



Clarkston State Bank

Clarkston Financial Corporation Reports 2018 Q2 Results

July 25, 2018

CLARKSTON, Mich., July 25, 2018 (GLOBE NEWSWIRE) -- Clarkston Financial Corporation ("Corporation") (OTCBB:[CKFC](#) - [News](#)), the holding company for Clarkston State Bank ("Bank"), today reported net income of \$613,000 or \$0.19 per share for the three months ended June 30, 2018, compared to net income of \$765,000 or \$0.24 per share for the three months ended June 30, 2017.

J. Grant Smith, CEO, said, "Another great quarter for the Corporation. Our discipline with expense control combined with the excellent profitability is greatly contributing to the growth in our regulatory capital. In addition, we are continuing with our efforts to lower our concentration in investor real estate which is now at 282%. We continue to work diligently to maintain our excellent balance sheet fundamentals through disciplined lending. Moreover, our loan pipeline is robust and is made up of both conventional and SBA loans. Our expectation is for our profitability to be very good the remainder of the year."

Operating Results

The Corporation's net interest income before provision, increased slightly to \$1,789,000 for the quarter ended June 30, 2018, compared to \$1,754,000 for the same period ended June 30, 2017. This represents an increase of \$35,000 or 2.00% quarter over quarter. The net interest margin of the Bank has decreased to 3.81% as of June 30, 2018, compared to 4.01% for June 30, 2017. Management is actively working to improve interest rates on its loan portfolio with new business as well as loan renewals.

Noninterest income decreased during the second quarter of 2018 when compared to the second quarter of 2017. The Corporation posted \$252,000 for the quarter compared to \$290,000 for the quarter ended June 30, 2017, a decrease of \$38,000 or 13.10%. 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 third and fourth quarter of 2018. Noninterest expense increased, ending the second quarter at \$1,274,000 compared to \$1,217,000 for the same period ended June 30, 2017, an increase of \$57,000 or 4.68%.

Balance Sheet

Total assets at June 30, 2018, were \$202,446,000 compared to \$191,533,000 at June 30, 2017, an increase of \$10,913,000 or 5.70%. The increase is mainly due to an increase in loans and deposits.

Gross loans increased \$13,947,000 from \$167,816,000 at June 30, 2017, to \$181,763,000 at June 30, 2018, an increase of 8.31%. Total deposits increased \$14,680,000 or 8.86%, ending at \$180,387,000 for June 30, 2018, up from \$165,707,000 for June 30, 2017. Total stockholders' equity increased slightly from \$16,412,000 at June 30, 2017 to \$16,441,000 at June 30, 2018, an increase of \$29,000 or 0.18%.

Asset Quality

There were no non-performing loans at June 30, 2018. There remains one non-performing asset at \$706,000 as of the second quarter of 2018. The non-performing asset is under contract to be sold in the fourth quarter of 2018. The allowance for loan loss slightly decreased to 1.13% of total loans as of June 30, 2018 compared to 1.17% 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) 6/30/2018	12/31/2017	(unaudited) 6/30/2017
Assets			
Cash and due from banks	\$ 7,717	\$ 7,718	\$ 7,653
Federal funds sold	0	0	0
Total cash and cash equivalents	<u>7,717</u>	<u>7,718</u>	<u>7,653</u>
Securities – Available for sale	7,133	6,889	7,795
Federal Home Loan Bank stock, at cost	232	232	232
Loans	181,763	172,586	167,816
Allowance for possible loan losses	(2,058)	(2,052)	(1,957)
Net loans	<u>179,705</u>	<u>170,533</u>	<u>165,859</u>
Banking premises and equipment	3,609	3,611	3,645
Deferred tax asset	2,686	2,939	4,976
Other real estate owned	706	721	721
Accrued interest receivable and other assets	658	667	653
Total assets	<u><u>\$ 202,446</u></u>	<u><u>\$ 193,311</u></u>	<u><u>\$ 191,533</u></u>
Liabilities and Stockholders' Equity			
Liabilities			
Deposits			
Noninterest-bearing demand deposits	82,558	77,065	76,165
Interest-bearing	97,829	94,515	89,542
Total deposits	<u>180,387</u>	<u>171,580</u>	<u>165,707</u>
Other Liabilities			
Federal Home Loan Bank advances	0	0	0
Other borrowings	5,109	5,711	9,014
Accrued interest payable and other liabilities	510	604	400
Total liabilities	<u>186,006</u>	<u>177,895</u>	<u>175,121</u>
Stockholders' Equity			
Common stock	11,923	11,923	11,923
Paid-in capital	11,804	11,804	11,804
Restricted stock - Unearned compensation	35	0	0
Accumulated deficit	(7,108)	(8,205)	(7,262)
Accumulated other comprehensive income (loss)	(212)	(105)	(52)
Total stockholders' equity	<u>16,441</u>	<u>15,416</u>	<u>16,412</u>
Total liabilities and stockholders' equity	<u><u>\$ 202,446</u></u>	<u><u>\$ 193,311</u></u>	<u><u>\$ 191,533</u></u>

CLARKSTON FINANCIAL CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS

(Dollars, in thousands)

	(unaudited)		(unaudited)	
	Three Months Ended		Six Months Ended	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Interest Income				
Interest and fees on loans	\$2,001	\$1,891	\$3,928	\$3,643
Interest on investment securities:	43	41	85	84
Interest on federal funds sold	20	7	48	13
Total interest income	<u>2,064</u>	<u>1,939</u>	<u>4,060</u>	<u>3,740</u>
Interest Expense				
Deposits	211	114	390	187
Borrowings	63	71	122	133
Total interest expense	<u>274</u>	<u>185</u>	<u>512</u>	<u>320</u>
Net Interest Income	1,789	1,754	3,549	3,420
Provision for Possible Loan Losses	<u>0</u>	<u>(355)</u>	<u>0</u>	<u>(310)</u>
Net Interest Income after provision for possible loan losses	1,789	2,109	3,549	3,730
Noninterest Income				
Service fees on loan and deposit accounts	119	118	246	240
Loss on sale of other real estate owned	0	0	0	4
Other	133	172	144	217
Total noninterest income	<u>252</u>	<u>290</u>	<u>390</u>	<u>460</u>
Noninterest Expense				
Salaries and employee benefits	766	715	1,531	1,462
Occupancy	119	121	239	243
Advertising	45	35	89	70
Outside processing	128	122	274	241
Professional fees	55	36	105	79
FDIC insurance	21	24	42	47
Defaulted loan expense	1	2	(0)	11
Other	140	161	280	295
Total noninterest expense	<u>1,274</u>	<u>1,217</u>	<u>2,560</u>	<u>2,449</u>
Income/(Loss) before income taxes	768	1,182	1,379	1,742
Income Tax Expense	<u>155</u>	<u>418</u>	<u>282</u>	<u>608</u>
Net Income/(Loss)	<u>\$613</u>	<u>\$765</u>	<u>\$1,097</u>	<u>\$1,134</u>

CLARKSTON FINANCIAL CORPORATION
CONSOLIDATED FINANCIAL HIGHLIGHTS

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

	Quarter Ended				
	06/30/18	03/31/18	12/31/17	09/30/17	06/30/17
MARKET DATA					
Book value per share	\$ 4.97	\$ 4.78	\$ 4.74	\$ 5.17	\$ 5.05
Market value per share	\$ 8.01	\$ 8.00	\$ 8.10	\$ 6.90	\$ 6.30
Earnings per share - basic & diluted	\$ 0.19	\$ 0.15	\$ (0.42)	\$ 0.13	\$ 0.24
Period end common shares	3,309,156	3,309,156	3,249,156	3,249,156	3,249,156
PERFORMANCE RATIOS					
Return on average assets	1.23%	0.97%	1.10%	0.82%	1.62%
Return on average equity	12.04%	9.75%	10.45%	7.90%	15.14%
Net interest margin - CSB	3.81%	3.90%	3.85%	3.88%	4.01%
Efficiency ratio	62.39%	67.79%	70.48%	64.91%	59.52%
Texas ratio	3.32%	3.52%	4.35%	4.44%	3.37%
CAPITAL & LIQUIDITY					
Tier 1 Leverage - CSB	9.68%	9.36%	9.08%	9.30%	9.53%
Common Equity Tier 1 Capital - CSB	10.32%	10.19%	10.12%	10.07%	9.95%
Tier 1 Risk Based Capital - CSB	10.32%	10.19%	10.12%	10.07%	9.95%
Total Risk Based Capital - CSB	11.43%	11.33%	11.26%	11.19%	11.06%
Loan to deposit ratio	100.76%	98.26%	100.59%	94.66%	101.27%
ASSET QUALITY					
Gross loan charge-offs	\$ 0	\$ 0	\$ 0	\$ 1	\$ 0
Net loan charge-offs (recoveries)	\$ (4)	\$ (2)	\$ (3)	\$ (2)	\$ (495)
Allowance for loan and lease losses to total loans	1.13%	1.16%	1.19%	1.17%	1.17%
Nonperforming loans to total loans	0.00%	0.00%	0.09%	0.10%	0.00%
Nonperforming assets to total assets	0.35%	0.36%	0.45%	0.44%	0.38%

Branch Locations:

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