



Clarkston Financial Corporation Reports 2016 Q3 Results

October 26, 2016

CLARKSTON, Mich., October 26, 2016 (GLOBE NEWSWIRE) -- Clarkston Financial Corporation ("Corporation") (OTCBB:[CKFC](#) - [News](#)), the holding company for Clarkston State Bank ("Bank"), today reported a net income of \$371,000 or \$0.11 per share for the three months ended September 30, 2016, compared to net income of \$336,000 or \$0.10 per share for the three months ended September 30, 2015. For the nine months ended September 30, 2016, the corporation reported a net income of \$881,000 or \$0.27 per share compared to a net income of \$803,000 or \$0.25 per share for the same period in 2015.

J. Grant Smith, CEO, said, "With each passing quarter our performance continues to get better and better. Earlier this year we reengineered some of our processes within our deposit operations which helped to further reduce costs. In addition, our lending performance has been very good this year. The combination of these two factors has resulted in a significant improvement in our financial performance. Our asset quality fundamentals continue to outperform industry peers and when combined with a robust net interest margin (4.13%) are the catalyst for very good bottom line performance. We expect the performance to continue to improve as we execute the initiative within our strategic plan."

Operating Results

The Corporation's net interest income increased to \$1,618,000 for the quarter ended September 30, 2016 compared to \$1,421,000 for the same period ended September 30, 2015. The net interest margin of the Bank remains elevated compared to peers, but continues to have compression, ending at 4.13% for the quarter ended September 30, 2016, down from 4.41% for the quarter ended September 30, 2015.

Noninterest income decreased during the third quarter 2016. The quarter ended at \$195,000 compared to \$326,000 for the quarter ended September 30, 2015, a decrease of \$131,000 or 40.18%. The decrease in noninterest income is attributable to the gain on sale of loans recognized in the third quarter 2015. Noninterest expense decreased, ending the third quarter 2016 at \$1,195,000 compared to \$1,247,000 for the same period ended September 30, 2015, a decrease of \$52,000 or 4.17%. The decline in noninterest expense has helped to improve the Corporation's efficiency ratio, ending the quarter at 65.89% compared to 71.40% at September 30, 2015.

Balance Sheet

Total assets at September 30, 2016 were \$176,814,000 compared to \$156,777,000 at September 30, 2015, an increase of \$20,037,000 or 12.78%. The increase in assets is largely due to increases in noninterest-bearing demand deposits.

Net loans increased \$26,848,000 from \$120,586,000 at September 30, 2015 to \$147,434,000 at September 30, 2016, an increase of 22.26%. Total deposits increased \$16,576,000 or 12.11%, ending at \$153,473,000 for September 30, 2016, up from \$136,897,000 at September 30, 2015. Total stockholders' equity increased from \$13,672,000 at September 30, 2015 to \$14,852,000 at September 30, 2016, an increase of \$1,180,000 or 8.63%.

Asset Quality

The Bank continued to not have any non-performing loans at September 30, 2016. The allowance for loan loss decreased to 1.07% of total loans as of September 30, 2016, compared to 1.47% 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) 9/30/2016	12/31/2015	(unaudited) 9/30/2015
Assets			
Cash and due from banks	\$ 7,214	\$ 24,264	\$ 16,272
Securities – Available for sale	10,558	9,649	6,764
Federal Home Loan Bank stock, at cost	232	232	232
Loans	149,027	127,028	122,387
Allowance for possible loan losses	(1,593)	(1,529)	(1,801)
Net loans	<u>147,434</u>	<u>125,499</u>	<u>120,586</u>
Banking premises and equipment	3,726	3,915	4,426
Deferred tax asset	5,782	6,276	6,400
Other real estate owned	1,221	1,581	1,396
Accrued interest receivable and other assets	647	886	701
Total assets	<u><u>\$ 176,814</u></u>	<u><u>\$ 172,302</u></u>	<u><u>\$ 156,777</u></u>
Liabilities and Stockholders' Equity			
Liabilities			
Deposits			
Noninterest-bearing demand deposits	83,635	82,408	62,585
Interest-bearing	69,838	69,959	74,312
Total deposits	<u>153,473</u>	<u>152,367</u>	<u>136,897</u>
Other Liabilities			
Other borrowings	7,968	5,621	5,673
Accrued interest payable and other liabilities	521	422	535
Total liabilities	<u>161,962</u>	<u>158,410</u>	<u>143,105</u>
Stockholders' Equity			
Common stock	11,945	11,945	11,945
Paid-in capital	11,826	11,826	11,826
Restricted stock - Unearned compensation	(37)	(45)	(48)
Accumulated deficit	(8,908)	(9,789)	(10,016)
Acc. other comprehensive income (loss)	26	(45)	(35)
Total stockholders' equity	<u>14,852</u>	<u>13,893</u>	<u>13,672</u>
Total liabilities and stockholders' equity	<u><u>\$ 176,814</u></u>	<u><u>\$ 172,302</u></u>	<u><u>\$ 156,777</u></u>

CLARKSTON FINANCIAL CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS

(Dollars, in thousands)

	(unaudited)		(unaudited)	
	Three Months Ended		Nine Months Ended	
	9/30/2016	9/30/2015	9/30/2016	9/30/2015
Interest Income				
Interest and fees on loans	\$ 1,667	\$ 1,493	\$ 4,925	\$ 4,370
Interest on investment securities:	44	37	149	106
Interest on federal funds sold	11	2	40	12
Total interest income	<u>1,722</u>	<u>1,532</u>	<u>5,114</u>	<u>4,488</u>
Interest Expense				
Deposits	42	52	129	160
Borrowings	62	59	196	223
Total interest expense	<u>104</u>	<u>111</u>	<u>325</u>	<u>383</u>
Net Interest Income	<u>1,618</u>	<u>1,421</u>	<u>4,789</u>	<u>4,105</u>
Provision for Possible Loan Losses	30	-	30	-
Net Interest Income after provision for possible loan losses	<u>1,588</u>	<u>1,421</u>	<u>4,759</u>	<u>4,105</u>
Noninterest Income				
Service fees on loan and deposit accounts	124	118	368	355
Gain on sale of securities	-	-	-	34
Loss on sale of other real estate owned	-	-	(14)	-
Other	71	208	139	571
Total noninterest income	<u>195</u>	<u>326</u>	<u>493</u>	<u>960</u>
Noninterest Expense				
Salaries and employee benefits	703	701	2,277	2,223
Occupancy	122	117	372	414
Advertising	35	19	105	78
Outside processing	116	105	356	336
Professional fees	41	57	139	152
FDIC insurance	32	26	85	71
Defaulted loan expense	22	86	125	172
Other	124	136	379	415
Total noninterest expense	<u>1,195</u>	<u>1,247</u>	<u>3,838</u>	<u>3,861</u>
Income before income taxes	588	500	1,414	1,204
Income Tax Expense	217	164	533	401
Net Income	<u>\$ 371</u>	<u>\$ 336</u>	<u>\$ 881</u>	<u>\$ 803</u>

CLARKSTON FINANCIAL CORPORATION
CONSOLIDATED FINANCIAL HIGHLIGHTS

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

	Quarter Ended				
	9/30/2016	6/30/2016	3/31/2016	12/31/2015	9/30/2015
MARKET DATA					
Book value per share	\$ 4.55	\$ 4.44	\$ 4.33	\$ 4.26	\$ 4.19
Market value per share	\$ 3.95	\$ 3.85	\$ 4.00	\$ 3.70	\$ 4.30
Earnings per share - basic & diluted	\$ 0.11	\$ 0.11	\$ 0.06	\$ 0.07	\$ 0.10
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	0.84%	0.71%	0.46%	0.57%	0.91%
Return on average equity	10.17%	8.88%	5.64%	6.62%	9.99%
Net interest margin - CSB	4.13%	4.15%	4.29%	4.29%	4.41%
Efficiency ratio	65.89%	71.65%	80.97%	94.80%	71.40%
Texas Ratio	7.32%	7.57%	10.15%	10.90%	9.72%
CAPITAL & LIQUIDITY					
Tier 1 Leverage - CSB	8.76%	8.38%	8.40%	8.46%	8.85%
Common Equity Tier 1 Capital - CSB	9.50%	9.67%	9.57%	9.09%	9.15%
Tier 1 Risk Based Capital - CSB	9.50%	9.67%	9.57%	9.09%	9.15%
Total Risk Based Capital - CSB	10.50%	10.70%	10.62%	10.36%	10.40%
Loan to deposit ratio	97.10%	89.11%	84.65%	83.37%	89.40%
ASSET QUALITY					
Gross loan charge-offs	\$ 0	\$ 0	\$ 0	\$ 14	\$ 0
Net loan recoveries	\$ (5)	\$ (14)	\$ (16)	\$ (3)	\$ (16)
Allowance for loan and lease losses	1.07%	1.12%	1.12%	1.20%	1.47%
Nonperforming loans to total loans	0.00%	0.00%	0.00%	0.00%	0.00%
Nonperforming assets to total assets	0.69%	0.69%	0.87%	0.92%	0.89%

CLARKSTON FINANCIAL CORPORATION

LOAN INFORMATION

CATEGORY	(unaudited) 9/30/2016	12/31/2015	(unaudited) 9/30/2015
Commercial Loans	\$ 19,376	\$ 14,126	\$ 12,529
Real Estate Mortgage Loans:			
Commercial	117,313	102,098	99,476
1-4 Residential	3,321	4,077	4,334
Construction and other	2,604	1,369	1,389
Total mortgage loans on real estate	123,238	107,544	105,199
Consumer	6,413	5,358	4,659
Total Loans	149,027	127,028	122,387
Less: Allowance for loan losses	(1,593)	(1,529)	(1,801)
Net Loans	<u>\$ 147,434</u>	<u>\$ 125,499</u>	<u>\$ 120,586</u>

ASSET QUALITY	(unaudited) 9/30/2016	12/31/2015	(unaudited) 9/30/2015
Total nonaccrual loans	\$ -	\$ -	\$ -
Total loans past due 90 days or more and still accruing	-	-	-
Total nonperforming loans	-	-	-
Other real estate owned	1,221	1,581	1,396
Total nonperforming assets	<u>\$ 1,221</u>	<u>\$ 1,581</u>	<u>\$ 1,396</u>

Branch Locations:

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