

## Clarkston Financial Corporation Reports 2017 Q3 Results

October 27, 2017

CLARKSTON, Mich., October 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 \$407,000 or \$0.13 per share for the three months ended September 30, 2017, compared to net income of \$371,000 or \$0.11 per share for the three months ended September 30, 2016. For the nine months ended September 30, 2017, the corporation reported net income of \$1,541,000 or \$0.47 per share compared to net income of \$881,000 or \$0.27 per share for the same period in 2016.

J. Grant Smith, CEO, said, "Our performance continues to outpace the prior quarter as well as year over year. Our team is working very diligently while maintaining discipline with both expense control and loan portfolio concentrations. We are continuing with our efforts to lower our concentration in investor real estate while at the same time improving our regulatory capital. Both our efficiency and noninterest expense ratios at the Bank are lower than our peers. We are continuing with our strategic plan which calls for the Bank to lower our investor real estate concentration levels, increase regulatory capital and outperform our peers when it comes to expense control. Our financial results for the past quarter reflects the efforts of our team and the precise execution of our strategy. We expect more of the same execution as we move throughout the fourth quarter."

### Operating Results

The Corporation's net interest income increased slightly to \$1,769,000 for the quarter ended September 30, 2017 compared to \$1,618,000 for the same period ended September 30, 2016. This represents an increase of \$151,000 or 9.33% 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 above its peer group average ending at 3.88% for the quarter ended September 30, 2017.

Noninterest income decreased during the third quarter of 2017 when compared to the third quarter 2016. The Corporation posted \$125,000 for the quarter compared to \$195,000 for the quarter ended September 30, 2016, a decrease of \$70,000 or 35.90%. The decrease is mostly attributable to gains realized in 2016 on the sale of SBA loans. Noninterest expense increased, ending the third quarter at \$1,230,000 compared to \$1,195,000 for the same period ended September 30, 2016, an increase of \$35,000 or 3.00%. However, year-to-date the Corporation's noninterest expense for 2017 was 4.17% or \$160,000 lower at \$3,678,000 compared to \$3,838,000 in 2016.

### Balance Sheet

Total assets at September 30, 2017 were \$203,763,000 compared to \$176,814,000 at September 30, 2016, an increase of \$26,949,000 or 15.24%. The increase in assets is mainly due to an increase of loans.

Gross loans increased \$22,622,000 from \$149,027,000 at September 30, 2016, to \$171,649,000 at September 30, 2017, an increase of 15.18%. Total deposits increased \$27,850,000 or 18.15%, ending at \$181,323,000 for September 30, 2017, up from \$153,473,000 for September 30, 2016. Total stockholders' equity increased from \$14,852,000 at September 30, 2016 to \$16,814,000 at September 30, 2017, an increase of \$1,962,000 or 13.21%.

### Asset Quality

There was one non-performing loan at September 30, 2017 for \$168,000 compared to none for the same period in 2016. The allowance for loan loss increased to 1.17% of total loans as of September 30, 2017 compared to 1.07% 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.

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**CLARKSTON FINANCIAL CORPORATION**  
**CONSOLIDATED BALANCE SHEET**

(Dollars, in thousands)

	<b>(unaudited)</b> <b>9/30/2017</b>	<b>12/31/2016</b>	<b>(unaudited)</b> <b>9/30/2016</b>
<b>Assets</b>			
Cash and due from banks	\$ 16,717	\$ 9,004	\$ 7,214
Securities – Available for sale	7,337	8,481	10,558
Federal Home Loan Bank stock, at cost	232	232	232
Loans	171,649	151,887	149,027
Allowance for possible loan losses	(2,004)	(1,767)	(1,593)
Net loans	<u>169,644</u>	<u>150,119</u>	<u>147,434</u>
Banking premises and equipment	3,620	3,682	3,726
Deferred tax asset	4,783	5,595	5,782
Other real estate owned	721	1,221	1,221
Accrued interest receivable and other assets	708	674	647
Total assets	<u><u>\$ 203,763</u></u>	<u><u>\$ 179,007</u></u>	<u><u>\$ 176,814</u></u>
<b>Liabilities and Stockholders' Equity</b>			
<b>Liabilities</b>			
Deposits			
Noninterest-bearing demand deposits	79,981	80,217	83,635
Interest-bearing	101,343	77,625	69,838
Total deposits	<u>181,323</u>	<u>157,842</u>	<u>153,473</u>
Other Liabilities			
Federal Home Loan Bank advances	0	0	2,500
Other borrowings	5,263	5,416	5,468
Accrued interest payable and other liabilities	364	560	521
Total liabilities	<u>186,949</u>	<u>163,818</u>	<u>161,962</u>
<b>Stockholders' Equity</b>			
Common stock	11,923	11,923	11,945
Paid-in capital	11,804	11,804	11,826
Restricted stock - Unearned compensation	0	0	(37)
Accumulated deficit	(6,855)	(8,396)	(8,908)
Accumulated other comprehensive income (loss)	(57)	(141)	26
Total stockholders' equity	<u>16,814</u>	<u>15,189</u>	<u>14,852</u>
Total liabilities and stockholders' equity	<u><u>\$ 203,763</u></u>	<u><u>\$ 179,007</u></u>	<u><u>\$ 176,814</u></u>

**CLARKSTON FINANCIAL CORPORATION**  
**CONSOLIDATED STATEMENT OF OPERATIONS**

(Dollars, in thousands)

	(unaudited)		(unaudited)	
	Three Months Ended		Nine Months Ended	
	9/30/2017	9/30/2016	9/30/2017	9/30/2016
<b>Interest Income</b>				
Interest and fees on loans	\$1,926	\$1,667	\$5,569	\$4,925
Interest on investment securities:	34	44	119	149
Interest on federal funds sold	17	11	31	40
Total interest income	<u>1,978</u>	<u>1,722</u>	<u>5,718</u>	<u>5,114</u>
<b>Interest Expense</b>				
Deposits	160	42	347	129
Borrowings	49	63	182	196
Total interest expense	<u>209</u>	<u>104</u>	<u>529</u>	<u>325</u>
<b>Net Interest Income</b>	1,769	1,618	5,190	4,789
<b>Provision for Possible Loan Losses</b>	<u>45</u>	<u>30</u>	<u>(265)</u>	<u>30</u>
<b>Net Interest Income after provision for possible loan losses</b>	1,724	1,588	5,455	4,759
<b>Noninterest Income</b>				
Service fees on loan and deposit accounts	115	124	355	368
Gain on sale of securities	0	0	0	0
Loss on sale of other real estate owned	0	0	4	(14)
Other	11	71	227	139
Total noninterest income	<u>125</u>	<u>195</u>	<u>586</u>	<u>493</u>
<b>Noninterest Expense</b>				
Salaries and employee benefits	742	703	2,204	2,277
Occupancy	127	122	370	372
Advertising	40	35	110	105
Outside processing	126	116	367	356
Professional fees	50	41	129	139
FDIC insurance	13	32	60	85
Defaulted loan expense	5	22	16	125
Other	127	124	422	379
Total noninterest expense	<u>1,230</u>	<u>1,195</u>	<u>3,678</u>	<u>3,838</u>
<b>Income/(Loss) before income taxes</b>	620	588	2,362	1,414
<b>Income Tax Expense</b>	213	<u>217</u>	<u>821</u>	<u>533</u>
<b>Net Income/(Loss)</b>	<u>\$407</u>	<u>\$371</u>	<u>\$1,541</u>	<u>\$881</u>

**CLARKSTON FINANCIAL CORPORATION**  
**CONSOLIDATED FINANCIAL HIGHLIGHTS**

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

	<b>Quarter Ended</b>				
	<b>09/30/17</b>	<b>06/30/17</b>	<b>03/31/17</b>	<b>12/31/16</b>	<b>09/30/16</b>
<b>MARKET DATA</b>					
Book value per share	\$ 5.17	\$ 5.05	\$ 4.80	\$ 4.67	\$ 4.55
Market value per share	\$ 6.90	\$ 6.30	\$ 6.60	\$ 5.25	\$ 3.95
Earnings per share - basic & diluted	\$ 0.13	\$ 0.24	\$ 0.11	\$ 0.16	\$ 0.11
Period end common shares	3,249,156	3,249,156	3,249,156	3,249,156	3,261,156
<b>PERFORMANCE RATIOS</b>					
Return on average assets	0.82%	1.62%	0.79%	1.14%	0.84%
Return on average equity	7.90%	15.14%	7.56%	10.66%	10.17%
Net interest margin - CSB	3.88%	4.01%	4.07%	4.12%	4.13%
Efficiency ratio	64.91%	59.52%	67.08%	57.12%	65.89%
Texas Ratio	4.44%	3.37%	3.60%	6.32%	7.32%
<b>CAPITAL &amp; LIQUIDITY</b>					
Tier 1 Leverage - CSB	9.30%	9.53%	9.09%	9.04%	8.76%
Common Equity Tier 1 Capital - CSB	10.07%	9.95%	9.71%	10.01%	9.50%
Tier 1 Risk Based Capital - CSB	10.07%	9.95%	9.71%	10.01%	9.50%
Total Risk Based Capital - CSB	11.19%	11.06%	10.78%	11.12%	10.50%
Loan to deposit ratio	94.66%	101.27%	98.62%	96.23%	97.10%
<b>ASSET QUALITY</b>					
Gross loan charge-offs	\$ 1	\$ 0	\$ 0	\$ 0	\$ 0
Net loan charge-offs (recoveries)	\$ (2)	\$ (495)	\$ (4)	\$ (170)	\$ (5)
Allowance for loan and lease losses to total loans	1.17%	1.17%	1.12%	1.16%	1.07%
Nonperforming loans to total loans	0.10%	0.00%	0.00%	0.00%	0.00%
Nonperforming assets to total assets	0.44%	0.38%	0.39%	0.68%	0.69%