



PARAGON  
FINANCIAL SOLUTIONS

November 6, 2025

Dear Fellow Shareholder:

During the third quarter 2025, Paragon continued to execute the strategy we have articulated over the previous several quarters. Driven largely by core deposit growth, net income for the third quarter was \$1.9 million, an increase of 62% over the third quarter of 2024. We continue to set profitability records. Through the first three quarters of 2025, net income is 92% higher than the first three quarters of 2024. In fact, in the three quarters we have surpassed 2024's full-year income. Confidently, we are on target for another record year of earnings in 2025. Year-to-date return on average equity was 12.29% and return on average assets was .90%. Earnings per share increased from \$.67 during the first three quarters of 2024 to \$1.28 for the first three quarters of 2025.

Additional highlights for the third quarter and first nine months of 2025 include:

### **Balance Sheet**

- Total loans remained relatively flat during the third quarter and have decreased \$35.4 million, or 6.0%, since December 31, 2024. Excluding the loans that were originated or purchased and then sold by Paragon's Small Business Administration (SBA) and Capital Markets divisions, loans have increased \$20.9 million, or 4.5%, on an annualized basis.
- During the first three quarters of 2025, Paragon's total deposits decreased \$13.8 million, or 2.4%, on an annualized basis. This decrease was caused by a decrease in brokered deposits. Core deposits, which excludes brokered deposits, increased \$68.6 million, or 15%, on an annualized basis during 2025.
- The outstanding growth in core deposits has also allowed Paragon to pay off the \$23 million in short-term borrowings that Paragon had on December 31, 2024.
- On September 30, 2025, Paragon's ratio of total shareholders' equity to total assets was 7.91% compared to 6.81% on December 31, 2024.
- As a result of net income during the first nine months of 2025 and a reduction in the unrealized loss on Paragon's investment portfolio of \$1.4 million, Paragon's tangible book value increased from \$13.15 on December 31, 2024, to \$14.67 on September 30, 2025.

### **Income Statement**

- For the fourth consecutive quarter, net interest income was a record for Paragon. Third quarter net interest income of \$8.1 million increased by \$1.3 million, or 18%, versus the same quarter in the prior year. Year-to-date net interest income of \$24 million was also a record for Paragon.

- Total revenue of \$27.2 million for the first nine months of 2025 was also a record for Paragon.
- While total revenue for the first nine months of 2025 increased 20.5%, total noninterest expense increased 5.7%. Excluding the new expense increases related to Paragon's expansions in Jackson, TN, and Nashville, TN, noninterest expense would have increased 3.7%.
- Paragon's net interest margin increased from 3.94% during the second quarter to 4.02% during the third quarter. This improvement was a result of both an increase in the rate of earning assets and a reduction in the cost of funds.
- Noninterest income for the third quarter of 2025 was \$126 thousand less than the third quarter of 2024. The primary reason for this variance was a reduced amount of income from Paragon's SBA division. Income from the SBA division is not smooth and varies based on when government-guaranteed loans are sold. Year-to-date, noninterest income was \$3.2 million, up \$424 thousand, or 15%, from the prior year. This increase was due to an increase in mortgage banking income, trading asset gains, fee income, and SBA income.

### **Asset Quality**

- Paragon's asset quality remains excellent as evidenced by net charge-offs to average total loans of less than one basis point.
- During the third quarter, the ratio of nonperforming assets to total assets increased slightly from .16% of total assets to .17% of total assets.
- The ratio of the allowance to gross loans excluding government guaranteed loans was 1.22% on September 30, 2025, down from 1.23% on June 30, 2025. The ratio of the allowance to nonperforming assets on September 3, 2025, was 589%.

We look forward to reporting Paragon's full-year results. 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

**Paragon Financial Solutions, Inc.**  
**Consolidated Statements of Financial Condition**

	<b>September 30, 2025 (unaudited)</b>	<b>December 31, 2024</b>
<b>ASSETS</b>		
Cash, cash equivalents & fed funds sold	\$ 24,191,565	\$ 17,028,837
Securities, available for sale	46,778,239	47,310,605
Loans, net	743,104,281	778,457,093
Restricted equity securities, at cost	897,500	2,041,600
Fixed assets	14,583,726	15,133,265
Other assets	15,932,423	13,673,485
<b>Total assets</b>	<b>\$ 845,487,734</b>	<b>\$ 873,644,885</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Non-interest-bearing demand deposits	\$ 134,163,413	\$ 132,824,099
Interest-bearing deposits		
Interest-bearing checking	183,499,633	191,351,910
Savings and money market demand	203,643,889	176,171,084
Certificates of deposit	234,152,015	268,954,972
<b>Total deposits</b>	<b>755,458,950</b>	<b>769,302,065</b>
Repurchase agreements	1,991,823	2,255,454
Short-term borrowings	-	23,000,000
Revolving line of credit	7,270,000	7,270,000
Accrued interest and other liabilities	13,852,671	12,344,437
<b>Total liabilities</b>	<b>778,573,444</b>	<b>814,171,956</b>
<b>Total shareholders' equity</b>	<b>66,914,290</b>	<b>59,472,929</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 845,487,734</b>	<b>\$ 873,644,885</b>
<b>Tangible Book Value Per Share</b>	<b>\$ 14.67</b>	<b>\$ 13.15</b>

**Paragon Financial Solutions, Inc.**

**Consolidated Statement of Operations (unaudited)**

	Three Months Ended September 30,			
	2025	2024	\$ Change	% Change
<b>Interest and dividend income:</b>				
Loans, including fees	\$ 12,826,818	\$ 12,584,449	\$ 242,369	1.93%
Securities, available for sale	323,987	314,906	9,081	2.88%
Federal funds sold and other	376,637	47,048	329,589	700.54%
<b>Total interest income</b>	<b>13,527,442</b>	<b>12,946,403</b>	<b>581,039</b>	<b>4.49%</b>
<b>Interest expense:</b>				
Deposits	5,237,961	5,504,420	(266,459)	-4.84%
Securities sold under agreements to repurchase	14,449	18,616	(4,167)	-22.38%
Federal funds purchased and other borrowings	140,133	548,559	(408,426)	-74.45%
<b>Total interest expense</b>	<b>5,392,543</b>	<b>6,071,595</b>	<b>(679,052)</b>	<b>-11.18%</b>
<b>Net interest income</b>	<b>8,134,899</b>	<b>6,874,808</b>	<b>1,260,091</b>	<b>18.33%</b>
<b>Provision for loan losses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>
<b>Net interest income after provision for loan losses</b>	<b>8,134,899</b>	<b>6,874,808</b>	<b>1,260,091</b>	<b>18.33%</b>
<b>Non-interest income</b>	<b>902,285</b>	<b>1,028,556</b>	<b>(126,271)</b>	<b>-12.28%</b>
<b>Non-interest expense</b>				
Salaries and employee benefits	4,178,517	4,037,377	141,140	3.50%
Occupancy and equipment expense	934,944	894,741	40,203	4.49%
Other expenses	1,369,478	1,337,214	32,264	2.41%
<b>Total operating expenses</b>	<b>6,482,939</b>	<b>6,269,332</b>	<b>213,607</b>	<b>3.41%</b>
<b>Income (loss) before income taxes</b>	<b>2,554,245</b>	<b>1,634,032</b>	<b>920,213</b>	<b>56.32%</b>
<b>Income tax expense (benefit)</b>	<b>630,419</b>	<b>443,068</b>	<b>187,351</b>	<b>42.28%</b>
<b>Net income (loss)</b>	<b>\$ 1,923,826</b>	<b>\$ 1,190,964</b>	<b>\$ 732,862</b>	<b>61.54%</b>
<b>Basic earnings per share</b>	<b>\$ 0.42</b>	<b>\$ 0.26</b>	<b>\$ 0.16</b>	

**Paragon Financial Solutions, Inc.**

**Consolidated Statement of Operations (unaudited)**

	<b>Nine Months Ended September 30,</b>			
	<b>2025</b>	<b>2024</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Interest and dividend income:</b>				
Loans, including fees	\$ 38,812,494	\$ 35,536,987	\$ 3,275,507	9.22%
Securities, available for sale	978,088	987,205	(9,117)	-0.92%
Federal funds sold and other	860,936	199,200	661,736	332.20%
<b>Total interest income</b>	<b>40,651,518</b>	<b>36,723,392</b>	<b>3,928,126</b>	<b>10.70%</b>
<b>Interest expense:</b>				
Deposits	15,948,029	15,620,989	327,040	2.09%
Securities sold under agreements to repurchase	46,364	62,828	(16,464)	-26.20%
Federal funds purchased and other borrowings	677,047	1,254,871	(577,824)	-46.05%
<b>Total interest expense</b>	<b>16,671,440</b>	<b>16,938,688</b>	<b>(267,248)</b>	<b>-1.58%</b>
<b>Net interest income</b>	<b>23,980,078</b>	<b>19,784,704</b>	<b>4,195,374</b>	<b>21.21%</b>
<b>Provision for loan losses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>
<b>Net interest income after provision for loan losses</b>	<b>23,980,078</b>	<b>19,784,704</b>	<b>4,195,374</b>	<b>21.21%</b>
<b>Non-interest income</b>	<b>3,185,953</b>	<b>2,762,315</b>	<b>423,638</b>	<b>15.34%</b>
<b>Non-interest expense</b>				
Salaries and employee benefits	12,371,502	11,914,634	456,868	3.83%
Occupancy and equipment expense	2,729,153	2,516,928	212,225	8.43%
Other expense	4,316,335	3,939,657	376,678	9.56%
<b>Total operating expenses</b>	<b>19,416,990</b>	<b>18,371,219</b>	<b>1,045,771</b>	<b>5.69%</b>
<b>Income (loss) before income taxes</b>	<b>7,749,041</b>	<b>4,175,800</b>	<b>3,573,241</b>	<b>85.57%</b>
<b>Income tax expense (benefit)</b>	<b>1,923,117</b>	<b>1,142,384</b>	<b>780,733</b>	<b>68.34%</b>
<b>Net income (loss)</b>	<b>\$ 5,825,924</b>	<b>\$ 3,033,416</b>	<b>\$ 2,792,508</b>	<b>92.06%</b>
<b>Basic earnings per share</b>	<b>\$ 1.28</b>	<b>\$ 0.67</b>	<b>\$ 0.61</b>	