



PARAGON  
FINANCIAL SOLUTIONS

**Annual Shareholders' Meeting**  
May 28, 2019



## 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.



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# 2018 BUSINESS PLAN EXECUTION

# Converted LPO in Oxford to Branch



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# "Right Sized" SBCG

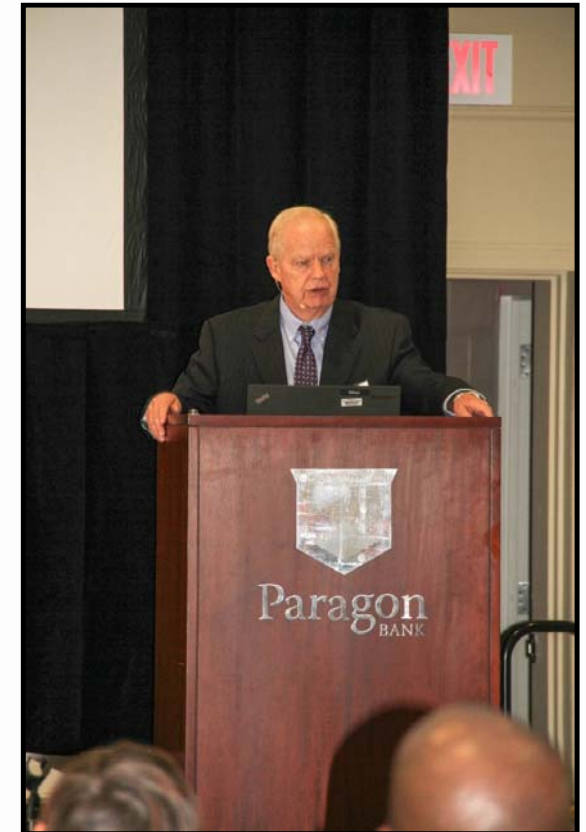


- Reduced annual volumes so that loan concentrations are appropriate for Paragon's size
- Reduced staff to improve profitability

## Paragon Specialty Lending

- Moved to Fountain Place and subleased previous space
- Moved to a separate subsidiary of the bank

# Held First Economic Summit



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# Converted Repurchase Agreements



- Converted customers who were in Repurchase Agreements to Insured Cash Sweep (ICS)
- Balances over the FDIC limit are swept to other banks – Paragon receives reciprocal money market deposits – not considered brokered
- Increases Paragon's core deposits and frees up previously pledged investment securities



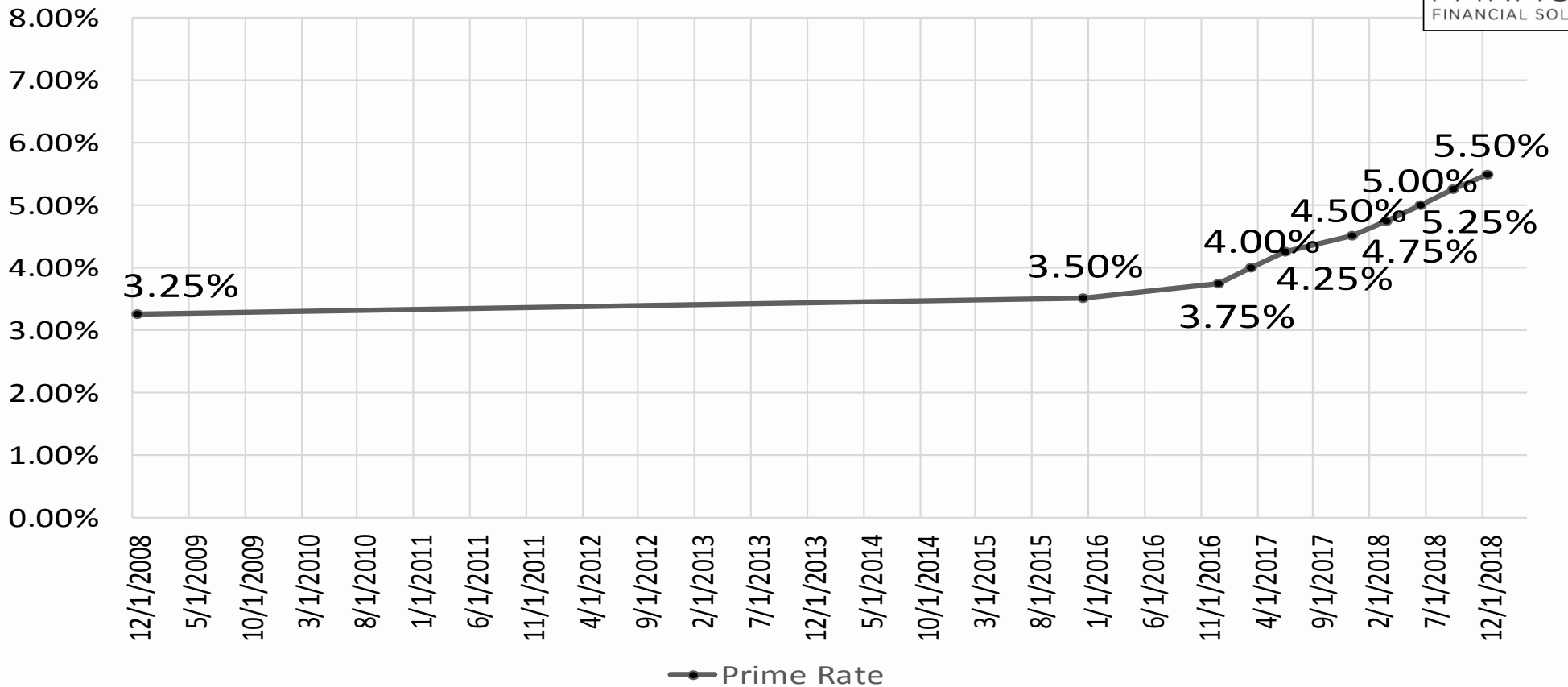




# Trifecta!

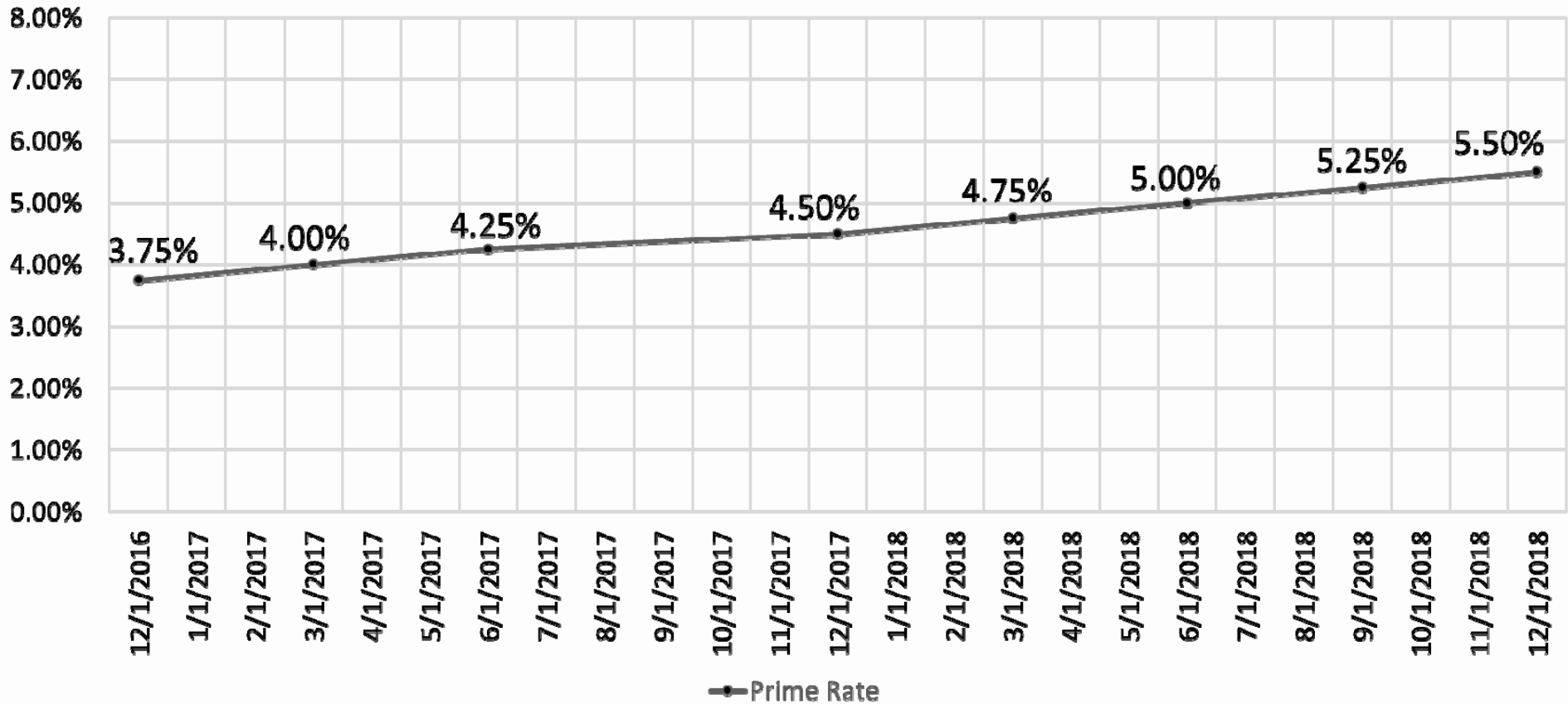


# WSJ Prime Interest Rate



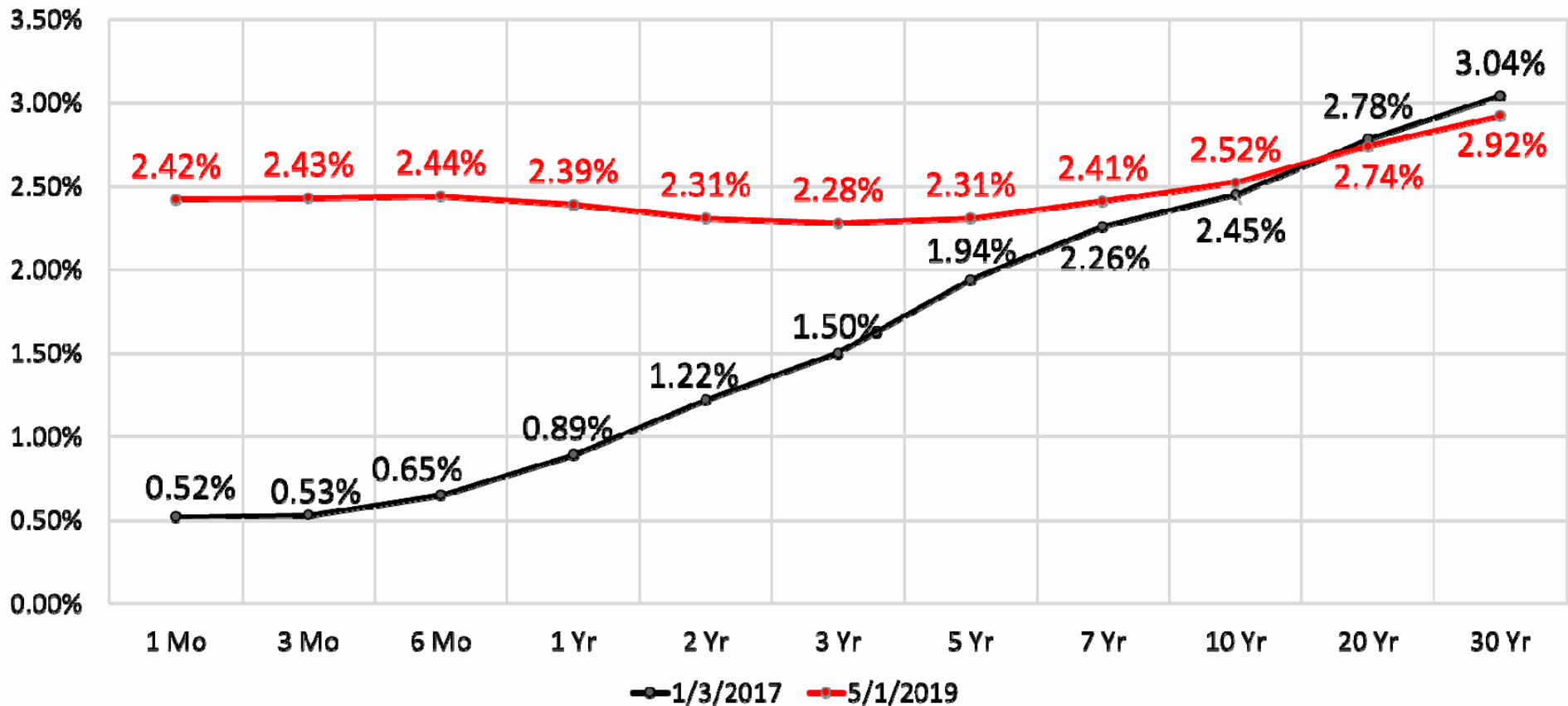
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# WSJ Prime Interest Rate



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# Treasury Yield Curve



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# Impact of Rising Rates/Flat Yield Curve



- › The unrealized loss on Paragon's investment securities increased
- › Short-term funding cost rose dramatically while yields on loans rose modestly
- › Customers didn't move fixed rate loans
- › Decrease in SBA premiums
- › Decrease in mortgage volume due to rate volatility

# Government Shutdown



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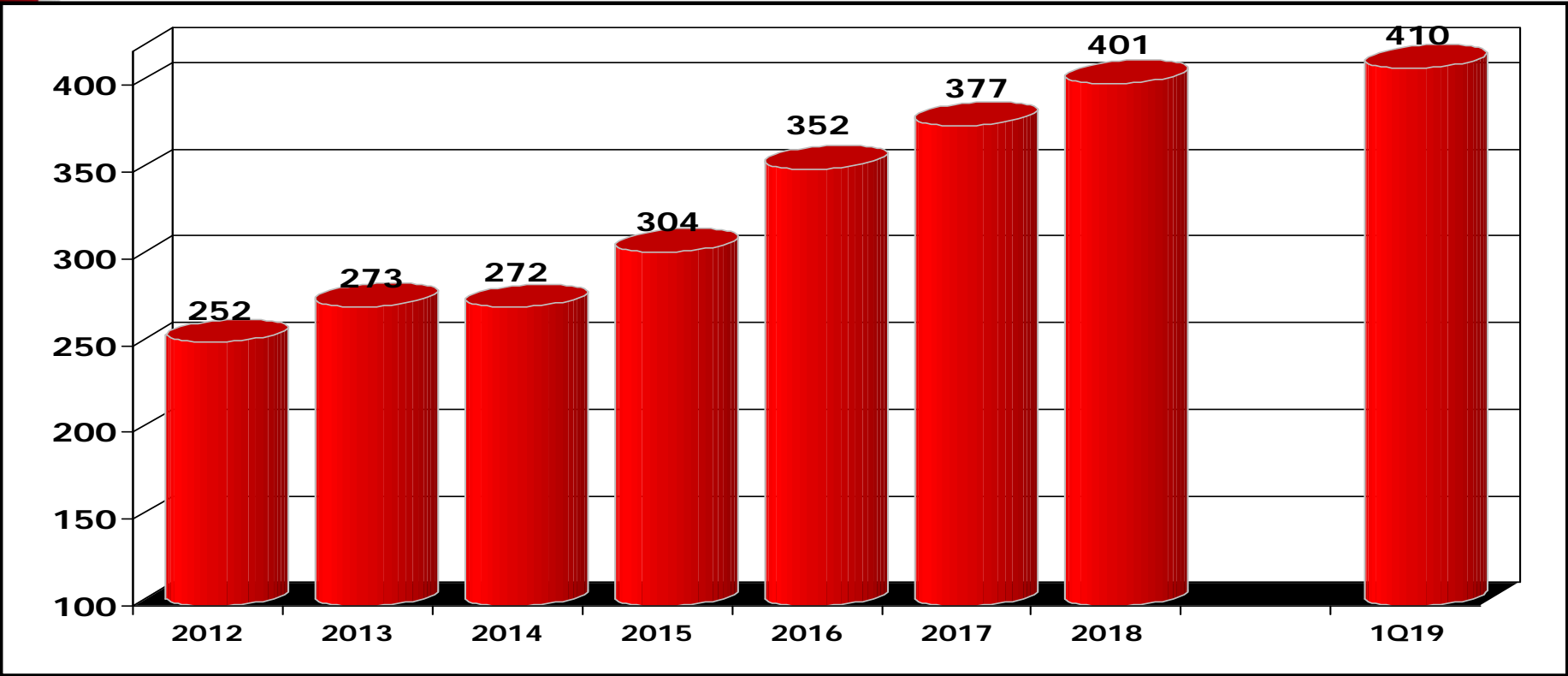


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# ASSET TRENDS

# Total Assets

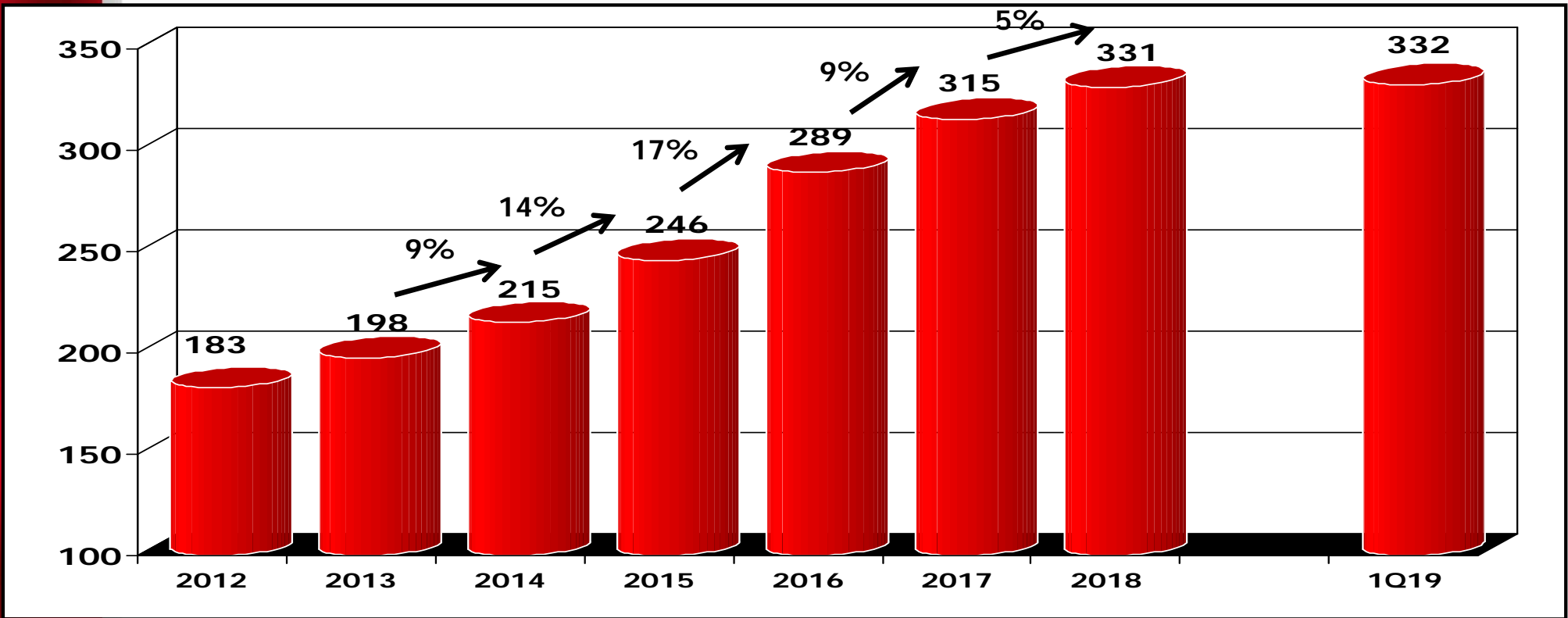
(end of period in millions)





# Total Loans

(end of period in millions)



# Total Loans – End of Period (000's)



			\$	%
	12/31/2018	12/31/2017	Difference	Difference
Memphis Bank	244,159	245,338	(1,179)	-0.5%
Small Business Capital Group	46,910	32,877	14,033	42.7%
Specialty Lending	7,972	5,553	2,419	43.6%
Oxford	13,803	9,769	4,034	41.3%
Purchased Loans	17,709	20,716	(3,007)	-14.5%
Special Assets	641	808	(167)	-20.7%
	-----	-----	-----	-----
	331,194	315,061	16,133	5.1%

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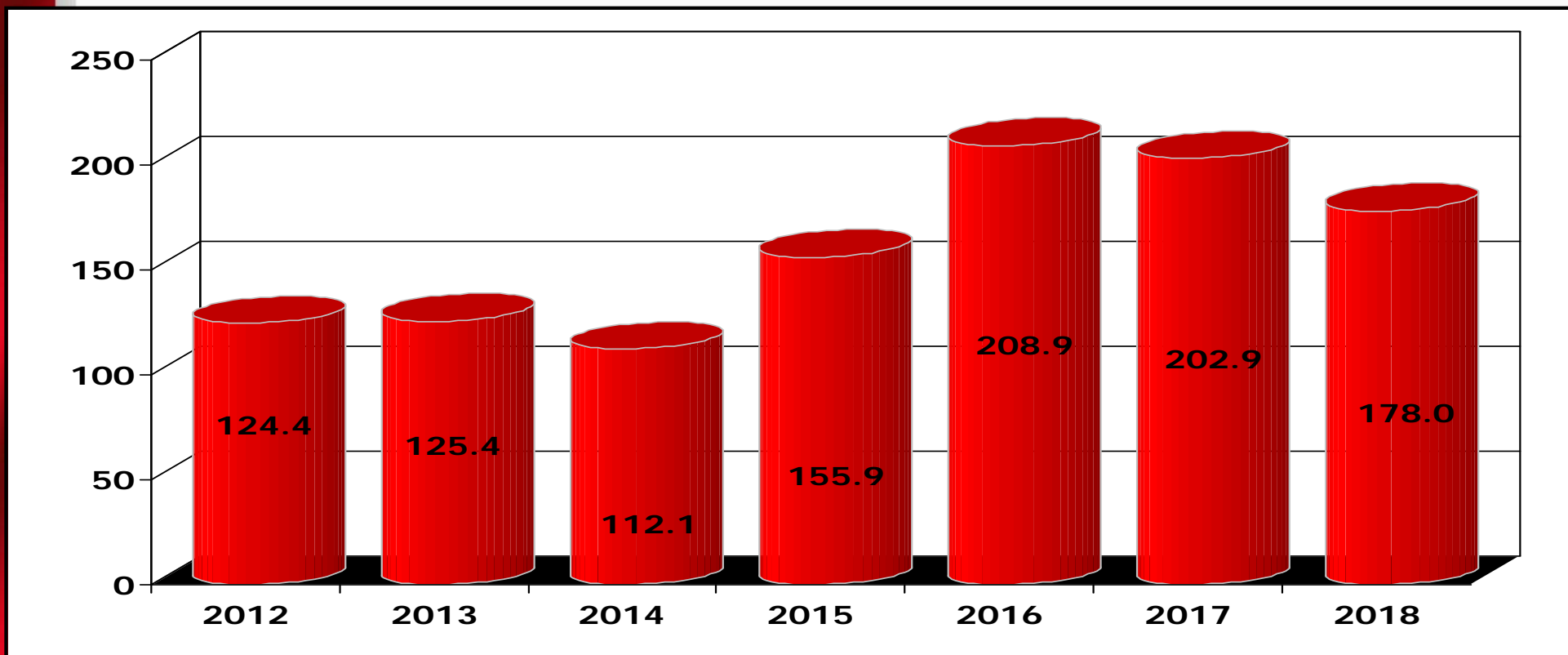
# Total Loans – End of Period (000's)



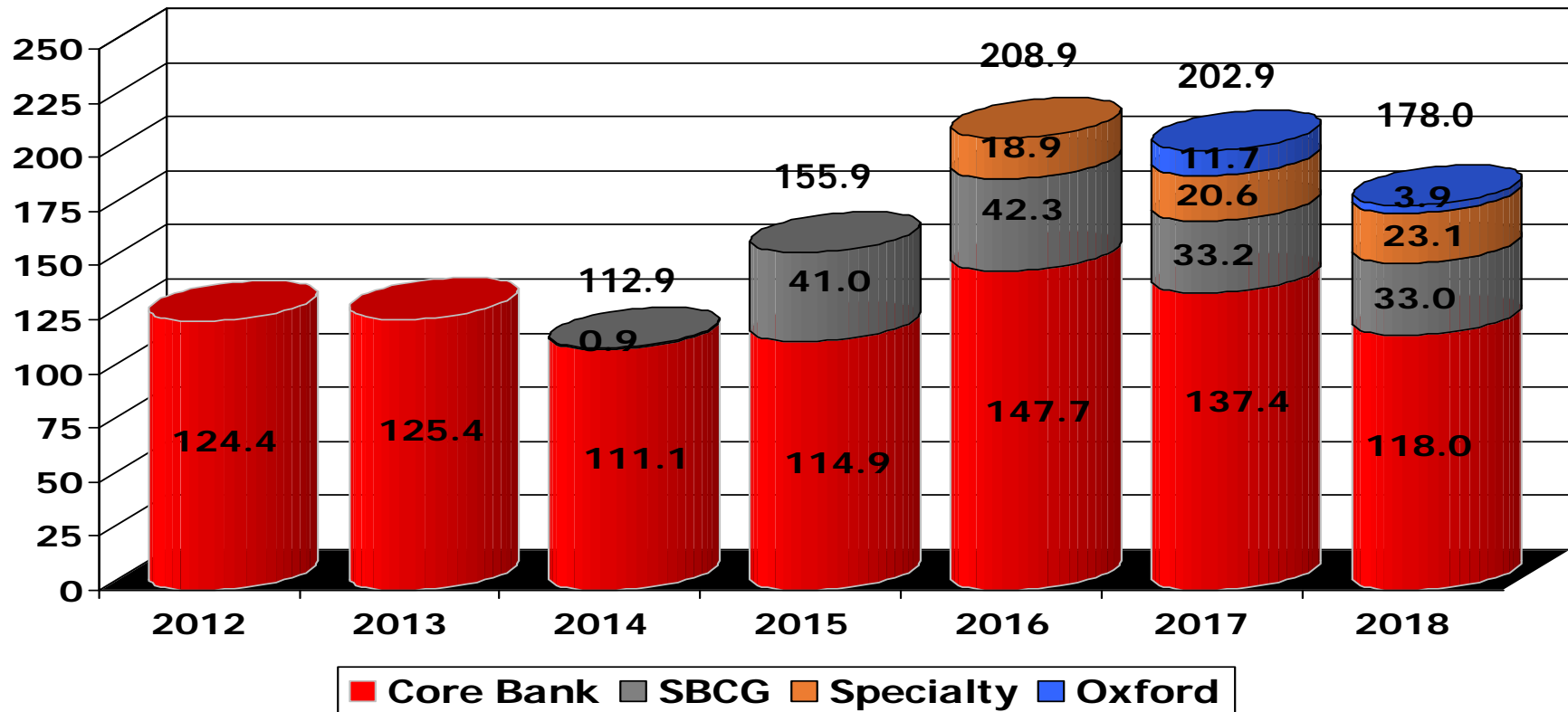
	3/31/2019	12/31/2018	\$ Difference	% Difference
Memphis Bank	255,085	244,159	10,926	4.5%
Small Business Capital Group	38,412	46,910	(8,498)	-18.1%
Specialty Lending	5,608	7,972	(2,364)	-29.7%
Oxford	15,014	13,803	1,211	8.8%
Purchased Loans	17,322	17,709	(387)	-2.2%
Special Assets	681	641	40	6.2%
	-----	-----	-----	-----
	332,122	331,194	928	0.3%

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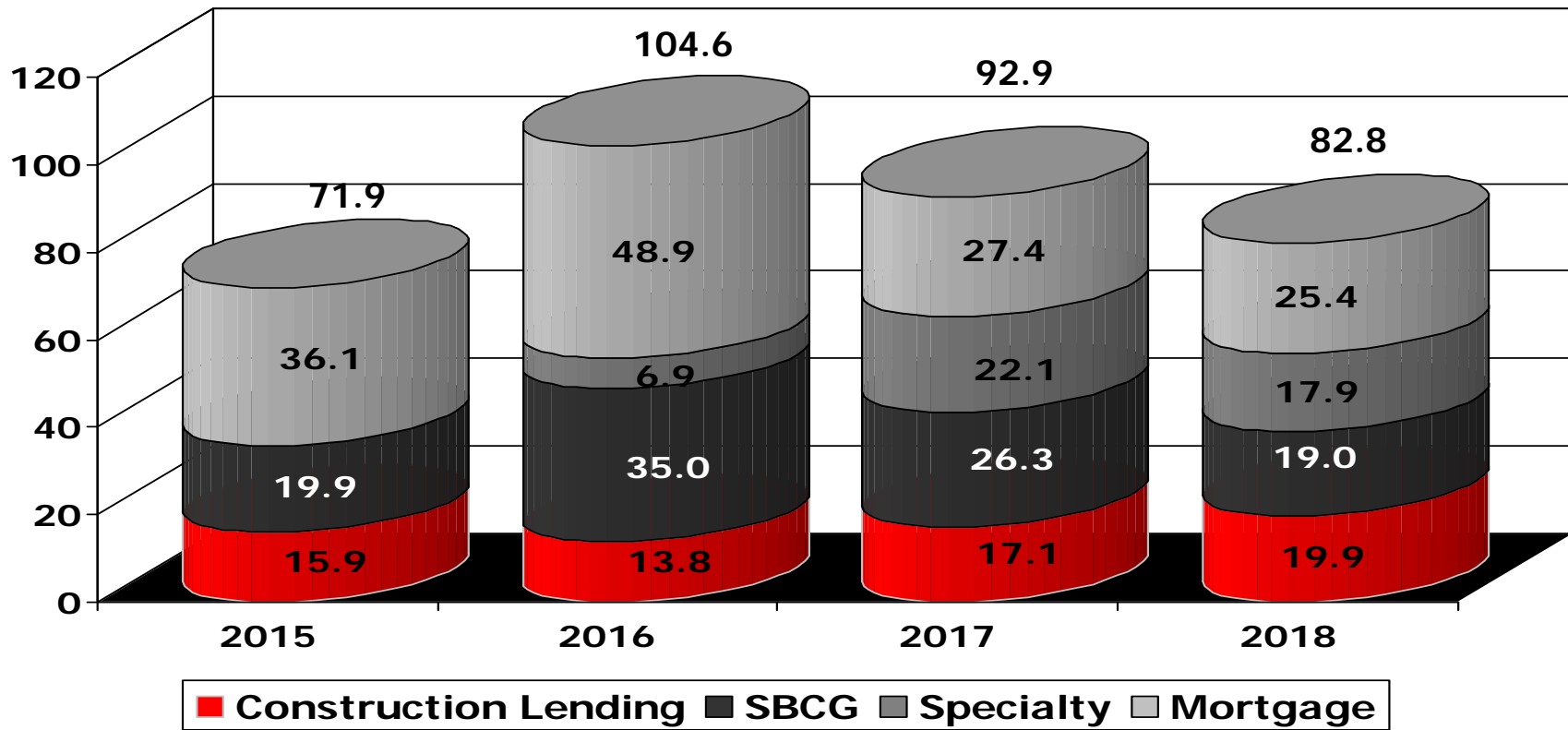
# New Loan Volume Originated (in millions)



# New Loan Volume Originated (in millions)



# Loans Originated and Sold or Paid Off (in millions)



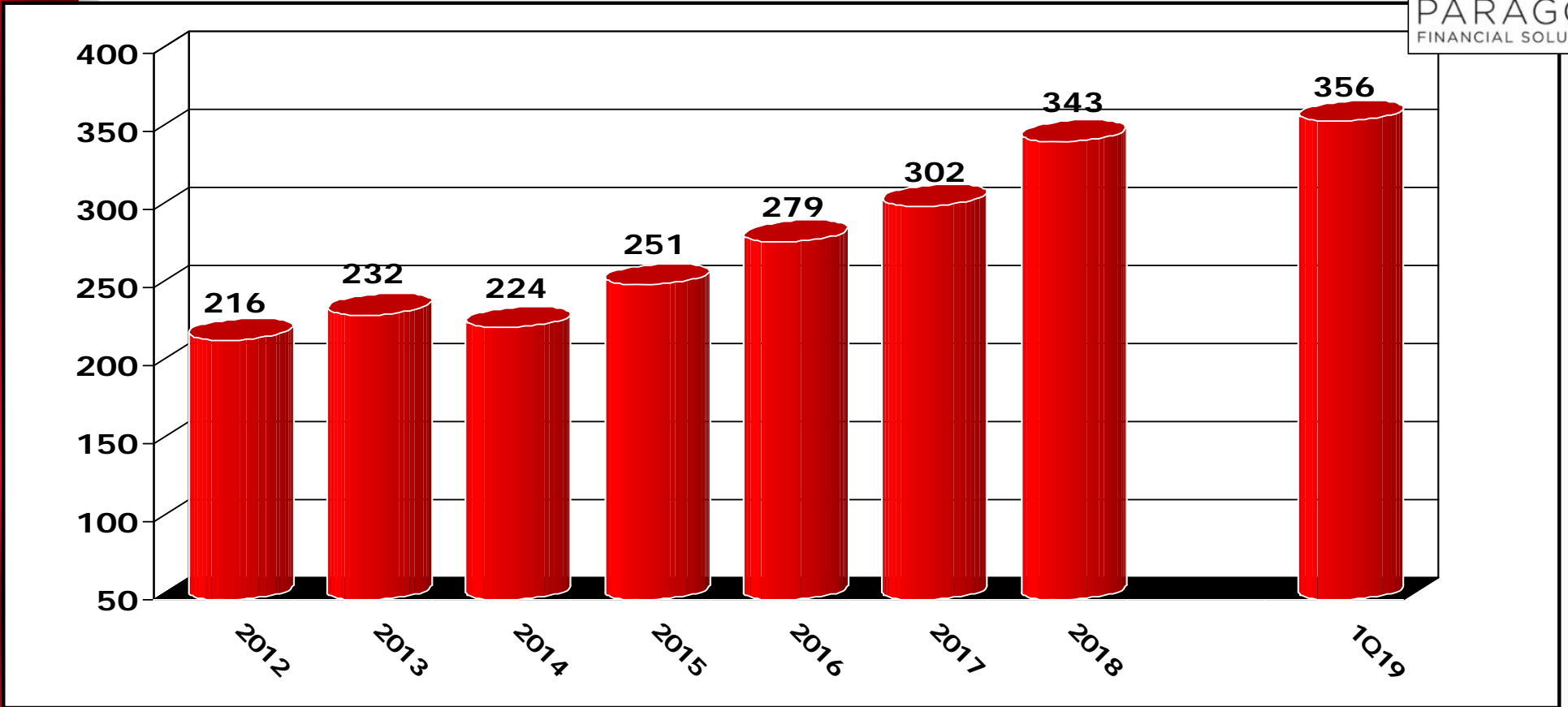


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# DEPOSIT TRENDS

# Total Deposits

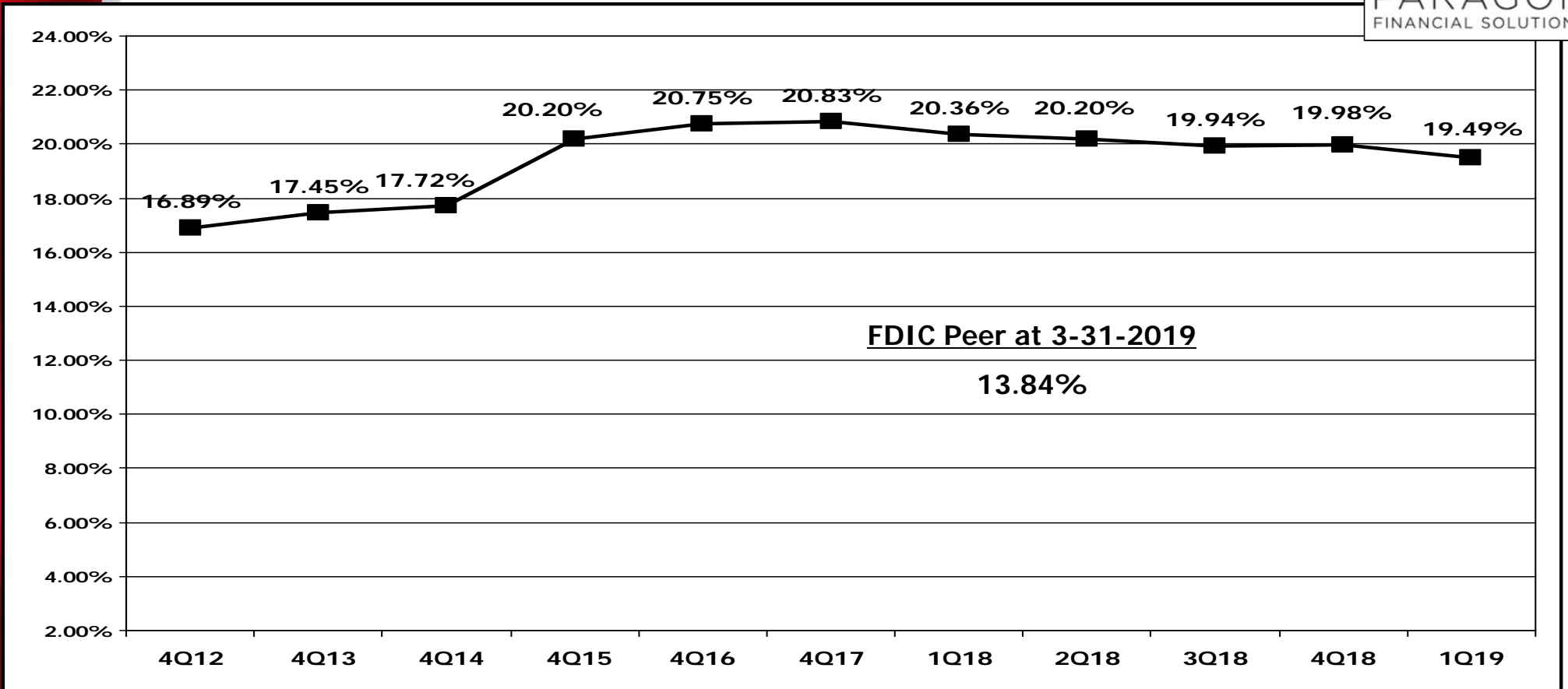
(end of period in millions)



Brokered Deposits	12/31/2015	12/31/2016	12/31/2017	12/31/2018	3/31/2019
(in millions)	23.9	34.2	57.7	70.3	78.3

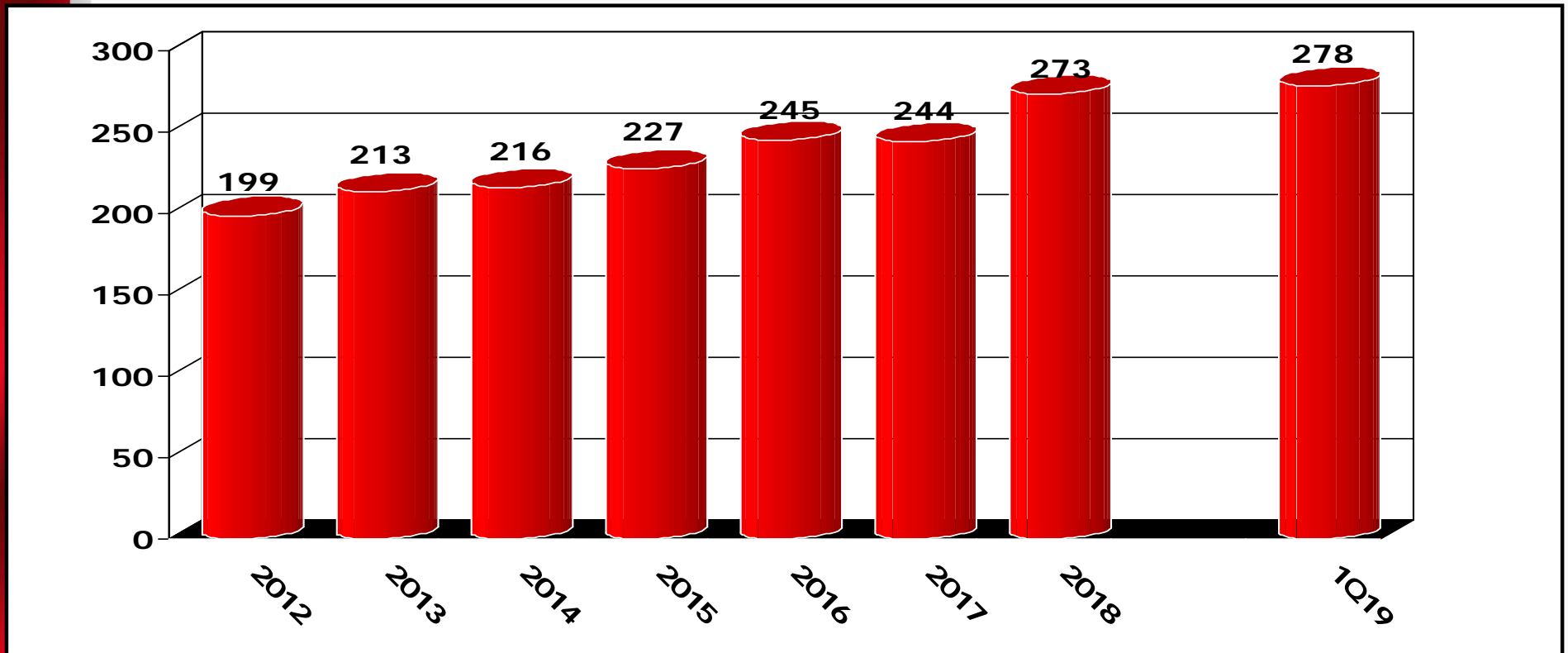


# DDAs to Average Total Assets



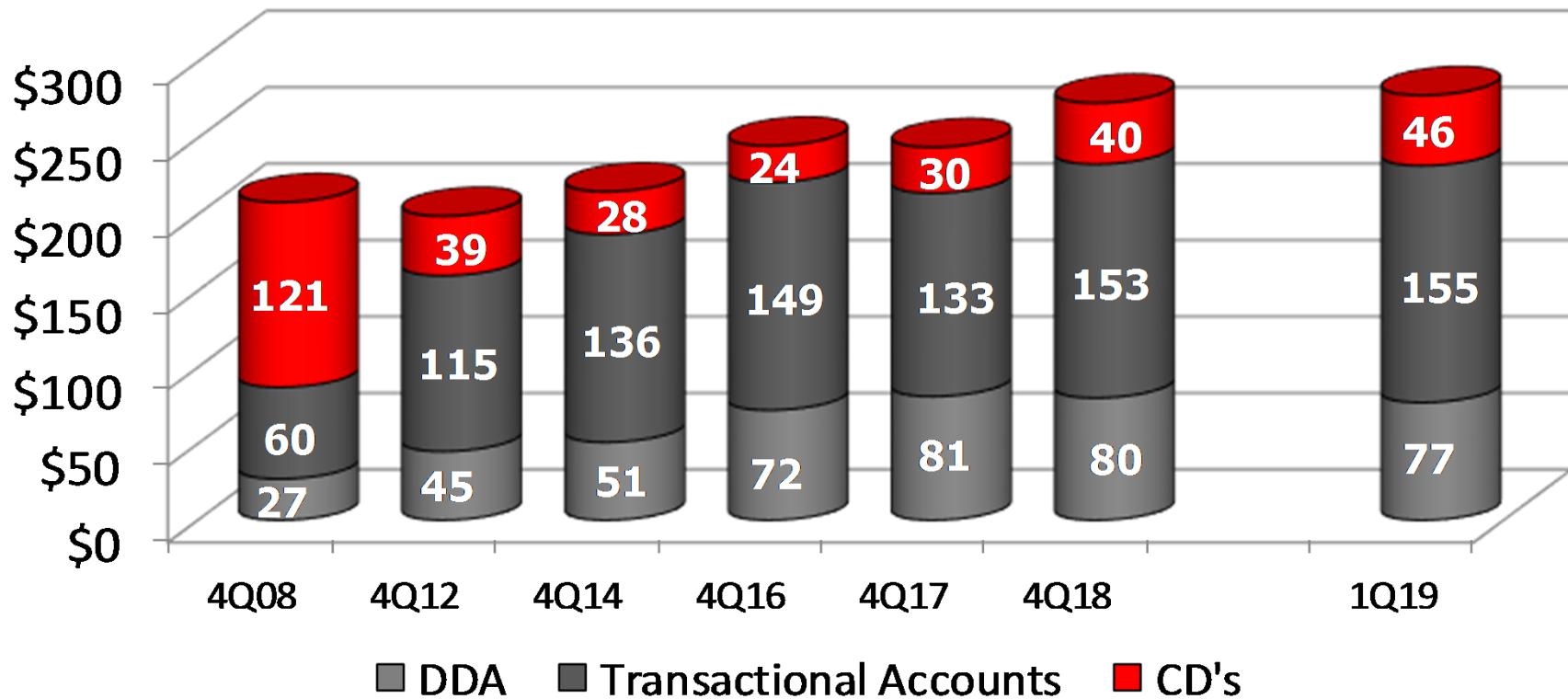
# Core Deposits

(end of period in millions)



Core Deposits exclude brokered deposits.

# Core Deposits – Targeting the Right Mix (in millions)

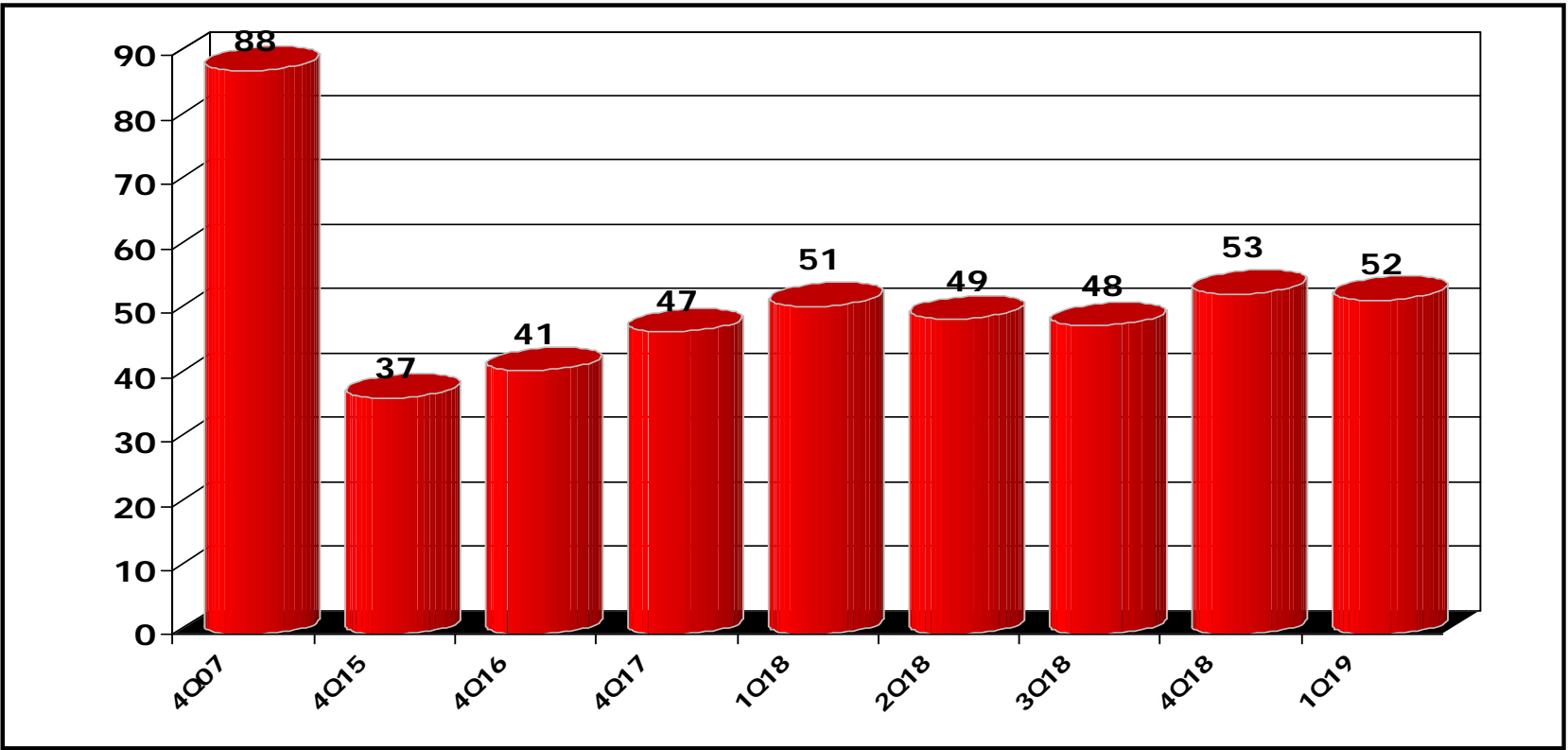




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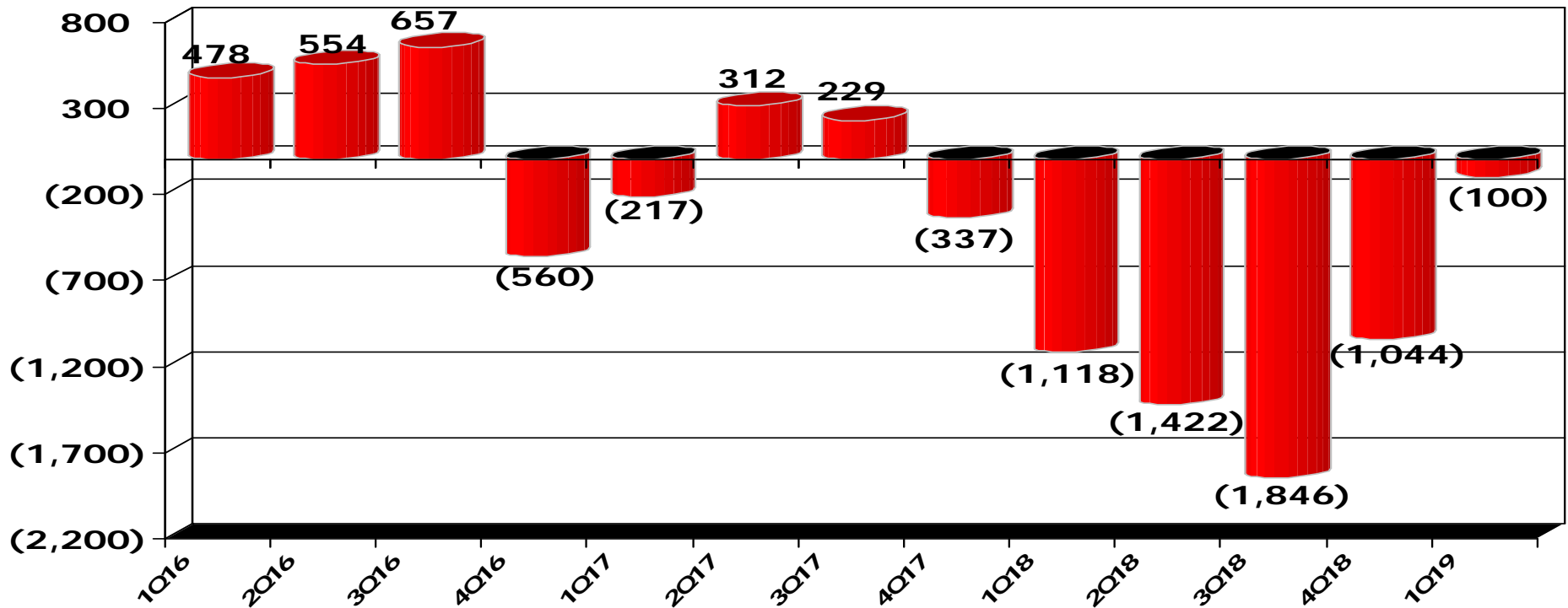
# INVESTMENTS

# Total Investments (end of period in millions)



# Unrealized Gain/(Loss) on Investments

(in thousands)





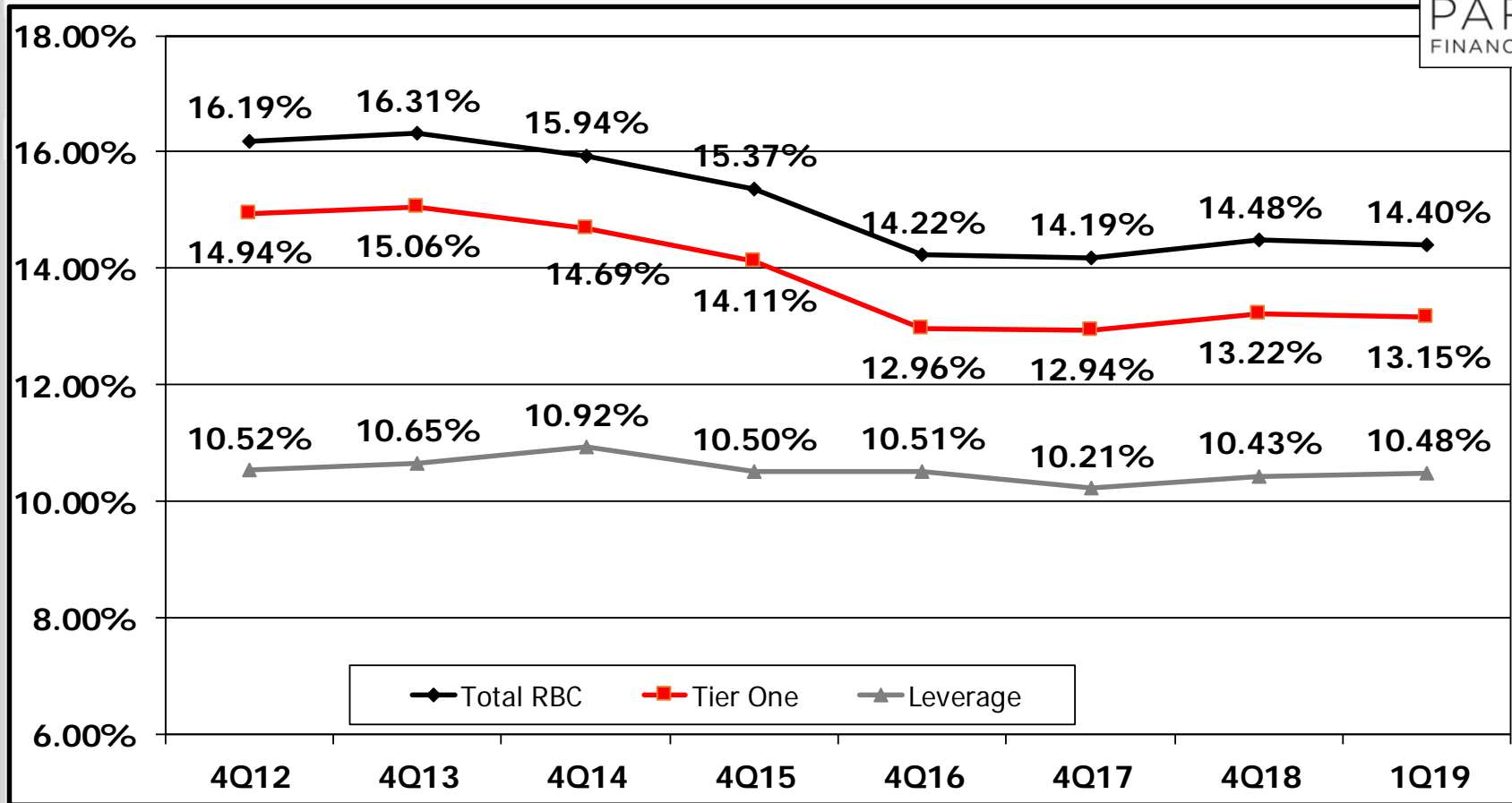
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# CAPITAL TRENDS

# Capital Ratios



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# Capital Ratios

Memphis-Based Community Banks  
December 31, 2018



	Total Risk-Based Capital	Tier 1 Capital	Leverage Ratio
Landmark	15.68%	14.57%	9.00%
Financial Federal	15.67%	14.42%	13.14%
Paragon Bank	14.48%	13.22%	10.43%
Bank of Bartlett	13.88%	12.83%	8.06%
First Alliance	13.29%	12.41%	10.41%
BankTN	12.94%	11.69%	10.03%
First Capital	12.90%	12.13%	11.20%
Bank of Fayette County	12.27%	11.04%	8.68%
Triumph Bank	11.32%	10.33%	8.57%

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\*\* Capital includes Trust Preferred and Holding Company Loans

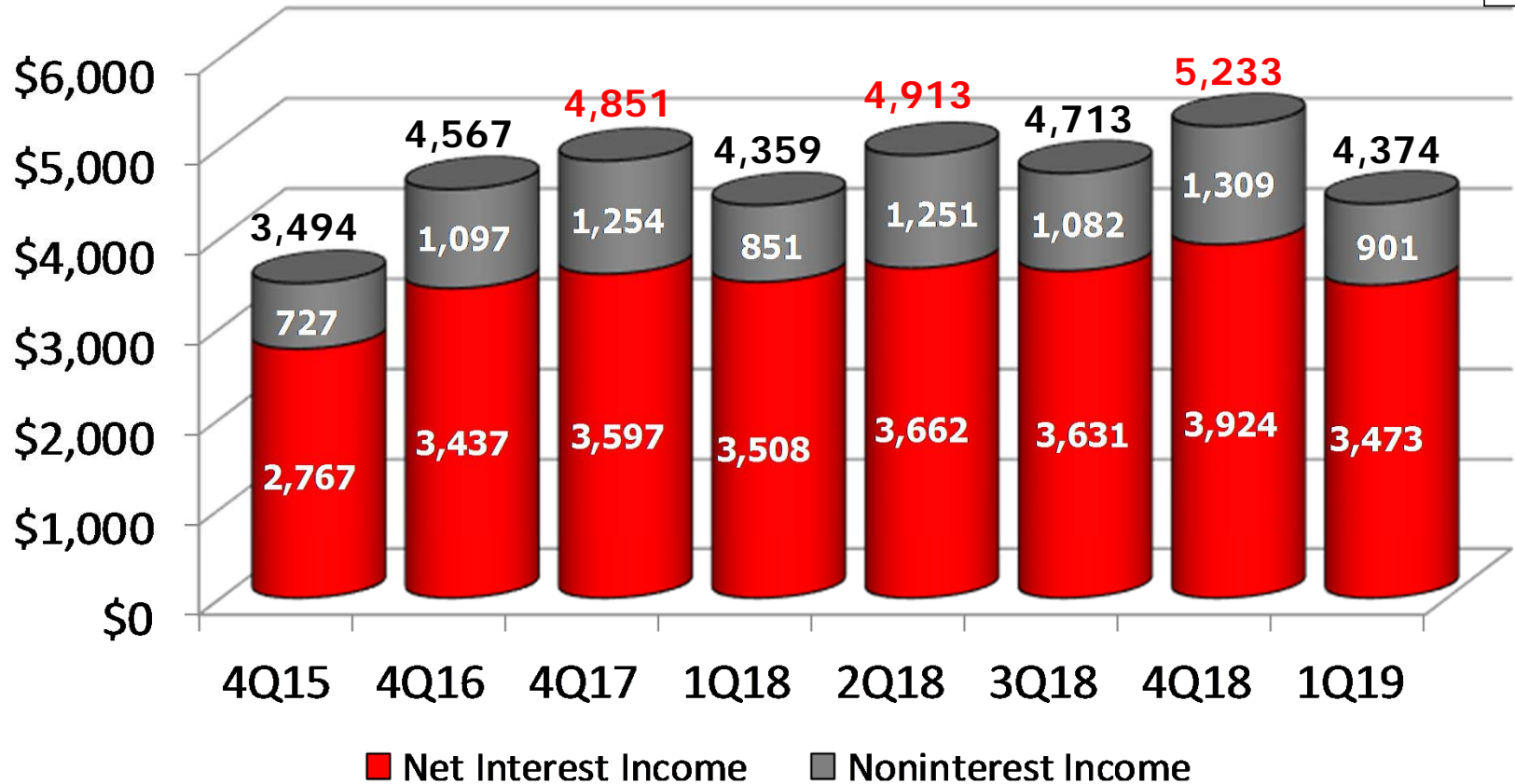


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# INCOME TRENDS

# Total Revenue

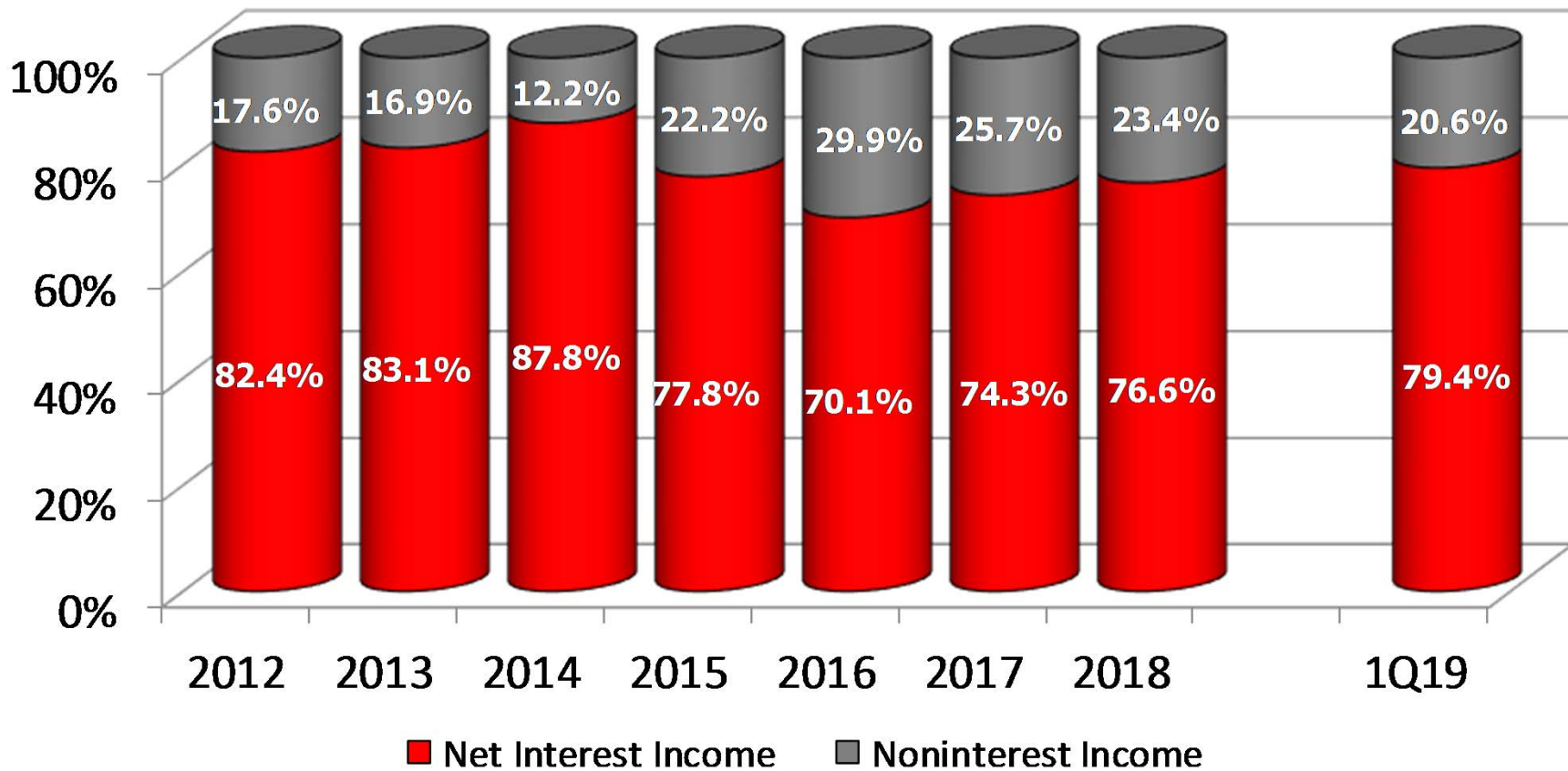
(in 000's)



excludes security gains and losses

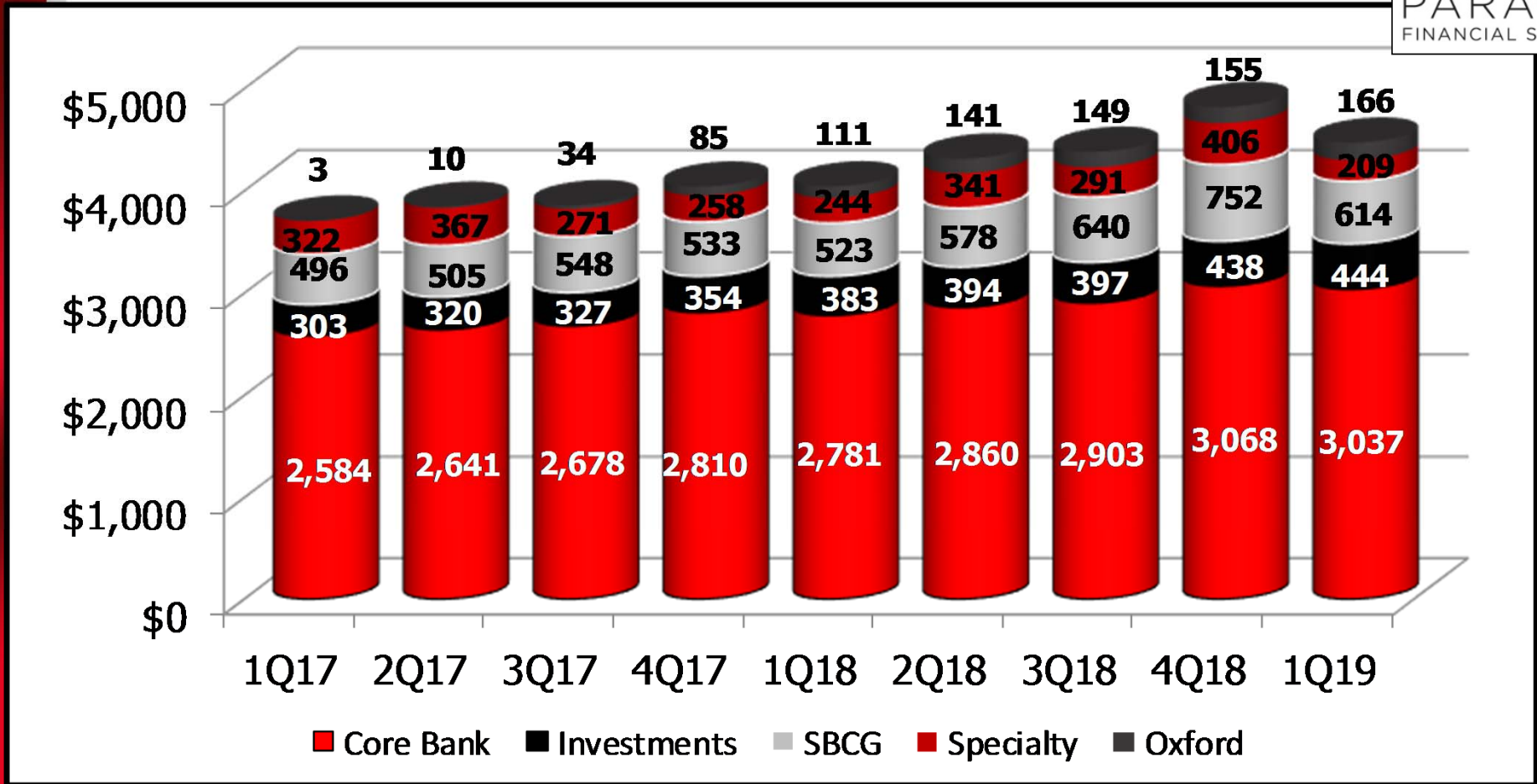
# Total Revenue

(in 000's)

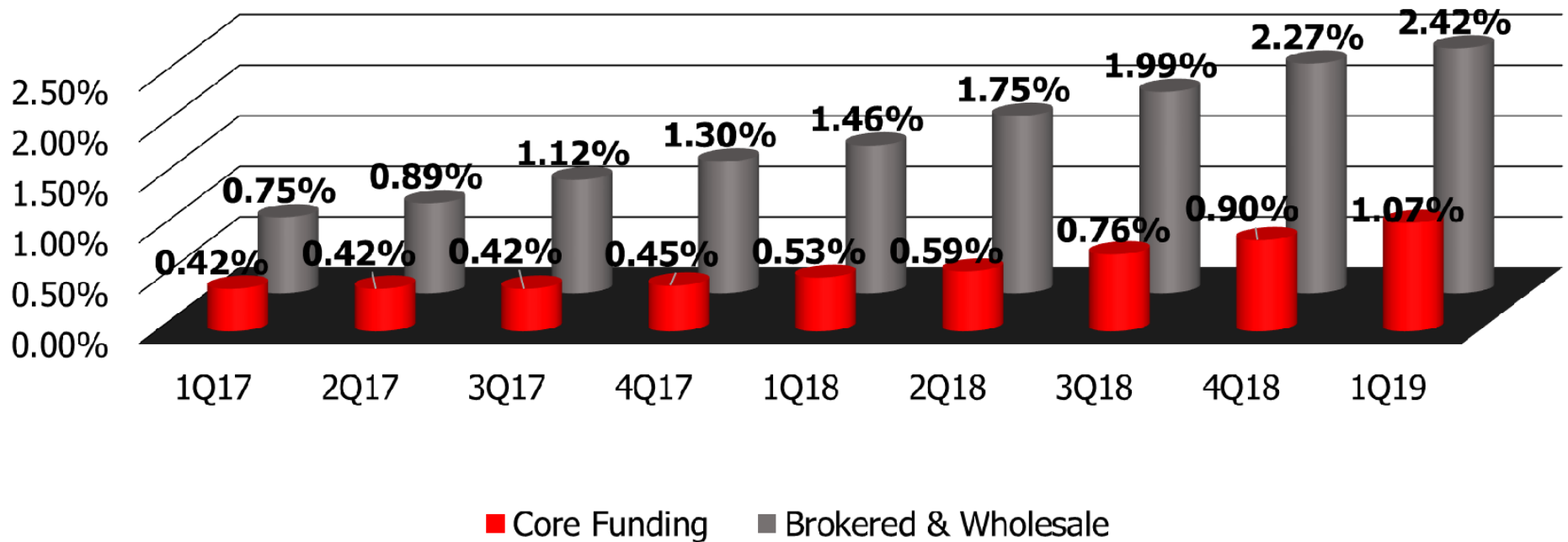


# Interest Income

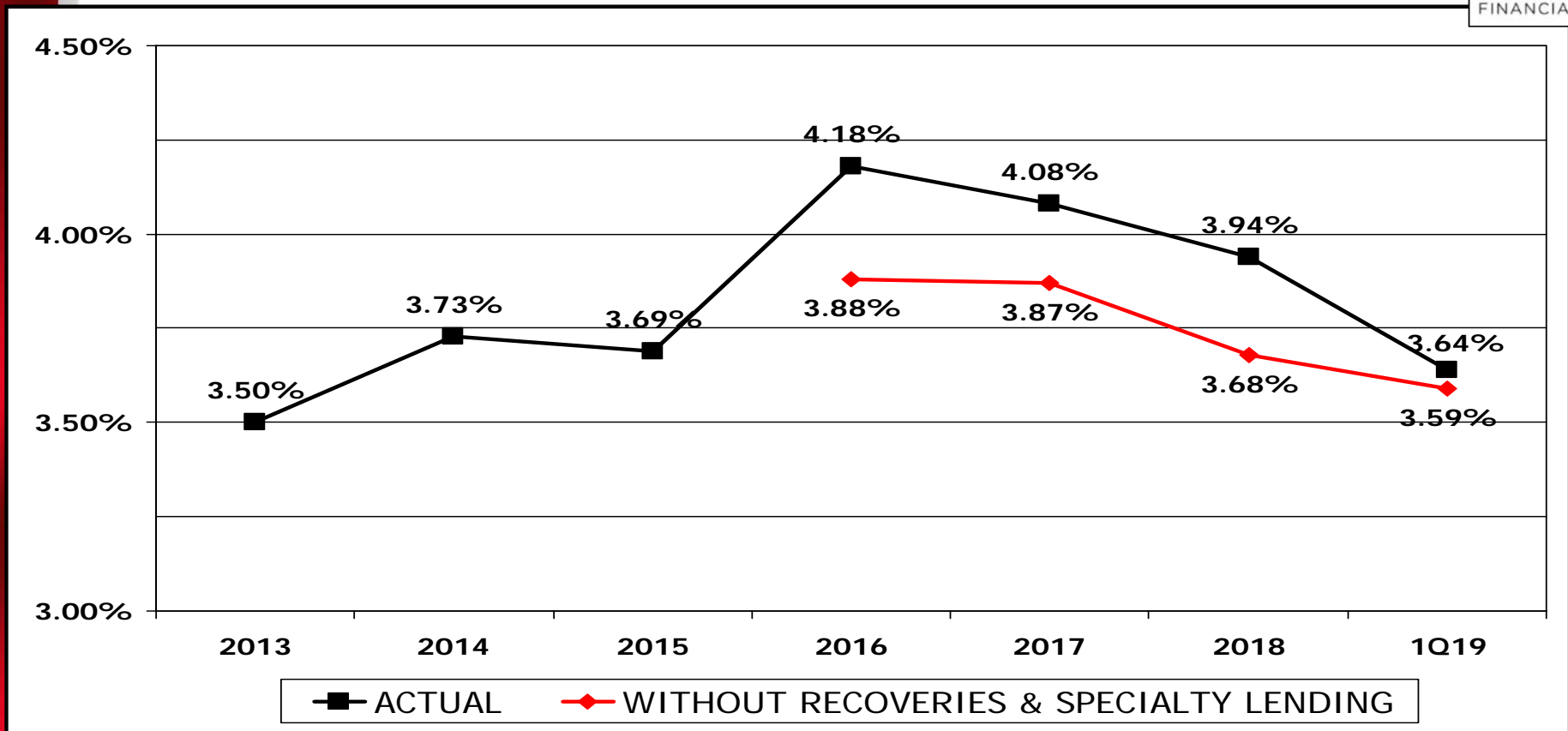
(in 000's)



# Interest Expense



# Net Interest Margin





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# NONINTEREST INCOME TRENDS

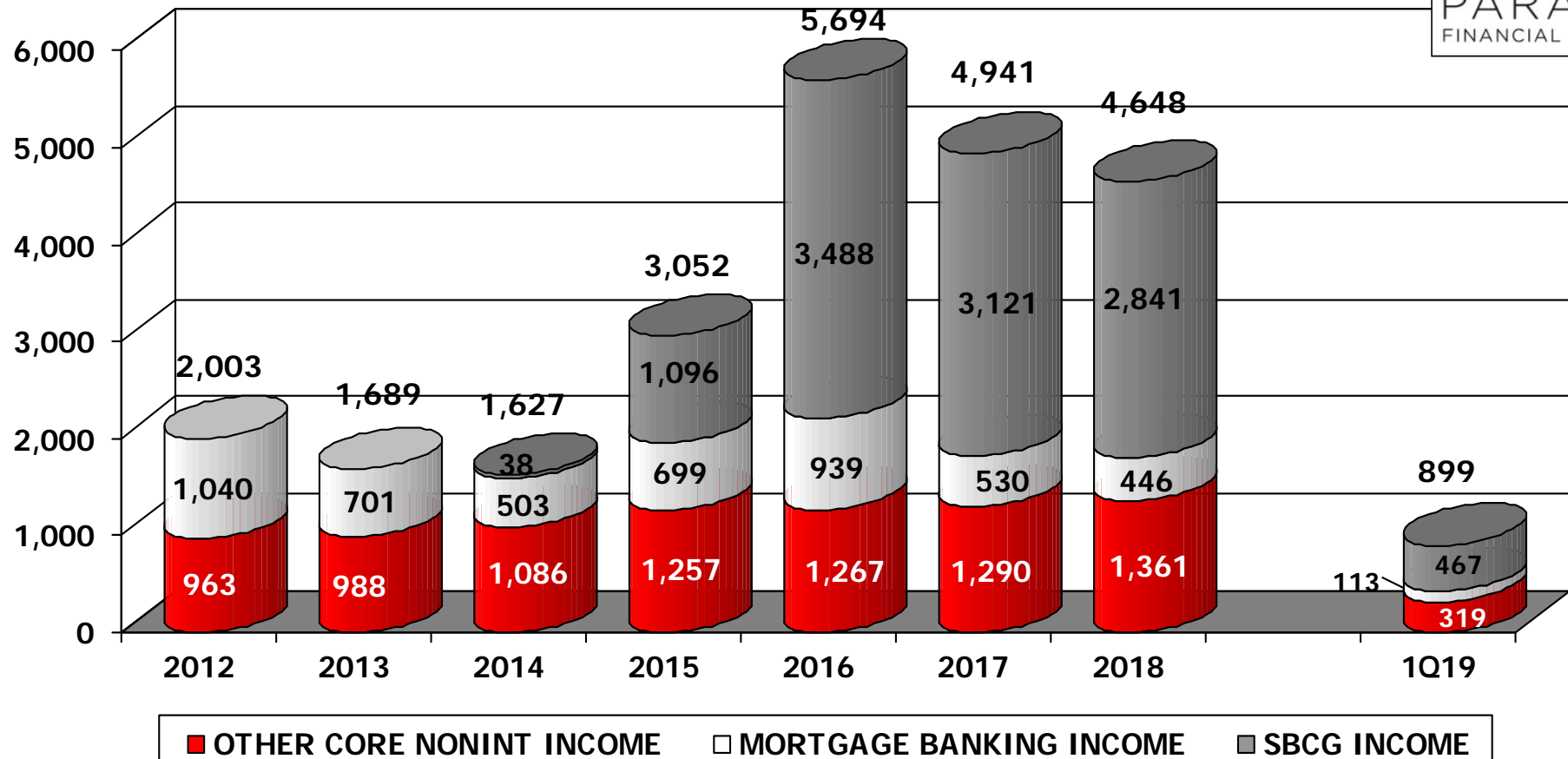


# Core Non-Interest Income

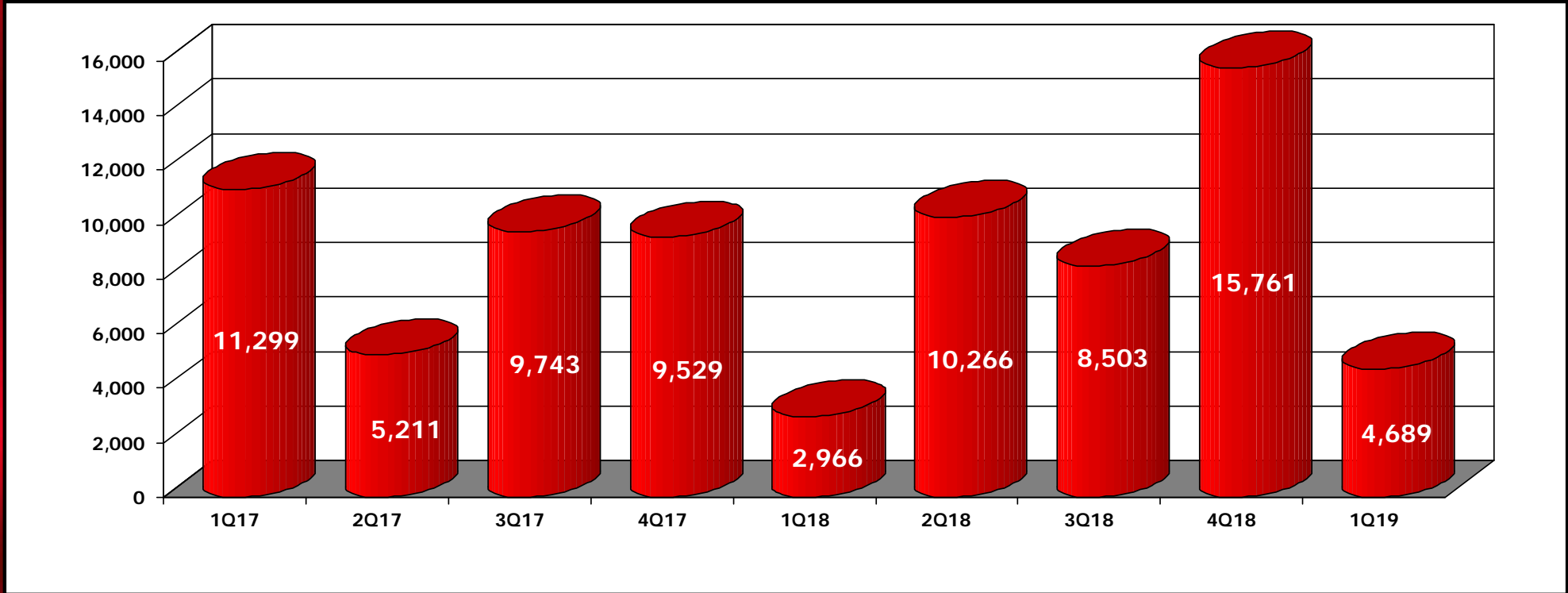
(in 000's)



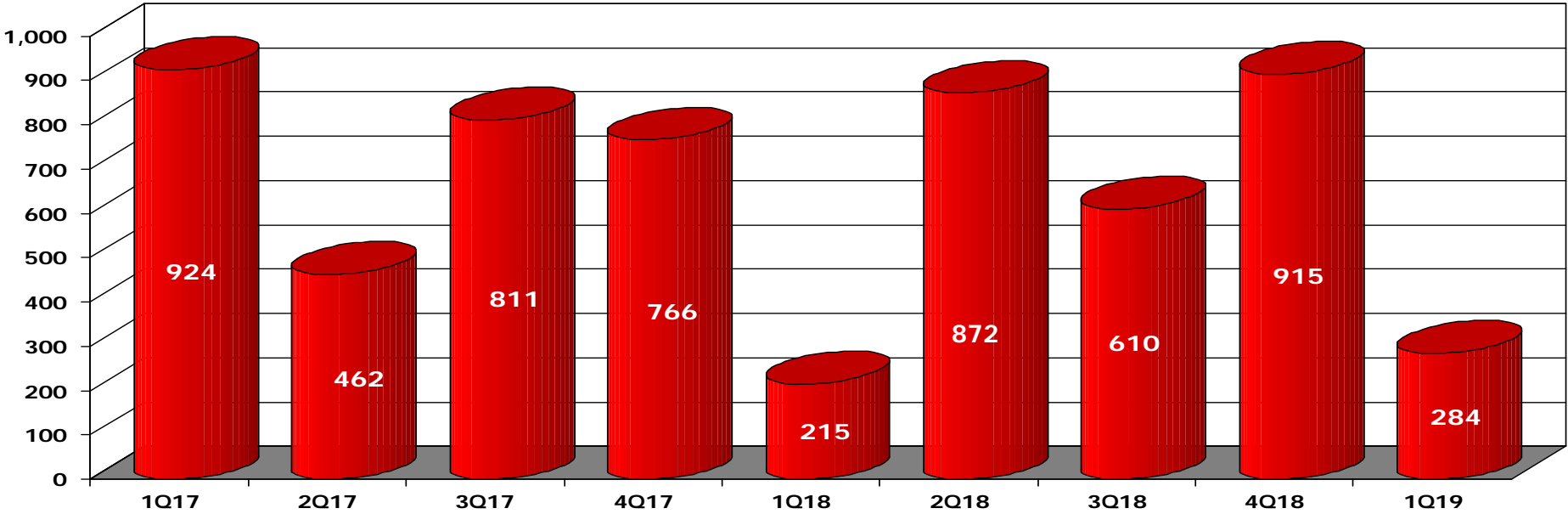
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# Gross SBA Loans Sold By Quarter (in 000's)



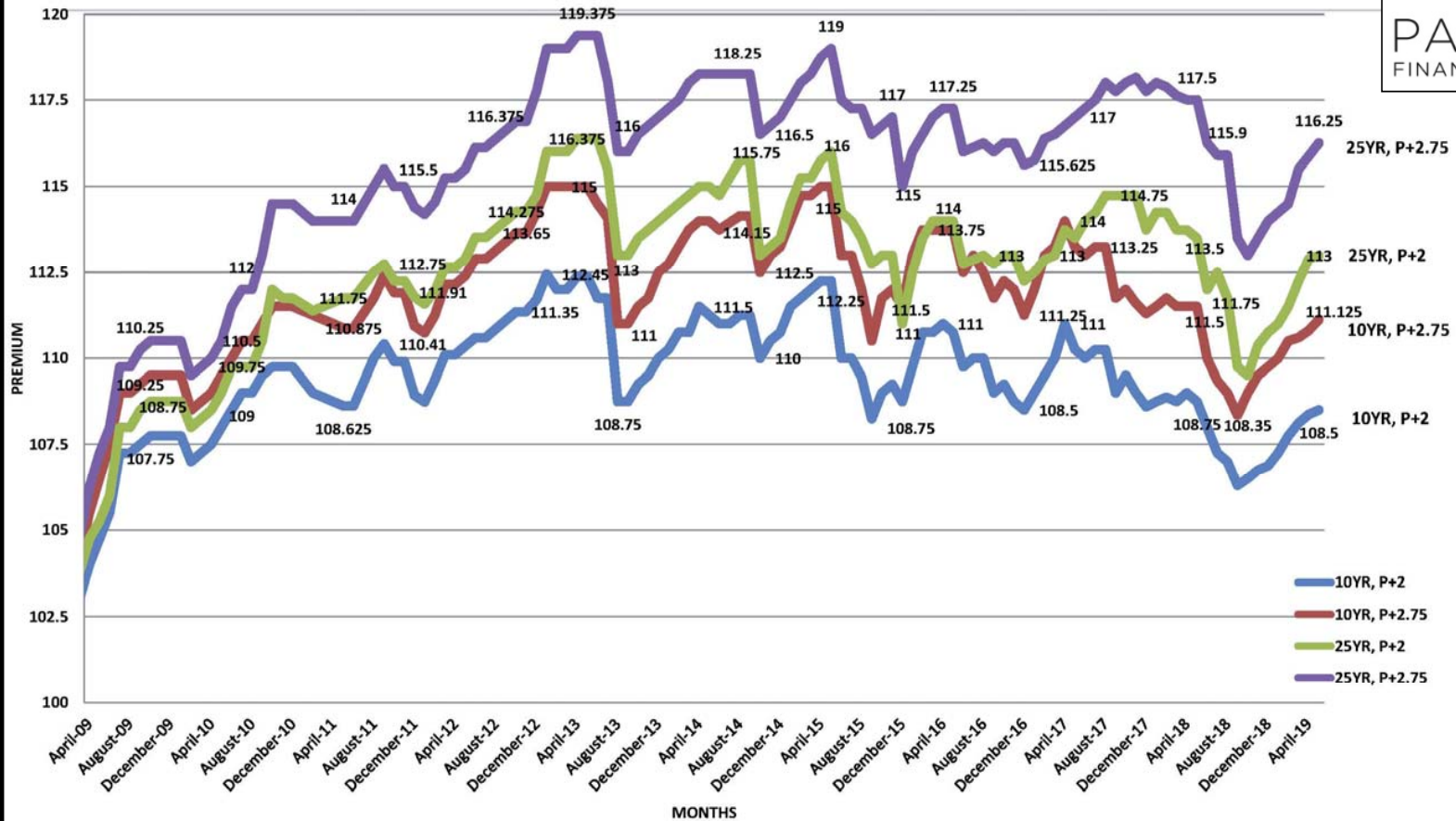
# Quarterly Gain on Sale of SBA Loans (in 000's)





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## SBA 7(A) PREMIUM PRICES SINCE 2009 – THRU APRIL 2019



SOURCE – RAYMOND JAMES

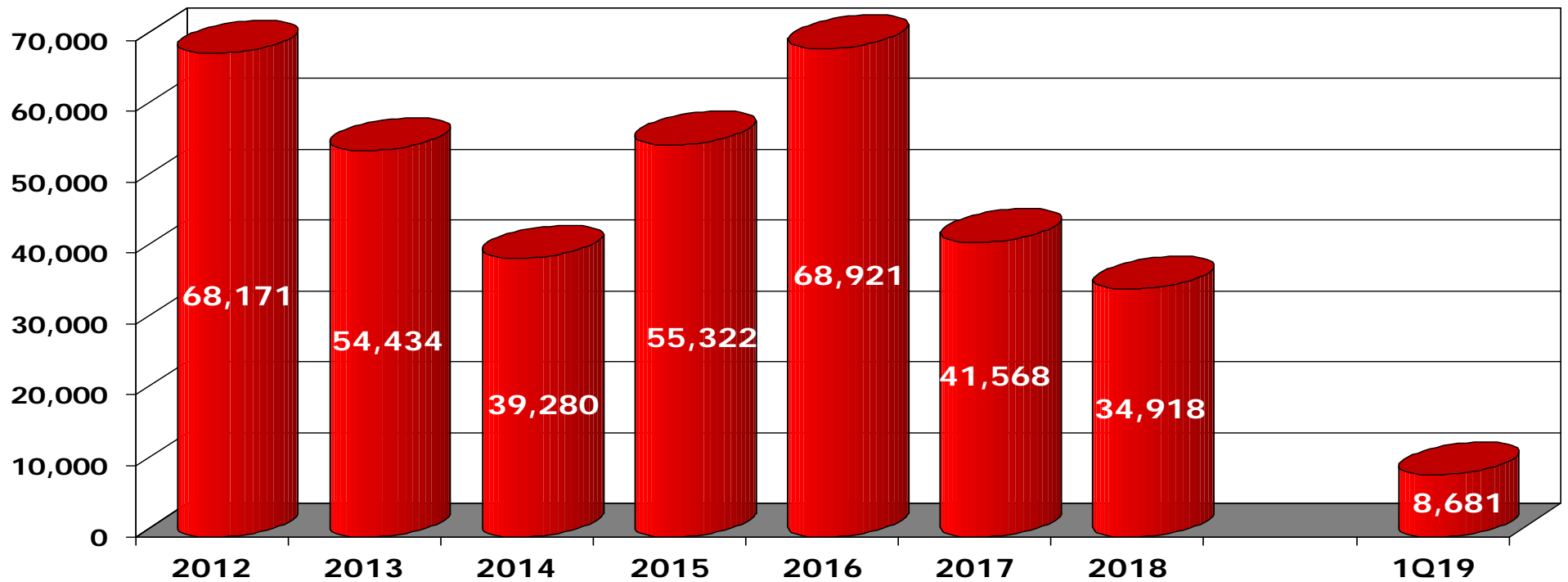
# Memphis Metropolitan Area SBA Lenders

Lender	City	State	# of Loans	Approved Dollars
Paragon Bank	Memphis	TN	38	\$30,109,700
Evolve Bank & Trust	West Memphis	AR	34	\$28,399,800
First Tennessee Bank	Memphis	TN	16	\$18,101,800
First Alliance Bank	Cordova	TN	4	\$1,855,000
Triumph Bank	Memphis	TN	6	\$988,700
Bank of Bartlett	Bartlett	TN	1	\$125,000

SBA Fiscal Year Ending 9-30-18

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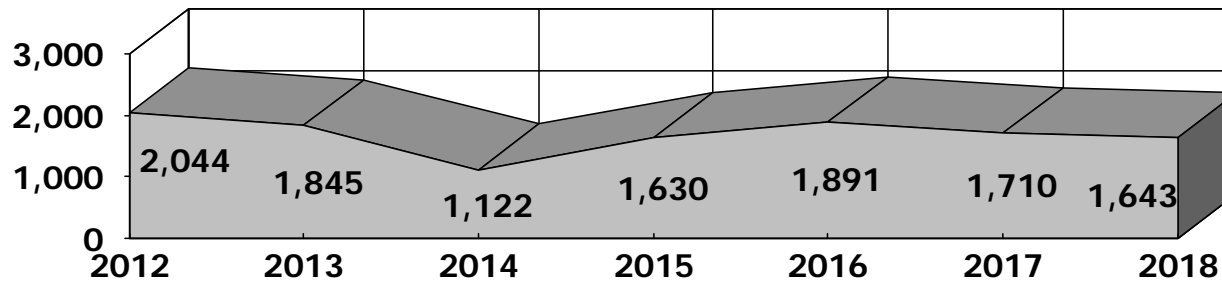
# Mortgage Loans Closed (millions)



# Mortgage Loan Volumes

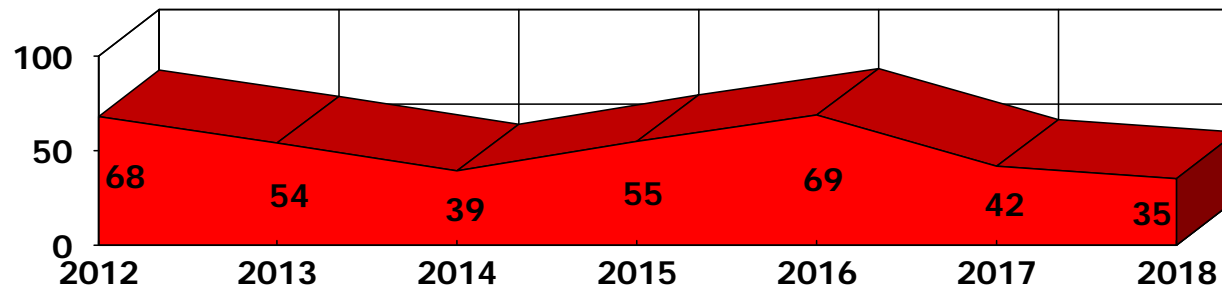


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■ U S Market Mortgage Bankers' Association

US Market in billions  
Paragon in millions



■ Paragon

# 2018 10 Year Treasury Yield



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Lowest 1-3-2018  
2.44%  
Highest 11-8-2018  
3.24%





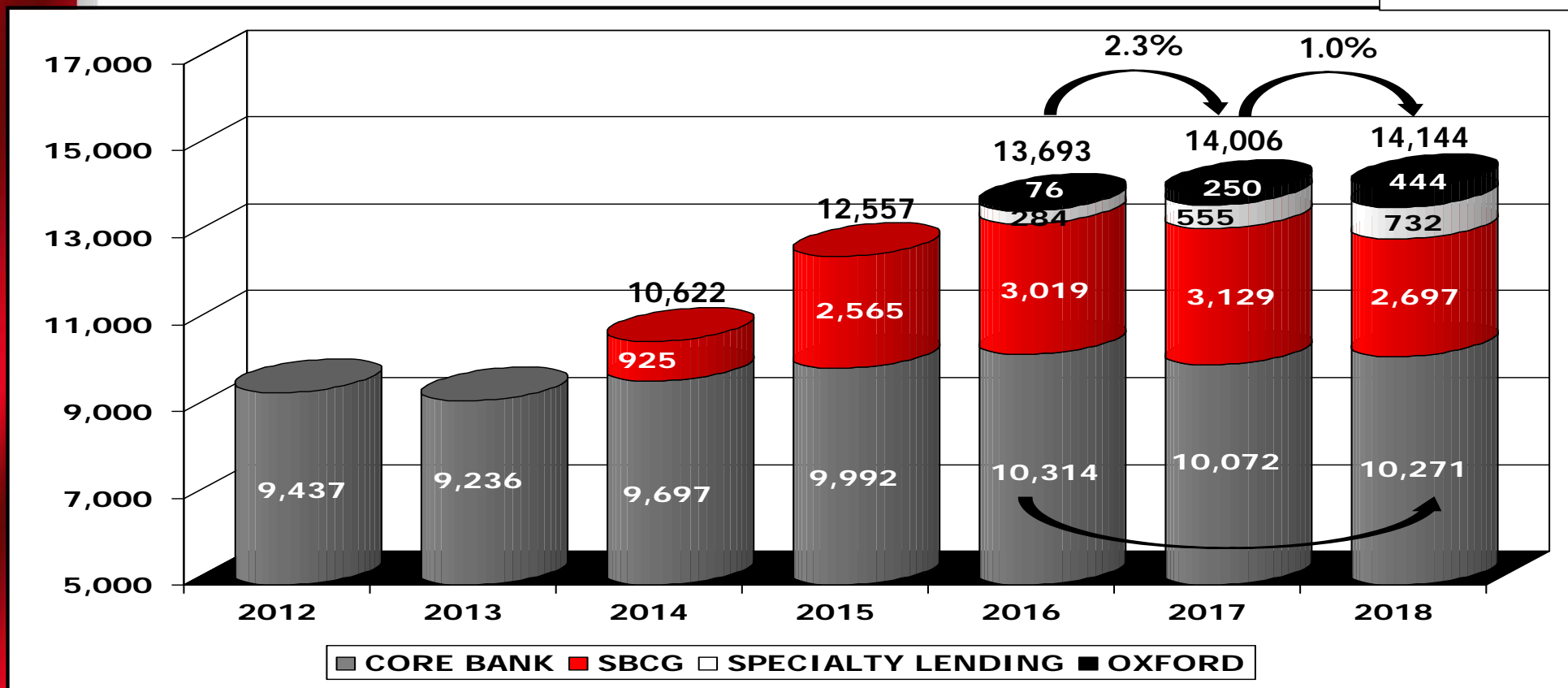
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# NONINTEREST EXPENSE TRENDS

# Non-Interest Expense



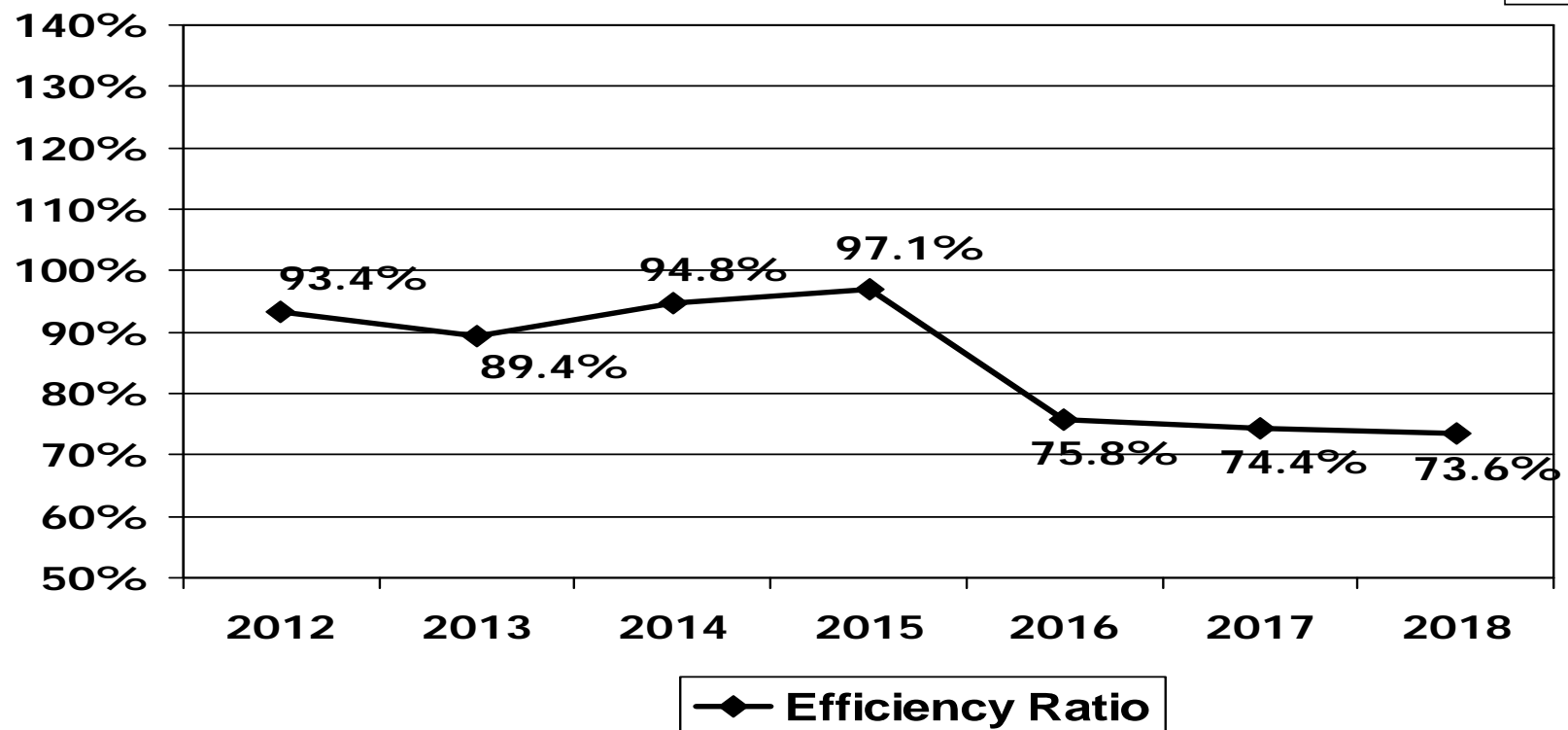
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# Efficiency Ratio



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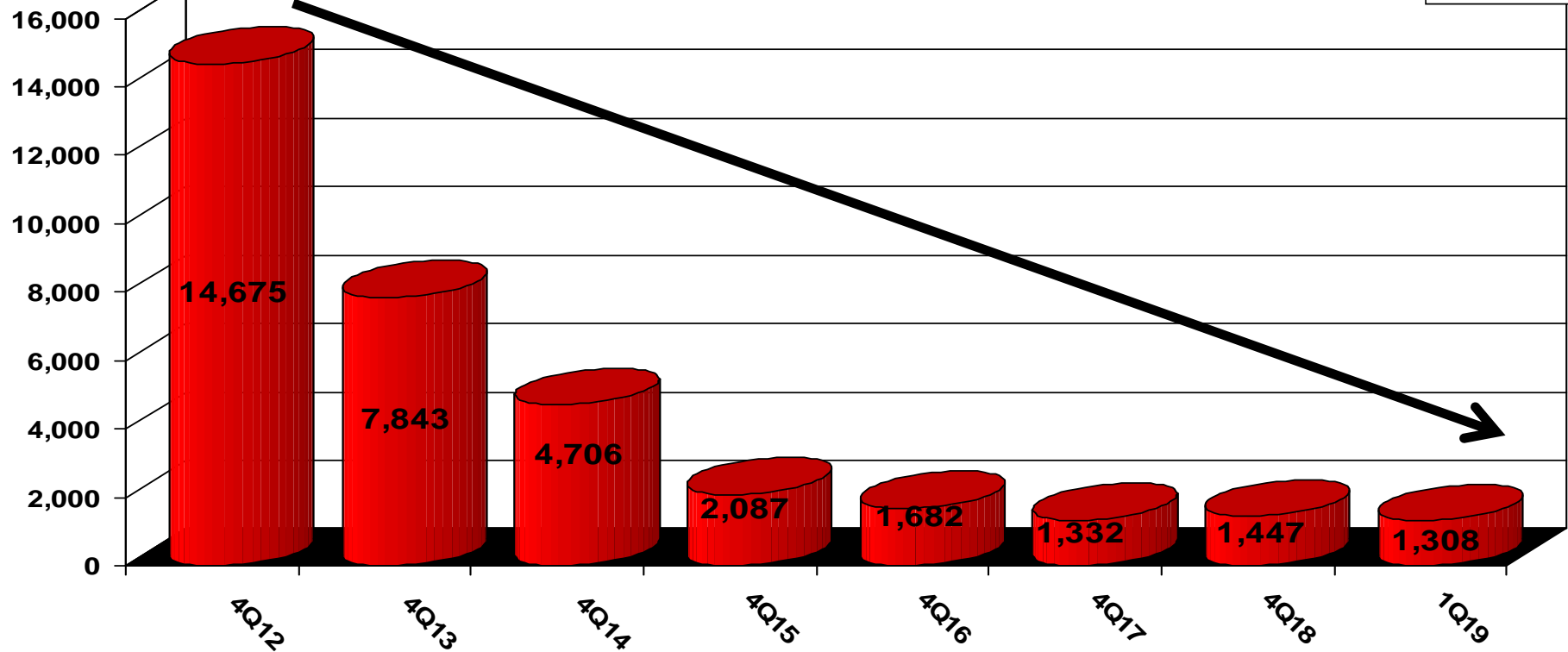
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# CREDIT QUALITY TRENDS

# Nonperforming Assets (\$000)

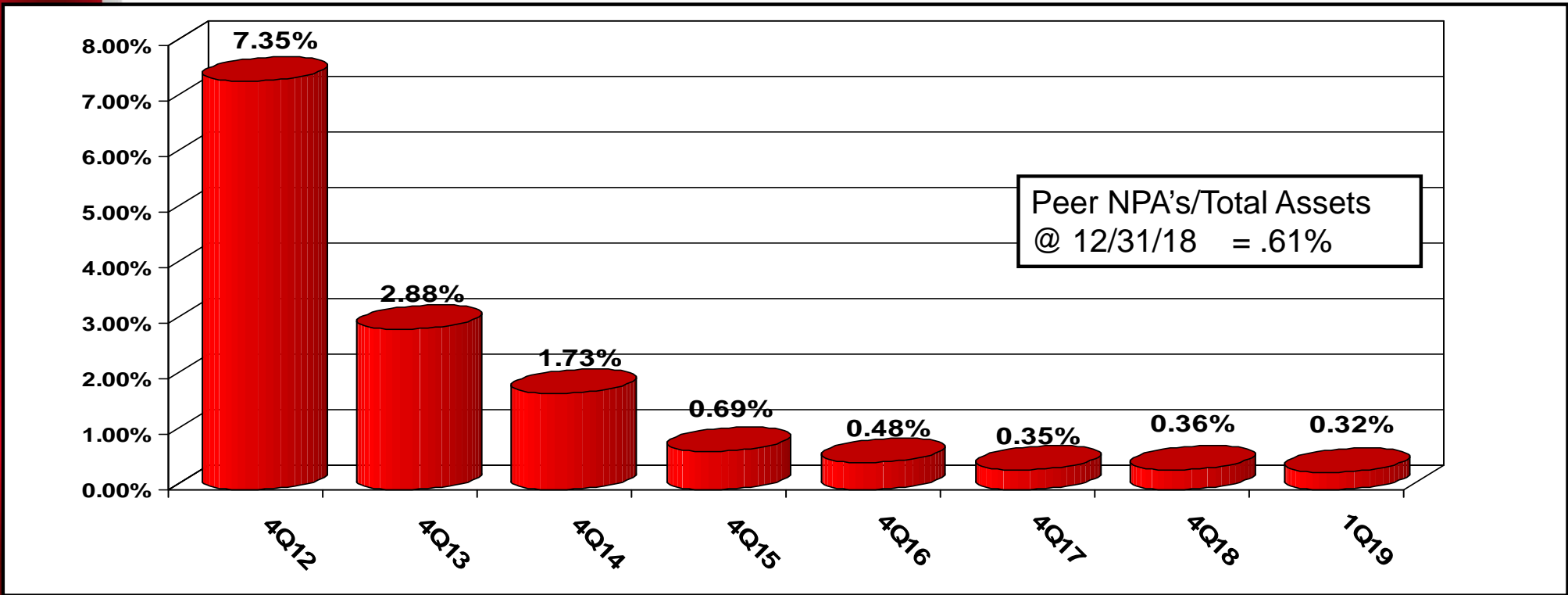


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Nonperforming assets include loans on nonaccrual status and other bank-owned real estate

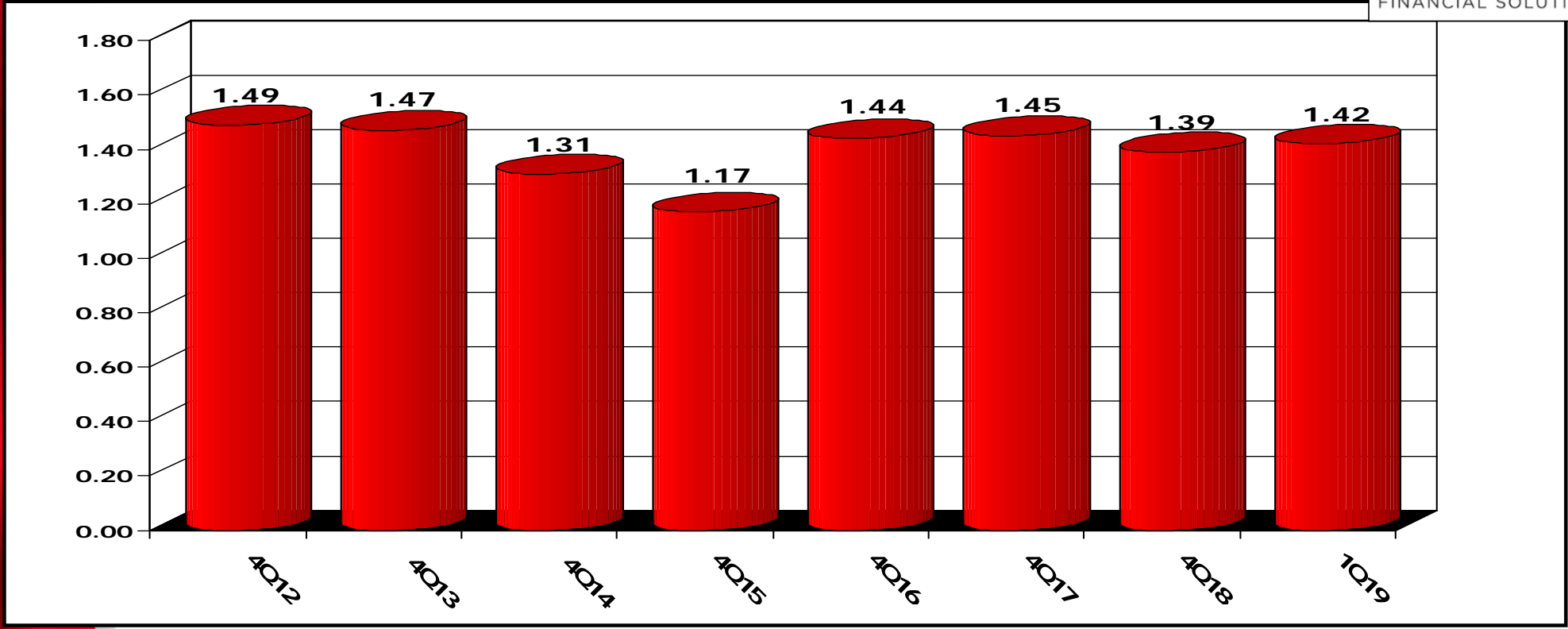
# Nonperforming Assets as a % of Total Assets



# Loan Loss Reserve to Gross Loans



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Peer Loan Loss Reserve/Gross Loans @ 12/31/18 = 1.08%



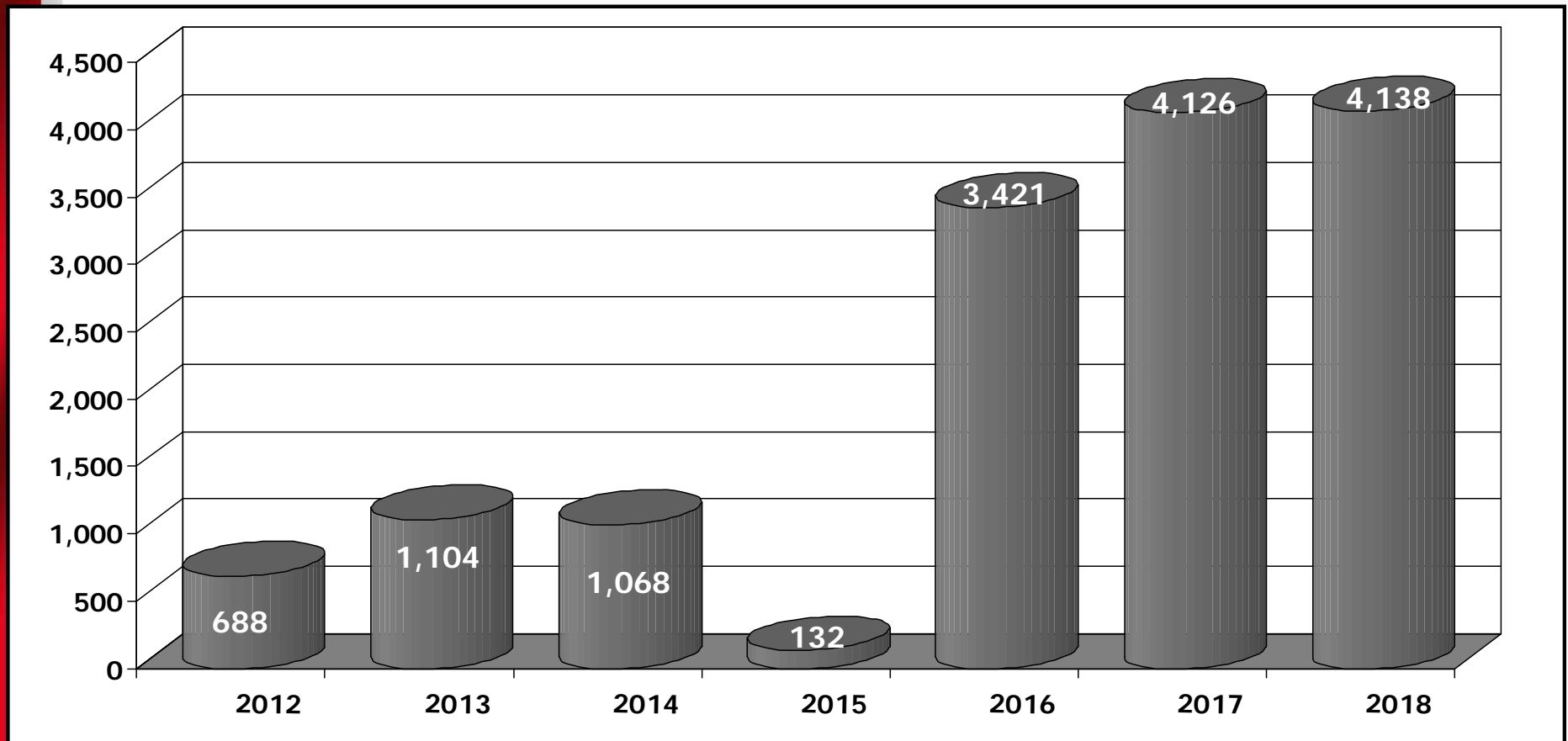
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# INCOME STATEMENT TRENDS



# Pre-Tax Net Income

(\$000)



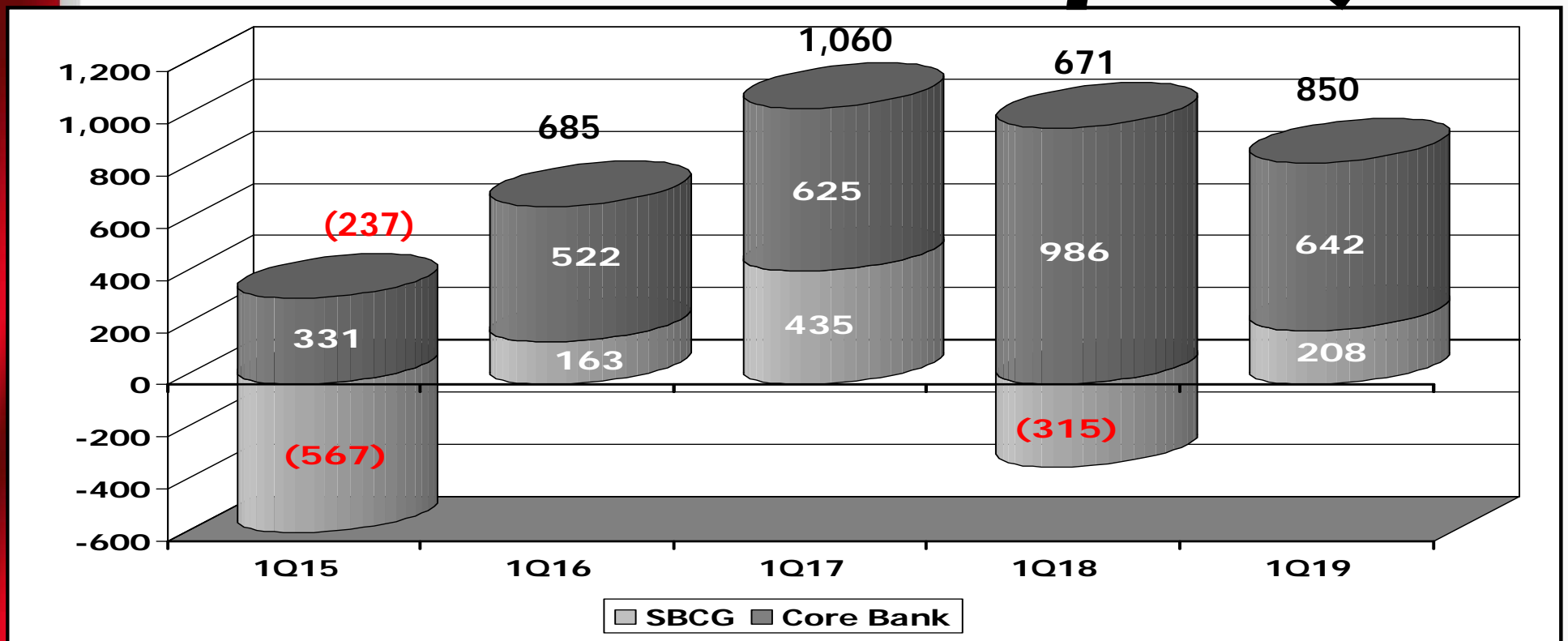
# Net Income (Loss)

(\$000)

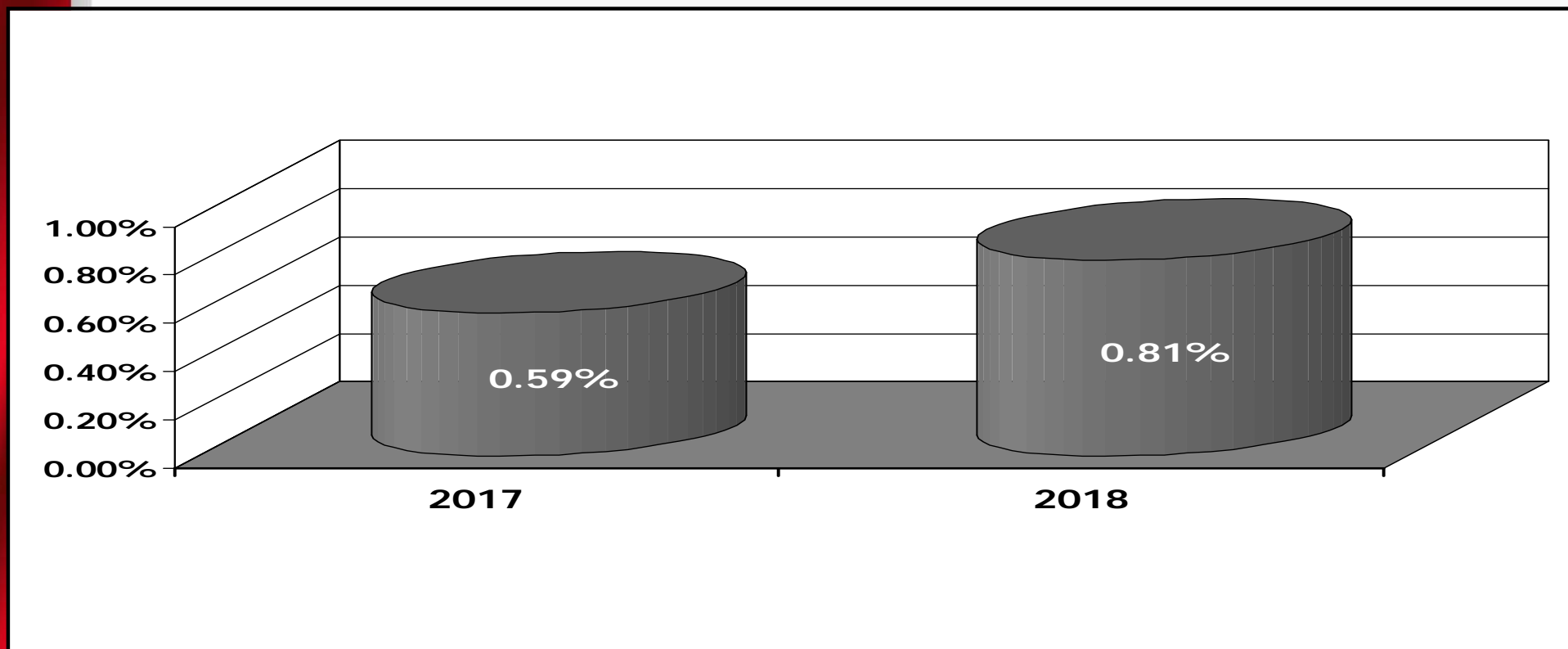


	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Pretax Income	688	1,104	1,068	132	3,421	4,126	4,138
Taxes	0	0	(436)	(41)	(1,286)	(1,487)	(994)
Deferred Taxes	0	3,543	0	0	0	(531)	0
Net Income	688	4,647	632	91	2,135	2,108	3,144

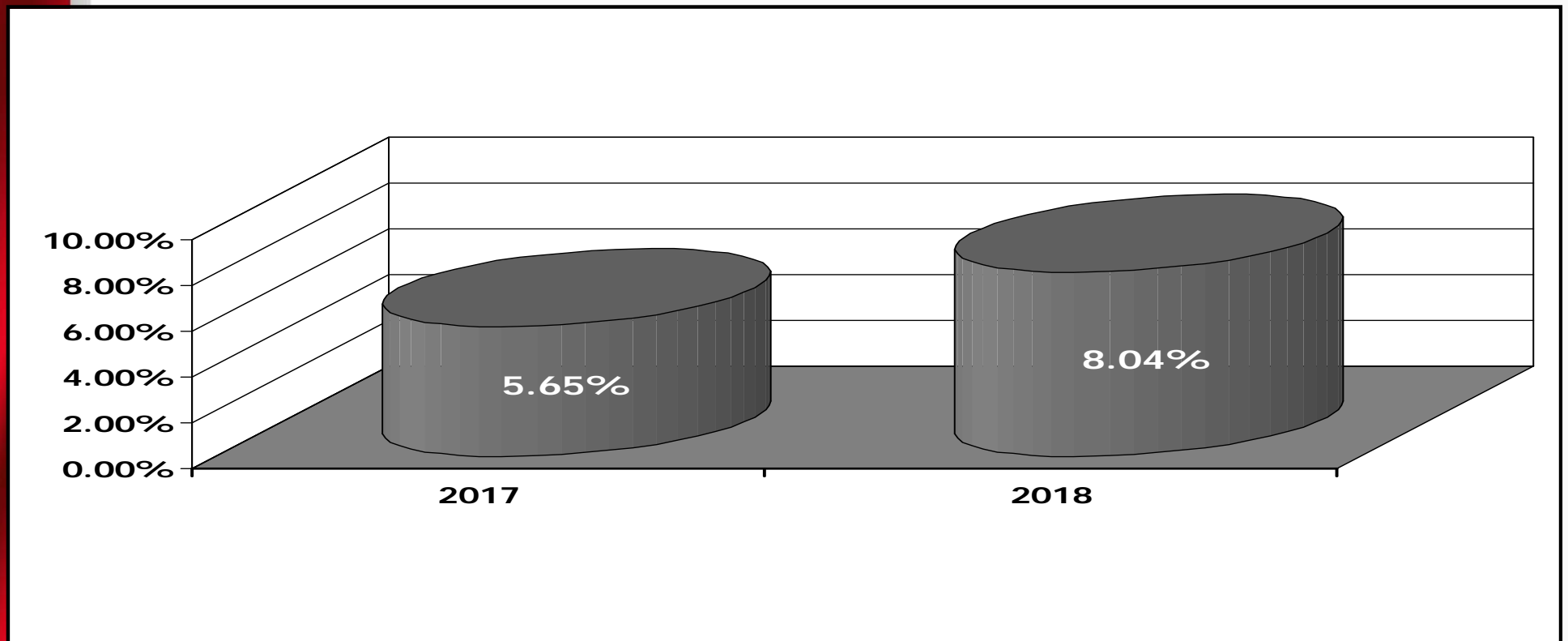
# Pre-Tax Net Income (Loss) (\$000)



# Return on Assets



# Return on Equity





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# STOCK TRENDS

# PGNN v. SNL Micro Cap U.S. Bank Index



**Paragon Financial Solutions, Inc. (PGNN)** ☆ Add to w  
Other OTC - Other OTC Delayed Price. Currency in USD

**9.60 +0.08 (+0.84%)** Buy

At close: 1:05PM EDT

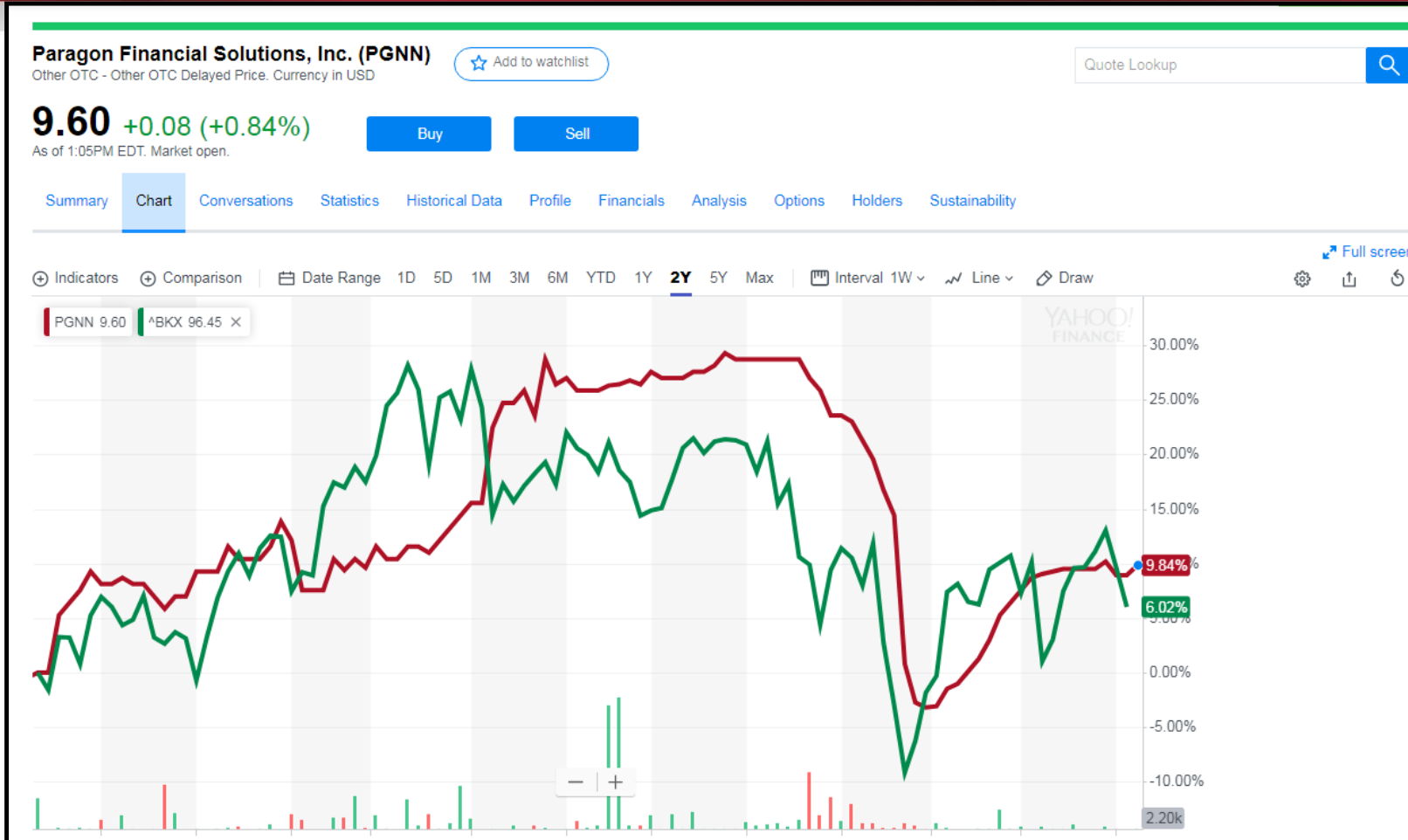
Summary Chart Conversations Statistics Historical Data Pr

Previous Close	9.52	Market Cap	42.369M
Open	9.56	Beta (3Y Monthly)	0.70
Bid	0.00 x 0	PE Ratio (TTM)	N/A
Ask	0.00 x 0	EPS (TTM)	-0.14
Day's Range	9.52 - 9.60	Earnings Date	N/A
52 Week Range	8.10 - 11.30	Forward Dividend & Yield	N/A (4.07%)
Volume	2,200	Ex-Dividend Date	N/A
Avg. Volume	927	1y Target Est	N/A

Trade prices are not sourced from all markets

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# PGNN v. KBW Bank Index



The KBW Bank Index, developed by Keefe, Bruyette and Woods, includes 24 banking stocks. The stocks represent large U.S. national money center banks, regional banks, and thrift institutions. KBW Bank Index is a benchmark stock index for the banking sector.

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# PGNN v. NASDAQ Bank Index



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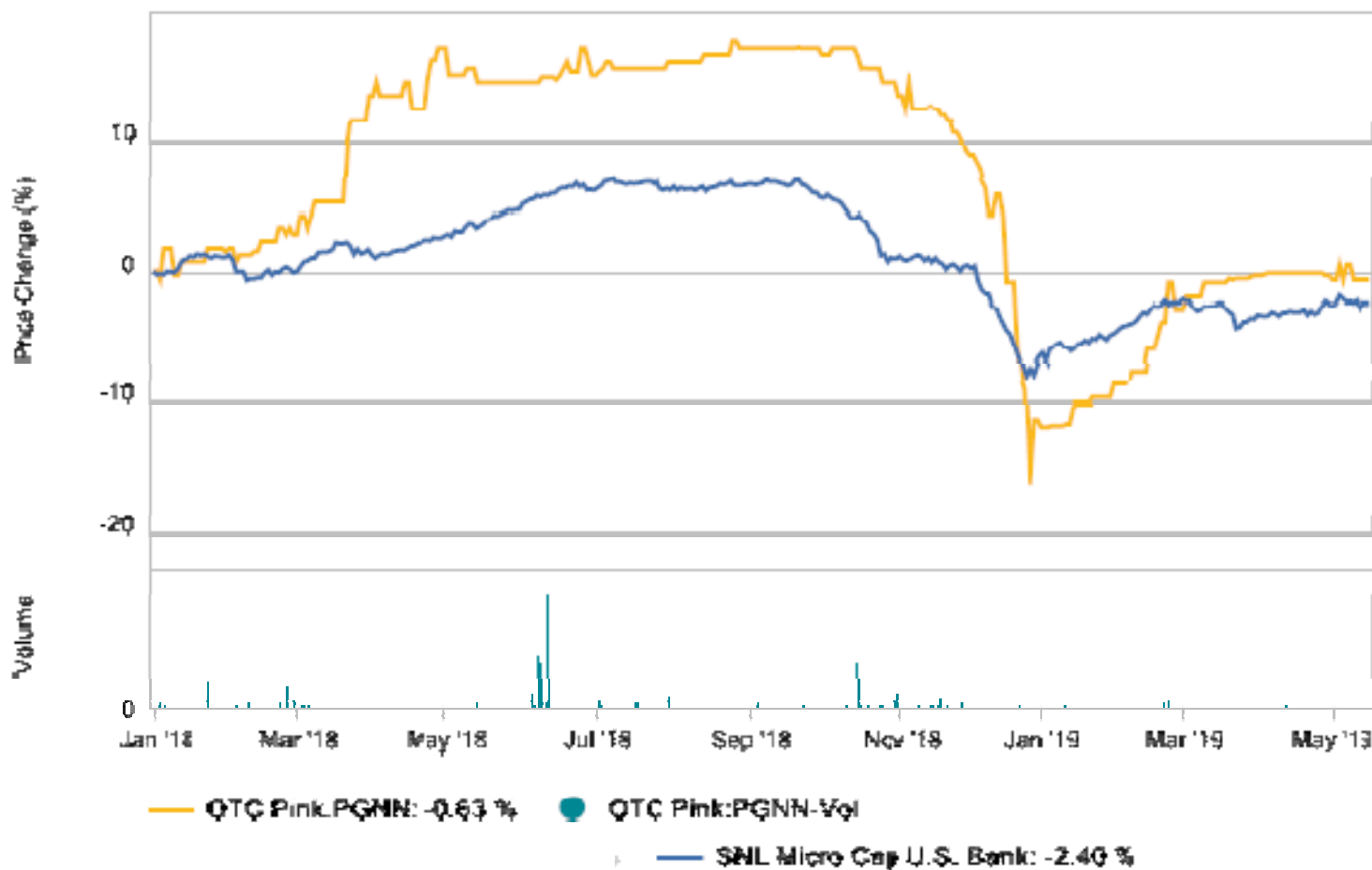


The NASDAQ Bank Index contains securities of NASDAQ-listed companies classified according to the Industry Classification Benchmark as Banks.

# PGNN v. SNL Micro Cap U.S. Bank Index



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The SNL Micro Cap U.S. Bank Index includes all publicly traded (NYSE, NYSE MKT, NASDAQ, OTC) Banks in SNL's coverage universe with less than \$250M Total Common Market Capitalization.

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# Return on PGNN



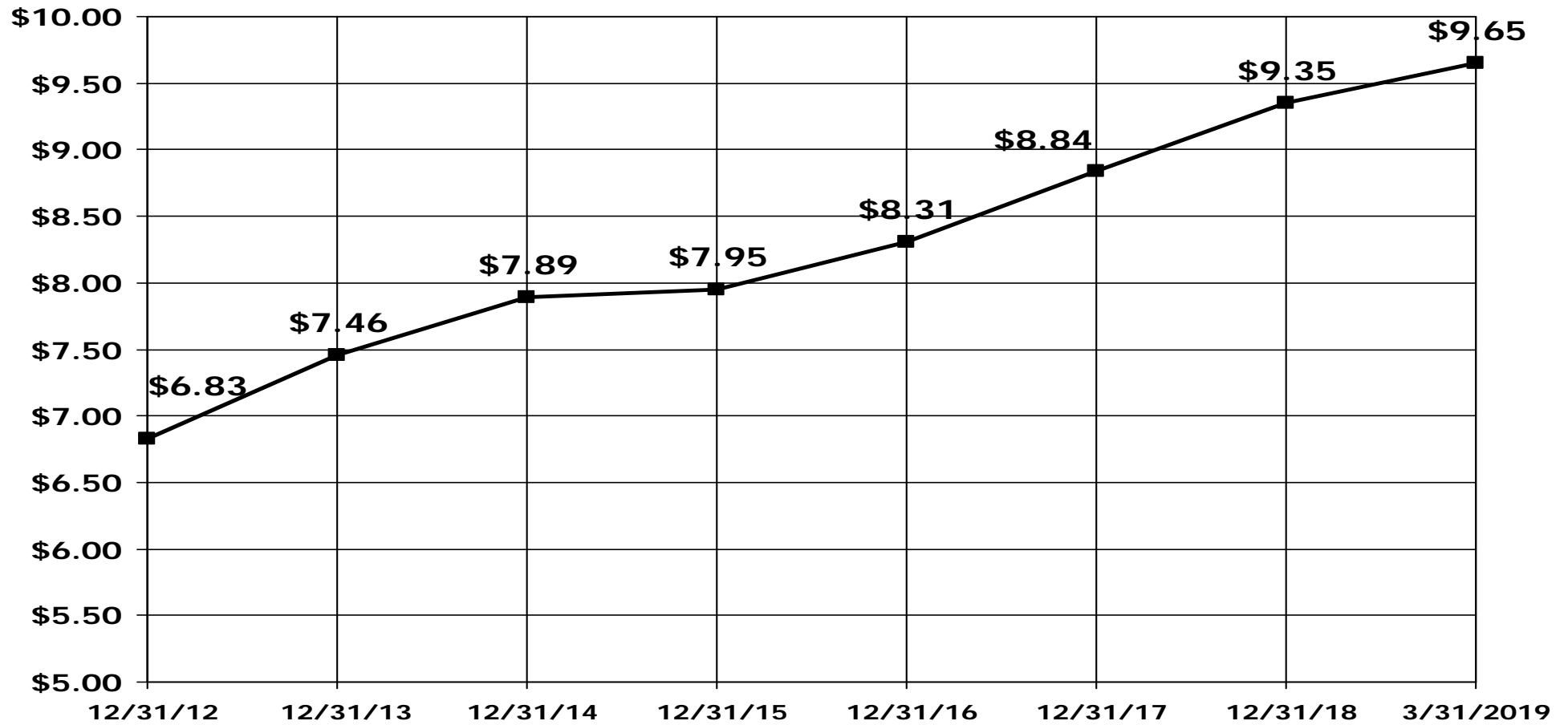
Period	Total	Annual
1 YR	-15.11%	-15.11%
2 YR	11.70%	5.85%
3 YR	51.59%	17.20%
5 YR	58.90%	11.78%
10 YR	354.76%	35.48%

Prices as of April 30 of each year

# Book Value Per Share



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# SUMMARY AND WRAP UP

# 2018 Records

- Loan Volumes
- Total Assets
- Demand Deposits
- Total Revenue
- Loan Income
- Net Interest Income
- Efficiency Ratio
- Income Before Taxes



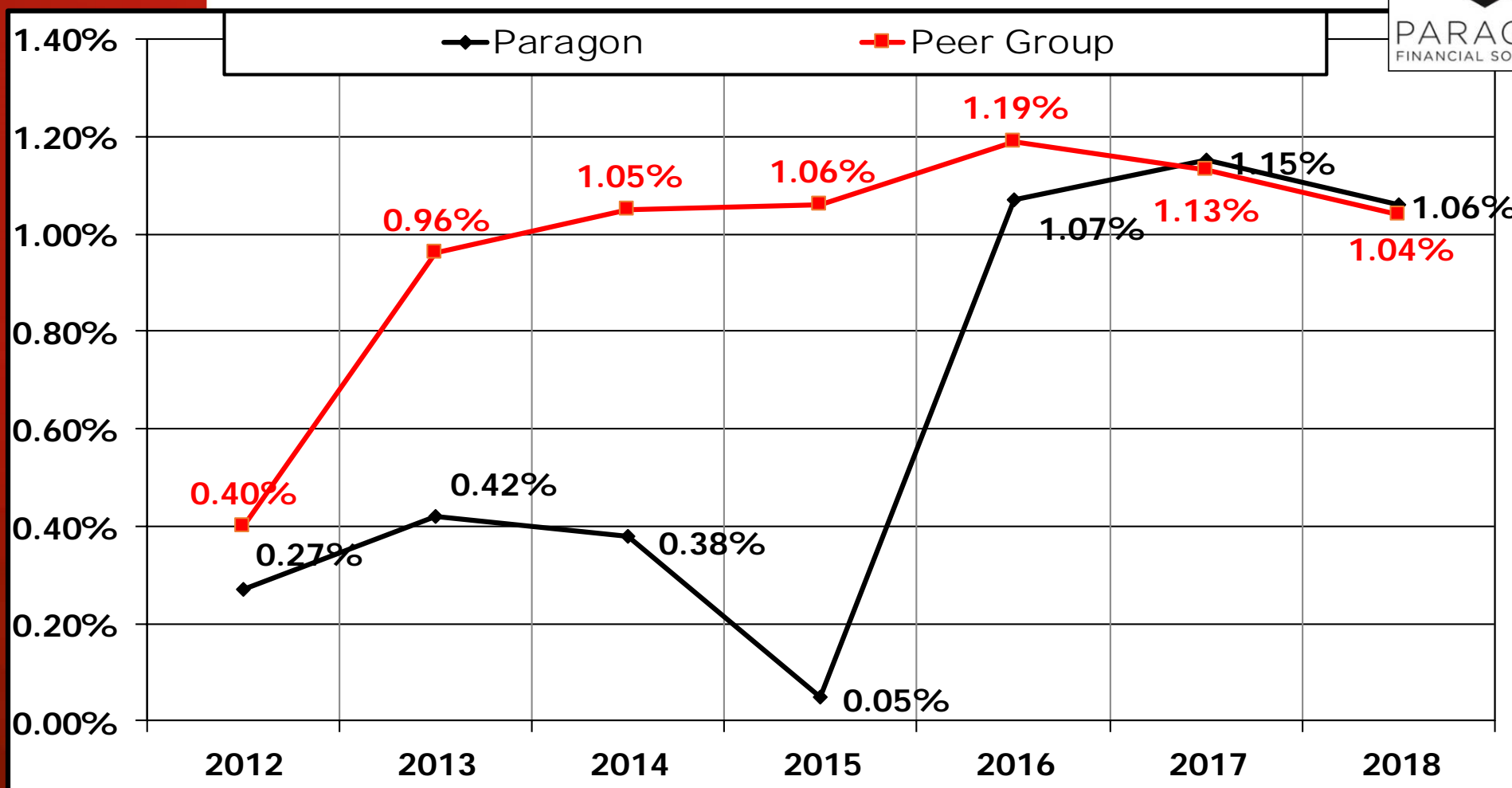
*Executing Our Long-Term Plan:*

*Achieve Sustained, Above-Peer  
Profitability*



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# Pre-Tax Return on Assets







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QUESTIONS?



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May 28, 2019