PARAGON
FINANCIAL SOLUTIONS

August 4, 2026

Dear Fellow Shareholder:

Paragon delivered another quarter of strong financial performance during the second quarter of 2026, highlighted by record revenue, record net interest income, and our seventh consecutive quarter of return on equity exceeding 10%. These results reflect the strength of our relationship-driven business model and the disciplined execution of our growth strategy.

Net income of $1.9 million was approximately the same as in the first quarter of this year. Return on average equity was 10.76% while return on average assets was .86%.

Additional highlights for the second quarter and the first six months of 2026 include:

Balance Sheet

- Core loans, which exclude loans held for sale, increased $21.3 million, or 5.7%, on an annualized basis, reflecting continued demand from our banking customers and disciplined execution by our lending teams.
- During the second quarter, Paragon foreclosed on a piece of property totaling approximately $1 million. We do not anticipate incurring any loss on the disposition of the property.
- Core deposits, which excludes brokered deposits, increased $9.5 million during the first six months of 2026. During the second quarter, core deposits decreased $20.4 million. This decrease was attributable to a small number of unique customer events rather than broader competitive pressures. We continue to maintain strong customer relationships and remain confident in our deposit-gathering capabilities.
- During the second quarter, another $1 million was paid down on our revolving line of credit. $2 million has been paid down this year.
- Paragon's tangible book value increased from $15.13 per share on December 31, 2025, to $15.73 per share on June 30, 2026, as a result of net income during the first half of 2026.

Income Statement

- Net interest income increased to a record $8.6 million during the second quarter, which was a 13% increase over the first quarter on an annualized basis.
- Total revenue for the second quarter was $9.6 million and was $18.9 million through the first six months of 2026. The current quarter and year-to-date totals were both records for Paragon.
- Paragon's net interest margin increased from 3.96% during the first quarter of 2026 to 3.98% during the second quarter of 2026. The slight improvement was the result of a decrease in Paragon's cost of funds.

- Second quarter noninterest income was approximately the same as second quarter noninterest income in 2025. Mortgage banking income increased 59% and SBA (Small Business Administration) income increased 54% during the second quarter. These gains were offset by one-time fees recognized during the second quarter of 2025 and a trading loss in our Capital Markets Division during the second quarter of 2026.
- During the second quarter, we were pleased to add a mortgage team in Middle and West Tennessee based in our office in Franklin, TN. We believe this expansion will enhance our mortgage banking capabilities, strengthen our presence in an attractive growth market, and contribute to future revenue growth.
- Expenses related to the new mortgage team, increased commissions, increased incentive pay, and regular annual adjustments to team members' salaries, caused the larger increases in salaries and employee benefits compared to the second quarter of 2025 and the first six months of 2026.

Asset Quality

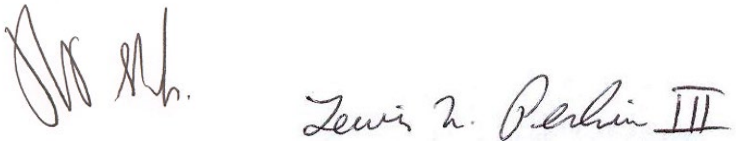
- During the second quarter, Paragon charged off a loan of approximately $700 thousand. We expect to recover a portion of this charge off during the fourth quarter of 2026.
- As a result of the charge off, the ratio of the allowance to gross loans excluding government guaranteed loans decreased from 1.18% on March 31, 2026, to 1.07% on June 30, 2026. A $25 thousand loan loss provision was made during the quarter.
- Despite the charge-off, asset quality remained strong. Nonperforming assets declined to 0.28% of total assets from 0.39% at the end of the first quarter, while credit metrics continue to compare favorably with industry peers.

Finally, on July 27, we were pleased to announce that the Board of Directors of Paragon Financial Solutions has declared a cash dividend of $0.50 per share on its common stock. The dividend is payable on August 24, 2026, to shareholders of record as of August 10, 2026.

As we enter the second half of 2026, we remain focused on profitable growth, disciplined risk management, and creating long-term value for our shareholders. We are encouraged by the opportunities ahead and believe Paragon is well positioned for continued success.

Thank you for your ownership and for your continued confidence in Paragon.

Respectfully,



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