



Clarkston Financial Corporation Reports 2016 Q4 Results

January 31, 2017

CLARKSTON, Mich., January 31, 2017 (GLOBE NEWSWIRE) -- Clarkston Financial Corporation ("Corporation") (OTCBB:[CKFC - News](#)), the holding company for Clarkston State Bank ("Bank"), today reported a net income of \$512,000 or \$0.16 per share for the three months ended December 31, 2016, compared to net income of \$227,000 or \$0.07 per share for the three months ended December 31, 2015. For the twelve months ended December 31, 2016, the corporation reported a net income of \$1,393,000 or \$0.43 per share compared to a net income of \$1,030,000 or \$0.32 per share for the same period in 2015.

J. Grant Smith, CEO, said, "We are executing our plan to reduce costs and improve our loan out-standings while at the same time keeping our asset quality well below peer levels. Our excellent balance sheet fundamentals when combined with a good net interest margin and lower operating costs have now positioned the bank to perform at a high level. Our efficiency ratio has improved significantly and will have a very positive impact on our performance as we move forward."

Operating Results

The Corporation's net interest income increased to \$1,695,000 for the quarter ended December 31, 2016 compared to \$1,409,000 for the same period ended December 31, 2015. The Bank's net interest margin remains very good compared to peers ending at 4.12% for the quarter ended December 31, 2016, down from 4.29% for the quarter ended December 31, 2015. The net interest margin benefits from the very good deposit mix of which demand deposits represents 50.8% of total deposits.

Noninterest income increased during the fourth quarter 2016. The quarter ended at \$243,000 compared to \$(95,000) for the quarter ended December 31, 2015, an increase of \$338,000 or 355.79%. The increase in noninterest income is attributable to increased fee income and gains on the sale of both loans and securities. Noninterest expense decreased, ending the fourth quarter 2016 at \$1,107,000 compared to \$1,246,000 for the same period ended December 31, 2015, a decrease of \$139,000 or 11.16%. The decline in noninterest expense has helped to improve the Corporation's efficiency ratio, ending the quarter at 57.12% compared to 94.80% at December 31, 2015.

Balance Sheet

Total assets at December 31, 2016 were \$179,007,000 compared to \$172,302,000 at December 31, 2015, an increase of \$6,705,000 or 3.89%. The increase in assets is largely due to the increase in deposits throughout the year.

Net loans increased \$24,620,000 from \$125,499,000 at December 31, 2015 to \$150,119,000 at December 31, 2016, an increase of 19.62%. Total deposits increased \$5,475,000 or 3.59%, ending at \$157,842,000 for December 31, 2016, up from \$152,367,000 at December 31, 2015. Total stockholders' equity increased from \$13,893,000 at December 31, 2015 to \$15,189,000 at December 31, 2016, an increase of \$1,296,000 or 9.33%.

Asset Quality

The Bank continues to have excellent asset quality and has no non-performing loans at December 31, 2016. The allowance for loan loss decreased slightly to 1.16% of total loans as of December 31, 2016, compared to 1.20% 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) 12/31/2016	12/31/2015
Assets		
Cash and due from banks	\$ 9,004	\$ 24,264
Securities – Available for sale	8,481	9,649
Federal Home Loan Bank stock, at cost	232	232
Loans	151,887	127,028
Allowance for possible loan losses	(1,767)	(1,529)
Net loans	150,119	125,499
Banking premises and equipment	3,682	3,915
Deferred tax asset	5,595	6,299
Other real estate owned	1,221	1,581
Accrued interest receivable and other assets	674	863
Total assets	\$ 179,007	\$ 172,302
Liabilities and Stockholders' Equity		
Liabilities		
Deposits		
Noninterest-bearing demand deposits	80,217	82,408
Interest-bearing	77,625	69,959
Total deposits	157,842	152,367
Other Liabilities		
Other borrowings	5,416	5,621
Accrued interest payable and other liabilities	560	421
Total liabilities	163,818	158,409
Stockholders' Equity		
Common stock	11,923	11,945
Paid-in capital	11,804	11,826
Restricted stock - Unearned compensation	0	(45)
Accumulated deficit	(8,396)	(9,789)
Accumulated other comprehensive income (loss)	(141)	(45)
Total stockholders' equity	15,189	13,893
Total liabilities and stockholders' equity	\$ 179,007	\$ 172,302

CLARKSTON FINANCIAL CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS

(Dollars, in thousands)

	(unaudited)		(unaudited)	
	Three Months Ended		Twelve Months Ended	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Interest Income				
Interest and fees on loans	\$1,768	\$1,483	\$6,693	\$5,853
Interest on investment securities:	40	42	189	149
Interest on federal funds sold	6	5	46	17
Total interest income	<u>1,814</u>	<u>1,530</u>	<u>6,928</u>	<u>6,019</u>
Interest Expense				
Deposits	54	48	183	208
Borrowings	65	72	261	295
Total interest expense	<u>119</u>	<u>120</u>	<u>445</u>	<u>504</u>
Net Interest Income	1,695	1,409	6,484	5,515
Provision for Possible Loan Losses		(275)		(275)
	<u>20</u>		<u>50</u>	
Net Interest Income after provision for possible loan losses	1,675	1,684	6,434	5,790
Noninterest Income				
Service fees on loan and deposit accounts	124	159	491	513
Gain on sale of securities		0		34
	12		12	
Loss on sale of other real estate owned	0	(275)	(14)	(275)
Other	108	21	247	593
Total noninterest income	<u>243</u>	<u>(95)</u>	<u>736</u>	<u>865</u>
Noninterest Expense				
Salaries and employee benefits	630	697	2,906	2,919
Occupancy	124	141	496	555
Advertising	(5)	29	101	107
Outside processing	117	128	473	464
Professional fees	54	56	193	208
FDIC insurance	21	27	106	98
Defaulted loan expense	29	41	154	213
Other	138	129	515	543
Total noninterest expense	<u>1,107</u>	<u>1,246</u>	<u>4,945</u>	<u>5,108</u>
Income/(Loss) before income taxes	811	343	2,225	1,547
Income Tax Expense	<u>299</u>	<u>116</u>	<u>833</u>	<u>517</u>
Net Income/(Loss)	<u>\$512</u>	<u>\$227</u>	<u>\$1,393</u>	<u>\$1,030</u>

CLARKSTON FINANCIAL CORPORATION
CONSOLIDATED FINANCIAL HIGHLIGHTS

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

	Quarter Ended				
	12/31/2016	9/30/2016	6/30/2016	3/31/2016	12/31/2015
MARKET DATA					
Book value per share	\$ 4.67	\$ 4.55	\$ 4.44	\$ 4.33	\$ 4.26
Market value per share	\$ 5.25	\$ 3.95	\$ 3.85	\$ 4.00	\$ 3.70
Earnings per share - basic & diluted	\$ 0.16	\$ 0.11	\$ 0.11	\$ 0.06	\$ 0.07
Period end common shares	3,249,156	3,261,156	3,261,156	3,261,156	3,261,156
PERFORMANCE RATIOS					
Return on average assets	1.14%	0.84%	0.71%	0.46%	0.57%
Return on average equity	10.66%	10.17%	8.88%	5.64%	6.62%
Net interest margin - CSB	4.12%	4.13%	4.15%	4.29%	4.29%
Efficiency ratio	57.12%	65.89%	71.65%	80.97%	94.80%
Texas Ratio	6.32%	7.32%	7.57%	10.15%	10.90%
CAPITAL & LIQUIDITY					
Tier 1 Leverage - CSB	9.04%	8.76%	8.38%	8.40%	8.46%
Common Equity Tier 1 Capital - CSB	10.01%	9.50%	9.67%	9.57%	9.09%
Tier 1 Risk Based Capital - CSB	10.01%	9.50%	9.67%	9.57%	9.09%
Total Risk Based Capital - CSB	11.12%	10.50%	10.70%	10.62%	10.36%
Loan to deposit ratio	96.23%	97.10%	89.11%	84.65%	83.37%
ASSET QUALITY					
Gross loan charge-offs	\$ 0	\$ 0	\$ 0	\$ 14	\$ 0
Net loan charge-offs (recoveries)	\$ (170)	\$ (5)	\$ (14)	\$ (16)	\$ (3)
Allowance for loan and lease losses to total loans	1.16%	1.07%	1.12%	1.12%	1.20%
Nonperforming loans to total loans	0.00%	0.00%	0.00%	0.00%	0.00%
Nonperforming assets to total assets	0.68%	0.69%	0.69%	0.87%	0.92%

**CLARKSTON FINANCIAL CORPORATION
LOAN INFORMATION**

CATEGORY	(unaudited) 12/31/2016	12/31/2015
	<hr/>	<hr/>
Commercial Loans	\$18,781	\$14,126
Real Estate Mortgage Loans:		
Commercial	118,838	102,098
1-4 Residential	3,036	4,077
Construction and other	2,468	1,369
Total mortgage loans on real estate	<hr/> 124,341	<hr/> 107,544
Consumer	<hr/> 8,765	<hr/> 5,358
Total Loans	151,887	127,028
Less: Allowance for loan losses	(1,767)	(1,529)
Net Loans	<hr/> <hr/> \$150,119	<hr/> <hr/> \$125,499

ASSET QUALITY	(unaudited) 12/31/2016	12/31/2015
	<hr/>	<hr/>
Total nonaccrual loans	\$0	\$0
Total loans past due 90 days or more and still accruing	<hr/> 0	<hr/> 0
Total nonperforming loans	0	0
Other real estate owned	<hr/> 1,221	<hr/> 1,581
Total nonperforming assets	<hr/> <hr/> \$1,221	<hr/> <hr/> \$1,581

Branch Locations:

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