



Clarkston Financial Corporation Reports 2016 Q2 Results

July 27, 2016

CLARKSTON, Mich., July 27, 2016 (GLOBE NEWSWIRE) -- Clarkston Financial Corporation (“Corporation”) (OTCBB:[CKFC](#) - [News](#)), the holding company for Clarkston State Bank (“Bank”), today reported a net income of \$315,000 or \$0.10 per share for the three months ended June 30, 2016, compared to net income of \$216,000 or \$.07 per share for the three months ended June 30, 2015. For the six months ended June 30, 2016, the corporation reported net income of \$510,000 or \$0.18 per share compared to net income of \$467,000 or \$0.15 per share for the same period in 2015.

J. Grant Smith, CEO, said, "We are very pleased with the bank's financial performance and I expect the earnings momentum to be even better throughout the second half of the year. Our lending team has been very busy as we continue to see good opportunities for additional loan growth. When you combine the loan growth with a very sound and stable deposit funding mix it provides for a very good net interest margin which we continue to post quarter over quarter. It is also noteworthy to mention, the bank's asset quality continues to be excellent. I expect our operating expenses to decline which will further enhance the bank's operating performance as we move forward."

Operating Results

The Corporation's net interest income increased significantly to \$1,620,000 for the quarter ended June 30, 2016 compared to \$1,353,000 for the same period ended June 30, 2015. This represents an increase of \$267,000 or 19.73% quarter over quarter. The net interest margin of the Bank remains well above its peer group average ending at 4.15% for the quarter ended June 30, 2016. The strength of the net interest margin is the result of a strong core deposit funding base and discipline within the pricing of its commercial loans.

Noninterest income decreased during the second quarter of 2016 when compared to the second quarter 2015. The Corporation posted \$159,000 for the quarter compared to \$184,000 for the quarter ended June 30, 2015, a decrease of \$25,000 or 13.59%. The decrease is mostly attributable to a small loss on the disposition of a parcel of other real estate owned. Noninterest expense increased, ending the second quarter at \$1,275,000 compared to \$1,214,000 for the same period ended June 30, 2015, an increase of \$61,000 or 5.02%. The increase is primarily attributable to an increase in defaulted loan expense associated with preparing parcels of other real estate owned for sale.

Balance Sheet

Total assets at June 30, 2016 were \$176,881,000 compared to \$146,833,000 at June 30, 2015, an increase of \$30,048,000 or 20.46%. The increase in assets is largely due to increases in noninterest-bearing demand deposits.

Gross loans increased \$19,527,000 from \$119,898,000 at June 30, 2015 to \$139,425,000 at June 30, 2016, an increase of 16.29%. Total deposits increased \$29,090,000 or 22.84%, ending at \$156,466,000 for June 30, 2016, up from \$127,376,000 at June 30, 2015. Total stockholders' equity increased from \$13,338,000 at June 30, 2015 to \$14,465,000 at June 30, 2016, an increase of \$1,127,000 or 8.45%.

Asset Quality

There were no non-performing loans at June 30, 2016 compared to \$200,000 from the same period 2015. The allowance for loan loss decreased to 1.12% of total loans as of June 30, 2016, compared to 1.49% for the same period 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) 6/30/2016 | 12/31/2015 | (unaudited) 6/30/2015 |
|--|--------------------------|--------------------------|--------------------------|
| Assets | | | |
| Cash and due from banks | \$ 17,191 | \$ 24,264 | \$ 8,393 |
| Securities – Available for sale | 9,921 | 9,649 | 7,084 |
| Federal Home Loan Bank stock, at cost | 232 | 232 | 232 |
| Loans | 139,425 | 127,028 | 119,898 |
| Allowance for possible loan losses | (1,558) | (1,529) | (1,785) |
| Net loans | <u>137,867</u> | <u>125,499</u> | <u>118,113</u> |
| Banking premises and equipment | 3,759 | 3,915 | 4,425 |
| Deferred tax asset | 5,989 | 6,276 | 6,572 |
| Other real estate owned | 1,221 | 1,581 | 1,396 |
| Accrued interest receivable and other assets | 701 | 886 | 618 |
| Total assets | <u>\$ 176,881</u> | <u>\$ 172,302</u> | <u>\$ 146,833</u> |
| Liabilities and Stockholders' Equity | | | |
| Liabilities | | | |
| Deposits | | | |
| Noninterest-bearing demand deposits | 84,356 | 82,408 | 53,121 |
| Interest-bearing | 72,110 | 69,959 | 74,255 |
| Total deposits | <u>156,466</u> | <u>152,367</u> | <u>127,376</u> |
| Other Liabilities | | | |
| Other borrowings | 5,519 | 5,621 | 5,724 |
| Accrued interest payable and other liabilities | 431 | 422 | 395 |
| Total liabilities | <u>162,416</u> | <u>158,410</u> | <u>133,495</u> |
| Stockholders' Equity | | | |
| Common stock | 11,945 | 11,945 | 11,945 |
| Paid-in capital | 11,826 | 11,826 | 11,826 |
| Restricted stock - Unearned compensation | (40) | (45) | (51) |
| Accumulated deficit | (9,279) | (9,789) | (10,351) |
| Accumulated other comprehensive income (loss) | 13 | (45) | (31) |
| Total stockholders' equity | <u>14,465</u> | <u>13,892</u> | <u>13,338</u> |
| Total liabilities and stockholders' equity | <u>\$ 176,881</u> | <u>\$ 172,302</u> | <u>\$ 146,833</u> |

CLARKSTON FINANCIAL CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS

(Dollars, in thousands)

| | (unaudited) | | (unaudited) | |
|---|--------------------|---------------|------------------|---------------|
| | Three Months Ended | | Six Months Ended | |
| | 6/30/2016 | 6/30/2015 | 6/30/2016 | 6/30/2015 |
| Interest Income | | | | |
| Interest and fees on loans | \$ 1,656 | \$ 1,445 | \$ 3,258 | \$ 2,878 |
| Interest on investment securities: | 48 | 32 | 105 | 69 |
| Interest on federal funds sold | 21 | 5 | 29 | 9 |
| Total interest income | <u>1,725</u> | <u>1,482</u> | <u>3,392</u> | <u>2,956</u> |
| Interest Expense | | | | |
| Deposits | 42 | 56 | 87 | 108 |
| Borrowings | 63 | 73 | 134 | 164 |
| Total interest expense | <u>105</u> | <u>129</u> | <u>221</u> | <u>272</u> |
| Net Interest Income | <u>1,620</u> | <u>1,353</u> | <u>3,171</u> | <u>2,684</u> |
| Provision for Possible Loan Losses | - | - | - | - |
| Net Interest Income after provision for possible loan losses | 1,620 | 1,353 | 3,171 | 2,684 |
| Noninterest Income | | | | |
| Service fees on loan and deposit accounts | 129 | 123 | 244 | 237 |
| Gain on sale of securities | - | 34 | - | 34 |
| Loss on sale of other real estate owned | (14) | - | (14) | - |
| Other | 44 | 27 | 68 | 363 |
| Total noninterest income | <u>159</u> | <u>184</u> | <u>298</u> | <u>634</u> |
| Noninterest Expense | | | | |
| Salaries and employee benefits | 727 | 694 | 1,574 | 1,522 |
| Occupancy | 123 | 147 | 250 | 297 |
| Advertising | 35 | 31 | 70 | 59 |
| Outside processing | 118 | 113 | 240 | 230 |
| Professional fees | 54 | 41 | 98 | 95 |
| FDIC insurance | 27 | 23 | 53 | 46 |
| Defaulted loan expense | 69 | 33 | 103 | 86 |
| Other | 122 | 132 | 255 | 279 |
| Total noninterest expense | <u>1,275</u> | <u>1,214</u> | <u>2,643</u> | <u>2,614</u> |
| Income before income taxes | <u>504</u> | <u>323</u> | <u>826</u> | <u>704</u> |
| Income Tax Expense | 189 | 107 | 316 | 237 |
| Net Income | <u>\$ 315</u> | <u>\$ 216</u> | <u>\$ 510</u> | <u>\$ 467</u> |

CLARKSTON FINANCIAL CORPORATION
CONSOLIDATED FINANCIAL HIGHLIGHTS

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

| | Quarter Ended | | | | |
|--------------------------------------|----------------------|------------------|-------------------|------------------|------------------|
| | 6/30/2016 | 3/31/2016 | 12/31/2015 | 9/30/2015 | 6/30/2015 |
| MARKET DATA | | | | | |
| Book value per share | \$ 4.44 | \$ 4.33 | \$ 4.26 | \$ 4.19 | \$ 4.09 |
| Market value per share | \$ 3.85 | \$ 4.00 | \$ 3.70 | \$ 4.30 | \$ 3.32 |
| Earnings per share - basic & diluted | \$ 0.10 | \$ 0.06 | \$ 0.07 | \$ 0.10 | \$ 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 | 0.71% | 0.46% | 0.57% | 0.91% | 0.59% |
| Return on average equity | 8.88% | 5.64% | 6.62% | 9.99% | 6.52% |
| Net interest margin - CSB | 4.15% | 4.29% | 4.29% | 4.41% | 4.42% |
| Efficiency ratio | 71.65% | 80.97% | 94.80% | 71.40% | 79.00% |
| Texas Ratio | 7.57% | 10.15% | 10.90% | 9.72% | 11.60% |
| CAPITAL & LIQUIDITY | | | | | |
| Tier 1 Leverage - CSB | 8.38% | 8.40% | 8.46% | 8.85% | 8.55% |
| Common Equity Tier 1 Capital - CSB | 9.67% | 9.57% | 9.09% | 9.15% | 9.18% |
| Tier 1 Risk Based Capital - CSB | 9.67% | 9.57% | 9.09% | 9.15% | 9.18% |
| Total Risk Based Capital - CSB | 10.70% | 10.62% | 10.36% | 10.40% | 10.43% |
| Loan to deposit ratio | 89.11% | 84.65% | 83.37% | 89.40% | 94.13% |
| ASSET QUALITY | | | | | |
| Gross loan charge-offs | \$ 0 | \$ 0 | \$ 14 | \$ 0 | \$ 3 |
| Net loan recoveries | \$ (13) | \$ (16) | \$ (3) | \$ (16) | \$ (14) |
| Allowance for loan and lease losses | 1.12% | 1.12% | 1.20% | 1.47% | 1.49% |
| Nonperforming loans to total loans | 0.00% | 0.00% | 0.00% | 0.00% | 0.17% |
| Nonperforming assets to total assets | 0.69% | 0.87% | 0.92% | 0.89% | 1.09% |

CLARKSTON FINANCIAL CORPORATION

LOAN INFORMATION

| CATEGORY | (unaudited) 6/30/2016 | 12/31/2015 | (unaudited) 6/30/2015 |
|-------------------------------------|----------------------------------|-------------------|----------------------------------|
| Commercial Loans | \$ 18,222 | \$ 14,126 | \$ 12,895 |
| Real Estate Mortgage Loans: | | | |
| Commercial | 109,408 | 102,098 | 97,608 |
| 1-4 Residential | 3,810 | 4,077 | 4,592 |
| Construction and other | 1,650 | 1,369 | 1,417 |
| Total mortgage loans on real estate | 114,868 | 107,544 | 103,617 |
| Consumer | 6,335 | 5,358 | 3,386 |
| Total Loans | 139,425 | 127,028 | 119,898 |
| Less: Allowance for loan losses | (1,558) | (1,529) | (1,785) |
| Net Loans | \$ 137,867 | \$ 125,499 | \$ 118,113 |

| ASSET QUALITY | (unaudited) 6/30/2016 | 12/31/2015 | (unaudited) 6/30/2015 |
|---|----------------------------------|-------------------|----------------------------------|
| Total nonaccrual loans | \$ - | \$ - | \$ 200 |
| Total loans past due 90 days or more and still accruing | - | - | - |
| Total nonperforming loans | - | - | 200 |
| Other real estate owned | 1,221 | 1,581 | 1,396 |
| Total nonperforming assets | \$ 1,221 | \$ 1,581 | \$ 1,596 |

Branch Locations:

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