



# Clarkston State Bank

## Clarkston Financial Corporation Reports 2018 Q3 Results

October 25, 2018

CLARKSTON, Mich., October 25, 2018 (GLOBE NEWSWIRE) -- Clarkston Financial Corporation ("Corporation") (OTCBB:[CKFC](#) - [News](#)), the holding company for Clarkston State Bank ("Bank"), today reported net income of \$604,000 or \$0.18 per share for the three months ended September 30, 2018, compared to net income of \$407,000 or \$0.13 per share for the three months ended September 30, 2017.

J. Grant Smith, CEO, said, "We continue to produce very good profitability quarter over quarter. Our net interest margin continues to be very good driven by a robust deposit portfolio and an improving spread due to rising interest rates. It's noteworthy to mention, in past quarters we have sold the guaranteed portion of our newly originated SBA7a loans, however, the secondary market pricing for these loans has softened which has impacted our fee income. We are closely monitoring the secondary market as we have a pipeline of loans we can sell in the fourth quarter. However, it may be more prudent to retain these loans on our books if the secondary market pricing doesn't firm up. Regardless, the Bank's fundamentals are very good; excellent asset quality (0.00% delinquency, \$0.00 non-performing loans), superior deposit portfolio stratification (46.0% demand deposit accounts to total deposits) and low overhead (62.0% efficiency ratio). We expect our performance to continue given the sound fundamentals.

### Operating Results

The Corporation's net interest income before provision, increased to \$1,856,000 for the quarter ended September 30, 2018, compared to \$1,769,000 for the same period ended September 30, 2017. This represents an increase of \$87,000 or 4.92% quarter over quarter. The net interest margin of the Bank has increased to 3.90% as of September 30, 2018, compared to 3.88% for September 30, 2017. The Bank's net interest spread has improved slightly as interest rates have increased on both new loan originations and renewals.

Noninterest income increased during the third quarter of 2018 when compared to the third quarter of 2017. The Corporation posted \$173,000 for the quarter compared to \$125,000 for the quarter ended September 30, 2017, an increase of \$48,000 or 3.84%. The increase is mostly attributable to gains realized in 2018 on the sale of SBA loans. Noninterest expense increased slightly, ending the third quarter at \$1,259,000 compared to \$1,230,000 for the same period ended September 30, 2017, an increase of \$29,000 or 2.36%.

### Balance Sheet

Total assets at September 30, 2018, were \$208,271,000 compared to \$203,763,000 at September 30, 2017, an increase of \$4,508,000 or 2.21%. The increase is mainly due to an increase in loans and deposits.

Gross loans increased \$11,353,000 from \$171,649,000 at September 30, 2017, to \$183,002,000 at September 30, 2018, an increase of 6.61%. Total deposits increased \$4,335,000 or 2.39%, ending at \$185,658,000 for September 30, 2018, up from \$181,323,000 for September 30, 2017. Total stockholders' equity increased slightly from \$16,814,000 at September 30, 2017 to \$17,043,000 at September 30, 2018, an increase of \$229,000 or 1.36%.

### Asset Quality

There were no non-performing loans at September 30, 2018. There remains one non-performing asset at \$706,000 as of the third 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 September 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.

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) 9/30/2018	12/31/2017	(unaudited) 9/30/2017
<b>Assets</b>			
Cash and due from banks	\$12,724	\$7,718	\$16,717
Securities – Available for sale	6,709	6,889	7,337
Federal Home Loan Bank stock, at cost	232	232	232
Loans	183,002	172,586	171,649
Allowance for possible loan losses	(2,061)	(2,052)	(2,004)
Net loans	180,941	170,533	169,644
Banking premises and equipment	3,632	3,611	3,620
Deferred tax asset	2,526	2,939	4,783
Other real estate owned	706	721	721
Accrued interest receivable and other assets	801	667	708
Total assets	<b>\$208,271</b>	<b>\$193,311</b>	<b>\$203,763</b>
<b>Liabilities and Stockholders' Equity</b>			
<b>Liabilities</b>			
Deposits			
Noninterest-bearing demand deposits	85,676	77,065	79,981
Interest-bearing	99,982	94,515	101,343
Total deposits	185,658	171,580	181,323
Other Liabilities			
Federal Home Loan Bank advances	0	0	0
Other borrowings	5,058	5,711	5,263
Accrued interest payable and other liabilities	512	604	364
Total liabilities	191,227	177,895	186,949
<b>Stockholders' Equity</b>			
Common stock	11,923	11,923	11,923
Paid-in capital	11,804	11,804	11,804
Restricted stock - Unearned compensation	61	0	0
Accumulated deficit	(6,505)	(8,205)	(6,855)
Accumulated other comprehensive income (loss)	(239)	(105)	(57)
Total stockholders' equity	17,043	15,416	16,814
Total liabilities and stockholders' equity	<b>\$208,271</b>	<b>\$193,311</b>	<b>\$203,763</b>

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

(Dollars, in thousands)

	(unaudited)		(unaudited)	
	Three Months Ended		Nine Months Ended	
	9/30/2018	9/30/2017	9/30/2018	9/30/2017
<b>Interest Income</b>				
Interest and fees on loans	\$2,139	\$1,926	\$6,066	\$5,569
Interest on investment securities:	39	34	124	119
Interest on federal funds sold	16	17	63	31
Total interest income	<u>2,194</u>	<u>1,978</u>	<u>6,254</u>	<u>5,718</u>
<b>Interest Expense</b>				
Deposits	272	160	663	347
Borrowings	65	49	187	182
Total interest expense	<u>338</u>	<u>209</u>	<u>849</u>	<u>529</u>
<b>Net Interest Income</b>	1,856	1,769	5,405	5,190
<b>Provision for Possible Loan Losses</b>	<u>0</u>	<u>45</u>	<u>0</u>	<u>(265)</u>
<b>Net Interest Income after provision for possible loan losses</b>	1,856	1,724	5,405	5,455
<b>Noninterest Income</b>				
Service fees on loan and deposit accounts	119	115	365	355
Loss on sale of other real estate owned	0	0	0	4
Other	55	11	198	227
Total noninterest income	<u>173</u>	<u>125</u>	<u>563</u>	<u>586</u>
<b>Noninterest Expense</b>				
Salaries and employee benefits	758	742	2,289	2,204
Occupancy	128	127	367	370
Advertising	45	40	135	110
Outside processing	124	126	398	367
Professional fees	53	50	157	129
FDIC insurance	21	13	63	60
Defaulted loan expense	(7)	5	(7)	16
Other	136	127	416	422
Total noninterest expense	<u>1,259</u>	<u>1,230</u>	<u>3,818</u>	<u>3,678</u>
<b>Income/(Loss) before income taxes</b>	771	620	2,150	2,362
<b>Income Tax Expense</b>	<u>167</u>	<u>213</u>	<u>449</u>	<u>821</u>
<b>Net Income/(Loss)</b>	<u>\$604</u>	<u>\$407</u>	<u>\$1,701</u>	<u>\$1,541</u>

**CLARKSTON FINANCIAL CORPORATION  
CONSOLIDATED FINANCIAL HIGHLIGHTS**

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

**Quarter Ended**

	<b>09/30/18</b>	<b>06/30/18</b>	<b>03/31/18</b>	<b>12/31/17</b>	<b>09/30/17</b>
<b>MARKET DATA</b>					
Book value per share	\$5.15	\$4.97	\$4.78	\$4.74	\$5.17
Market value per share	\$7.50	\$8.01	\$8.00	\$8.10	\$6.90
Earnings per share - basic & diluted	\$0.18	\$0.19	\$0.15	(\$0.42)	\$0.13
Period end common shares	3,309,156	3,309,156	3,309,156	3,249,156	3,249,156
<b>PERFORMANCE RATIOS</b>					
Return on average assets	1.17%	1.23%	0.97%	1.10%	0.82%
Return on average equity	11.51%	12.04%	9.75%	10.45%	7.90%
Net interest margin	3.90%	3.81%	3.90%	3.85%	3.88%
Efficiency ratio	62.02%	62.39%	67.79%	70.48%	64.91%
Texas ratio	3.21%	3.32%	3.52%	4.35%	4.44%
<b>CAPITAL &amp; LIQUIDITY</b>					
Tier 1 Leverage	9.77%	9.68%	9.36%	9.08%	9.30%
Common Equity Tier 1 Capital	10.63%	10.32%	10.19%	10.12%	10.07%
Tier 1 Risk Based Capital	10.63%	10.32%	10.19%	10.12%	10.07%
Total Risk Based Capital	11.73%	11.43%	11.33%	11.26%	11.19%
Loan to deposit ratio	98.57%	100.76%	98.26%	100.59%	94.66%
<b>ASSET QUALITY</b>					
Gross loan charge-offs	\$0	\$0	\$0	\$0	\$1
Net loan charge-offs (recoveries)	(\$3)	(\$4)	(\$2)	(\$3)	(\$2)
Allowance for loan and lease losses to total loans	1.13%	1.13%	1.16%	1.19%	1.17%
Nonperforming loans to total loans	0.00%	0.00%	0.00%	0.09%	0.10%
Nonperforming assets to total assets	0.34%	0.35%	0.36%	0.45%	0.44%

**Branch Locations:**

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