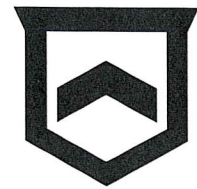


May 1, 2024



PARAGON
FINANCIAL SOLUTIONS

Dear Fellow Shareholder:

Paragon saw a 33% increase in net income versus the previous quarter. The banking industry saw rising deposit costs in 2023, and Paragon was not immune. In addition, during 2023, we invested in new people and facilities for future growth. While those pressures impacted net income throughout 2023, we feel like we have turned the page with a 33% increase in net income to \$684 thousand. This is still \$820 thousand shy of the first quarter 2023 net Income, but we anticipate continued improvement as our expansion bears fruit.

Other highlights of the first quarter of 2024 included:

Balance Sheet

- Gross loans increased to \$674 million on March 31, 2024, an increase of \$13.5 million, or 8%, on an annualized basis.
- As a result of Paragon's loan and deposit growth during the first quarter, total assets on March 31, 2024, were a record \$774.8 million.
- During the first quarter of 2024, core deposits grew \$65.3 million, or 50.6%, on an annualized basis. Core deposits grew in all four of Paragon's markets and were a result of both our existing and new team members and our newly added banking centers. This large increase in deposits allowed Paragon to eliminate higher rate overnight borrowings and to reduce expensive brokered deposits by more than \$32 million.
- Book value per share increased to \$12.14 on March 31, 2024. Due to an increase in market interest rates, the unrealized loss on Paragon's investment securities portfolio increased slightly from \$5.4 million to \$5.7 million. Book value on March 31, 2024, excluding the unrealized loss on the investment portfolio, would have been \$13.08.

Income Statement

- Total revenue for the first quarter of 2024 was a record and 5.6% higher than the fourth quarter of 2023.
- Many banks across the U.S. experienced margin compression as increased rates on deposits and other interest-bearing liabilities have increased at a faster pace than rates on loans and investments. Paragon's net interest margin increased for the second consecutive quarter from 3.39% during the fourth quarter of 2023 to 3.41% during the first quarter of 2024. This improvement is because increases in deposit rates have slowed from earlier last year.
- Noninterest income increased 8% during the first quarter of 2024 compared to the first quarter of 2023. During the first quarter of 2023, Paragon recognized a \$157 thousand gain on the sale of Other Real Estate Owned (OREO). That gain was offset during the first quarter of 2024 with an increase in gains on sales of government-guaranteed loans of \$180 thousand.
- Noninterest expenses increased 22% over the first quarter of 2023 but increased only 5% over the fourth quarter of 2023. The increases in salaries and employee benefits expense and occupancy and equipment expenses were primarily the result of hiring new producers and supporting team members and establishing new banking centers in Atlanta, GA, and Oxford, MS. The increase in other expenses was related to increases in data processing expenses and regulatory assessments as a result of Paragon's growth.

Asset Quality

- Paragon's asset quality remains very good. The ratio of nonperforming assets to total assets increased from .11% on December 31, 2023, to .15% on March 31, 2024.
- The ratio of the allowance for loan losses to gross loans decreased from 1.26% on December 31, 2023, to 1.23% on March 31, 2024. Excluding government guaranteed portions of loans, the ratio was 1.39% on March 31, 2024, compared to 1.42% on December 31, 2023.

During the first quarter, we were pleased to open a new Loan and Deposit Production Office in Jackson, TN. Jackson is the Hub City in West Tennessee and is approximately 45 miles from Ford Motors Company's \$5.6 billion BlueOval SK mega campus. Due to its proximity to that site, Jackson is expected to benefit from this massive project. Veteran banker Lee McCollum is Paragon's new West Tennessee Market President. His team is currently in a temporary office, but we are negotiating for a more permanent banking center site.

To learn more about Paragon's progress, we hope you will join us at 3:00 pm on Thursday, May 30, 2024, for our annual shareholders' meeting. It will be held at our Paragon Centre headquarters at 5400 Poplar Avenue in Memphis.

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