

Clarkston Financial Corporation Reports 2015 Q3 Results

October 27, 2015

CLARKSTON, Mich., October 27, 2015 (GLOBE NEWSWIRE) -- Clarkston Financial Corporation ("Corporation") (OTCBB:[CKFC](#) - [News](#)), the holding company for Clarkston State Bank ("Bank"), today reported a net income of \$336,000 or \$0.10 per share for the three months ended September 30, 2015, compared to net income of \$299,000 or \$0.09 per share for the three months ended September 30, 2014. For the nine months ended September 30, 2015, the corporation reported a net income of \$803,000 or \$0.25 per share compared to a net income of \$811,000 or \$0.25 per share for the same period in 2014. During the first quarter 2015 the Corporation returned to booking a provision for income taxes. The pre-tax net income was \$1,204,000 for the nine months ended September 30, 2015. This represents an increase of \$393,000 or 32.64% in pre-tax income year over year.

J. Grant Smith, CEO, said, "Our asset quality fundamentals have improved greatly over the past several years and we are now in the growth phase of our strategic plan. The following performance numbers outline very nice growth in both loans and deposits, 9.17% and 11.20%, respectively. While our net interest margin has declined it still remains well above our peer group at 4.41%. The main catalyst for our excellent net interest margin is our core deposit base. Non-interest bearing deposits represents 45.7% of our total deposits. On another positive note, as a result of the closure of two of our facilities earlier this year the use of our mobile banking products is up 36% as more customers are reaching us through our electronic delivery channels. The excellent balance sheet fundamentals when combined a strong net interest margin we believe will continue to enhance our operating performance going forward."

Operating Results

The Corporation's net interest income increased to \$1,421,000 for the quarter ended September 30, 2015 compared to \$1,366,000 for the same period ended September 30, 2014. The net interest margin of the Bank remains elevated compared to peers, but continues to have compression, ending at 4.41% for the quarter ended September 30, 2015, down from 4.71% for the quarter ended September 30, 2014.

Noninterest income increased during the second quarter 2015. The quarter ended at \$326,000 compared to \$194,000 for the quarter ended September 30, 2014, an increase of \$132,000 or 68.04%. Noninterest expense decreased slightly, ending the third quarter 2015 at \$1,247,000 compared to \$1,261,000 for the same period ended September 30, 2014, a decrease of \$14,000 or 1.11%.

Balance Sheet

Total assets at September 30, 2015 were \$156,777,000 compared to \$141,587,000 at September 30, 2014, an increase of \$15,190,000 or 10.73%. The increase in assets is largely due to increases in noninterest-bearing demand deposits.

Net loans increased \$10,125,000 from \$110,461,000 at September 30, 2014 to \$120,586,000 at September 30, 2015, an increase of 9.17%. Total deposits increased \$13,787,000 or 11.20%, ending at \$136,897,000 for September 30, 2015, up from \$123,110,000 at September 30, 2014. Total stockholders' equity increased from \$11,921,000 at September 30, 2014 to \$13,672,000 at September 30, 2015, an increase of \$1,751,000 or 14.69%.

Asset Quality

Total non-performing loans were zero at September 30, 2015 compared to \$144,000 from the same period 2014. The allowance for loan loss decreased to 1.47% of total loans as of September 30, 2015, compared to 1.65% for the same period 2014. 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) 9/30/2015	12/31/2014	(unaudited) 9/30/2014
Assets			
Cash and due from banks	\$ 16,272	\$ 11,908	\$ 11,874
Securities – Available for sale	6,764	5,581	5,828
Federal Home Loan Bank stock, at cost	232	409	556
Loans	122,387	114,680	112,314
Allowance for possible loan losses	(1,801)	(1,873)	(1,853)
Net loans	<u>120,586</u>	<u>112,807</u>	<u>110,461</u>
Banking premises and equipment	4,426	4,809	4,851
Deferred tax asset	6,400	6,793	6,077
Other real estate owned	1,396	1,396	1,396
Accrued interest receivable and other assets	701	676	544
Total assets	<u><u>\$ 156,777</u></u>	<u><u>\$ 144,379</u></u>	<u><u>\$ 141,587</u></u>
Liabilities and Stockholders' Equity			
Liabilities			
Deposits			
Noninterest-bearing demand deposits	62,585	52,919	54,052
Interest-bearing	74,312	72,449	69,058
Total deposits	<u>136,897</u>	<u>125,368</u>	<u>123,110</u>
Other Liabilities			
Other borrowings	5,673	5,625	5,625
Accrued interest payable and other liabilities	535	497	931
Total liabilities	<u>143,105</u>	<u>131,490</u>	<u>129,666</u>
Stockholders' Equity			
Common stock	11,945	11,917	11,917
Paid-in capital	11,826	11,798	11,798
Restricted stock - Unearned compensation	(48)	(24)	(42)
Accumulated deficit	(10,016)	(10,819)	(11,744)
Accumulated other comprehensive (loss) income	(35)	17	(8)
Total stockholders' equity	<u>13,672</u>	<u>12,889</u>	<u>11,921</u>
Total liabilities and stockholders' equity	<u><u>\$ 156,777</u></u>	<u><u>\$ 144,379</u></u>	<u><u>\$ 141,587</u></u>

CLARKSTON FINANCIAL CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS

(Dollars, in thousands)

	(unaudited)		(unaudited)	
	Three Months Ended		Nine Months Ended	
	9/30/2015	9/30/2014	9/30/2015	9/30/2014
Interest Income				
Interest and fees on loans	\$ 1,493	\$ 1,466	\$ 4,370	\$ 4,336
Interest on investment securities:	37	31	106	106
Interest on federal funds sold	2	2	12	5
Total interest income	<u>1,532</u>	<u>1,499</u>	<u>4,488</u>	<u>4,447</u>
Interest Expense				
Deposits	52	53	160	157
Borrowings	59	80	223	248
Total interest expense	<u>111</u>	<u>133</u>	<u>383</u>	<u>405</u>
Net Interest Income	<u>1,421</u>	<u>1,366</u>	<u>4,105</u>	<u>4,042</u>
Provision for Possible Loan Losses	-	-	-	-
Net Interest Income after provision for possible loan losses	<u>1,421</u>	<u>1,366</u>	<u>4,105</u>	<u>4,042</u>
Noninterest Income				
Service fees on loan and deposit accounts	118	132	355	391
Gain on sale of securities	-	-	34	-
Loss on sale of other real estate owned	-	-	-	(3)
Other	208	62	571	246
Total noninterest income	<u>326</u>	<u>194</u>	<u>960</u>	<u>634</u>
Noninterest Expense				
Salaries and employee benefits	701	710	2,223	2,135
Occupancy	117	142	414	431
Advertising	19	24	78	63
Outside processing	105	118	336	362
Professional fees	57	69	152	244
FDIC insurance	26	41	71	121
Defaulted loan expense	86	31	172	118
Other	136	126	415	391
Total noninterest expense	<u>1,247</u>	<u>1,261</u>	<u>3,861</u>	<u>3,865</u>
Income/(Loss) before income taxes	<u>500</u>	<u>299</u>	<u>1,204</u>	<u>811</u>
Income Tax Benefit	164	-	401	-
Net Income/(Loss)	<u>\$ 336</u>	<u>\$ 299</u>	<u>\$ 803</u>	<u>\$ 811</u>

CLARKSTON FINANCIAL CORPORATION
CONSOLIDATED FINANCIAL HIGHLIGHTS

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

	Quarter Ended				
	9/30/2015	6/30/2015	3/31/2015	12/31/2014	9/30/2014
MARKET DATA					
Book value per share	\$ 4.19	\$ 4.09	\$ 4.04	\$ 3.97	\$ 3.67
Market value per share	\$ 4.30	\$ 3.32	\$ 4.00	\$ 3.77	\$ 4.35
Earnings per share - basic & diluted	\$ 0.10	\$ 0.07	\$ 0.08	\$ 0.29	\$ 0.09
Period end common shares	3,261,156	3,261,156	3,261,156	3,246,156	3,246,156
PERFORMANCE RATIOS					
Return on average assets	0.91%	0.59%	0.69%	2.59%	0.87%
Return on average equity	9.99%	6.52%	7.81%	30.80%	10.21%
Net interest margin - CSB	4.41%	4.42%	4.43%	4.50%	4.71%
Efficiency ratio	71.40%	79.00%	78.59%	82.80%	80.84%
Texas Ratio	9.72%	11.60%	11.59%	11.10%	11.40%
CAPITAL & LIQUIDITY					
Tier 1 Leverage - CSB	8.85%	8.55%	8.71%	8.78%	8.82%
Common Equity Tier 1 Capital - CSB	9.15%	9.18%	9.84%	-	-
Tier 1 Risk Based Capital - CSB	9.15%	9.18%	9.84%	9.68%	9.52%
Total Risk Based Capital - CSB	10.40%	10.43%	11.10%	10.93%	10.77%
Loan to deposit ratio	89.40%	94.13%	88.83%	91.47%	91.23%
ASSET QUALITY					
Gross loan charge-offs	\$ -	\$ 3	\$ 249	\$ -	\$ 11
Net loan charge-offs (recoveries)	\$ (16)	\$ (14)	\$ 101	\$ (20)	\$ (12)
Allowance for loan and lease losses to total loans	1.47%	1.49%	1.55%	1.63%	1.65%
Nonperforming loans to total loans	0.00%	0.17%	0.19%	0.13%	0.13%
Nonperforming assets to total assets	0.89%	1.09%	1.09%	1.07%	1.09%

CLARKSTON FINANCIAL CORPORATION

LOAN INFORMATION

CATEGORY	(unaudited) 9/30/2015	12/31/2014	(unaudited) 9/30/2014
Commercial Loans	\$ 12,529	\$ 13,737	\$ 12,182
Real Estate Mortgage Loans:			
Commercial	99,476	91,496	90,782
1-4 Residential	4,334	5,086	5,585
Construction and other	1,389	4,136	3,565
Total mortgage loans on real estate	105,199	100,718	99,932
Consumer	4,659	225	200
Total Loans	122,387	114,680	112,314
Less: Allowance for loan losses	(1,801)	(1,873)	(1,853)
Net Loans	\$ 120,586	\$ 112,807	\$ 110,461

ASSET QUALITY	(unaudited) 9/30/2015	12/31/2014	(unaudited) 9/30/2014
Total nonaccrual loans	\$ -	\$ 144	\$ 144
Total loans past due 90 days or more and still accruing	-	-	-
Total nonperforming loans	-	144	144
Other real estate owned	1,396	1,396	1,396
Total nonperforming assets	\$ 1,396	\$ 1,540	\$ 1,540