



Clarkston State Bank

Clarkston Financial Corporation Reports 2019 Q1 Results

April 17, 2019

CLARKSTON, Mich., April 17, 2019 (GLOBE NEWSWIRE) -- Clarkston Financial Corporation (“Corporation”) (OTCBB:[CKFC](#) - [News](#)), the holding company for Clarkston State Bank (“Bank”), today reported a net income of \$578,000 or \$0.17 per share for the three months ended March 31, 2019, compared to net income of \$484,000 or \$0.15 per share for the three months ended March 31, 2018.

J. Grant Smith, CEO, said, "2019 is off to a very good start for the Corporation. We have exceeded our budget targets for the first quarter which is generally our lowest performing quarter during the year. The loan pipeline is very good and we are continuing with our efforts to procure new deposit relationships. Our focus remains on strong balance sheet fundamentals and operating results above our peers. The Bank’s regulatory capital continues to grow through strong operating performance and good expense control. We expect our performance results to continue to be very good going forward.”

Operating Results

The Corporation’s net interest income increased to \$1,973,000 for the quarter ended March 31, 2019 compared to \$1,759,000 for the same period ended March 31, 2018. This represents an increase of \$214,000 or 12.17% quarter over quarter. This increase is primarily due to the growth in our loan portfolio. The net interest margin of the Bank improved this quarter ending March 31, 2019 at 4.01% compared to March 31, 2018 when it was 3.90%. The repricing of our commercial real estate portfolio combined with new loan originations is the main contributor to the improved net interest margin.

Noninterest income decreased during the first quarter of 2019 when compared to the first quarter 2018. The Corporation posted \$123,000 for the quarter compared to \$138,000 for the quarter ended March 31, 2018, a decrease of \$15,000 or 10.87%. The decrease is mostly attributable to less revenue from loan and deposit fee income. However, management does have several SBA loans that are expected to close in the second quarter which will enhance non-interest income. Noninterest expense slightly increased, ending the first quarter at \$1,362,000 compared to \$1,286,000 for the same period ended March 31, 2018, an increase of \$76,000 or 5.91%.

Balance Sheet

Total assets at March 31, 2019, were \$219,190,000 compared to \$201,575,000 at March 31, 2018, an increase of \$17,615,000 or 8.74%. The increase is mainly due to an increase in loans and deposits.

Gross loans increased \$17,546,000 from \$177,083,000 at March 31, 2018, to \$194,629,000 at March 31, 2019, an increase of 9.91%. Total deposits increased \$15,227,000 or 8.45%, ending at \$195,451,000 for March 31, 2019, up from \$180,224,000 for March 31, 2018. Total stockholders’ equity increased slightly from \$15,823,000 at March 31, 2018 to \$18,439,000 at March 31, 2019, an increase of \$2,616,000 or 16.53%.

Asset Quality

There were no non-performing loans at March 31, 2019. There remains one non-performing asset at \$706,000 as of the first quarter for 2019. The allowance for loan loss slightly decreased to 1.06% of total loans as of March 31, 2019 compared to 1.16% for the same period 2018. 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) 3/31/2019	(audited) 12/31/2018	(unaudited) 3/31/2018
Assets			
Cash and due from banks	\$12,918	\$7,422	\$10,988
Securities – Available for sale	6,182	6,440	7,539
Federal Home Loan Bank stock, at cost	232	232	232
Loans	194,629	192,075	177,083
Allowance for possible loan losses	(2,064)	(2,064)	(2,054)
Net loans	<u>192,565</u>	<u>190,011</u>	<u>175,029</u>
Banking premises and equipment	3,536	3,581	3,598
Deferred tax asset	2,183	2,352	2,835
Other real estate owned	706	706	721
Accrued interest receivable and other assets	868	886	633
Total assets	<u>\$219,190</u>	<u>\$211,630</u>	<u>\$201,575</u>
Liabilities and Stockholders' Equity			
Liabilities			
Deposits			
Noninterest-bearing demand deposits	84,459	80,127	82,361
Interest-bearing	110,992	98,007	97,862
Total deposits	<u>195,451</u>	<u>178,134</u>	<u>180,224</u>
Other Liabilities			
Federal Home Loan Bank advances	0	0	0
Other borrowings	4,955	15,056	5,160
Accrued interest payable and other liabilities	344	654	369
Total liabilities	<u>200,751</u>	<u>193,844</u>	<u>185,752</u>
Stockholders' Equity			
Common stock	11,923	11,923	11,923
Paid-in capital	12,099	12,099	11,804
Restricted stock - Unearned compensation	(172)	(197)	9
Accumulated deficit	(5,282)	(5,860)	(7,721)
Accumulated other comprehensive income (loss)	(130)	(179)	(191)
Total stockholders' equity	<u>18,439</u>	<u>17,786</u>	<u>15,823</u>
Total liabilities and stockholders' equity	<u>\$219,190</u>	<u>\$211,630</u>	<u>\$201,575</u>

CLARKSTON FINANCIAL CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS

(Dollars, in thousands)

	(unaudited)	
	Three Months Ended	
	3/31/2019	3/31/2018
Interest Income		
Interest and fees on loans	\$2,307	\$1,927
Interest on investment securities:	38	42
Interest on federal funds sold	21	28
Total interest income	2,366	1,997
Interest Expense		
Deposits	316	179
Borrowings	76	59
Total interest expense	393	238
Net Interest Income	1,973	1,759
Provision for Possible Loan Losses	0	0
Net Interest Income after provision for possible loan losses	1,973	1,759
Noninterest Income		
Loan and deposit service fees	112	128
Loss on sale of other real estate owned	0	0
Other	11	11
Total noninterest income	123	138
Noninterest Expense		
Salaries and employee benefits	817	766
Occupancy	127	121
Advertising	71	44
Outside processing	144	146
Professional fees	51	50
FDIC insurance	21	21
Defaulted loan expense	2	(1)
Other	129	141
Total noninterest expense	1,362	1,286
Income/(Loss) before income taxes	734	611
Income Tax Expense	156	127
Net Income/(Loss)	\$578	\$484

CLARKSTON FINANCIAL CORPORATION
CONSOLIDATED FINANCIAL HIGHLIGHTS

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

Quarter Ended

	03/31/19	12/31/18	09/30/18	06/30/18	03/31/18
MARKET DATA					
Book value per share	\$5.57	\$5.37	\$5.15	\$4.97	\$4.78
Market value per share	\$6.81	\$7.20	\$7.50	\$8.01	\$8.00
Earnings per share - basic & diluted	\$0.17	\$0.19	\$0.18	\$0.19	\$0.15
Period end common shares	3,309,156	3,309,156	3,309,156	3,309,156	3,309,156
PERFORMANCE RATIOS					
Return on average assets	1.07%	1.22%	1.17%	1.23%	0.97%
Return on average equity	10.41%	11.97%	11.51%	12.04%	9.75%
Net interest margin	4.01%	3.96%	3.90%	3.81%	3.90%
Efficiency ratio	64.97%	60.93%	62.02%	62.39%	67.79%
Texas ratio	2.98%	3.07%	3.21%	3.32%	3.52%
CAPITAL & LIQUIDITY					
Tier 1 Leverage	10.13%	10.05%	9.77%	9.68%	9.36%
Common Equity Tier 1 Capital	10.81%	10.65%	10.63%	10.32%	10.19%
Tier 1 Risk Based Capital	10.81%	10.65%	10.63%	10.32%	10.19%
Total Risk Based Capital	11.84%	11.70%	11.73%	11.43%	11.33%
Loan to deposit ratio	99.58%	107.83%	98.57%	100.76%	98.26%
ASSET QUALITY					
Gross loan charge-offs	\$0	\$0	\$0	\$0	\$0
Net loan charge-offs (recoveries)	(\$1)	(\$3)	(\$3)	(\$4)	(\$2)
Allowance for loan and lease losses to total loans	1.06%	1.07%	1.13%	1.13%	1.16%
Nonperforming loans to total loans	0.00%	0.00%	0.00%	0.00%	0.00%
Nonperforming assets to total assets	0.32%	0.34%	0.34%	0.35%	0.36%

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