



Clarkston State Bank

Clarkston Financial Corporation Reports 2018 Q4 Results

February 12, 2019

CLARKSTON, Mich., February 12, 2019 (GLOBE NEWSWIRE) -- Clarkston Financial Corporation ("Corporation") (OTCBB:[CKFC - News](#)), the holding company for Clarkston State Bank ("Bank"), today reported net income of \$645,000 or \$0.19 per share for the three months ended December 31, 2018, compared to net loss of (\$1,367,000) or (\$0.42) per share for the three months ended December 31, 2017. The net loss in the fourth quarter of 2017 was directly attributable to the change in tax law passed by Congress.

J. Grant Smith, CEO, said, "Another year of consistent financial performance. Our balance sheet fundamentals are very good, net interest margin has improved nicely and our hallmark of great expense control has resulted in another great year of performance. We strive to be consistent and perform above our peer group. Once again, we accomplished our goal during 2018. We are cautiously optimistic for 2019. We expect to continue with our growth trajectory while staying disciplined as we continue with our efforts to grow our regulatory capital. The Bank's fundamentals remain very strong and we expect our very good operating performance to continue in 2019.

Operating Results

The Corporation's net interest income before provision, increased to \$1,928,000 for the quarter ended December 31, 2018, compared to \$1,820,000 for the same period ended December 31, 2017. This represents an increase of \$108,000 or 5.93% quarter over quarter. The net interest margin of the Bank increased to 3.96% as of December 31, 2018, compared to 3.85% for December 31, 2017. The Bank's net interest spread has improved as interest rates have increased on both new loan originations and renewals.

Noninterest income increased during the fourth quarter of 2018 when compared to the fourth quarter of 2017. The Corporation posted \$127,000 for the quarter compared to \$59,000 for the quarter ended December 31, 2017, an increase of \$68,000 or 115.25%. The increase is mostly attributable to increases in deposit account fees. Noninterest expense decreased, ending the fourth quarter at \$1,252,000 compared to \$1,324,000 for the same period ended December 31, 2017, a decrease of \$72,000 or 5.44%.

Balance Sheet

Total assets at December 31, 2018, were \$211,630,000 compared to \$193,311,000 at December 31, 2017, an increase of \$18,319,000 or 9.48%. The increase is mainly due to an increase in loans and deposits.

Gross loans increased \$19,489,000 from \$172,586,000 at December 31, 2017, to \$192,075,000 at December 31, 2018, an increase of 11.29%. Total deposits increased \$6,554,000 or 3.82%, ending at \$178,134,000 for December 31, 2018, up from \$171,580,000 for December 31, 2017. Total stockholders' equity increased from \$15,416,000 at December 31, 2017 to \$17,786,000 at December 31, 2018, an increase of \$2,370,000 or 15.37%.

Asset Quality

There were no non-performing loans at December 31, 2018. There remains one non-performing asset at \$706,000 as of the fourth quarter of 2018. The allowance for loan loss slightly decreased to 1.07% of total loans as of December 31, 2018 compared to 1.19% 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)

	(audited) 12/31/2018	(audited) 12/31/2017
Assets		
Cash and due from banks	\$7,422	\$7,718
Securities – Available for sale	6,440	6,889
Federal Home Loan Bank stock, at cost	232	232
Loans	192,075	172,586
Allowance for possible loan losses	(2,064)	(2,052)
Net loans	190,011	170,533
Banking premises and equipment	3,581	3,611
Deferred tax asset	2,352	2,939
Other real estate owned	706	721
Accrued interest receivable and other assets	886	667
Total assets	\$211,630	\$193,311
Liabilities and Stockholders' Equity		
Liabilities		
Deposits		
Noninterest-bearing demand deposits	80,127	77,065
Interest-bearing	98,007	94,515
Total deposits	178,134	171,580
 Other Liabilities		
Federal Home Loan Bank advances	0	0
Other borrowings	15,056	5,711
Accrued interest payable and other liabilities	654	604
Total liabilities	193,844	177,895
 Stockholders' Equity		
Common stock	11,923	11,923
Paid-in capital	12,099	11,804
Restricted stock - Unearned compensation	(197)	0
Accumulated deficit	(5,860)	(8,205)
Accumulated other comprehensive income (loss)	(179)	(105)
Total stockholders' equity	17,786	15,416
Total liabilities and stockholders' equity	\$211,630	\$193,311

CLARKSTON FINANCIAL CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS

(Dollars, in thousands)

	(audited)		(audited)	
	Three Months Ended		Twelve Months Ended	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Interest Income				
Interest and fees on loans	\$2,204	\$2,008	\$8,270	\$7,516
Interest on investment securities:	39	34	163	153
Interest on federal funds sold	32	27	95	58
Total interest income	<u>2,274</u>	<u>2,070</u>	<u>8,528</u>	<u>7,727</u>
Interest Expense				
Deposits	287	176	949	523
Borrowings	60	74	247	256
Total interest expense	<u>346</u>	<u>250</u>	<u>1,196</u>	<u>779</u>
Net Interest Income	1,928	1,820	7,332	6,948
Provision for Possible Loan Losses	<u>0</u>	<u>45</u>	<u>0</u>	<u>(220)</u>
Net Interest Income after provision for possible loan losses	1,928	1,775	7,332	7,168
Noninterest Income				
Loan and deposit service fees	117	49	482	465
Loss on sale of other real estate owned	0	0	0	4
Other	11	11	209	238
Total noninterest income	<u>127</u>	<u>59</u>	<u>691</u>	<u>706</u>
Noninterest Expense				
Salaries and employee benefits	750	808	3,039	3,011
Occupancy	124	90	492	460
Advertising	42	71	176	182
Outside processing	110	127	508	494
Professional fees	53	7	210	136
FDIC insurance	24	23	87	83
Defaulted loan expense	6	14	(1)	30
Other	144	184	560	606
Total noninterest expense	<u>1,252</u>	<u>1,324</u>	<u>5,071</u>	<u>5,002</u>
Income/(Loss) before income taxes	803	510	2,953	2,871
Income Tax Expense	<u>158</u>	<u>1,877</u>	<u>607</u>	<u>2,698</u>
Net Income/(Loss)	<u>\$645</u>	<u>(\$1,367)</u>	<u>\$2,345</u>	<u>\$174</u>

**CLARKSTON FINANCIAL CORPORATION
CONSOLIDATED FINANCIAL HIGHLIGHTS**

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

Quarter Ended

	12/31/18	09/30/18	06/30/18	03/31/18	12/31/17
MARKET DATA					
Book value per share	\$5.37	\$5.15	\$4.97	\$4.78	\$4.74
Market value per share	\$7.20	\$7.50	\$8.01	\$8.00	\$8.10
Earnings per share - basic & diluted	\$0.19	\$0.18	\$0.19	\$0.15	(\$0.42)
Period end common shares	3,309,156	3,309,156	3,309,156	3,309,156	3,249,156
PERFORMANCE RATIOS					
Return on average assets	1.22%	1.17%	1.23%	0.97%	1.10%
Return on average equity	11.97%	11.51%	12.04%	9.75%	10.45%
Net interest margin	3.96%	3.90%	3.81%	3.90%	3.85%
Efficiency ratio	60.93%	62.02%	62.39%	67.79%	70.48%
Texas ratio	3.07%	3.21%	3.32%	3.52%	4.35%
CAPITAL & LIQUIDITY					
Tier 1 Leverage	10.05%	9.77%	9.68%	9.36%	9.08%
Common Equity Tier 1 Capital	10.65%	10.63%	10.32%	10.19%	10.12%
Tier 1 Risk Based Capital	10.65%	10.63%	10.32%	10.19%	10.12%
Total Risk Based Capital	11.70%	11.73%	11.43%	11.33%	11.26%
Loan to deposit ratio	107.83%	98.57%	100.76%	98.26%	100.59%
ASSET QUALITY					
Gross loan charge-offs	\$0	\$0	\$0	\$0	\$0
Net loan charge-offs (recoveries)	(\$3)	(\$3)	(\$4)	(\$2)	(\$3)
Allowance for loan and lease losses to total loans	1.07%	1.13%	1.13%	1.16%	1.19%
Nonperforming loans to total loans	0.00%	0.00%	0.00%	0.00%	0.09%
Nonperforming assets to total assets	0.34%	0.34%	0.35%	0.36%	0.45%

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