



PARAGON
FINANCIAL SOLUTIONS

February 6, 2026

Dear Fellow Shareholder:

Over the past several years, the Paragon team has worked diligently to position the bank for increased profitability and growth. In previous letters to you, we have commented on how those moves have propelled improved performance. We are proud to say that our efforts continue to be rewarded - this time, with a record fourth-quarter and full-year net income. This performance was primarily driven by core deposit growth, an improved net interest margin, and increased fee generation. We are pleased to report that net income for 2025 was \$7.8 million, a 66% increase over the prior year. For the year, return on equity was 12.10%, while return on assets was .91%.

Additional highlights for the fourth quarter and 2025 include:

Balance Sheet

- Total loans were \$805 million on December 31, 2025, an increase of \$18 million, or 2.3%, for the year. Excluding the loans that were originated or purchased and then sold by Paragon's Small Business Administration (SBA) and Capital Markets divisions, loans increased \$36.5 million, or 5.9%.
- During 2025, total deposits decreased \$15.7 million, or 2%. The decrease was the result of a reduction in brokered deposits of \$103 million. Core deposits, which exclude brokered deposits, increased an impressive \$86.5 million, or 14.7%.
- Short-term borrowings, which are Federal Home Loan Bank Advances, increased from \$23 million on December 31, 2024, to \$45 million on December 31, 2025. During 2025, Paragon used Federal Home Loan Bank Advances when assets were purchased and sold so that the borrowings could be increased or paid down rapidly to match asset activity.
- During 2025, Paragon's ratio of total shareholders' equity to total assets increased from 6.81% on December 31, 2024, to 7.80% on December 31, 2025.
- As a result of net income during 2025 and a reduction in the unrealized loss on Paragon's investment portfolio of \$2.1 million, Paragon's tangible book value increased from \$13.15 per share on December 31, 2024, to \$15.13 per share on December 31, 2025.

Income Statement

- For the sixth consecutive year, net interest income was a record for Paragon. 2025 net interest income of \$32.4 million increased \$5.1 million, or 19%, over 2024.
- For the fifth consecutive year, total revenue of \$36.5 million for 2025 was also a record for Paragon. Total revenue increased \$5.6 million, or 18%.

- While total revenue increased 18%, total noninterest expense increased \$1.3 million, or 5.4%. As a result, Paragon's efficiency ratio for 2025 was 71.4%, a record for Paragon.
- Paragon's net interest margin increased from 4.02% during the third quarter to 4.13% during the fourth quarter. The net interest margin for the year was 3.98% compared to 3.68% for 2024. The improvement in net interest margin was primarily a result of a decrease in the cost of deposits and other interest-bearing liabilities due to the decrease in market interest rates. During the decreasing rate environment, Paragon was also able to reprice some lower-yielding loans that matured so that the decrease in the earning assets rate was minimized.
- During 2025, noninterest income increased \$479 thousand, or 13%. This increase was primarily a result of increases in income from Paragon's Small Business Administration, mortgage, and Capital Markets businesses, all of which had double-digit percentage increases.
- Earnings per share for 2025 increased 65% from \$1.04 in 2024 to \$1.72 in 2025.

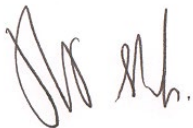
Asset Quality

- Paragon's asset quality remains excellent as evidenced by net charge-offs to average total loans of less than one basis point.
- During the fourth quarter, Paragon made a \$100 thousand provision for loan losses. This provision was made because of loan growth. On December 31, 2025, the ratio of nonperforming assets to total assets was .15%, down from .17% on December 31, 2024.
- The ratio of the allowance to gross loans excluding government guaranteed loans was 1.21% on December 31, 2025, down from 1.26% on December 31, 2024, due to loan growth. The ratio of the allowance to nonperforming assets on December 31, 2025, was 628%.

During the fourth quarter, the *American Banker*, the banking industry's daily trade publication, released its list of Best Banks to Work For. For the eighth consecutive year, Paragon was included. Paragon was ranked third in the United States in 2025.

As we begin the new year, we believe we have strong momentum for success in 2026. 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

	December 31, 2025 (Unaudited)	December 31, 2024
ASSETS		
Cash, cash equivalents & fed funds sold	\$ 8,744,237	\$ 17,028,837
Securities, available for sale	51,017,217	47,310,605
Loans, net	796,279,266	778,457,093
Restricted equity securities, at cost	2,724,300	2,041,600
Fixed assets	14,086,777	15,133,265
Other assets	15,602,274	13,673,485
Total assets	\$ 888,454,071	\$ 873,644,885
LIABILITIES AND SHAREHOLDERS' EQUITY		
Non-interest-bearing demand deposits	\$ 127,109,078	\$ 132,824,099
Interest-bearing deposits		
Interest-bearing checking	186,402,101	191,351,910
Savings and money market demand	222,114,571	176,171,084
Certificates of deposit	217,999,031	268,954,972
Total deposits	753,624,781	769,302,065
Repurchase agreements	2,050,537	2,255,454
Short-term borrowings	45,000,000	23,000,000
Revolving line of credit	6,270,000	7,270,000
Accrued interest and other liabilities	12,230,530	12,344,437
Total liabilities	819,175,848	814,171,956
Total shareholders' equity	69,278,223	59,472,929
Total liabilities and shareholders' equity	\$ 888,454,071	\$ 873,644,885
Tangible Book Value Per Share	\$ 15.13	\$ 13.15

Paragon Financial Solutions, Inc.
Consolidated Statement of Operations (unaudited)

	Three Months Ended December 31,			
	2025	2024	\$ Change	% Change
Interest and dividend income:				
Loans, including fees	\$ 12,937,824	\$ 13,319,679	\$ (381,855)	-2.87%
Securities, available for sale	331,774	327,914	3,860	1.18%
Federal funds sold and other	276,745	46,188	230,557	499.17%
Total interest income	13,546,343	13,693,781	(147,438)	-1.08%
Interest expense:				
Deposits	4,914,997	5,700,947	(785,950)	-13.79%
Securities sold under agreements to repurchase	10,938	15,405	(4,467)	-29.00%
Federal funds purchased and other borrowings	156,471	408,237	(251,766)	-61.67%
Total interest expense	5,082,406	6,124,589	(1,042,183)	-17.02%
Net interest income	8,463,937	7,569,192	894,746	11.82%
Provision for loan losses	100,000	-	100,000	0.00%
Net interest income after provision for loan losses	8,363,937	7,569,192	794,746	10.50%
Non-interest income	887,943	832,708	55,235	6.63%
Non-interest expense				
Salaries and employee benefits	4,226,971	4,149,363	77,608	1.87%
Occupancy and equipment expense	988,259	820,939	167,320	20.38%
Other expenses	1,451,853	1,417,763	34,090	2.40%
Total operating expenses	6,667,083	6,388,065	279,018	4.37%
Income (loss) before income taxes	2,584,797	2,013,835	570,963	28.35%
Income tax expense (benefit)	595,108	348,729	246,379	70.65%
Net income (loss)	\$ 1,989,689	\$ 1,665,106	\$ 324,584	19.49%
Basic earnings per share	\$ 0.44	\$ 0.37	\$ 0.07	

Paragon Financial Solutions, Inc.
Consolidated Statement of Operations (unaudited)

	Year Ended December 31,			
	2025	2024	\$ Change	% Change
Interest and dividend income:				
Loans, including fees	\$ 51,750,318	\$ 48,856,666	\$ 2,893,652	5.92%
Securities, available for sale	1,309,862	1,315,119	(5,257)	-0.40%
Federal funds sold and other	1,137,681	245,388	892,293	363.63%
Total interest income	54,197,861	50,417,173	3,780,688	7.50%
Interest expense:				
Deposits	20,863,026	21,321,936	(458,910)	-2.15%
Securities sold under agreements to repurchase	57,302	78,233	(20,931)	-26.75%
Federal funds purchased and other borrowings	833,518	1,663,108	(829,590)	-49.88%
Total interest expense	21,753,846	23,063,277	(1,309,431)	-5.68%
Net interest income	32,444,015	27,353,896	5,090,119	18.61%
Provision for loan losses	100,000	-	100,000	0.00%
Net interest income after provision for loan losses	32,344,015	27,353,896	4,990,119	18.24%
Non-interest income	4,073,896	3,595,023	478,873	13.32%
Non-interest expense				
Salaries and employee benefits	16,598,473	16,063,997	534,476	3.33%
Occupancy and equipment expense	3,717,412	3,337,867	379,545	11.37%
Other expense	5,768,188	5,357,420	410,768	7.67%
Total operating expenses	26,084,073	24,759,284	1,324,789	5.35%
Income (loss) before income taxes	10,333,838	6,189,635	4,144,203	66.95%
Income tax expense (benefit)	2,518,225	1,491,113	1,027,112	68.88%
Net income (loss)	\$ 7,815,613	\$ 4,698,522	\$ 3,117,091	66.34%
Basic earnings per share	\$ 1.72	\$ 1.04	\$ 0.68	