

Clarkston Financial Corporation Reports 2016 Q1 Results

April 21, 2016

CLARKSTON, Mich., April 21, 2016 (GLOBE NEWSWIRE) -- Clarkston Financial Corporation (“Corporation”) (OTCBB:[CKFC](#) - [News](#)), the holding company for Clarkston State Bank (“Bank”), today reported a net income of \$195,000 or \$0.06 per share for the three months ended March 31, 2016, compared to net income of \$252,000 or \$0.07 per share for the three months ended March 31, 2015. The decrease in income is directly related to a one time gain recognized in the first quarter of 2015. Adjusting for the gain, the corporation realized an increase in net income of \$155,000 quarter over quarter.

J. Grant Smith, CEO, said, “We are very pleased with the financial results for the first quarter. Loan originations were very good and our core deposit base continues to be outstanding when compared to our peer group. The Bank’s net interest margin continues to be one of the best not only in our region but measured against our peer group as well. We expect our operating expenses to decline the remainder of the year as we have streamlined our branch and retail network. The reduction in operating expenses when combined with our excellent net interest margin will propel our earnings performance as we move throughout the remainder of the year.”

Operating Results

The Corporation’s net interest income increased to \$1,551,000 for the quarter ended March 31, 2016 compared to \$1,331,000 for the same period ended March 31, 2015, an increase of \$220,000 or 16.53%. The net interest margin of the Bank remains elevated compared to peers, but has realized some compression, ending at 4.29% for the quarter ended March 31, 2016, down from 4.43% for the quarter ended March 31, 2015.

Noninterest income decreased in the first quarter 2016. The quarter ended at \$139,000 compared to \$451,000 for the quarter ended March 31, 2015, a decrease of \$312,000 or 69.18%. This decrease was largely driven by gains associated to with the sale of the Bank’s downtown Clarkston office which was sold in March 2015. Noninterest expense decreased, ending the first quarter 2016 at \$1,368,000 compared to \$1,400,000 for the same period ended March 31, 2015, a decrease of \$32,000 or 2.29%.

Balance Sheet

Total assets at March 31, 2016 were \$182,148,000 compared to \$147,639,000 at March 31, 2015, an increase of \$34,509,000 or 23.37%. The increase in total assets represents a \$10,029,000 increase in cash as a result of an increase in noninterest bearing demand deposits.

Gross loans increased \$23,331,000 from \$113,945,000 at March 31, 2015 to \$137,276,000 at March 31, 2016, an increase of 20.48%. Total deposits increased \$33,900,000 or 26.43%, ending at \$162,168,000 for March 31, 2016, up from \$128,268,000 at March 31, 2015. Total stockholders’ equity increased from \$13,165,000 at March 31, 2015 to \$14,114,000 at March 31, 2016, an increase of \$949,000 or 7.21%.

Asset Quality

As of March 31, 2016, the Bank did not have any non-performing loans compared to \$219,000 from the same period in 2015. The allowance for loan loss decreased to 1.13% of total loans as of March 31, 2016, compared to 1.55% for the same period in 2015. Management continually monitors the allowance for loan loss to determine its adequacy.

Clarkston State Bank opened in January 1999 and operates two branches in Clarkston and Waterford, Michigan.

Safe Harbor. This news release contains comments or information that constitute forward-looking statements within the context of the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve significant risks and uncertainties. Actual results may differ materially from the results discussed in the forward-looking statements. Factors that may cause such a difference include: changes in interest rates and interest-rate relationships; demand for products and services; the degree of competition by traditional and non-traditional competitors; changes in banking regulations; changes in tax laws; changes in prices, levies, and assessments; the impact of technological advances; governmental and regulatory policy changes; the outcomes of contingencies; trends in customer behavior and their ability to repay loans; and changes in the national and local economy. The Corporation assumes no responsibility to update forward-looking statements.

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CLARKSTON FINANCIAL CORPORATION
CONSOLIDATED BALANCE SHEET

(Dollars, in thousands)

	(unaudited) 3/31/2016	12/31/2015	(unaudited) 3/31/2015
Assets			
Cash and due from banks	\$ 24,502	\$ 24,264	\$ 14,473
Securities – Available for sale	9,319	9,649	7,441
Federal Home Loan Bank stock, at cost	232	232	409
Loans	137,276	127,028	113,945
Allowance for possible loan losses	(1,544)	(1,529)	(1,771)
Net loans	<u>135,732</u>	<u>125,499</u>	<u>112,174</u>
Banking premises and equipment	3,873	3,915	4,436
Deferred tax asset	6,177	6,299	6,663
Other real estate owned	1,581	1,581	1,396
Accrued interest receivable and other assets	732	863	647
Total assets	<u><u>\$ 182,148</u></u>	<u><u>\$ 172,302</u></u>	<u><u>\$ 147,639</u></u>
Liabilities and Stockholders' Equity			
Liabilities			
Deposits			
Noninterest-bearing demand deposits	85,781	82,408	52,367
Interest-bearing	76,387	69,959	75,901
Total deposits	<u>162,168</u>	<u>152,367</u>	<u>128,268</u>
Other Liabilities			
Other borrowings	5,570	5,621	5,775
Accrued interest payable and other liabilities	296	421	431
Total liabilities	<u>168,034</u>	<u>158,409</u>	<u>134,474</u>
Stockholders' Equity			
Common stock	11,945	11,945	11,945
Paid-in capital	11,826	11,826	11,826
Restricted stock - Unearned compensation	(42)	(45)	(60)
Accumulated deficit	(9,594)	(9,789)	(10,567)
Accumulated other comprehensive (loss) income	(21)	(45)	21
Total stockholders' equity	<u>14,114</u>	<u>13,893</u>	<u>13,165</u>
Total liabilities and stockholders' equity	<u><u>\$ 182,148</u></u>	<u><u>\$ 172,302</u></u>	<u><u>\$ 147,639</u></u>

CLARKSTON FINANCIAL CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS

(Dollars, in thousands)

	(unaudited)	
	Three Months Ended	
	3/31/2016	3/31/2015
Interest Income		
Interest and fees on loans	\$ 1,602	\$ 1,433
Interest on investment securities:	57	37
Interest on federal funds sold	8	5
Total interest income	1,667	1,475
Interest Expense		
Deposits	45	53
Borrowings	71	91
Total interest expense	116	144
Net Interest Income	1,551	1,331
Provision for Possible Loan Losses	-	-
Net Interest Income after provision for possible loan losses	1,551	1,331
Noninterest Income		
Service fees on loan and deposit accounts	116	114
Other	23	337
Total noninterest income	139	451
Noninterest Expense		
Salaries and employee benefits	847	828
Occupancy	127	150
Advertising	35	28
Outside processing	122	118
Professional fees	44	55
FDIC insurance	27	23
Defaulted loan expense	34	53
Other	132	145
Total noninterest expense	1,368	1,400
Income before income taxes	322	382
Income Tax Benefit	127	130
Net Income	\$ 195	\$ 252

CLARKSTON FINANCIAL CORPORATION
CONSOLIDATED FINANCIAL HIGHLIGHTS

(Dollars in thousands, except share and per share data)

	Quarter Ended				
	3/31/2016	12/31/2015	9/30/2015	6/30/2015	3/31/2015
MARKET DATA					
Book value per share	\$ 4.33	\$ 4.26	\$ 4.19	\$ 4.09	\$ 4.04
Market value per share	\$ 4.00	\$ 3.70	\$ 4.30	\$ 3.32	\$ 4.00
Earnings per share - basic & diluted	\$ 0.06	\$ 0.07	\$ 0.10	\$ 0.07	\$ 0.07
Period end common shares	3,261,156	3,261,156	3,261,156	3,261,156	3,261,156
PERFORMANCE RATIOS					
Return on average assets	0.46%	0.57%	0.91%	0.59%	0.69%
Return on average equity	5.64%	6.62%	9.99%	6.52%	7.81%
Net interest margin - CSB	4.29%	4.29%	4.41%	4.42%	4.43%
Efficiency ratio	80.97%	94.80%	71.40%	79.00%	78.59%
Texas Ratio	10.15%	10.90%	9.72%	11.60%	11.59%
CAPITAL & LIQUIDITY					
Tier 1 Leverage - CSB	8.40%	8.46%	8.85%	8.55%	8.71%
Common Equity Tier 1 Capital - CSB	9.57%	9.09%	9.15%	9.18%	9.84%
Tier 1 Risk Based Capital - CSB	9.57%	9.09%	9.15%	9.18%	9.84%
Total Risk Based Capital - CSB	10.62%	10.36%	10.40%	10.43%	11.10%
Loan to deposit ratio	84.65%	83.37%	89.40%	94.13%	88.83%
ASSET QUALITY					
Gross loan charge-offs	\$ -	\$ 14	\$ -	\$ 3	\$ 249
Net loan charge-offs (recoveries)	\$ (16)	\$ (3)	\$ (16)	\$ (14)	\$ 101
Allowance for loan and lease losses to total loans	1.12%	1.20%	1.47%	1.49%	1.55%
Nonperforming loans to total loans	0.00%	0.00%	0.00%	0.17%	0.19%
Nonperforming assets to total assets	0.87%	0.92%	0.89%	1.09%	1.09%

CLARKSTON FINANCIAL CORPORATION

LOAN INFORMATION

CATEGORY	(unaudited) 3/31/2016	12/31/2015	(unaudited) 3/31/2015
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Commercial Loans	\$ 16,552	\$ 14,126	\$ 11,852
Real Estate Mortgage Loans:			
Commercial	110,616	102,098	91,430
1-4 Residential	3,797	4,077	4,794
Construction and other	760	1,369	3,723
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Total mortgage loans on real estate	115,173	107,544	99,947
Consumer	5,551	5,358	2,146
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Total Loans	137,276	127,028	113,945
Less: Allowance for loan losses	(1,544)	(1,529)	(1,771)
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Net Loans	\$ 135,732	\$ 125,499	\$ 112,174
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ASSET QUALITY	(unaudited) 3/31/2016	12/31/2015	(unaudited) 3/31/2015
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Total nonaccrual loans	\$ -	\$ -	\$ 219
Total loans past due 90 days or more and still accruing	-	-	-
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Total nonperforming loans	-	-	219
Other real estate owned	1,581	1,581	1,396
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Total nonperforming assets	\$ 1,581	\$ 1,581	\$ 1,615
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