



August 5, 2025

Dear Fellow Shareholder:

As a result of our successful execution of our strategic plan, Paragon continues to break its own records of profitability. Net income for the second quarter of 2025 increased 65% over the second quarter of 2024. 2025 year-to-date net income is 112% higher than the first six months of 2024. Return on equity and return on assets for the second quarter of 2025 were 12.16% and .89% respectively, while return on equity and return on assets for the first six months of 2025 were 12.67% and .90% respectively. Earnings per share increased to \$.86 during the first six months of 2025 from \$.41 during the same period of 2024. We are very proud of our progress.

Net income of \$3.9 million for the first six months of 2025 was a record for Paragon. The primary drivers of the increased earnings for the first six months of 2025 were a 23% increase in net interest income and a 32% increase in noninterest income. There was significant improvement in operating income for all but our newest business units. We think there is significant opportunity for further improvement.

Net interest income growth was fueled by loan growth over the last twelve months, a sizeable increase in core deposits, and an improving net interest margin. The growth in noninterest income was a result of increases in income from Paragon's fee-based businesses of Small Business Administration (SBA) lending, mortgage lending, and capital markets.

Additional highlights for the second quarter and first six months of 2025 include:

#### **Balance Sheet**

- Total loans decreased \$35 million during the first six months of 2025. This decrease was caused by Paragon's Capital Market Group converting loans to trading assets and by Paragon's Small Business Capital Group selling government guaranteed loans. Excluding loans sold by these departments, loans increased \$16.8 million, or 5%, on an annualized basis. Paragon had increases in loans in five of our six markets. One market had expected loan payoffs from customers' normal courses of business.
- On June 30, 2025, trading assets totaled \$15 million compared to \$0 on December 31, 2024. Trading assets are the government guaranteed loans that Paragon's new Capital Markets division has converted into securities that are ready to sell into the market.

- During the first six months of 2025, core deposits increased \$61.6 million, or an impressive 21%, on an annualized basis. Increasing core deposits is an important strategic goal for Paragon Bank.
- The increase in core deposits and the sale of loans and trading assets during the first six months of the year allowed Paragon to decrease brokered deposits by \$53 million and to pay down short-term borrowings.

### **Income Statement**

- Total revenue during the second quarter of \$9.1 million was \$1.3 million, or 17% higher, than the second quarter of 2024 and was a record for Paragon. Year-to-date revenue of \$18.1 million was \$3.5 million, or 24% higher than the first six months of 2024; this was also a record.
- Net interest margin for the second quarter was 3.94%, an increase of 11 basis points from the first quarter of 2025, reflecting a 12-basis point decline in the total cost of funds.
- Through June 30, 2025, noninterest expense has increased \$832 thousand, or 6.88%. The largest increases in expenses are related to Paragon's expansion into the Jackson, TN, and Nashville, TN, markets, the FDIC assessment, and an increase in data processing expenses due to Paragon's growth.

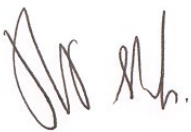
### **Asset Quality**

- Overall, asset quality metrics continue to remain at solid levels. The ratio of nonperforming assets to total assets decreased slightly during the second quarter from .17% of total assets to .16% of total assets.
- The ratio of the allowance to gross loans excluding government guaranteed loans was 1.23% on June 30, 2025, down from 1.25% on March 31, 2025. The ratio of the allowance to nonperforming assets on June 30 was 581%.

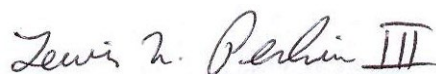
We are pleased to report that we officially opened our new full-service banking center in Jackson, Tennessee, on June 9, 2025. It is located at 1348 Union University Drive, Suite D. If you are in Jackson, our experienced team would like to meet you and to help with your banking needs.

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