



May 6, 2026

Dear Fellow Shareholder:

Paragon delivered solid first quarter performance with record net interest income and revenue and another quarter of strong core deposit growth. Our fee businesses (SBA Lending and Capital Markets) revenue fluctuates with the sale of loans and loan pools. We anticipate those divisions' income will increase as this year progresses. For the first quarter, return on average equity was 11.19%, while return on average assets was .88%.

Additional highlights for the first quarter include:

#### **Balance Sheet**

- Total loans were relatively flat from the end of the fourth quarter of 2025 to the end of the first quarter of 2026. Core loans, which exclude loans purchased and sold by Paragon's Capital Markets division, increased \$19 million, or 10%, on an annualized basis, during the first quarter.
- During the first quarter of 2026, total deposits increased from \$753.6 million to \$781.4 million, or 4%. Core deposits, which exclude brokered deposits, increased \$29.9 million, or 17%, on an annualized basis.
- Short-term borrowings, which are Federal Home Loan Bank Advances, decreased \$26 million during the first quarter after increasing \$22 million during 2025. These are borrowings Paragon uses as short-term funding. During the first quarter, the advances were paid down as a result of the growth in deposits.
- Paragon's ratio of total shareholders' equity to total assets increased from 7.80% on December 31, 2025, to 7.98% on March 31, 2026. During the first quarter, \$1 million was paid to the holding company so that the debt at the holding company could be paid down an additional \$1 million.
- As a result of net income during the first quarter, Paragon's tangible book value increased from \$15.13 per share on December 31, 2025, to \$15.42 per share on March 31, 2026.

#### **Income Statement**

- Net interest income for the first quarter was \$8.3 million and total revenue was \$9.3 million. Both were records for the first quarter and both were the second highest for a quarter in Paragon's history.
- Paragon's efficiency ratio for the first quarter of 2026 was 71.34%, slightly higher than the efficiency of 70.35% for the fourth quarter of 2025.

- Paragon’s net interest margin was 3.96% during the first quarter of 2026 compared to 3.83% during the first quarter of 2025. The net interest margin was 4.13% during the fourth quarter of 2025. It was inflated due to the recognition of a state tax credit during the fourth quarter.
- First quarter noninterest income was \$235 thousand, or 19%, less than the first quarter of 2025, but increased \$106 thousand, or 12%, over the fourth quarter of 2025. The reduction in the first quarter of 2026 compared to the first quarter of 2025 was primarily the result of fewer gains on the sale of Small Business Administration (SBA) loans. Income from the sale of SBA loans does not occur smoothly but fluctuates based on when loans are made and ready to sell in the secondary market. During the first quarter of this year, strong mortgage income offset some of the weakness in SBA loan sales.
- Noninterest expense was \$318 thousand, or 5%, over the first quarter of 2025, but was just \$31 thousand, or .47%, higher than the fourth quarter of 2025. In addition to price escalations, the increase in noninterest expense was to support Paragon’s growth.

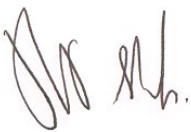
#### **Asset Quality**

- Paragon’s asset quality remains excellent as there were net loan recoveries during the first quarter of 2026.
- On March 31, 2026, the ratio of nonperforming assets to total assets was .39%, an increase from .15% on December 31, 2025. Although nonperforming assets rose, the majority of this increase is centered on three loans, two of which are SBA loans.
- The ratio of the allowance to gross loans excluding government guaranteed loans was 1.18% on March 31, 2026, down from 1.21% on December 31, 2025, due to loan growth. The ratio of the allowance to nonperforming assets on March 31, 2026, was 239%.

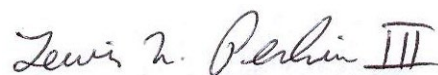
To learn more about Paragon’s financial results for 2025 and the first quarter of 2026, please join us at our annual shareholders’ meeting at Paragon Centre, 5400 Poplar Avenue, Memphis, TN, on May 21, 2026, at 3 pm.

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

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

	<b>March 31, 2026</b> <b>(unaudited)</b>	<b>December 31,</b> <b>2025</b>
<b>ASSETS</b>		
Cash, cash equivalents & fed funds sold	\$ 8,450,949	\$ 8,744,237
Securities, available for sale	52,025,796	51,017,217
Loans, net	796,132,330	796,279,266
Restricted equity securities, at cost	1,554,300	2,724,300
Fixed assets	15,433,601	14,086,777
Other real estate owned	108,000	-
Other assets	18,376,138	15,613,596
<b>Total assets</b>	<b>\$ 892,081,114</b>	<b>\$ 888,465,393</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Non-interest-bearing demand deposits	\$ 138,383,353	\$ 127,109,078
Interest-bearing deposits		
Interest-bearing checking	200,977,014	186,402,101
Savings and money market demand	220,169,436	222,114,571
Certificates of deposit	221,919,405	217,999,031
<b>Total deposits</b>	<b>781,449,208</b>	<b>753,624,781</b>
Repurchase agreements	2,038,550	2,050,537
Short-term borrowings	19,000,000	45,000,000
Revolving line of credit	5,270,000	6,270,000
Accrued interest and other liabilities	13,168,431	12,241,852
<b>Total liabilities</b>	<b>820,926,189</b>	<b>819,187,170</b>
<b>Total shareholders' equity</b>	<b>71,154,925</b>	<b>69,278,223</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 892,081,114</b>	<b>\$ 888,465,393</b>
<b>Tangible Book Value Per Share</b>	<b>\$ 15.42</b>	<b>\$ 15.13</b>

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

	Three Months Ended March 31,			
	2026	2025	\$ Change	% Change
<b>Interest and dividend income:</b>				
Loans, including fees	\$ 12,838,338	\$ 13,189,067	\$ (350,729)	-2.66%
Securities, available for sale	363,143	326,701	36,442	11.15%
Federal funds sold and other	237,629	52,922	184,707	349.02%
<b>Total interest income</b>	<b>13,439,110</b>	<b>13,568,690</b>	<b>(129,580)</b>	<b>-0.95%</b>
<b>Interest expense:</b>				
Deposits	4,667,309	5,387,778	(720,469)	-13.37%
Securities sold under agreements to repurchase	12,475	15,765	(3,290)	-20.87%
Federal funds purchased and other borrowings	471,281	361,609	109,672	30.33%
<b>Total interest expense</b>	<b>5,151,066</b>	<b>5,765,152</b>	<b>(614,086)</b>	<b>-10.65%</b>
<b>Net interest income</b>	<b>8,288,044</b>	<b>7,803,538</b>	<b>484,506</b>	<b>6.21%</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>8,288,044</b>	<b>7,803,538</b>	<b>484,506</b>	<b>6.21%</b>
<b>Non-interest income</b>	<b>994,301</b>	<b>1,229,126</b>	<b>(234,825)</b>	<b>-19.11%</b>
<b>Non-interest expense</b>				
Salaries and employee benefits	4,299,583	4,106,250	193,333	4.71%
Occupancy and equipment expense	935,014	871,417	63,597	7.30%
Other expense	1,463,885	1,402,719	61,166	4.36%
<b>Total operating expenses</b>	<b>6,698,482</b>	<b>6,380,386</b>	<b>318,096</b>	<b>4.99%</b>
<b>Income (loss) before income taxes</b>	<b>2,583,863</b>	<b>2,652,278</b>	<b>(68,415)</b>	<b>-2.58%</b>
<b>Income tax expense (benefit)</b>	<b>629,742</b>	<b>667,177</b>	<b>(37,435)</b>	<b>-5.61%</b>
<b>Net income (loss)</b>	<b>\$ 1,954,121</b>	<b>\$ 1,985,101</b>	<b>\$ (30,980)</b>	<b>-1.56%</b>
<b>Basic earnings per share</b>	<b>\$ 0.42</b>	<b>\$ 0.44</b>	<b>\$ (0.02)</b>	