



February 7, 2025

Dear Fellow Shareholder:

Paragon Bank finished our 20th year in business with record growth and income. In addition to several financial records, Paragon also achieved several strategic priorities including opening offices in Jackson, TN, and Nashville, TN, and launching our new online and mobile banking platform.

The fourth quarter was a strong finish to the year with a net income of \$1.7 million, a record for Paragon. The fourth quarter net income was 39.8% greater than the 3rd quarter of 2024 and 223.9% greater than the 4th quarter of 2023. This improvement was the result of strong loan growth, strong core deposit growth, and a higher net interest margin.

Some highlights of the fourth quarter and 2024 include:

Balance Sheet

- Total loans grew by a record \$126.2 million, or 19.1%, during 2024. The Memphis, Atlanta, and Wilmington markets, along with Paragon's Capital Markets Division, had strong loan growth in 2024.
- On December 31, 2024, Paragon's core deposits totaled \$596.5 million, a record for Paragon. Core deposits increased a healthy 17.6%, on an annualized basis, during the fourth quarter. For the year, core deposits grew \$80.3 million, or 15.6%.
- Driven by outstanding growth in loans and deposits, total assets on December 31, 2024, were \$873.7 million, which is another record for Paragon.

Income Statement

- Despite the Federal Reserve reducing interest rates three times during 2024, Paragon's net interest margin increased to 3.68% in 2024 from 3.58% in 2023. During the fourth quarter of 2024, net interest margin increased to 3.77% from 3.66% during the third quarter. This increase was caused by a reduction in the cost of funds greater than the decrease in the rate of earning assets. Except for one other quarter, the net interest margin during the fourth quarter was the highest since the first quarter of 2023.
- Net interest income increased \$3.7 million, or 15.7%, during 2024, from \$23.7 million to \$27.4 million. Net interest income was a record for Paragon in 2024.
- During 2024, non-interest income increased \$1.4 million, or 65.2%. Excluding the historic tax credit recognized during 2023 and the 2023 gain on sale of Other Real Estate Owned (OREO), core non-interest increased 40.2%. This large increase was the result of increased gains on the sale of Small Business Administration and mortgage loans, increases in service charges, and increases in fee income. These increases were partially offset by a decrease in revenue from accounts receivable financing (Business Manager) as one customer exited that business line.

- Total revenue, which includes net interest income and non-interest income, for both the fourth quarter and all of 2024 were records for Paragon. Fourth quarter revenue of \$8.5 million was 6.1% higher than the third quarter of 2024 and 29.2% higher than the fourth quarter of 2023. Total revenue for 2024 of \$31.5 million increased 21% over total revenue for 2023.

Asset Quality

- Paragon asset quality remains good. On December 31, 2024, the ratio of nonperforming assets to total assets was down to .17%, compared to .23% on September 30, 2024.
- During 2024, Paragon had a net recovery of previously charged-off loan principal and interest payments.
- The ratio of the allowance for loan losses to gross loans decreased from 1.11% on September 30, 2024, to 1.05% on December 31, 2024. Excluding approximately \$127 million in government-guaranteed loans, the ratio was 1.26%.
- The ratio of the allowance for loan losses to nonperforming assets was 574.2% on December 31, 2024.

You are cordially invited to Paragon Bank's 20th Anniversary Celebration to be held at Paragon Centre, 5400 Poplar Avenue, Memphis, TN, on February 20, 2025, from 5 pm until 7 pm. If you plan to attend, please RSVP to traci.strickland@bankparagon.com.

We have positive momentum going into 2025, and we are excited about the future of Paragon. Thank you for your ownership and for your continued confidence in Paragon.

Respectfully,



Robert S. Shaw, Jr.
President and CEO



Lewis W. Perkins, III
Chief Financial Officer