

Clarkston Financial Corporation Reports 2015 Results

February 4, 2016

CLARKSTON, Mich., February 4, 2016 (GLOBE NEWSWIRE) -- Clarkston Financial Corporation (“Corporation”) (OTCBB:[CKFC](#) - [News](#)), the holding company for Clarkston State Bank (“Bank”), today reported a net income of \$227,000 or \$0.07 per share for the three months ended December 31, 2015, compared to net income of \$926,000 or \$0.30 per share for the three months ended December 31, 2014. For the twelve months ended December 31, 2015, the corporation reported a net income of \$1,030,000 or \$0.32 per share compared to a net income of \$1,736,000 or \$0.53 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 \$1,547,000 for the twelve months ended December 31, 2015 compared to \$1,078,000 for the period ended December 31, 2014. This represents an increase of \$469,000 or 43.50% in pre-tax income year over year.

J. Grant Smith, CEO, said, "We are very pleased with our performance in 2015. Our balance sheet fundamentals are very good and we have been prudent with our lending decisions. We believe we need to remain disciplined with our loan underwriting and not risk the temptation to take undue risk which is something we are seeing in the marketplace right now. We continue to maintain a very good net interest margin which ended the year at 4.29%. Both our loan and deposit portfolios have grown by double digits during the year. Most notable was the growth in our noninterest-bearing deposits which increased by \$29.5 million or 55.72% during the year. We are positioned to continue our growth and we expect our operating performance to continue to improve in 2016."

Operating Results

The Corporation's net interest income increased to \$1,409,000 for the quarter ended December 31, 2015 compared to \$1,353,000 for the same period ended December 31, 2014. The net interest margin of the Bank remains elevated compared to peers, but continues to have compression, ending at 4.29% for the quarter ended December 31, 2015, down from 4.50% for the quarter ended December 31, 2014.

Noninterest income decreased during the fourth quarter 2015. The decrease is largely due to write downs on other real estate owned of \$275,000 in December 2015. The quarter ended at (\$95,000) compared to \$203,000 for the quarter ended December 31, 2014, a decrease of \$298,000. Noninterest expense decreased slightly, ending the third quarter 2015 at \$1,246,000 compared to \$1,288,000 for the same period ended December 31, 2014, a decrease of \$42,000 or 3.26%.

Balance Sheet

Total assets at December 31, 2015 were \$172,302,000 compared to \$144,379,000 at December 31, 2014, an increase of \$27,923,000 or 19.34%. The increase in assets is largely due to increases in noninterest-bearing demand deposits which had a year over year increase of \$29,489,000 or 55.72%.

Net loans increased \$12,692,000 from \$112,807,000 at December 31, 2014 to \$125,499,000 at December 31, 2015, an increase of 11.25%. Total deposits increased \$26,999,000 or 21.53%, ending at \$152,367,000 for December 31, 2015, up from \$125,368,000 at December 31, 2014. Total stockholders' equity increased from \$12,889,000 at December 31, 2014 to \$13,892,000 at December 31, 2015, an increase of \$1,003,000 or 7.78%.

Asset Quality

Total non-performing loans were zero at December 31, 2015 compared to \$144,000 from the same period 2014. The allowance for loan loss decreased to 1.20% of total loans as of December 31, 2015, compared to 1.63% 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) 12/31/2015	12/31/2014
Assets		
Total cash and cash equivalents	24,264	11,908
Securities – Available for sale	9,649	5,581
Federal Home Loan Bank stock, at cost	232	409
Loans	127,028	114,680
Allowance for possible loan losses	(1,529)	(1,873)
Net loans	125,499	112,807
Banking premises and equipment	3,915	4,809
Deferred tax asset	6,299	6,793
Other real estate owned	1,581	1,396
Accrued interest receivable and other assets	863	676
Total assets	\$ 172,302	\$ 144,379
Liabilities and Stockholders' Equity		
Liabilities		
Deposits		
Noninterest-bearing demand deposits	82,408	52,919
Interest-bearing	69,959	72,449
Total deposits	152,367	125,368
Other Liabilities		
Other borrowings	5,621	5,625
Accrued interest payable and other liabilities	422	497
Total liabilities	158,410	131,490
Stockholders' Equity		
Common stock	11,945	11,917
Paid-in capital	11,826	11,798
Restricted stock - Unearned compensation	(45)	(24)
Accumulated deficit	(9,789)	(10,819)
Accumulated other comprehensive (loss) income	(45)	17
Total stockholders' equity	13,892	12,889
Total liabilities and stockholders' equity	\$ 172,302	\$ 144,379

CLARKSTON FINANCIAL CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS

(Dollars, in thousands)

	Three Months Ended		Twelve Months Ended	
	12/31/2015 (Unaudited)	12/31/2014 (Unaudited)	12/31/2015 (Unaudited)	12/31/2014
Interest Income				
Interest and fees on loans	\$ 1,483	\$ 1,466	\$ 5,853	\$ 5,802
Interest on investment securities:	42	34	149	141
Interest on federal funds sold	5	5	17	9
Total interest income	<u>1,530</u>	<u>1,505</u>	<u>6,019</u>	<u>5,952</u>
Interest Expense				
Deposits	48	52	209	210
Borrowings	72	100	295	347
Total interest expense	<u>120</u>	<u>152</u>	<u>504</u>	<u>557</u>
Net Interest Income	1,409	1,353	5,515	5,395
Recovery of Loan Losses	(275)	-	(275)	-
Net Interest Income after recovery of loan losses	<u>1,684</u>	<u>1,353</u>	<u>5,790</u>	<u>5,395</u>
Noninterest Income				
Service fees on loan and deposit accounts	159	126	513	518
Gain on sale of securities	-	-	34	-
Loss on sale of other real estate owned	(275)	-	(275)	(3)
Other	21	77	593	322
Total noninterest income	<u>(95)</u>	<u>203</u>	<u>865</u>	<u>837</u>
Noninterest Expense				
Salaries and employee benefits	697	758	2,919	2,893
Occupancy	141	152	555	584
Advertising	29	20	107	83
Outside processing	128	117	464	479
Professional fees	56	55	208	300
FDIC insurance	27	21	98	143
Defaulted loan expense	41	36	213	154
Other	127	129	544	518
Total noninterest expense	<u>1,246</u>	<u>1,288</u>	<u>5,108</u>	<u>5,154</u>
Income before income taxes	<u>343</u>	<u>268</u>	<u>1,547</u>	<u>1,078</u>
Income Tax Benefit	116	(658)	517	(658)
Net Income	<u>\$ 227</u>	<u>\$ 926</u>	<u>\$ 1,030</u>	<u>\$ 1,736</u>

CLARKSTON FINANCIAL CORPORATION
CONSOLIDATED FINANCIAL HIGHLIGHTS

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

	Quarter Ended				
	12/31/2015	9/30/2015	6/30/2015	3/31/2015	12/31/2014
MARKET DATA					
Book value per share	\$ 4.26	\$ 4.19	\$ 4.09	\$ 4.04	\$ 3.97
Market value per share	\$ 3.70	\$ 4.30	\$ 3.32	\$ 4.00	\$ 3.77
Earnings per share - basic & diluted	\$ 0.07	\$ 0.10	\$ 0.07	\$ 0.08	\$ 0.30
Period end common shares	3,261,156	3,261,156	3,261,156	3,261,156	3,246,156
PERFORMANCE RATIOS					
Return on average assets	0.57%	0.91%	0.59%	0.69%	2.59%
Return on average equity	6.62%	9.99%	6.52%	7.81%	30.80%
Net interest margin - CSB	4.29%	4.41%	4.42%	4.43%	4.50%
Efficiency ratio	94.80%	71.40%	79.00%	78.59%	82.80%
Texas Ratio	10.90%	9.72%	11.60%	11.59%	11.10%
CAPITAL & LIQUIDITY					
Tier 1 Leverage - CSB	8.46%	8.85%	8.55%	8.71%	8.78%
Common Equity Tier 1 Capital - CSB	9.09%	9.15%	9.18%	9.84%	-
Tier 1 Risk Based Capital - CSB	9.09%	9.15%	9.18%	9.84%	9.68%
Total Risk Based Capital - CSB	10.36%	10.40%	10.43%	11.10%	10.93%
Loan to deposit ratio	83.37%	89.40%	94.13%	88.83%	91.47%
ASSET QUALITY					
Gross loan charge-offs	\$ 14	\$ -	\$ 3	\$ 249	\$ -
Net loan (recoveries) charge-offs	\$ (3)	\$ (16)	\$ (14)	\$ 101	\$ (20)
Allowance for loan and lease losses to total loans	1.20%	1.47%	1.49%	1.55%	1.63%
Nonperforming loans to total loans	0.00%	0.00%	0.17%	0.19%	0.13%
Nonperforming assets to total assets	0.92%	0.89%	1.09%	1.09%	1.07%

CLARKSTON FINANCIAL CORPORATION
LOAN INFORMATION

CATEGORY	(unaudited) 12/31/2015	12/31/2014
Commercial Loans	\$ 14,126	\$ 13,776
Real Estate Mortgage Loans:		
Commercial	102,098	91,497
1-4 Residential	4,077	5,086
Construction and other	1,369	4,136
Total mortgage loans on real estate	107,544	100,719
Consumer	5,358	185
Total Loans	127,028	114,680
Less: Allowance for loan losses	(1,529)	(1,873)
Net Loans	\$ 125,499	\$ 112,807

ASSET QUALITY	(unaudited) 12/31/2015	12/31/2014
Total nonaccrual loans	\$ -	\$ 144
Total loans past due 90 days or more and still accruing	-	-
Total nonperforming loans	-	144
Other real estate owned	1,581	1,396
Total nonperforming assets	\$ 1,581	\$ 1,540