

# Fourth Quarter Review

January 2020



**Parkside Financial**

BANK & TRUST

## PARKSIDE FINANCIAL BANK & TRUST 2019 FINANCIAL HIGHLIGHTS

<b>TOTAL BANKING ASSETS</b>	\$589 Million	\$82 million increase (+17%) from 2018
<b>TOTAL OUTSTANDING LOANS</b>	\$412 Million	\$40 million increase (+11%) from 2018
<b>TOTAL WEALTH MANAGEMENT ASSETS</b>	\$1.5 Billion	\$302 million increase (+27%) from 2018
<b>2019 COMPANY REVENUE</b>	\$26.9 Million	\$1.2 million increase (+5%) from 2018
<b>2019 COMPANY NET INCOME</b>	\$7.5 Million	\$300 thousand increase (+4%) from 2018
<b>2019 BANKING DIVISION REVENUE</b>	\$19.9 Million	\$667 thousand increase (+3%) from 2018
<b>2019 BANKING DIVISION NET INCOME</b>	\$6.8 Million	\$182 thousand increase (+3%) from 2018
<b>2019 TFO DIVISION REVENUE</b>	\$7 Million	\$547 thousand increase (+8%) from 2018
<b>2019 TFO DIVISION NET INCOME</b>	\$1 Million	\$389 thousand increase (+62%) from 2018
<b>BASIC EARNINGS PER SHARE</b>	\$2.65	\$0.09 increase (+4%) from 2018

## Happy New Year!

As we reflect on the year behind us, we are grateful 2019 was another exciting year at Parkside! A few highlights include:

- In December, we purchased our building at 8112 Maryland Avenue. We are excited for the opportunity to invest in one of Clayton's premier locations and look forward to growing our team at this location.
- In June, Parkside launched a loan production office in Denver, Colorado.
- We added eight employees to our team, bringing the total number of Parkside employees to 61.
- Loans increased \$40 million, ending the year at \$412 million. This is the strongest loan growth we have experienced in 10 years.
- As planned, the TFO division is an increasingly larger contributor to the bottom line, now exceeding 10%, further helping propel our growth.
- Throughout the year, 40,750 shares were sold/purchased between our shareholders. A total of 37,815 shares were tendered through our share repurchase program at a price of \$36.00 per share.

- In June, a dividend of \$0.80 per share was paid to shareholders, marking the sixth consecutive year of paying increasing dividends.

Parkside experienced outstanding financial performance in 2019. More impressive is that your company achieved these results in the face of some unexpected headwinds. 2019 return on average assets of 1.45% and return on average equity of just over 14% reflect our second best annual performance. Last year, 2018, was slightly better with return on average assets of 1.49% and return on average equity of just over 15%. The headwinds we experienced in 2019 came from two areas.

First, we operated in a lower interest rate environment. Most people, our team included, expected interest rates to hold steady or even increase slightly in 2019, resulting in a good scenario for the banking industry. However, beginning around midyear, interest rates actually decreased. Low interest rates make it more difficult for banks to generate a reasonable net margin on loans, thus negatively affecting net interest revenue. The 2019 loan growth of \$40 million offset some of the impact from lower interest rates. Despite the lower rates, net interest income increased \$621 thousand over 2018, albeit less than expected.

Second, we experienced some loan losses. Those of you who have attended our annual shareholder meetings have heard us talk about the charmed, yet unsustainable, low level of loan losses Parkside enjoyed for years. There was some catch up in 2019 with net loan

losses of \$2.9 million this last year. We experienced losses on four relationships in 2019 with one relationship accounting for a majority of the loan losses. We are diligently working to recover as much as possible on these loans and feel we've written them down to appropriate levels so as not to burden future years with potential losses. Due to our significant reserves, strong balance sheet and diversified earnings strategy, we absorbed these losses while still posting outstanding 2019 performance.

The Trust and Family Office division experienced robust growth in assets under management, revenue and net income supported by the addition of new clients, existing clients adding to their investment portfolio and healthy financial market returns. TFO net income crossed a major milestone, exceeding \$1 million in 2019, a \$389 thousand, or 62%, increase over 2018.

## Looking Forward

2020 is the beginning year of Plan #5, our fifth 3-year plan. Our fourth business plan, Plan #4, encompassing the years 2017-2019, just ended. We exceeded our annual Plan #4 net income projections in every plan year with a cumulative net income variance to plan of \$1.6 million. We are excited about our future, reflected in Plan #5 projected outcomes, as our investment in Denver, our marketing and branding initiative, our building acquisition and continued growth in both the banking and TFO division help propel Parkside to new levels. We will be sharing highlights of Plan #5 at the upcoming shareholder meeting and look forward to seeing you there.

## Our Growing Team

Parkside began 2020 with the addition of two new team members. Senior Vice President, Robert "Bob" Grunzinger, CFA, CPA (inactive) joined the TFO team to lead operations. He is a graduate of the University of Kansas with a degree in Accounting. Prior to joining Parkside, Bob was a founder and Chief Operating Officer of Wheelhouse Securities Corporation. Bob was also the founder and President of Chrysalis Investment Management, LLC a Registered Investment Advisor servicing high net worth individuals. Brandi Benton joined our team as a Client Service Representative. Brandi offers five years of valuable banking experience, most recently serving as a Universal Banker and Supervisor for a local bank. We are excited to welcome Bob and Brandi to Parkside!

Parkside is looking forward to hosting four college students during our 2020 Summer Internship Program. In addition, we are searching for an experienced Commercial Lender to join our team. View additional information on our website, [pfbt.com](http://pfbt.com).

As always, should you have any questions or comments, please feel free to contact us.

Sincerely,

James C. Wagner - CEO

Andrew S. Hereford - President, Bank

Matthew A. Wagner - President, TFO

**PARKSIDE FINANCIAL, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)**

<b>ASSETS</b>	December 31, 2019		December 31, 2018	
Cash and investments	\$	142,203,216	\$	127,004,332
Loans		411,737,507		371,243,395
Allowance for loan losses		(7,150,000)		(7,225,000)
Other assets		42,989,367		16,702,998
<b>Total assets</b>	<b>\$</b>	<b>589,780,090</b>	<b>\$</b>	<b>507,725,725</b>

<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
Non-interest bearing deposits	\$	135,510,489	\$	128,104,984
Interest bearing deposits		326,341,152		297,465,675
<b>Total deposits</b>		<b>461,851,641</b>		<b>425,570,659</b>
FHLB borrowings		48,000,000		21,000,000
Mortgage Note Payable		11,795,861		0
Sub debt net of unamortized costs		6,742,657		6,751,522
Other liabilities		6,051,137		4,702,485
<b>Total liabilities</b>		<b>534,441,296</b>		<b>457,988,666</b>
<b>Total stockholders' equity</b>		<b>55,338,794</b>		<b>49,737,059</b>
<b>Total liabilities and equity</b>	<b>\$</b>	<b>589,780,090</b>	<b>\$</b>	<b>507,725,725</b>

**PARKSIDE FINANCIAL, INC.**  
**CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)**

<b>REVENUE</b>	December 31, 2019		December 31, 2018	
Net interest margin	\$	18,116,491	\$	17,852,092
Trust and family office revenue		6,999,300		6,451,867
Bank service charges and other income		1,358,370		1,311,737
<b>Total revenue</b>	<b>\$</b>	<b>26,474,161</b>	<b>\$</b>	<b>25,615,696</b>

<b>EXPENSES</b>				
Provision for possible loan losses	\$	2,848,730	\$	700,000
Noninterest expenses		14,258,389		15,428,000
<b>Total expenses</b>		<b>17,107,119</b>		<b>16,128,000</b>
Income taxes		1,860,052		2,286,674
<b>Net income</b>	<b>\$</b>	<b>7,506,990</b>	<b>\$</b>	<b>7,201,022</b>

Return on average assets	1.45%	1.49%
Return on average equity	14.29%	15.39%
Book value per share	\$19.53	\$17.67
TTM Basic earnings per share	\$2.65	\$2.56

## MOST RECENT STOCK TRANSACTIONS\*

10/1/19	2,500	shares @ \$38.00	
8/26/19	2,500	shares @ \$37.00	
6/28/19	37,815	shares @ \$36.00	2019 Offer to Purchase
6/24/19	4,500	shares @ \$37.00	

## DIVIDEND HISTORY

2019	\$0.80 per share
2018	\$0.625 per share
2017	\$0.50 per share
2016	\$0.40 per share
2015	\$0.30 per share
2014	\$0.20 per share

\*The Company is aware of the following recent transactions in the Company's stock. No assurances can be given that such information reflects all transactions in the Company's stock during the period or that such transactions accurately and completely reflect the value of the Company's stock. Such information is provided for convenience and should not be relied upon. The Company does not make a market in or otherwise trade in its stock. However, the Company can assist in the settlement of transactions in its stock between buyers and sellers who have independently negotiated the terms of their transactions. Investments are not insured by the FDIC or any federal government agency, provide no bank guarantee, are not a deposit and may lose value.