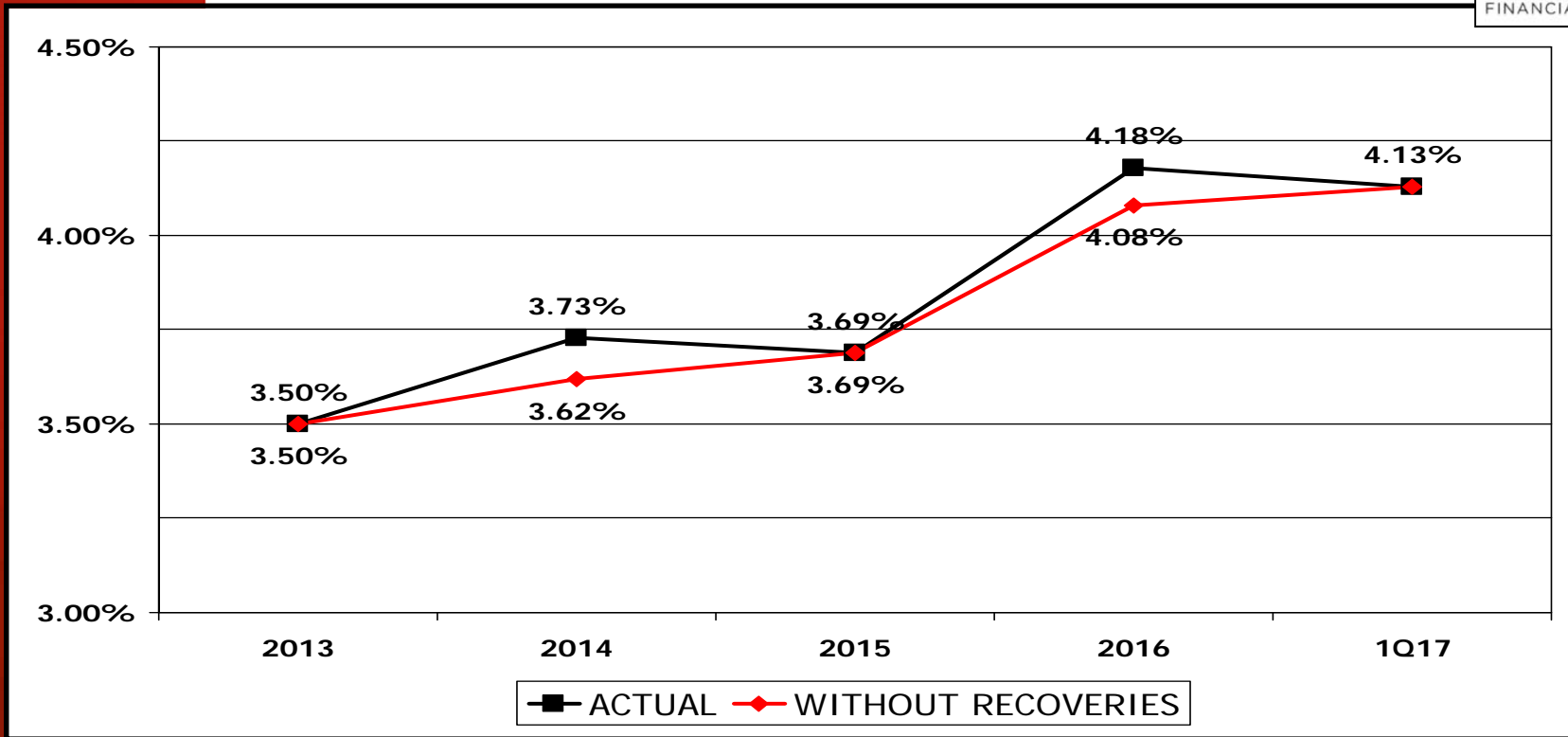


Interest Income

(in 000's)



Net Interest Margin



The red line is the normalized margin without recoveries or the state tax credit



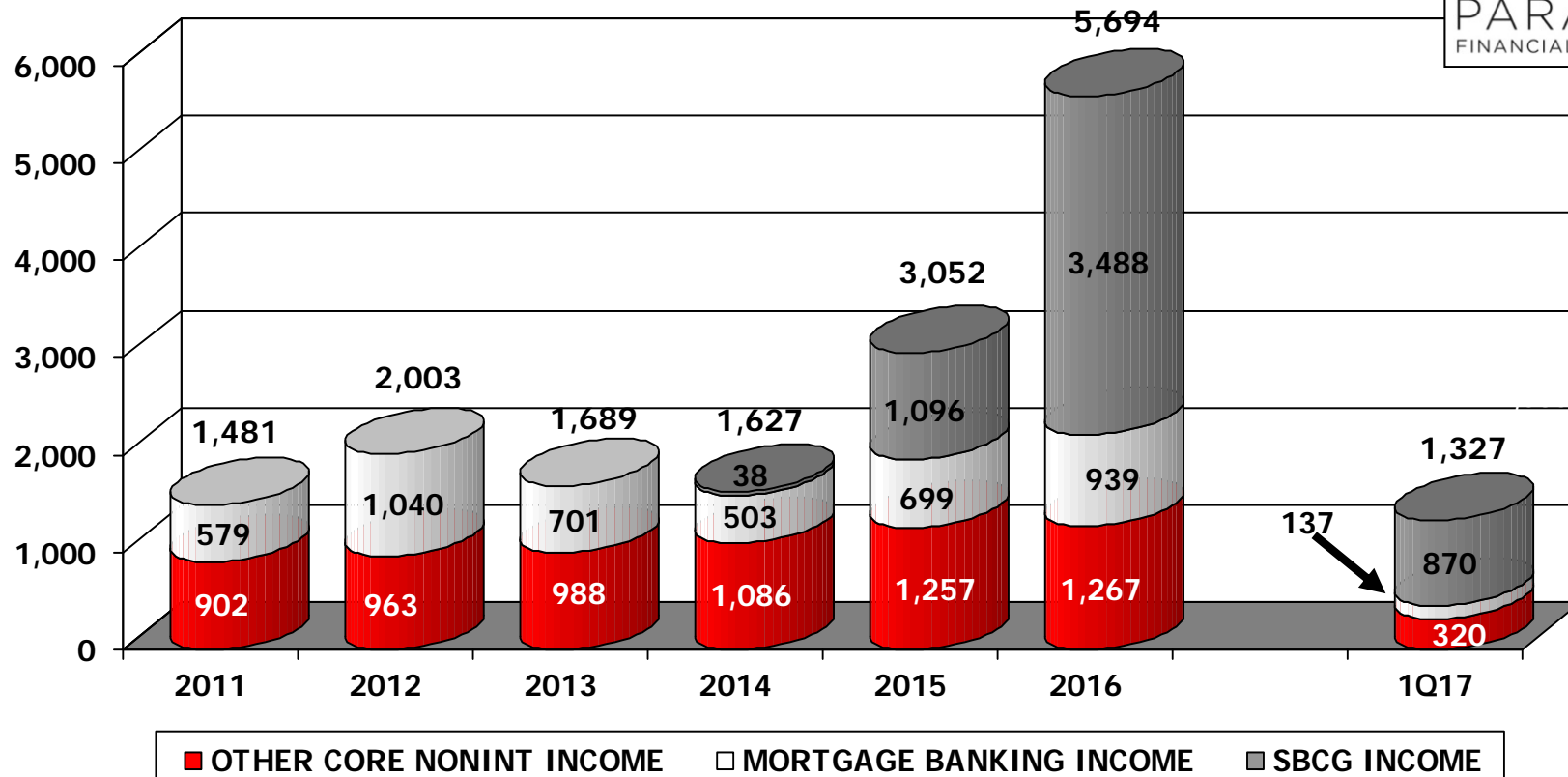
NONINTEREST INCOME TRENDS

Core Non-Interest Income

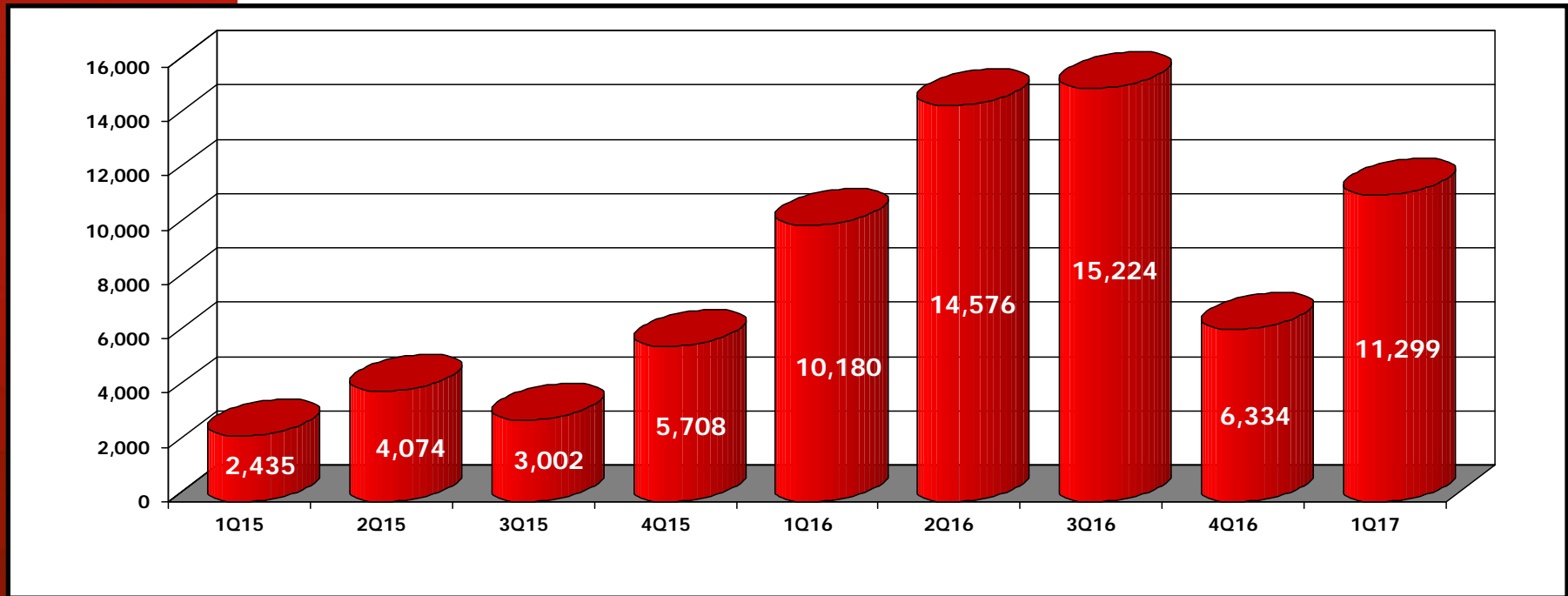
(in 000's)



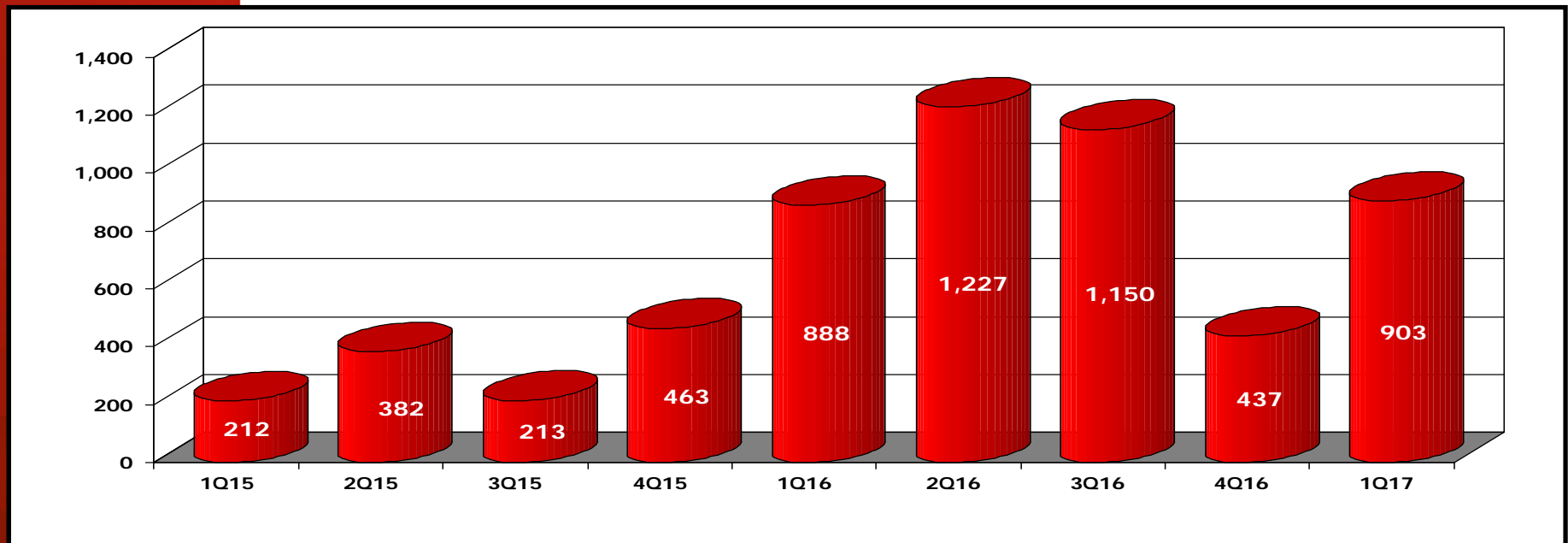
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Gross SBA Loans Sold By Quarter (in 000's)



Quarterly Gain on Sale of SBA Loans (in 000's)





Tennessee SBA 7A Lending Ranking

Approved SBA Loans 10-1-2016 – 3-31-17

Lender	Lender City	Lender State	Approved Loans	Approved Dollars	Approved SBA
Citizens Bank	ELIZABETHTON	TN	44	\$45,989,700	\$33,431,675
FSGBank, A Division of	CHATTANOOGA	TN	16	\$21,017,900	\$15,763,425
Paragon Bank	MEMPHIS	TN	26	\$19,868,200	\$15,208,650
First Tennessee Bank, National Association	MEMPHIS	TN	5	\$7,222,300	\$5,416,725
Centennial Bank	TREZEVANT	TN	1	\$5,000,000	\$3,750,000
Community National Bank	DAYTON	TN	1	\$2,715,000	\$2,036,250
First-Citizens National Bank	DYERSBURG	TN	1	\$2,500,000	\$2,250,000
Pinnacle Bank	NASHVILLE	TN	8	\$2,253,700	\$1,705,275
Mountain Commerce Bank	KNOXVILLE	TN	5	\$1,326,000	\$930,500
Brightbridge, Inc.	Chattanooga	TN	8	\$1,324,100	\$1,039,435
Millennium Bank	OOLTEWAH	TN	1	\$785,000	\$588,750
Legends Bank	CLARKSVILLE	TN	3	\$550,000	\$362,500
Triumph Bank	MEMPHIS	TN	2	\$430,000	\$335,500
Bank of Bartlett	BARTLETT	TN	3	\$403,000	\$342,550
Apex Bank	CAMDEN	TN	1	\$389,700	\$292,275

Memphis MSA Chartered Banks SBA 7A Lending Ranking

Approved SBA Loans 10-1-2016 – 3-31-17

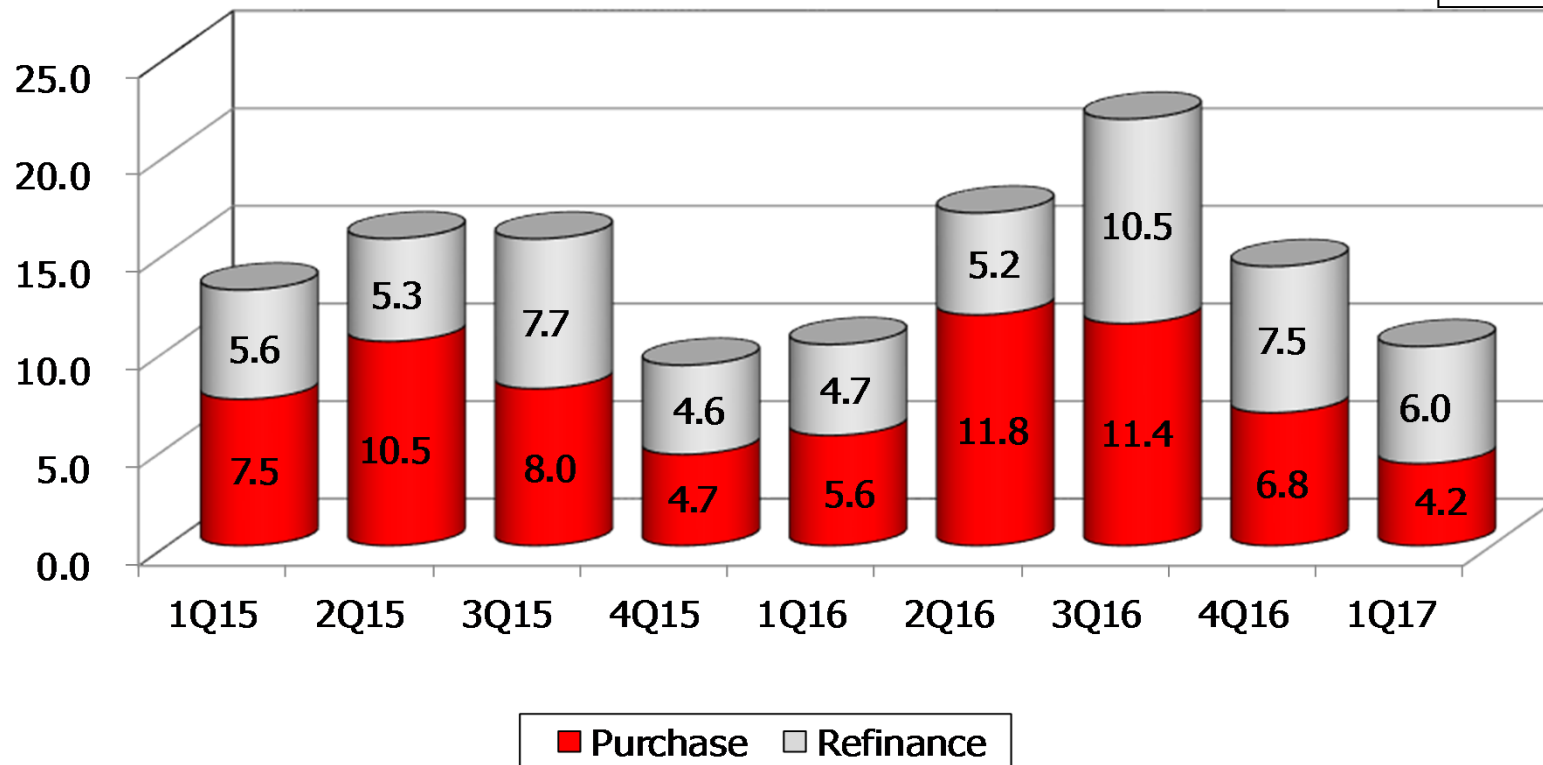


Lender	Lender City	Lender State	Approved Loans	Approved Dollars	Approved SBA Guaranty Dollars
Paragon Bank	MEMPHIS	TN	26	\$19,868,200	\$15,208,650
Evolve Bank & Trust	WEST MEMPHIS	AR	11	\$13,006,000	\$9,754,500
First Tennessee Bank	MEMPHIS	TN	5	\$7,222,300	\$5,416,725
Triumph Bank	MEMPHIS	TN	2	\$430,000	\$335,500
Bank of Bartlett	BARTLETT	TN	3	\$403,000	\$342,550

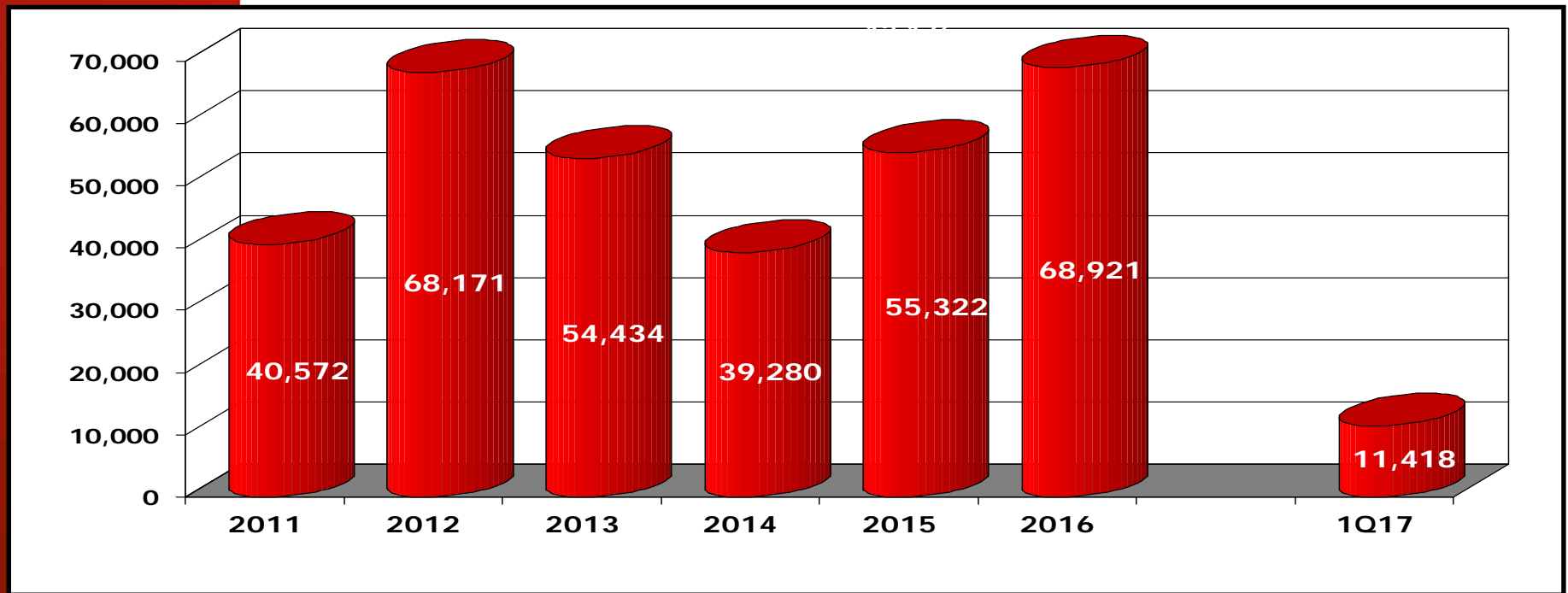
Mortgage Loan Volumes (millions)



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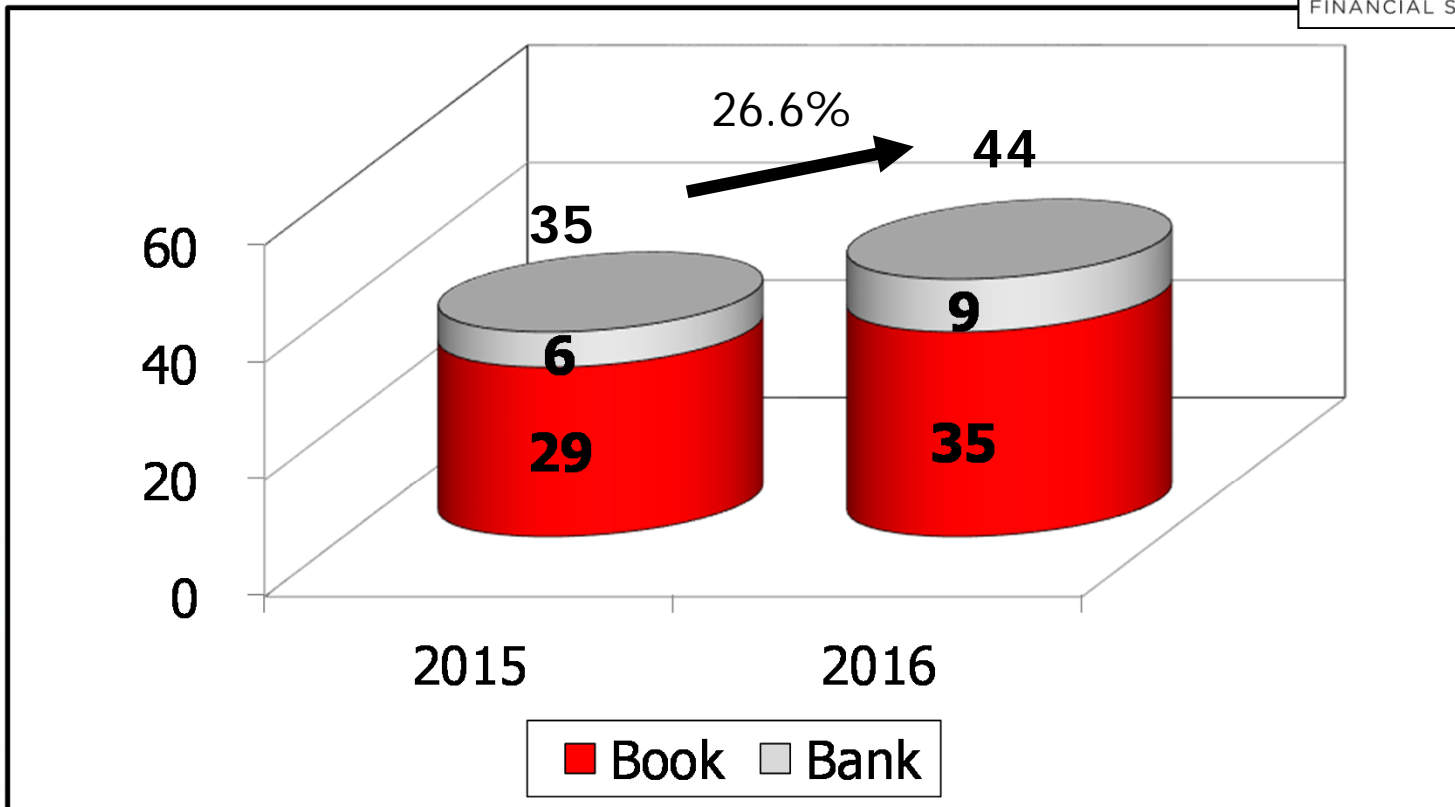
Mortgage Loans Closed (millions)



\$68.9 million was a Paragon record for mortgage loans closed!

Paragon Wealth Solutions

Assets Under Management (millions)

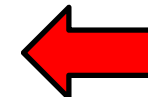
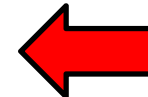


Total Noninterest Income

2016 v 2015 (000's)



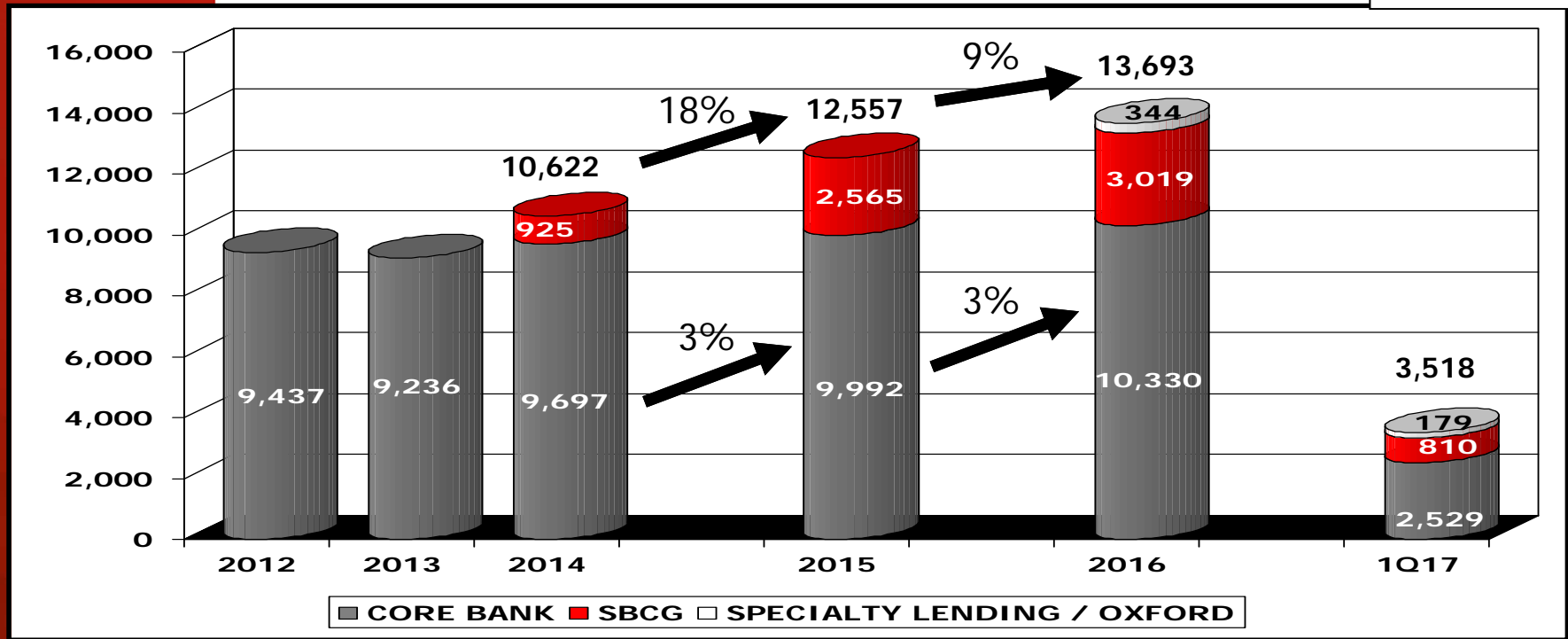
	2016	2015	\$ Diff	% Diff
Service Charge Income	481	528	(47)	-9%
Mastercard Check Card Fees	286	291	(5)	-2%
Other Fee Income	207	222	(15)	-7%
Mortgage Banking Income	939	699	240	34%
Solutions Income	135	146	(11)	-7%
Bank-Owned Life Insurance (BOLI)	91	32	59	188%
Miscellaneous Income	67	37	30	81%
	-----	-----	-----	-----
Core Bank	2,206	1,954	252	13%
Small Business Capital Group	3,488	1,098	2,390	218%
	-----	-----	-----	-----
Core Noninterest Income	5,694	3,052	2,642	87%
Security Gains (Losses)	16	43	(27)	-62%
OREO Gains (Losses)	(299)	(152)	(147)	96%
Rental Income - OREO	10	12	(2)	-18%
G/(L) on Interest Rate Caps	(2)	(38)	36	-95%
	-----	-----	-----	-----
Nonrecurring Non-Int Income	(275)	(135)	(140)	104%
	-----	-----	-----	-----
Total Non-Interest Income	5,419	2,917	2,502	86%





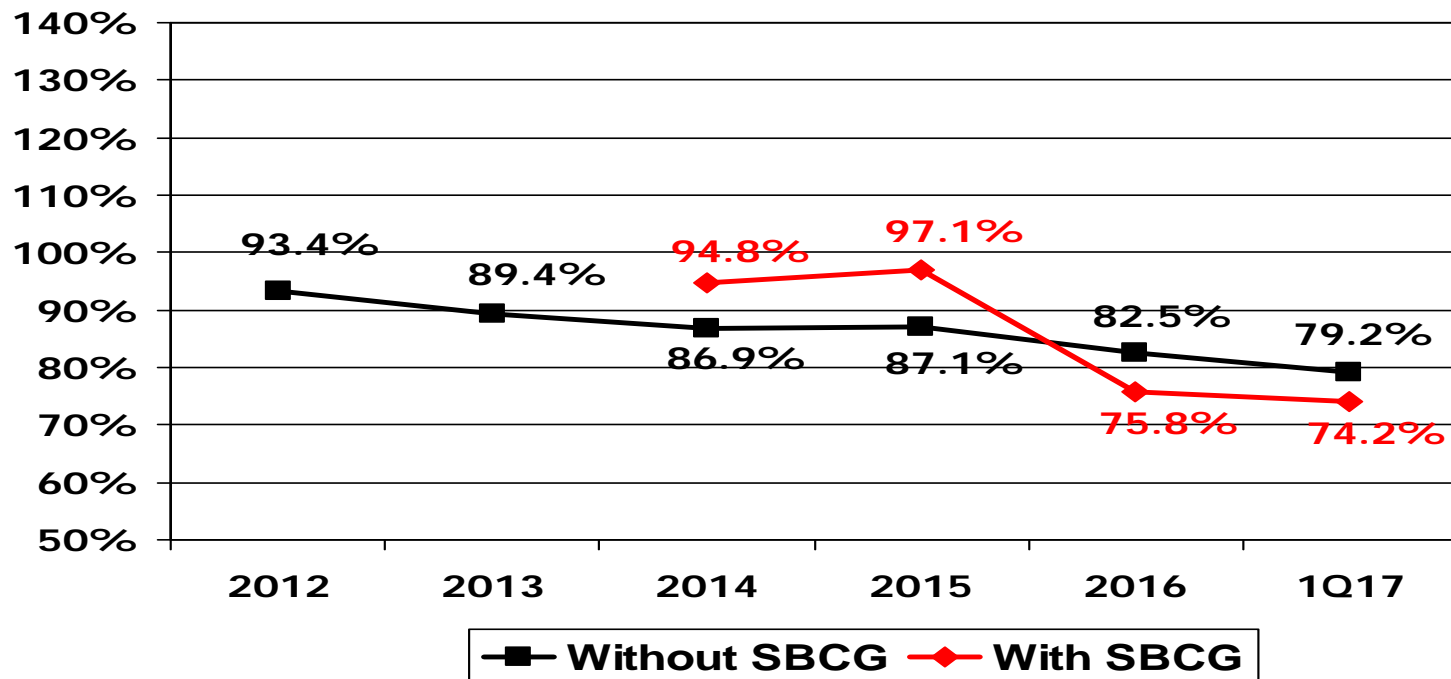
NONINTEREST EXPENSE TRENDS

Non-Interest Expense



Efficiency Ratio

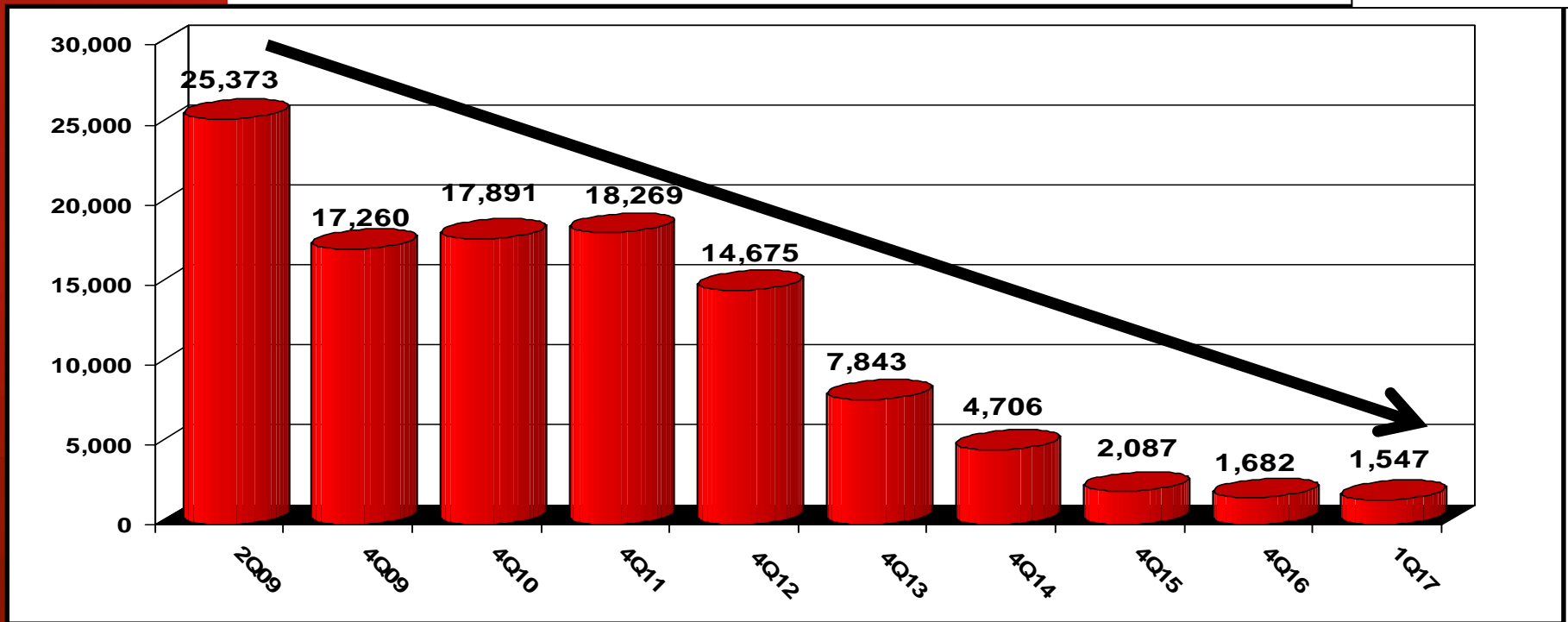
Quarterly Average





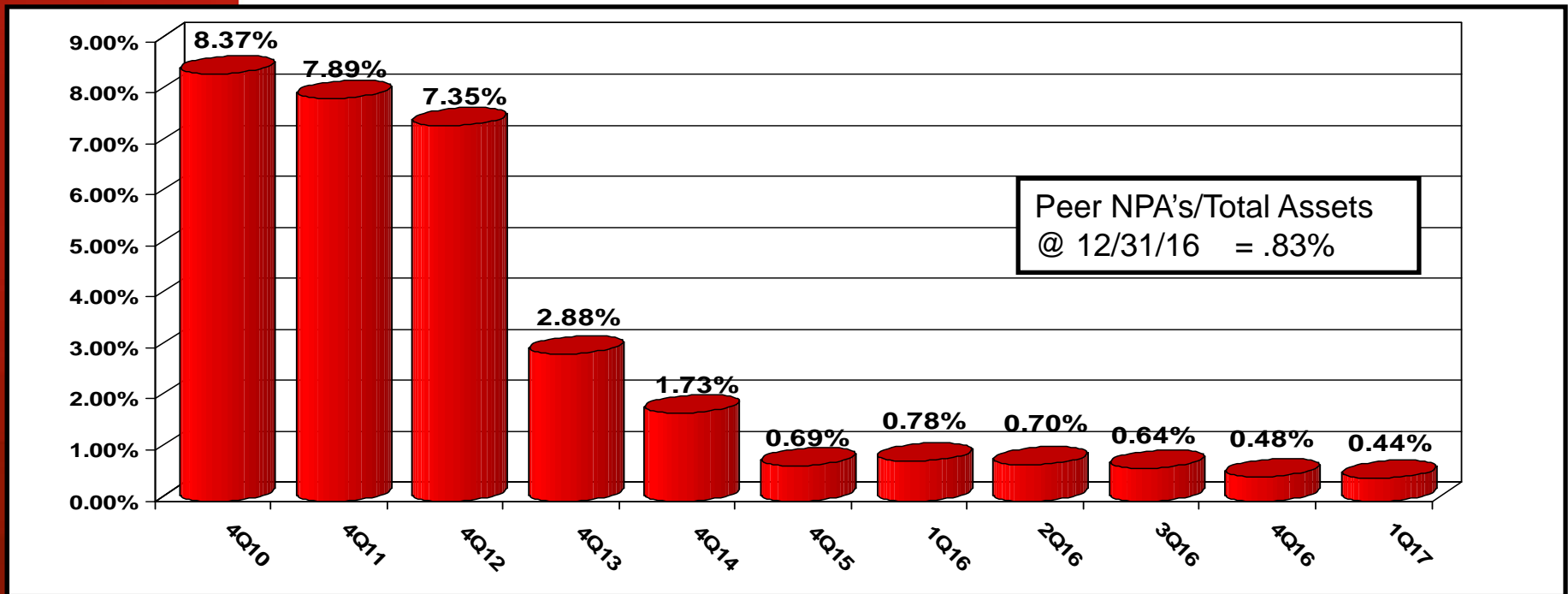
CREDIT QUALITY TRENDS

Nonperforming Assets (\$000)

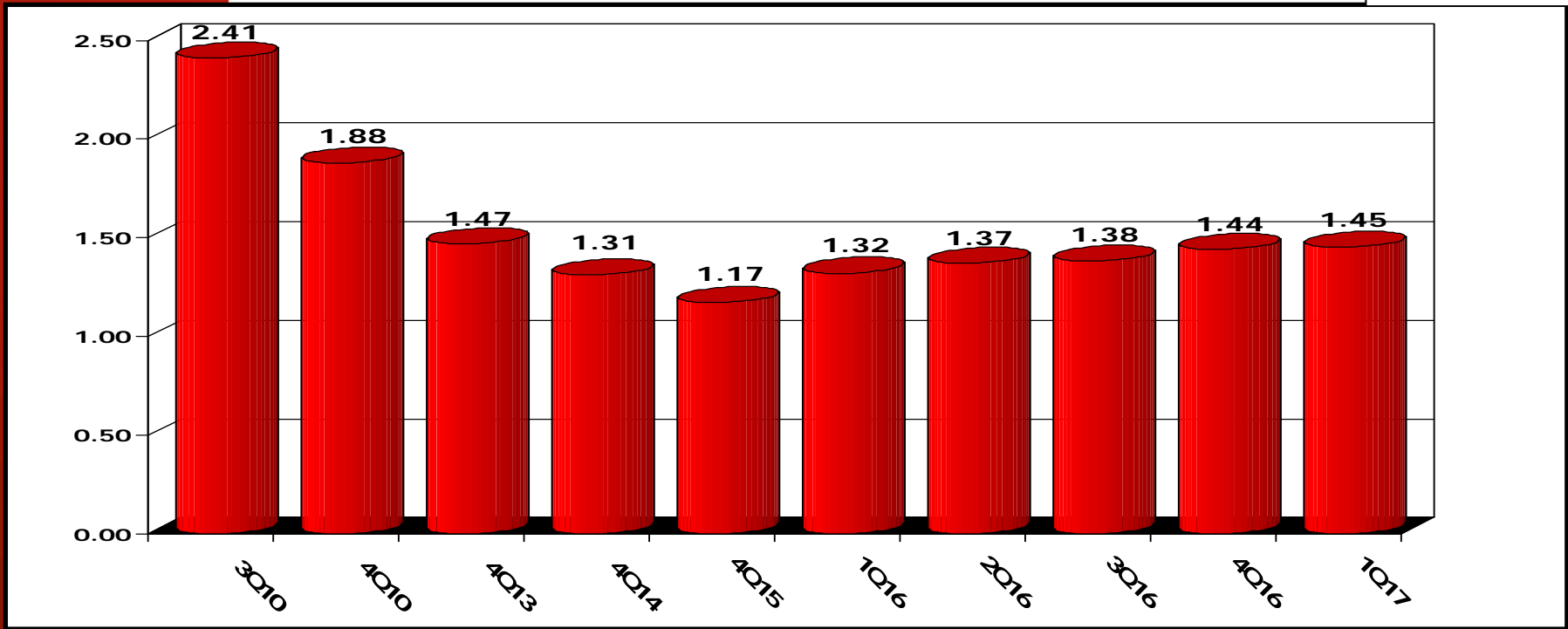


Nonperforming assets include loans on nonaccrual status and other bank-owned real estate

Nonperforming Assets as a % of Total Assets



Loan Loss Reserve to Gross Loans

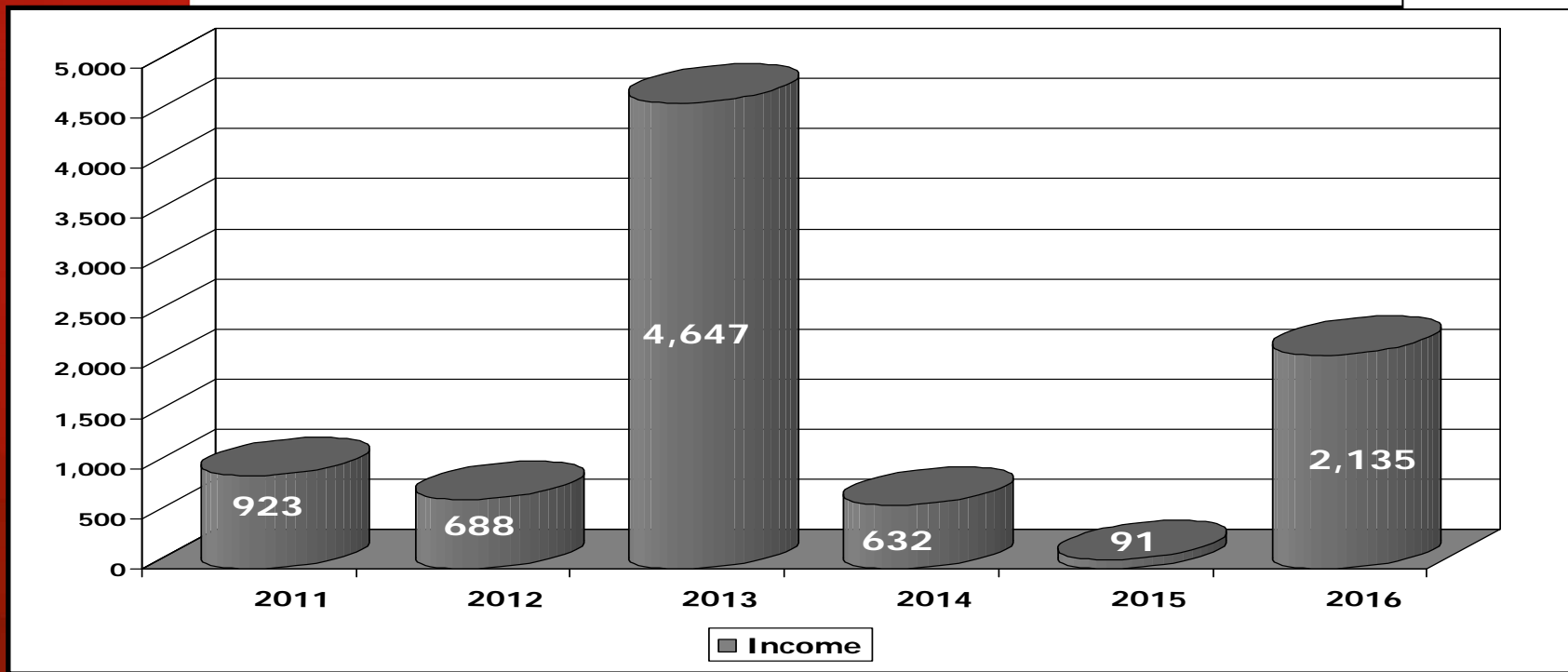




INCOME STATEMENT TRENDS

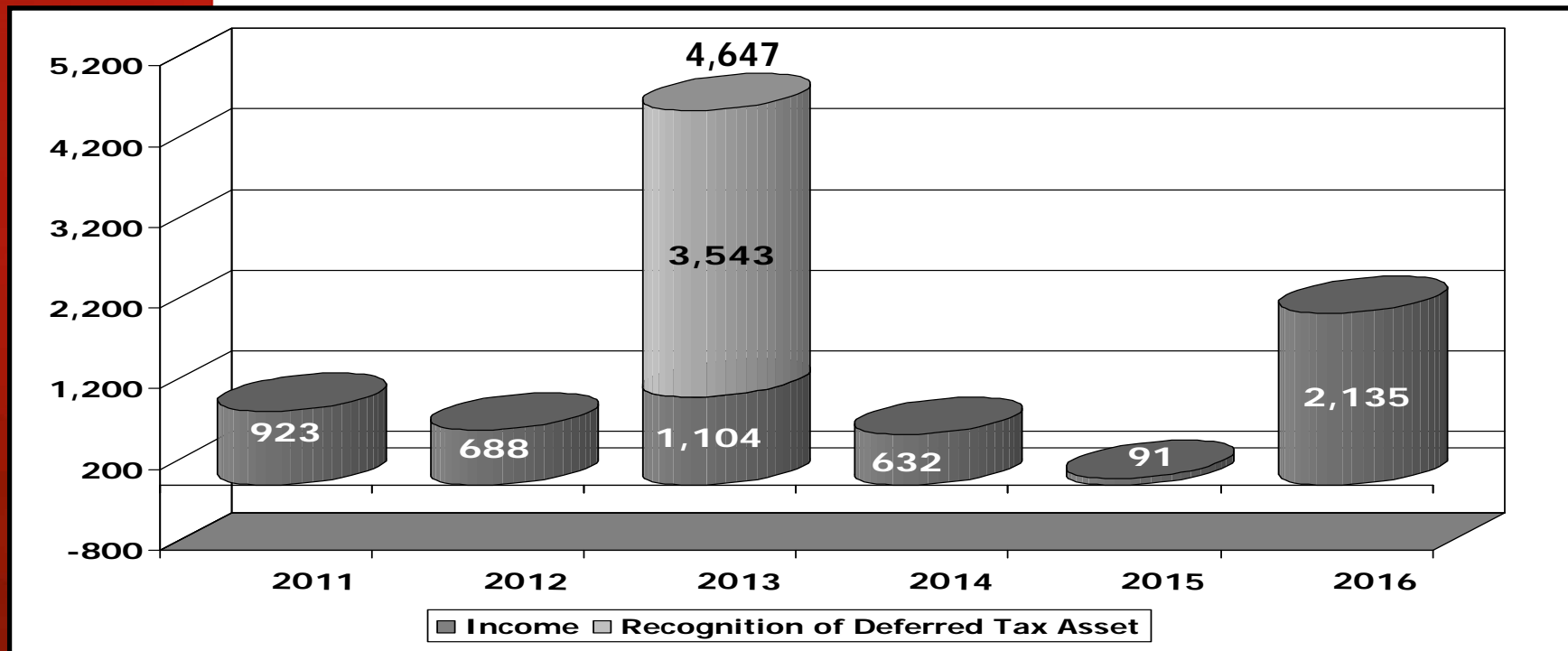
Net Income (Loss)

(\$000)



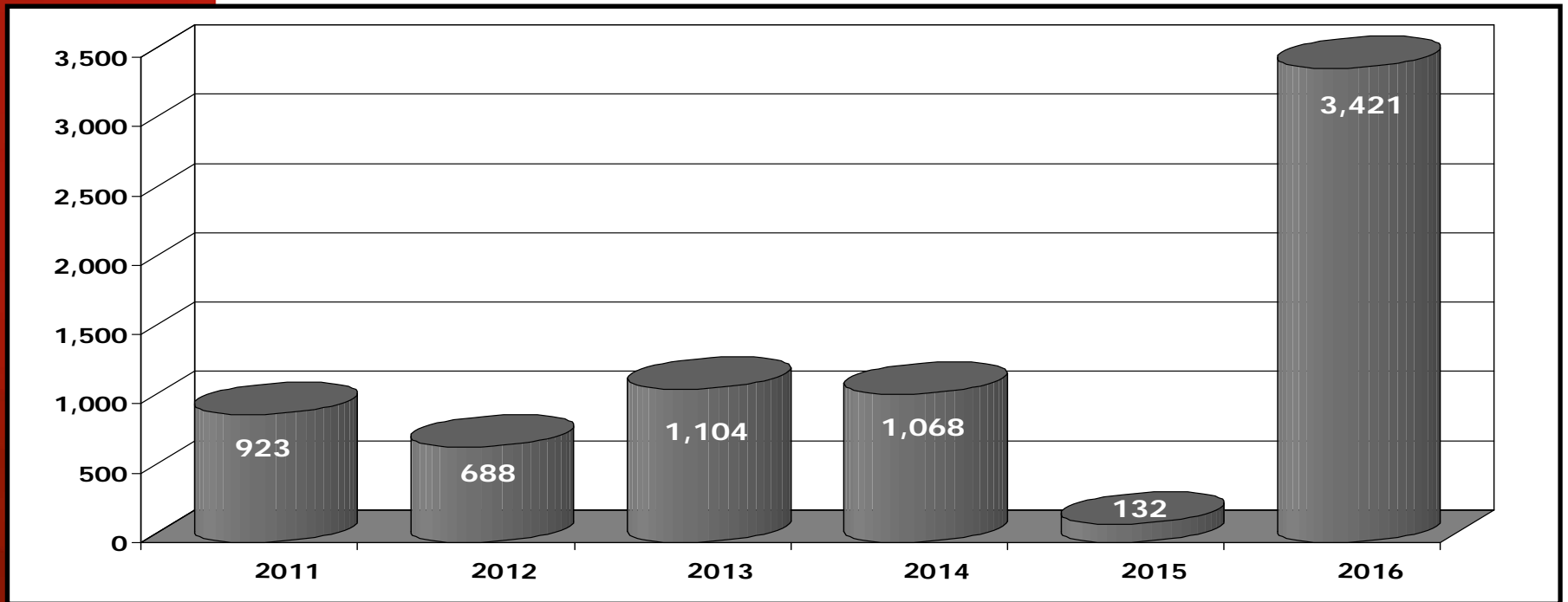
Net Income (Loss)

(\$000)

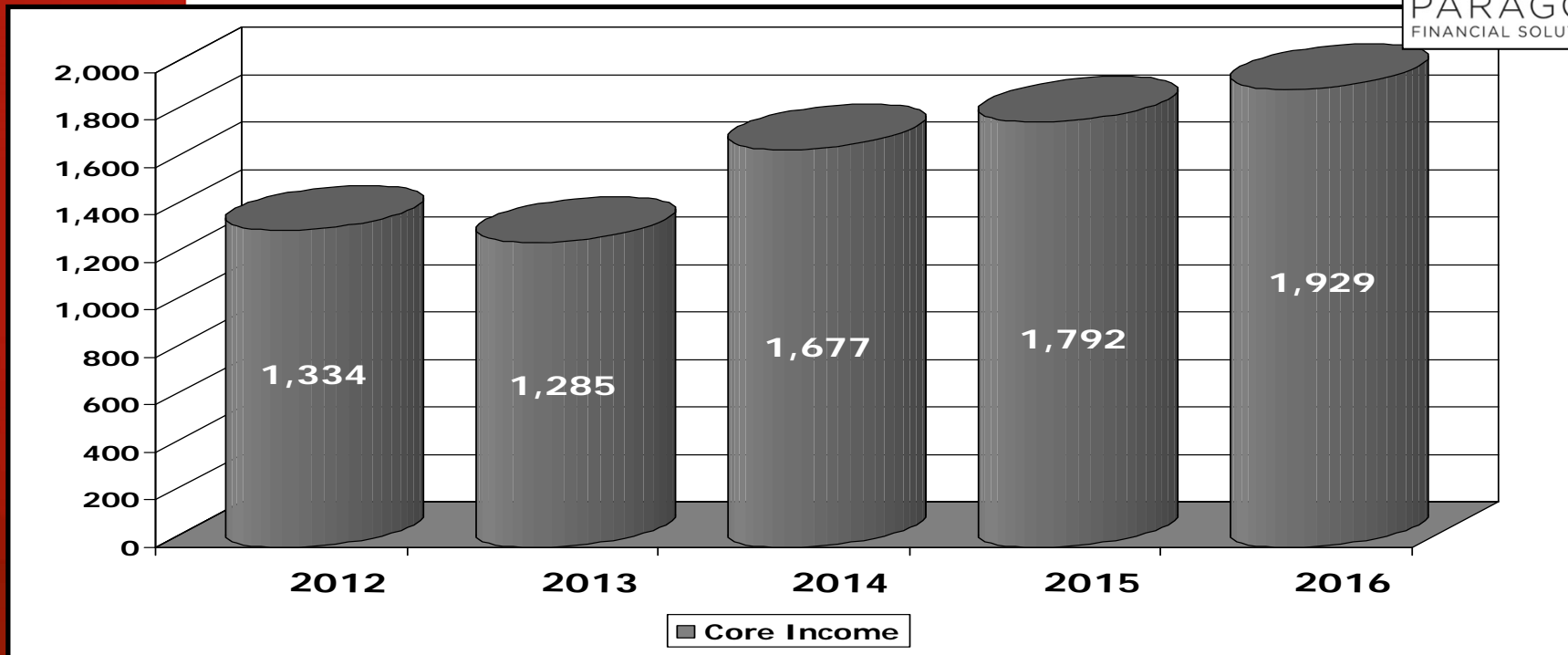


Pre-Tax Net Income

(\$000)

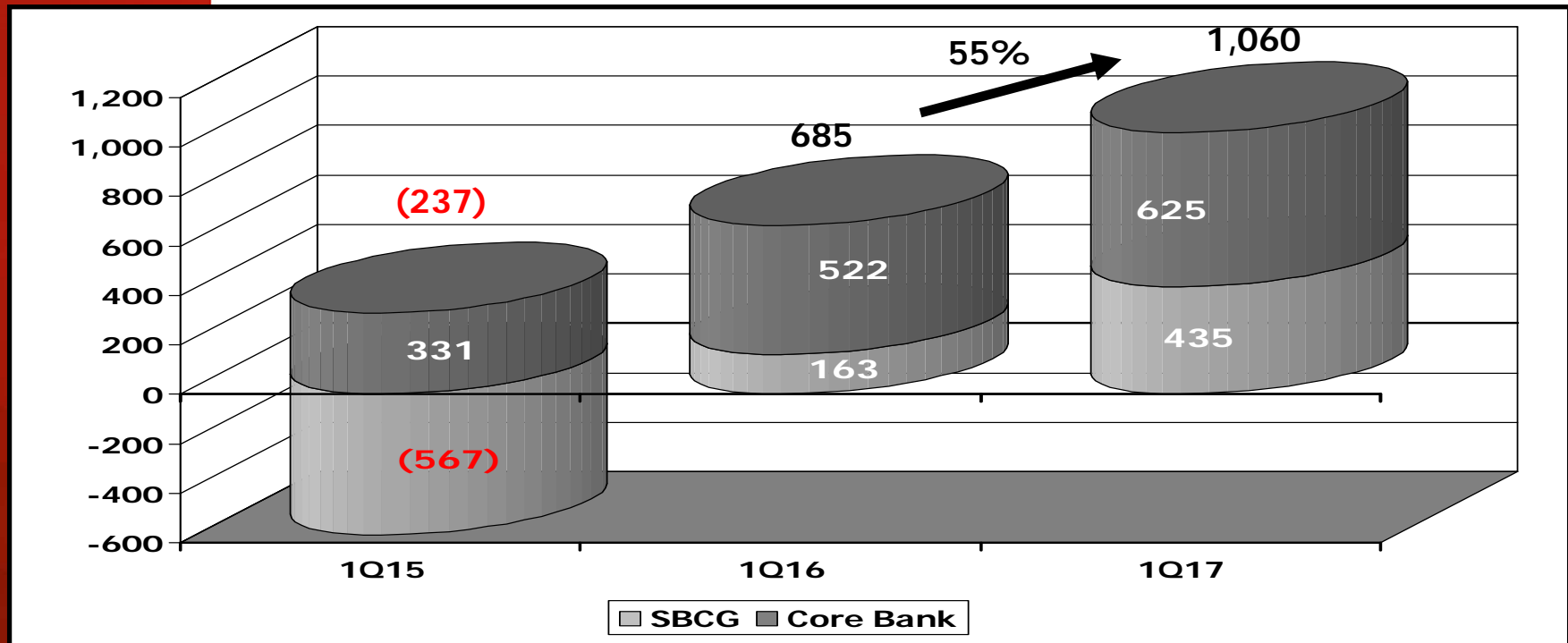


Base Bank Core Income – Excluding SBCG & Specialty Lending (\$000)



Core Income excludes OREO rent, OREO expenses, OREO gains/(losses), investment security gains/(losses), interest income recoveries, changes in the value of interest rate caps, and provisions for loan loss.

Pre-Tax Net Income (Loss) (\$000)





STOCK TRENDS

Historical Paragon Stock Price



PGNN v Regional Banks - 1 Year



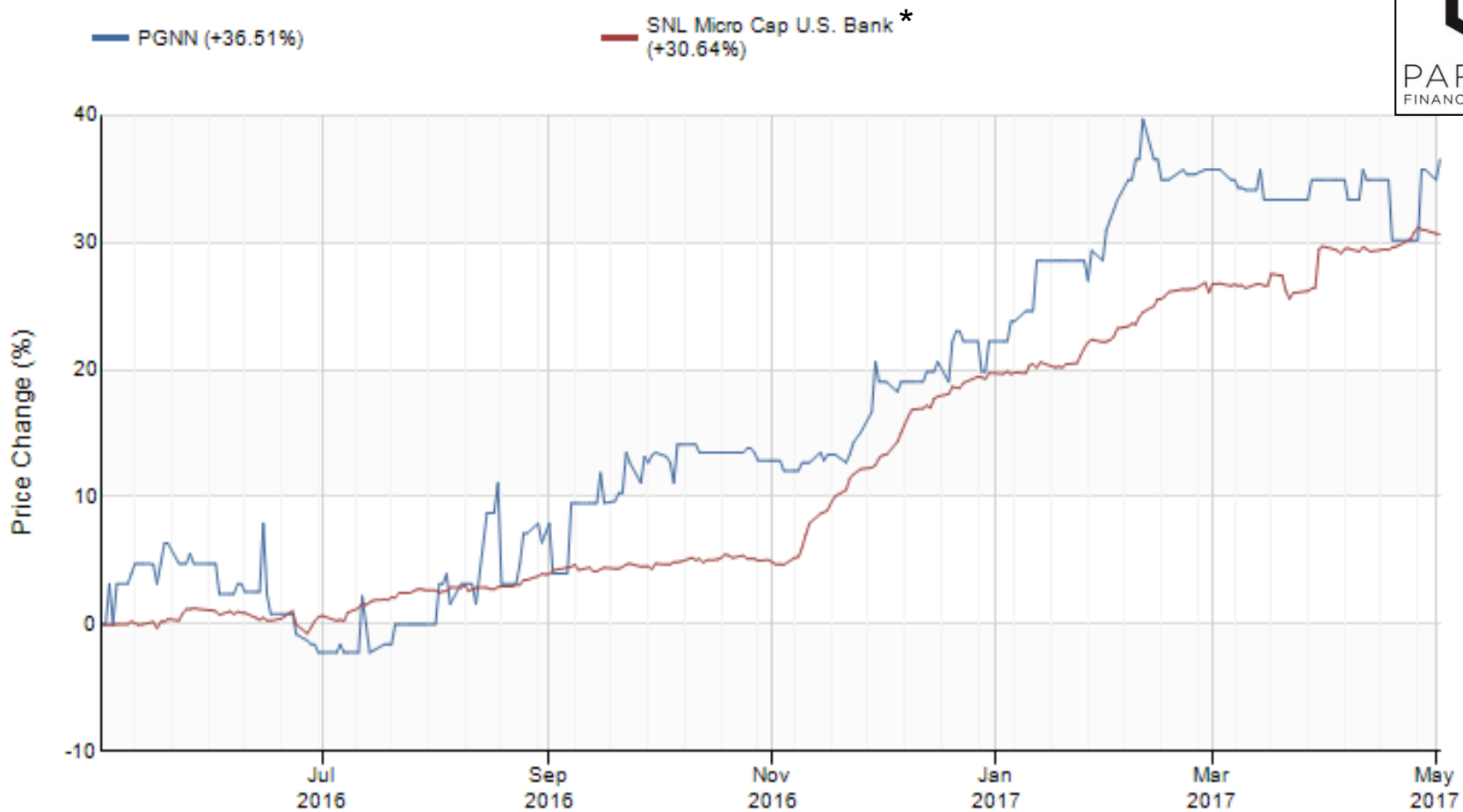
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Paragon Financial Solutions, Inc. - Price Change (%)



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* Index includes 670 smaller, publicly traded banks including Paragon



PGNN v Regional Banks - 5 Years



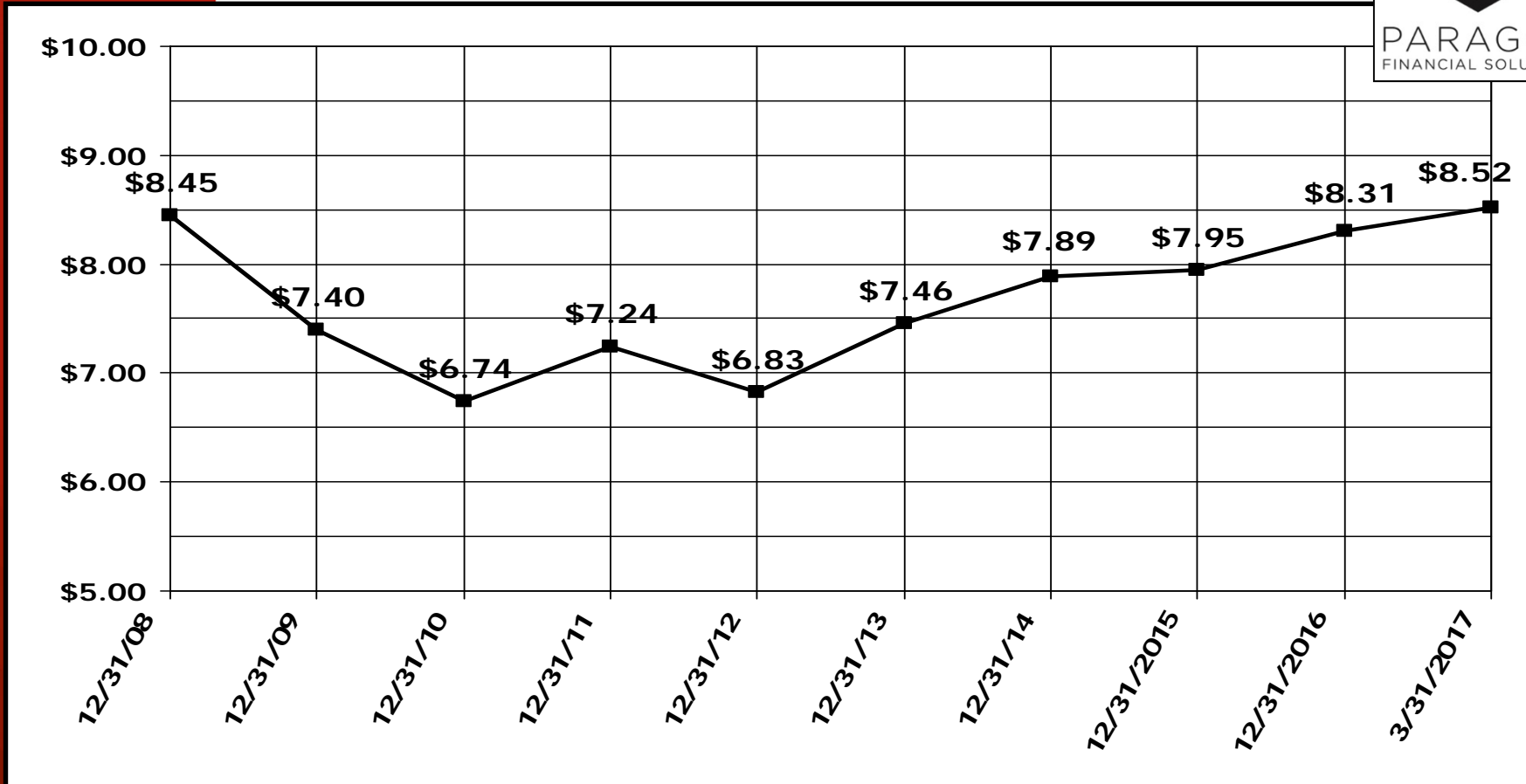
Return on PGNN



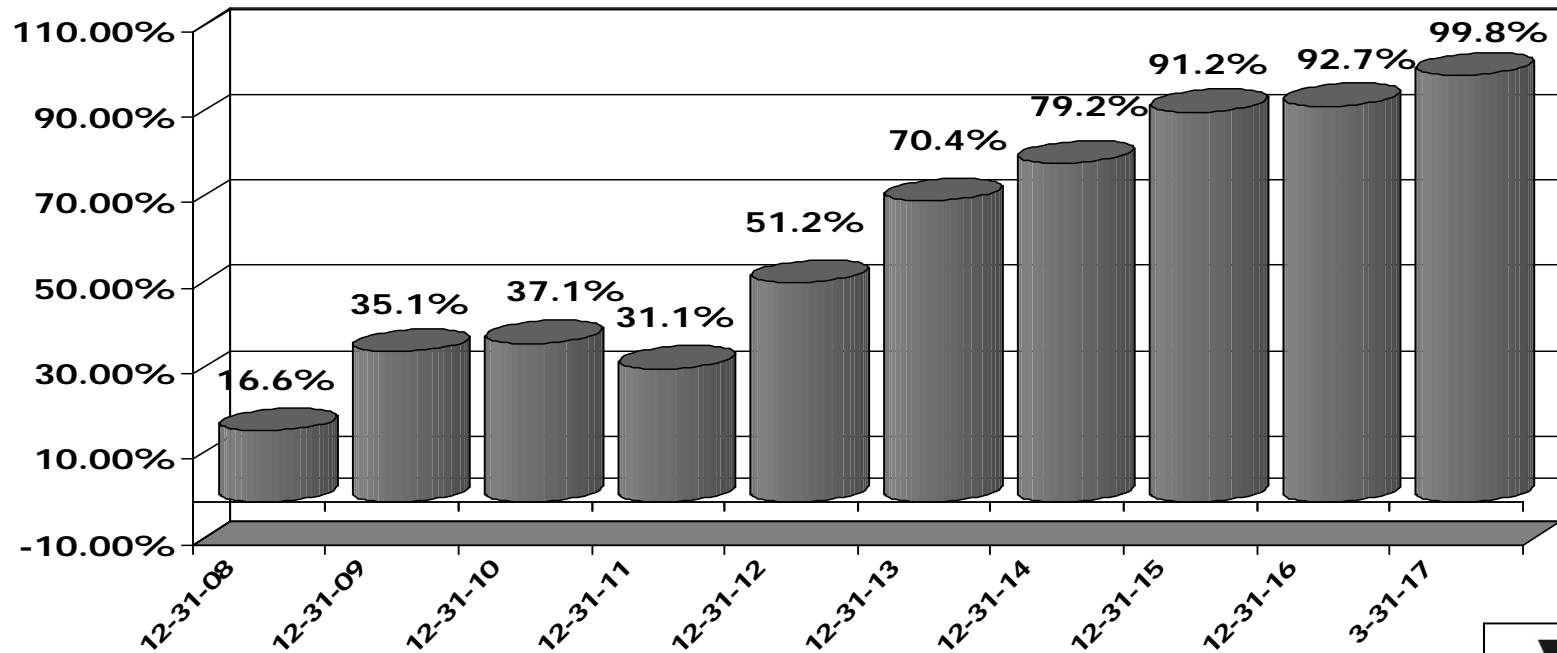
Period	Total	Annual
1 YR	35.71%	35.71%
2 YR	12.20%	6.10%
5 YR	185.00%	37.00%

Price of \$8.55 as of 4-30-2017

Book Value



Stock Price/Book Value



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SUMMARY AND WRAP UP

2016 Records

- Net income
- Annual revenue
- Loan volumes
- Demand deposits
- Core deposits
- Net interest margin
- Net interest income
- Noninterest income
- Efficiency ratio
- Core income for base bank
- Lowest level of nonperforming assets since 2007





QUESTIONS?

Paragon Financial Solutions

Annual Shareholders' Meeting
May 18, 2017

