



May 5, 2025

Dear Fellow Shareholder:

Over the last few years, in addition to expanding our reach with an enlarged geographic footprint and new products, Paragon Bank has added key personnel to our existing operations and markets. Our core bank supported those endeavors with earnings, capital, and staff. However, new investments can take time to bear fruit. While previous quarters have begun to show positive results, the most recent quarter particularly reflects the quality of some of those investments.

Thus, we could not be more pleased that Paragon Financial Solutions set a record for quarterly core earnings during the first quarter of 2025. Our 2025 first quarter net income of \$2 million was a 190% increase over the first quarter of 2024. Additionally in the first quarter, return on equity was 13.2%, while return on assets was .92%.

The significant improvement in earnings during the first quarter of 2025 over the first quarter of 2024 was due to outstanding loan growth, an improvement in net interest margin, and a sizable increase in noninterest income.

Additional highlights of the first quarter include:

Balance Sheet

- Total loans increased slightly during the first quarter, from \$786.7 million to \$789.4 million. This small increase was due to loan payoffs from customers successfully selling properties and Paragon selling the guaranteed portion of government-guaranteed loans. Paragon was aware of the pending sales and planned for these reductions. As a result, Paragon finished the first quarter of 2025 ahead of our planned loan goals. Since the end of the first quarter of 2024, Paragon's loans have increased \$115.4 million, or 17%.
- During the first quarter of 2025, total deposits increased from \$769.3 million to \$773.4 million. Core deposits, which exclude brokered deposits, increased \$29.9 million, or 20%, on an annualized basis during the first quarter.
- Tangible book value per share increased from \$13.15 on December 31, 2024, to \$13.71 on March 31, 2025.

Income Statement

- Paragon's net interest margin increased to 3.83% during the first quarter of 2025, compared to 3.77% during the fourth quarter of 2024 and compared to 3.41% during the first quarter of 2024. The net interest margin was compressed during the first quarter of 2024 due to increases in rates on deposits and other interest-bearing

liabilities at a faster pace than increases in rates on loans and investments. With the Federal Reserve decreasing rates starting in the summer of 2024, Paragon has been able to lower deposit rates faster, which has caused our net interest margin to increase.

- As a result of the increase in loans over the last year and an improved net interest margin, net interest income of \$7.8 million was a record for Paragon during the first quarter of 2025.
- Noninterest income increased 40.1% over the first quarter of 2024 and 47.6% over the fourth quarter of 2024. Small Business Administration (SBA) income was up 66% over the first quarter of 2024 and 157% over the fourth quarter of 2024, while mortgage banking income was up 83% over the first quarter of 2024.
- Total revenue for the first quarter of 2025 was \$9.0 million and a record for Paragon. It was up 31% over the first quarter of 2024 and 8% over the fourth quarter of 2024.
- While revenue increased 31%, noninterest expense increased 7.5% over the first quarter of 2024 and was slightly lower than the fourth quarter of 2024. The increases in expenses were related to Paragon's new locations in Jackson and Nashville, Tennessee, and other growth-related expenses.

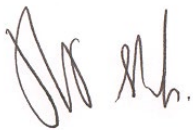
Asset Quality

- Asset quality remains good. On March 31, 2025, the ratio of nonperforming assets to total assets was .17%, the same ratio as on December 31, 2024.
- The ratio of the allowance for loan losses to gross loans was 1.05% on March 31, 2025. Excluding government-guaranteed loans, the ratio was 1.25%.

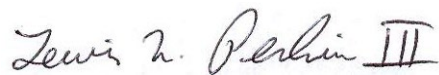
To hear more about Paragon's financial results for 2024 and the first quarter of 2025, please join us at our annual shareholders' meeting at Paragon Centre, 5400 Poplar Avenue, Memphis, TN, on May 22, 2025, at 3 pm.

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