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 Issue: March 15, 2021



Paragon Bank

It Is About Service



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"We are here to provide service. It is not just about money... it's about relationships in the community with our customers." Robert Shaw, Jr.

CEOCFO: *Mr. Shaw, every bank has its own way of looking at things. What is your description of Paragon Bank?*

Mr. Shaw: I would say Paragon is an employee-focused and owned bank that delivers high-level customer service.

CEOCFO: *How do those two things as well as the focus on customer service, play out day-to-day?*

Mr. Shaw: About 23% or 24% of the bank is owned by employees. Our employee owners have a stake in making sure that we take care of our customers because it helps them both from a salary standpoint and as we build equity in the bank as owners.

When we started the bank in 2005, we had tellers that invested their IRAs in the bank while we were first capitalized. They are still with us today. It is in their best interest for us to keep our customers happy thus producing profits that help all of us.

CEOCFO: *According to the Paragon Bank site, "The point of a bank is not money, it is service." Would you elaborate please?*

Mr. Shaw: We are here to provide service. It is not just about money... it is about relationships in the community with our customers.

CEOCFO: *What might you do that is different than a larger bank or a bank that does not recognize that service is the key?*

Mr. Shaw: We like to say that we have big-bank technology but we provide small-bank service with a very experienced group of team members. For example, we have the cash management tools that customers can expect at a big bank, but we do not have automated answering when you call our main number during regular business hours. A real person picks up the phone and answers your question.

CEOCFO: *Do you find that your customers appreciate it?*

Mr. Shaw: Yes absolutely. We get feedback through customer service surveys regularly. We get a considerable amount of positive feedback and have a lot of loyalty from the folks that bank here. When you go to one of our banking lobbies our employees are going to call you by name. They are going to know you and have a relationship with you.

CEOCFO: *Would you tell us a bit about the geography you serve?*

Mr. Shaw: We are based in Memphis and there is a main road in Memphis called Poplar Avenue that runs from the Mississippi River out past some of the outlying communities. We have four locations up and down Poplar Avenue. It is the main business artery of Memphis and Shelby Counties.

We have four locations here and then we have a branch in Oxford Mississippi, which is a little university town about seventy miles south of here. We also have SBA offices in the Brookhaven area of Atlanta, Georgia.

CEOCFO: *How did you get to Atlanta?*

Mr. Shaw: It was a group of employees that were with another bank during the Great Recession. Because of the losses the other bank had taken, they were not able to make loans, so they were constricted. They decided that they wanted to find another bank to work for. They interviewed several banks and we interviewed them and did a lot of due diligence on them. We hired them as a group in 2014.

CEOCFO: *Would you tell us about the range of services you offer and what people are not taking full advantage of the way you expect?*

Mr. Shaw: Our major emphasis is on small business, so we have commercial lending which does a full range of loans for small businesses. We have a certified treasury professional here that adds on all the cash management products that a small to medium business might need. We have joint ventures with some other related services that we can help with. We have a relationship with an insurance agency here in Memphis so if our customer needs property insurance, we can handle that or we can pass it to them and then they will take good care of our customer.

We have a wealth group as part of the bank that can handle a small business retirement plans or investment needs. We have a relationship with a payroll provider so if a small business needs a personalized payroll solution, we have that relationship too. We have a lot of relationships so that we can be more consultative to businesses and help them with just about any product that they need. Not all customers take advantage of all the products, but we have them available so that we can provide the financial resources they need.

CEOCFO: *Are new business customers surprised you offer such a variety of services and do they realize the bank might be a good resource?*

Mr. Shaw: I think they probably are a bit surprised. We often hire employees from the larger banks, and they are surprised that we have the capability that we do to help customers. I said small businesses are

our emphasis, but we also have a private banking area that takes care of doctors, lawyers, and other professionals as well as business owners.

We have an active mortgage area that set records last year for us. Then we have a residential construction group that finances new home construction, either a custom home or a subdivision.

CEO CFO: *What is the competitive landscape for the bank?*

Mr. Shaw: There are a lot of community banks in this area. There are probably ten to twelve in the Memphis area that we compete against. We also compete against the larger banks.

CEO CFO: *Do you do much outreach for new customers?*

Mr. Shaw: It is like hand-to-hand combat; in other words, you must get out and get to know people. We do a little bit of advertising, but outreach is primarily about relationships and getting to know prospects. COVID makes it difficult right now but what we try to do is get to know people and establish relationships.

CEO CFO: *How have you helped your clients through COVID and other situations that come up unexpectedly?*

Mr. Shaw: We have accommodated a lot of customers; the regulators have encouraged us to. If they needed deferred payments, we did that and luckily most all of them are back making regular payments. We were very active with the Paycheck Protection Program loans. We did 800 of those for small businesses, which was about \$94 million in loans.

When the crisis first hit, we made charitable contributions to organizations that we know were helping those in most need whether it was food or housing.

CEO CFO: *In general, how do you decide where to focus your community efforts?*

Mr. Shaw: A lot of times we look for an organization that one of our employees has passion for because it is not just about giving the dollars, it is about getting involved. We give all our employees forty hours a year to work out in the community, we call it our ACTS (Assisting the Community Through Service) program. We give every employee forty hours and some of them may do more than that. We look for people that have passion for something and then we get involved.

We have a person in our Atlanta SBA office that is involved with Habitat for Humanity, so we have done some work with Habitat in Atlanta. We have a lady that is on the board of Dorothy Day House here in Memphis. They house families that are homeless, so we have been involved with the Dorothy Day House. We have done fifteen wishes with Make a Wish Foundation in our fifteen years because we have some employees that have passion about Make a Wish.

CEO CFO: *Do you see the need for additional branches or expanding into new areas?*

Mr. Shaw: If we have the opportunity to expand in an area and we know somebody that has good relationships, we might look at doing that. We started our Oxford location as just a loan production office and then converted it to a branch. It is not quite a traditional branch yet, but

we are heading in that direction. There is not much need for branches in communities that we are already in because we have so many tools that they can use to bank with us so there is no need for additional bricks and mortar.

CEOCFO: *What is your strategy for growth in the next year or two?*

Mr. Shaw: We have done some strategic hiring over the last few months. We have hired some people that have some deep relationships and I think we will see some growth from those relationships.

CEOCFO: *What do you look for in your employees and can you tell early on if someone is a good fit?*

Mr. Shaw: I wish I could tell all the time but that is just not possible. The group we hired from Atlanta; we just knew based upon the rapport that we had that they were going to be a good addition to our team. Sometimes you definitely get a feel for somebody and know that they are going to fit in the team. We are looking for team players and people that have some enthusiasm for what we do and have some knowledge of banking and banking products.

CEOCFO: *How do you help your employees understand how to offer a lot of the services that can help your customers, without seeming too pushy?*

Mr. Shaw: We just want to make sure our customers know that we have it available without pushing it. One of our relationship managers in our commercial lending group, might take a product specialist out with them. Maybe our product manager goes out with them and talks about some products and just lets our customers know that we have that product capability without pushing it too hard but more as an education.

CEOCFO: *What has changed in your approach over time and what have you learned over the years about banking?*

Mr. Shaw: I hope I have learned to listen more, and I hope that has helped to be more supportive. We want to hold our employees accountable, but we also want to have some fun.

CEOCFO: *With so many banks to look at why choose Paragon Bank?*

Mr. Shaw: It is because we have an outstanding and experienced team that can provide sophisticated products in a personal way where we establish relationships.



Paragon Bank