



Clarkston State Bank

Clarkston Financial Corporation Reports 2017 Q4 Results

January 30, 2018

CLARKSTON, Mich., January 30, 2018 (GLOBE NEWSWIRE) -- Clarkston Financial Corporation ("Corporation") (OTCBB:[CKFC](#) - [News](#)), the holding company for Clarkston State Bank ("Bank"), today reported a net loss of (\$1,367,000) or (\$0.42) per share for the three months ended December 31, 2017, compared to net income of \$512,000 or \$0.16 per share for the three months ended December 31, 2016. For the twelve months ended December 31, 2017, the corporation reported net income of \$174,000 or \$0.06 per share compared to net income of \$1,297,000 or \$0.40 per share for the same period in 2016. The net loss is directly attributable to the Tax Cut and Jobs Act (H.R. 1) signed into law on December 22, 2017. The change in tax law resulted in a charge to federal income tax expense of \$1.69 million for 2017.

J. Grant Smith, CEO, said, "Despite the year end charge to reduce the Corporation's deferred tax asset per the change in tax law, the Corporation was on pace for another outstanding year. Pre-tax income grew by 29% year over year. While at the same time, balance sheet fundamentals continue to be outstanding. We expect our strong performance will continue throughout 2018. Excellent asset quality, combined with good expense control and very good core deposits will help to further enhance the Corporation's performance going forward."

Operating Results

The Corporation's net interest income increased slightly to \$1,820,000 for the quarter ended December 31, 2017 compared to \$1,695,000 for the same period ended December 31, 2016. This represents an increase of \$125,000 or 7.37% quarter over quarter. This increase is due to the growth in our loan portfolio. The net interest margin of the Bank remains above its peer group average ending at 3.85% for the quarter ended December 31, 2017.

Noninterest income decreased during the fourth quarter of 2017 when compared to the fourth quarter of 2016. The Corporation posted \$59,000 for the quarter compared to \$243,000 for the quarter ended December 31, 2016, a decrease of \$184,000 or 75.72%. The decrease is mostly attributable to gains realized on the sale of SBA loans in 2016. Noninterest expense increased, ending the fourth quarter at \$1,324,000 compared to \$1,107,000 for the same period ended December 31, 2016, an increase of \$217,000 or 19.60%. However, year-to-date the Corporation's noninterest expense for 2017 was 1.17% or \$58,000 higher at \$5,002,000 compared to \$4,944,000 in 2016.

Balance Sheet

Total assets at December 31, 2017 were \$193,311,000 compared to \$179,007,000 at December 31, 2016, an increase of \$14,304,000 or 7.99%. The increase in assets is due to an increase of loans.

Gross loans increased \$20,699,000 from \$151,887,000 at December 31, 2016, to \$172,586,000 at December 31, 2017, an increase of 13.63%. Total deposits increased \$13,738,000 or 8.70%, ending at \$171,580,000 for December 31, 2017, up from \$157,842,000 for December 31, 2016. Total stockholders' equity increased slightly from \$15,189,000 at December 31, 2016 to \$15,416,000 at December 31, 2017, an increase of \$227,000 or 1.49%.

Asset Quality

There was one non-performing loan at December 31, 2017 for \$158,500 compared to none for the same period in 2016. The allowance for loan loss slightly increased at 1.19% of total loans as of December 31, 2017 compared to 1.16% 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.

CLARKSTON FINANCIAL CORPORATION
CONSOLIDATED BALANCE SHEET

(Dollars, in thousands)

	(unaudited)	
Assets	12/31/2017	12/31/2016
Cash and due from banks	\$ 7,718	\$ 9,004
Securities – Available for sale	6,889	8,481
Federal Home Loan Bank stock, at cost	232	232
Loans	172,586	151,887
Allowance for possible loan losses	(2,052)	(1,767)
Net loans	170,533	150,119
Banking premises and equipment	3,611	3,682
Deferred tax asset	2,939	5,595
Other real estate owned	721	1,221
Accrued interest receivable and other assets	667	674
Total assets	\$ 193,311	\$ 179,007
Liabilities and Stockholders' Equity		
Liabilities		
Deposits		
Noninterest-bearing demand deposits	77,065	80,217
Interest-bearing	94,515	77,625
Total deposits	171,580	157,842
Other Liabilities		
Federal Home Loan Bank advances	0	0
Other borrowings	5,711	5,416
Accrued interest payable and other liabilities	604	560
Total liabilities	177,895	163,818
Stockholders' Equity		
Common stock	11,923	11,923
Paid-in capital	11,804	11,804
Restricted stock - Unearned compensation	0	0
Accumulated deficit	(8,205)	(8,396)
Accumulated other comprehensive income (loss)	(105)	(141)
Total stockholders' equity	15,416	15,189
Total liabilities and stockholders' equity	\$ 193,311	\$ 179,007

ARKSTON FINANCIAL CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS

(Dollars, in thousands)

	(unaudited)		(unaudited)	
	Three Months Ended		Twelve Months Ended	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Interest Income				
Interest and fees on loans	\$2,008	\$1,768	\$7,516	\$6,640
Interest on investment securities:	34	40	153	189
Interest on federal funds sold	27	6	58	46
Total interest income	<u>2,070</u>	<u>1,814</u>	<u>7,727</u>	<u>6,875</u>
Interest Expense				
Deposits	176	54	523	183
Borrowings	74	65	256	261
Total interest expense	<u>250</u>	<u>119</u>	<u>779</u>	<u>444</u>
Net Interest Income	1,820	1,695	6,948	6,431
	45			
Provision for Possible Loan Losses		20	(220)	50
Net Interest Income after provision for possible loan losses	1,775	1,675	7,168	6,381
Noninterest Income				
Service fees on loan and deposit accounts	49	124	465	544
Gain on sale of securities	0	12	0	12
Loss on sale of other real estate owned	0	0	4	204
Other	11	108	238	29
Total noninterest income	<u>59</u>	<u>243</u>	<u>706</u>	<u>789</u>
Noninterest Expense				
Salaries and employee benefits	808	630	3,011	2,906
Occupancy	90	124	460	504
Advertising	71	(5)	182	101
Outside processing	127	117	494	470
Professional fees	7	54	136	191
FDIC insurance	23	21	83	136
Defaulted loan expense	14	29	30	0
Other	184	138	606	636
Total noninterest expense	<u>1,324</u>	<u>1,107</u>	<u>5,002</u>	<u>4,944</u>
Income/(Loss) before income taxes	510	811	2,871	2,226
Income Tax Expense (1)	1,877	299	2,698	929
Net Income/(Loss)	<u>(\$1,367)</u>	<u>\$512</u>	<u>\$174</u>	<u>\$1,297</u>

(1) Income tax expense includes \$1,689 in deferred income tax expense as a result of the Tax Cuts and Jobs Act (H.R. 1)

CLARKSTON FINANCIAL CORPORATION
CONSOLIDATED FINANCIAL HIGHLIGHTS

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

	Quarter Ended				
	12/31/17	09/30/17	06/30/17	03/31/17	12/31/16
MARKET DATA					
Book value per share	\$ 4.74	\$ 5.17	\$ 5.05	\$ 4.80	\$ 4.67
Market value per share	\$ 8.10	\$ 6.90	\$ 6.30	\$ 6.60	\$ 5.25
Earnings per share - basic & diluted	\$ (0.42)	\$ 0.13	\$ 0.24	\$ 0.11	\$ 0.16
Period end common shares	3,249,156	3,249,156	3,249,156	3,249,156	3,249,156
PERFORMANCE RATIOS					
Return on average assets pre-Tax Cuts and Jobs Act	1.10%	0.82%	1.62%	0.79%	1.14%
Return on average assets with Tax Cuts and Jobs Act	-2.71%	0.82%	1.62%	0.79%	1.14%
Return on average equity pre-Tax Cuts and Jobs Act	10.45%	7.90%	15.14%	7.56%	10.66%
Return on average equity with Tax Cuts and Jobs Act	-26.30%	7.90%	15.14%	7.56%	10.66%
Net interest margin - CSB	3.85%	3.88%	4.01%	4.07%	4.12%
Efficiency ratio	70.48%	64.91%	59.52%	67.08%	57.12%
Texas Ratio	4.35%	4.44%	3.37%	3.60%	6.32%
CAPITAL & LIQUIDITY					
Tier 1 Leverage - CSB	9.08%	9.30%	9.53%	9.09%	9.04%
Common Equity Tier 1 Capital - CSB	10.12%	10.07%	9.95%	9.71%	10.01%
Tier 1 Risk Based Capital - CSB	10.12%	10.07%	9.95%	9.71%	10.01%
Total Risk Based Capital - CSB	11.26%	11.19%	11.06%	10.78%	11.12%
Loan to deposit ratio	100.59%	94.66%	101.27%	98.62%	96.23%
ASSET QUALITY					
Gross loan charge-offs	\$ 0	\$ 1	\$ -	\$ -	\$ 0
Net loan charge-offs (recoveries)	\$ (3)	\$ (2)	\$ (495)	\$ (4)	\$ (170)
Allowance for loan and lease losses to total loans	1.19%	1.17%	1.17%	1.12%	1.16%
Nonperforming loans to total loans	0.09%	0.10%	0.00%	0.00%	0.00%
Nonperforming assets to total assets	0.45%	0.44%	0.38%	0.39%	0.68%

Branch Locations:

Waterford Office
6600 Highland Road
Waterford, MI 48327
Ph. 248-886-0086
Fax 248-886-1432

Clarkston Office
5800 N. Main St.
Clarkston, MI 48346
Ph. 248-625-8585
Fax 248-625-4547