



Clarkston State Bank

Clarkston Financial Corporation Reports 2017 Q2 Results

July 27, 2017

CLARKSTON, Mich., July 27, 2017 (GLOBE NEWSWIRE) -- Clarkston Financial Corporation (“Corporation”) (OTCBB:[CKFC](#) - [News](#)), the holding company for Clarkston State Bank (“Bank”), today reported a net income of \$765,000 or \$0.24 per share for the three months ended June 30, 2017, compared to net income of \$315,000 or \$0.10 per share for the three months ended June 30, 2016. For the six months ended June 30, 2017, the corporation reported net income of \$1,134,000 or \$0.35 per share compared to net income of \$510,000 or \$0.18 per share for the same period in 2016.

J. Grant Smith, CEO, said, "Our board of directors is very proud of our team and our earnings performance. The Bank continues to exceed its performance targets. We have a very specific strategic plan in place and we are executing the plan with precision. The quarter's performance was aided by a recovery on a previously charged off loan, however, when normalizing the earnings performance the Bank still posted a return on assets of 1.22%. Our team is focused on procuring additional loan opportunities, maintaining expense control and garnering new deposits to further bolster an outstanding deposit mix. The effort and discipline of our team will continue to provide the fundamentals to further enhance our financial performance as we traverse through the remainder of the year."

Operating Results

The Corporation's net interest income increased significantly to \$2,109,000 for the quarter ended June 30, 2017 compared to \$1,620,000 for the same period ended June 30, 2016. This represents an increase of \$489,000 or 30.19% quarter over quarter. This increase is due to the growth in our loan portfolio and disciplined expense control. The net interest margin of the Bank remains well above its peer group average ending at 4.01% for the quarter ended June 30, 2017.

Noninterest income increased during the second quarter of 2017 when compared to the second quarter 2016. The Corporation posted \$290,000 for the quarter compared to \$159,000 for the quarter ended June 30, 2016, an increase of \$131,000 or 82.39%. The increase is mostly attributable to gains realized on the sale of SBA loans. In addition, noninterest income was up significantly quarter over quarter due to a large recovery on a previously charged off loan in the amount of \$494,000 of which \$94,000 was retained in the allowance for loan loss. Noninterest expense decreased, ending the second quarter at \$1,217,000 compared to \$1,275,000 for the same period ended June 30, 2016, a decrease of \$58,000 or 4.55%.

Balance Sheet

Total assets at June 30, 2017 were \$191,533,000 compared to \$176,881,000 at June 30, 2016, an increase of \$14,652,000 or 8.28%. The increase in assets is due to increases in loans.

Gross loans increased \$28,391,000 from \$139,425,000 at June 30, 2016, to \$167,816,000 at June 30, 2017, an increase of 20.36%. Total deposits increased \$9,240,000 or 5.91%, ending at \$165,707,000 for June 30, 2017, up from \$156,467,000 for June 30, 2016. Total stockholders' equity increased from \$14,465,000 at June 30, 2016 to \$16,412,000 at June 30, 2017, an increase of \$1,947,000 or 13.46%.

Asset Quality

There were no non-performing loans at June 30, 2017 as well as for the same period 2016. The allowance for loan loss increased to 1.17% of total loans as of June 30, 2017 compared to 1.12% for the same period 2016. 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.

Media Contact: Clarkston Financial Corporation – J. Grant Smith, CEO, 248-922-6945.

CONSOLIDATED BALANCE SHEET

(Dollars, in thousands)

	(unaudited) 6/30/2017	12/31/2016	(unaudited) 6/30/2016
Assets			
Cash and due from banks	\$ 7,653	\$ 9,004	\$ 17,191
Securities – Available for sale	7,795	8,481	9,921
Federal Home Loan Bank stock, at cost	232	232	232
Loans	167,816	151,887	139,425
Allowance for possible loan losses	(1,957)	(1,767)	(1,558)
Net loans	<u>165,859</u>	<u>150,119</u>	<u>137,867</u>
Banking premises and equipment	3,645	3,682	3,759
Deferred tax asset	4,976	5,595	5,989
Other real estate owned	721	1,221	1,221
Accrued interest receivable and other assets	653	674	702
Total assets	<u><u>\$ 191,533</u></u>	<u><u>\$ 179,007</u></u>	<u><u>\$ 176,881</u></u>
Liabilities and Stockholders' Equity			
Liabilities			
Deposits			
Noninterest-bearing demand deposits	76,165	80,217	84,356
Interest-bearing	89,542	77,625	72,110
Total deposits	<u>165,707</u>	<u>157,842</u>	<u>156,467</u>
Other Liabilities			
Other borrowings	9,014	5,416	5,519
Accrued interest payable and other liabilities	400	560	431
Total liabilities	<u>175,121</u>	<u>163,818</u>	<u>162,416</u>
Stockholders' Equity			
Common stock	11,923	11,923	11,945
Paid-in capital	11,804	11,804	11,826
Restricted stock - Unearned compensation	0	0	(40)
Accumulated deficit	(7,262)	(8,396)	(9,279)
Accumulated other comprehensive income (loss)	(52)	(141)	12
Total stockholders' equity	<u>16,412</u>	<u>15,189</u>	<u>14,465</u>
Total liabilities and stockholders' equity	<u><u>\$ 191,533</u></u>	<u><u>\$ 179,007</u></u>	<u><u>\$ 176,881</u></u>

CLARKSTON FINANCIAL CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS

(Dollars, in thousands)

	(unaudited)		(unaudited)	
	Three Months Ended		Six Months Ended	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Interest Income				
Interest and fees on loans	\$1,891	\$1,656	\$3,643	\$3,258
Interest on investment securities:	41	48	84	105
Interest on federal funds sold	7	21	13	29
Total interest income	<u>1,939</u>	<u>1,725</u>	<u>3,740</u>	<u>3,391</u>
Interest Expense				
Deposits	114	42	187	87
Borrowings	71	63	133	133
Total interest expense	<u>185</u>	<u>105</u>	<u>320</u>	<u>221</u>
Net Interest Income	1,754	1,620	3,420	3,171
Provision for Possible Loan Losses		0		0
	<u>(355)</u>		<u>(310)</u>	
Net Interest Income after provision for possible loan losses	2,109	1,620	3,730	3,171
Noninterest Income				
Service fees on loan and deposit accounts	118	129	240	244
Gain on sale of securities	0	0	-	0
Loss on sale of other real estate owned	0	(14)	4	(14)
Other	172	44	217	67
Total noninterest income	<u>290</u>	<u>159</u>	<u>460</u>	<u>298</u>
Noninterest Expense				
Salaries and employee benefits	715	727	1,462	1,574
Occupancy	121	123	243	250
Advertising	35	35	70	70
Outside processing	122	118	241	240
Professional fees	36	54	79	98
FDIC insurance	24	27	47	53
Defaulted loan expense	2	69	11	103
Other	161	122	295	255
Total noninterest expense	<u>1,217</u>	<u>1,275</u>	<u>2,449</u>	<u>2,643</u>
Income/(Loss) before income taxes	1,182	504	1,742	826
Income Tax Expense	418	189	608	316
Net Income/(Loss)	<u>\$765</u>	<u>\$315</u>	<u>\$1,134</u>	<u>\$510</u>

CLARKSTON FINANCIAL CORPORATION
CONSOLIDATED FINANCIAL HIGHLIGHTS

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

	Quarter Ended				
	06/30/17	03/31/17	12/31/16	09/30/16	06/30/16
MARKET DATA					
Book value per share	\$ 5.05	\$ 4.80	\$ 4.67	\$ 4.55	\$ 4.44
Market value per share	\$ 6.30	\$ 6.60	\$ 5.25	\$ 3.95	\$ 3.85
Earnings per share - basic & diluted	\$ 0.24	\$ 0.11	\$ 0.16	\$ 0.11	\$ 0.11
Period end common shares	3,249,156	3,249,156	3,249,156	3,261,156	3,261,156
PERFORMANCE RATIOS					
Return on average assets	1.62%	0.79%	1.14%	0.84%	0.71%
Return on average equity	15.14%	7.56%	10.66%	10.17%	8.88%
Net interest margin - CSB	4.01%	4.07%	4.12%	4.13%	4.15%
Efficiency ratio	59.52%	67.08%	57.12%	65.89%	71.65%
Texas Ratio	3.37%	3.60%	6.32%	7.32%	7.57%
CAPITAL & LIQUIDITY					
Tier 1 Leverage - CSB	9.53%	9.09%	9.04%	8.76%	8.38%
Common Equity Tier 1 Capital - CSB	9.95%	9.71%	10.01%	9.50%	9.67%
Tier 1 Risk Based Capital - CSB	9.95%	9.71%	10.01%	9.50%	9.67%
Total Risk Based Capital - CSB	11.06%	10.78%	11.12%	10.50%	10.70%
Loan to deposit ratio	101.27%	98.62%	96.23%	97.10%	89.11%
ASSET QUALITY					
Gross loan charge-offs	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Net loan charge-offs (recoveries)	\$ (495)	\$ (4)	\$ (170)	\$ (5)	\$ (14)
Allowance for loan and lease losses to total loans	1.17%	1.12%	1.16%	1.07%	1.12%
Nonperforming loans to total loans	0.00%	0.00%	0.00%	0.00%	0.00%
Nonperforming assets to total assets	0.38%	0.39%	0.68%	0.69%	0.69%

CLARKSTON FINANCIAL CORPORATION
LOAN INFORMATION

(Dollars, in thousands)

CATEGORY	(unaudited) 6/30/2017	12/31/2016	(unaudited) 6/30/2016
Commercial Loans	\$25,330	\$18,781	\$18,222
Real Estate Mortgage Loans:			
Commercial	120,302	118,838	109,408
1-4 Residential	2,976	3,036	3,810
Construction and other	1,581	2,468	1,650
Total mortgage loans on real estate	124,859	124,341	114,868
Consumer Loans	17,626	8,765	6,335
Total Loans	167,816	151,887	139,425
Less: Allowance for loan losses	(1,957)	(1,767)	(1,558)
Net Loans	<u>\$165,859</u>	<u>\$150,119</u>	<u>\$137,867</u>

ASSET QUALITY	(unaudited) 6/30/2017	(unaudited) 12/31/2016	(unaudited) 6/30/2016
Total nonaccrual loans	\$0	\$0	\$0
Total loans past due 90 days or more and still accruing	0	0	0
Total nonperforming loans	0	0	0
Other real estate owned	721	1,221	1,221
Total nonperforming assets	<u>\$721</u>	<u>\$1,221</u>	<u>\$1,221</u>

Branch Locations:

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