



Clarkston State Bank

Clarkston Financial Corporation Reports 2018 Q1 Results

April 18, 2018

CLARKSTON, Mich., April 18, 2018 (GLOBE NEWSWIRE) -- Clarkston Financial Corporation ("Corporation") (OTCBB:[CKFC](#) - [News](#)), the holding company for Clarkston State Bank ("Bank"), today reported net income of \$484,000 or \$0.15 per share for the three months ended March 31, 2018, compared to net income of \$369,000 or \$0.11 per share for the three months ended March 31, 2017.

J. Grant Smith, CEO, said, "2018 is off to a very good start for the Corporation. We continue to see excellent lending opportunities within our market and we are working diligently to procure new deposit relationships. The Bank's asset quality continues to be very good, far exceeding our peers. Moreover, we are continuing with our efforts to lower our concentration in investor real estate, improving our regulatory capital and maintaining good expense control. We expect more of the same execution throughout the year as we have a good pipeline of business with both conventional and SBA loans. Thus far we are on track with our financial plan and we expect our performance results to be very good going forward."

Operating Results

The Corporation's net interest income increased slightly to \$1,759,000 for the quarter ended March 31, 2018, compared to \$1,666,000 for the same period ended March 31, 2017. This represents an increase of \$93,000 or 5.58% quarter over quarter. This increase is primarily due to the growth in our loan portfolio. The net interest margin of the Bank has improved slightly from year end December 31, 2017 when it was 3.85% ending the first quarter, March 31, 2018 at 3.90%. Management is actively working to improve interest rates on its loan portfolio with new business as well as loan renewals. We are beginning to see a positive impact on our net interest margin as a result of those efforts.

Noninterest income decreased during the first quarter of 2018 when compared to the first quarter 2017. The Corporation posted \$138,000 for the quarter compared to \$170,000 for the quarter ended March 31, 2017, a decrease of \$32,000 or 18.82%. The decrease is mostly attributable to gains realized in 2017 on the sale of SBA loans. However, management does have a good pipeline of SBA loans that are expected to close in the second and third quarter of 2018. Noninterest expense slightly increased, ending the first quarter at \$1,286,000 compared to \$1,232,000 for the same period ended March 31, 2017, an increase of \$54,000 or 4.38%.

Balance Sheet

Total assets at March 31, 2018, were \$201,575,000 compared to \$185,894,000 at March 31, 2017, an increase of \$15,681,000 or 8.44%. The increase is mainly due to an increase in loans and deposits.

Gross loans increased \$14,749,000 from \$162,334,000 at March 31, 2017, to \$177,083,000 at March 31, 2018, an increase of 9.09%. Total deposits increased \$15,621,000 or 9.49%, ending at \$180,224,000 for March 31, 2018, up from \$164,603,000 for March 31, 2017. Total stockholders' equity increased slightly from \$15,597,000 at March 31, 2017 to \$15,823,000 at March 31, 2018, an increase of \$226,000 or 1.45%.

Asset Quality

There were no non-performing loans at March 31, 2018. There remains one non-performing asset at \$721,000 as of the first quarter for 2018. The non-performing asset is under contract to be sold in 2018. The allowance for loan loss slightly increased to 1.16% of total loans as of March 31, 2018 compared to 1.12% for the same period 2017. 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.
www.clarkstonstatebank.com

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) 3/31/2018	12/31/2017	(unaudited) 3/31/2017
Assets			
Cash and due from banks	\$ 10,988	\$ 7,718	\$ 6,587
Securities – Available for sale	7,539	6,889	8,130
Federal Home Loan Bank stock, at cost	232	232	232
Loans	177,083	172,586	162,334
Allowance for possible loan losses	(2,054)	(2,052)	(1,817)
Net loans	<u>175,029</u>	<u>170,533</u>	<u>160,517</u>
Banking premises and equipment	3,598	3,611	3,647
Deferred tax asset	2,835	2,939	5,402
Other real estate owned	721	721	721
Accrued interest receivable and other assets	633	667	657
Total assets	<u><u>\$ 201,575</u></u>	<u><u>\$ 193,311</u></u>	<u><u>\$ 185,894</u></u>
Liabilities and Stockholders' Equity			
Liabilities			
Deposits			
Noninterest-bearing demand deposits	82,361	77,065	82,643
Interest-bearing	97,862	94,515	81,960
Total deposits	<u>180,224</u>	<u>171,580</u>	<u>164,603</u>
Other Liabilities			
Other borrowings	5,160	5,711	5,365
Accrued interest payable and other liabilities	369	604	329
Total liabilities	<u>185,752</u>	<u>177,895</u>	<u>170,297</u>
Stockholders' Equity			
Common stock	11,923	11,923	11,923
Paid-in capital	11,804	11,804	11,804
Restricted stock - Unearned compensation	9	0	0
Accumulated deficit	(7,721)	(8,205)	(8,027)
Accumulated other comprehensive income (loss)	(191)	(105)	(103)
Total stockholders' equity	<u>15,823</u>	<u>15,416</u>	<u>15,597</u>
Total liabilities and stockholders' equity	<u><u>\$ 201,575</u></u>	<u><u>\$ 193,311</u></u>	<u><u>\$ 185,894</u></u>

CLARKSTON FINANCIAL CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS

(Dollars, in thousands)

	(unaudited)	
	Three Months Ended	
	3/31/2018	3/31/2017
Interest Income		
Interest and fees on loans	\$1,927	\$1,752
Interest on investment securities:	42	44
Interest on federal funds sold	28	6
Total interest income	1,997	1,802
Interest Expense		
Deposits	179	73
Borrowings	59	63
Total interest expense	238	135
Net Interest Income	1,759	1,666
Provision for Possible Loan Losses	0	45
Net Interest Income after provision for possible loan losses	1,759	1,621
Noninterest Income		
Service fees on loan and deposit accounts	128	122
Loss on sale of other real estate owned	0	4
Other	11	45
Total noninterest income	138	170
Noninterest Expense		
Salaries and employee benefits	766	747
Occupancy	121	121
Advertising	44	35
Outside processing	146	119
Professional fees	50	44
FDIC insurance	21	23
Defaulted loan expense	(1)	9
Other	141	134
Total noninterest expense	1,286	1,232
Income/(Loss) before income taxes	611	560
Income Tax Expense	127	190
Net Income/(Loss)	\$484	\$369

CLARKSTON FINANCIAL CORPORATION
CONSOLIDATED FINANCIAL HIGHLIGHTS

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

	Quarter Ended				
	03/31/18	12/31/17	09/30/17	06/30/17	03/31/17
MARKET DATA					
Book value per share	\$ 4.78	\$ 4.74	\$ 5.17	\$ 5.05	\$ 4.80
Market value per share	\$ 8.00	\$ 8.10	\$ 6.90	\$ 6.30	\$ 6.60
Earnings per share - basic & diluted	\$ 0.15	(0.42)	\$ 0.13	\$ 0.24	\$ 0.11
Period end common shares	3,309,156	3,249,156	3,249,156	3,249,156	3,249,156
PERFORMANCE RATIOS					
Return on average assets	0.97%	1.10%	0.82%	1.62%	0.79%
Return on average equity	9.75%	10.45%	7.90%	15.14%	7.56%
Net interest margin - CSB	3.90%	3.85%	3.88%	4.01%	4.07%
Efficiency ratio	67.79%	70.48%	64.91%	59.52%	67.08%
Texas ratio	3.52%	4.35%	4.44%	3.37%	3.60%
CAPITAL & LIQUIDITY					
Tier 1 Leverage - CSB	9.36%	9.08%	9.30%	9.53%	9.09%
Common Equity Tier 1 Capital - CSB	10.19%	10.12%	10.07%	9.95%	9.71%
Tier 1 Risk Based Capital - CSB	10.19%	10.12%	10.07%	9.95%	9.71%
Total Risk Based Capital - CSB	11.33%	11.26%	11.19%	11.06%	10.78%
Loan to deposit ratio	98.26%	100.59%	94.66%	101.27%	98.62%
ASSET QUALITY					
Gross loan charge-offs	\$ 0	\$ 0	\$ 1	\$ 0	\$ 0
Net loan charge-offs (recoveries)	\$ (2)	\$ (3)	\$ (2)	\$ 495)	\$ (4)
Allowance for loan and lease losses to total loans	1.16%	1.19%	1.17%	1.17%	1.12%
Nonperforming loans to total loans	0.00%	0.09%	0.10%	0.00%	0.00%
Nonperforming assets to total assets	0.36%	0.45%	0.44%	0.38%	0.39%

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