



Clarkston State Bank

Clarkston Financial Corporation Reports 2019 Q2 Results

July 25, 2019

CLARKSTON, Mich., July 25, 2019 (GLOBE NEWSWIRE) -- Clarkston Financial Corporation (“Corporation”) (OTCBB:[CKFC](#) - [News](#)), the holding company for Clarkston State Bank (“Bank”), today reported net income of \$620,000 or \$0.19 per share for the three months ended June 30, 2019 compared to net income of \$613,000 or \$0.19 per share for the three months ended June 30, 2018.

J. Grant Smith, CEO, said, “I am very pleased with the performance during the second quarter. We experienced nice growth in our loan portfolio and profitability continues to be very good. Given the current economic environment we are being very selective with our lending decisions in order to maintain our excellent balance sheet fundamentals. It’s more of the same; excellent expense control, disciplined lending, regulatory capital growth and strong profitability. 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 to \$2,045,000 for the quarter ended June 30, 2019, compared to \$1,789,000 for the same period ended June 30, 2018. This represents an increase of \$256,000 or 14.31% quarter over quarter. The net interest margin of the Bank has increased to 4.00% as of June 30, 2019, compared to 3.81% for June 30, 2018.

Noninterest income decreased during the second quarter of 2019 when compared to the second quarter of 2018. The Corporation posted \$168,000 for the quarter compared to \$252,000 for the quarter ended June 30, 2018, a decrease of \$84,000 or 33.33%. The decrease is mostly attributable to the lack of gains realized on the sale of SBA loans. Noninterest expense increased, ending the second quarter at \$1,427,000 compared to \$1,274,000 for the same period ended June 30, 2018, an increase of \$153,000 or 12.01%.

Balance Sheet

Total assets at June 30, 2019, were \$221,069,000 compared to \$202,446,000 at June 30, 2018, an increase of \$18,623,000 or 9.20%.

Gross loans increased \$20,423,000 from \$181,763,000 at June 30, 2018, to \$202,186,000 at June 30, 2019, an increase of 11.24%. Total deposits increased \$7,475,000 or 4.14%, ending at \$187,862,000 for June 30, 2019, up from \$180,387,000 for June 30, 2018. Total stockholders’ equity increased from \$16,441,000 at June 30, 2018 to \$19,152,000 at June 30, 2019, an increase of \$2,711,000 or 16.49%.

Asset Quality

There were no non-performing loans at June 30, 2019. There remains one non-performing asset at \$706,000 as of the second quarter of 2019. The allowance for loan loss decreased to 1.02% of total loans as of June 30, 2019 compared to 1.13% 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) 6/30/2019	(audited) 12/31/2018	(unaudited) 6/30/2018
Assets			
Cash and due from banks	\$7,746	\$7,422	\$7,717
Securities – Available for sale	5,910	6,440	7,133
Federal Home Loan Bank stock, at cost	232	232	232
Loans	202,186	192,075	181,763
Allowance for possible loan losses	(2,064)	(2,064)	(2,058)
Net loans	<u>200,122</u>	<u>190,011</u>	<u>179,705</u>
Banking premises and equipment	3,500	3,581	3,609
Deferred tax asset	1,899	2,352	2,686
Other real estate owned	706	706	706
Accrued interest receivable and other assets	956	886	658
Total assets	<u>\$221,069</u>	<u>\$211,630</u>	<u>\$202,446</u>
Liabilities and Stockholders' Equity			
Liabilities			
Deposits			
Noninterest-bearing demand deposits	76,103	80,127	82,558
Interest-bearing	111,759	98,007	97,829
Total deposits	<u>187,862</u>	<u>178,134</u>	<u>180,387</u>
Other Liabilities			
Federal Home Loan Bank advances	0	0	0
Other borrowings	13,504	15,056	5,109
Accrued interest payable and other liabilities	551	654	510
Total liabilities	<u>201,917</u>	<u>193,844</u>	<u>186,006</u>
Stockholders' Equity			
Common stock	11,923	11,923	11,923
Paid-in capital	12,099	12,099	11,804
Restricted stock - Unearned compensation	(147)	(197)	35
Accumulated deficit	(4,662)	(5,860)	(7,108)
Accumulated other comprehensive income (loss)	(60)	(179)	(212)
Total stockholders' equity	<u>19,152</u>	<u>17,786</u>	<u>16,441</u>
Total liabilities and stockholders' equity	<u>\$221,069</u>	<u>\$211,630</u>	<u>\$202,446</u>

CLARKSTON FINANCIAL CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS

(Dollars, in thousands)

	(unaudited) Three Months Ended		(unaudited) Six Months Ended	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018
Interest Income				
Interest and fees on loans	\$2,479	\$2,001	\$4,785	\$3,928
Interest on investment securities:	34	43	72	85
Interest on federal funds sold	30	20	51	48
Total interest income	<u>2,542</u>	<u>2,064</u>	<u>4,908</u>	<u>4,060</u>
Interest Expense				
Deposits	410	211	726	390
Borrowings	87	63	163	122
Total interest expense	<u>497</u>	<u>274</u>	<u>889</u>	<u>512</u>
Net Interest Income	2,045	1,789	4,019	3,549
Provision for Possible Loan Losses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Interest Income after provision for possible loan losses	2,045	1,789	4,019	3,549
Noninterest Income				
Loan and deposit service fees	113	119	225	246
Loss on sale of other real estate owned	0	0	0	0
Other	56	133	66	144
Total noninterest income	<u>168</u>	<u>252</u>	<u>291</u>	<u>390</u>
Noninterest Expense				
Salaries and employee benefits	766	766	1,583	1,531
Occupancy	122	119	249	239
Advertising	69	45	140	89
Outside processing	157	128	301	274
Professional fees	149	55	200	105
FDIC insurance	14	21	35	42
Defaulted loan expense	6	1	8	(0)
Other	144	140	273	280
Total noninterest expense	<u>1,427</u>	<u>1,274</u>	<u>2,789</u>	<u>2,560</u>
Income/(Loss) before income taxes	787	768	1,521	1,379
Income Tax Expense	<u>167</u>	<u>155</u>	<u>323</u>	<u>282</u>
Net Income/(Loss)	<u>\$620</u>	<u>\$613</u>	<u>\$1,198</u>	<u>\$1,097</u>

CLARKSTON FINANCIAL CORPORATION
CONSOLIDATED FINANCIAL HIGHLIGHTS

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

Quarter Ended

	06/30/19	03/31/19	12/31/18	09/30/18	06/30/18
MARKET DATA					
Book value per share	\$5.79	\$5.57	\$5.37	\$5.15	\$4.97
Market value per share	\$10.34	\$6.81	\$7.20	\$7.50	\$8.01
Earnings per share - basic & diluted	\$0.19	\$0.17	\$0.19	\$0.18	\$0.19
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	1.12%	1.07%	1.22%	1.17%	1.23%
Return on average equity	10.83%	10.41%	11.97%	11.51%	12.04%
Net interest margin	4.00%	4.01%	3.96%	3.90%	3.81%
Efficiency ratio	64.46%	64.97%	60.93%	62.02%	62.39%
Texas ratio	2.88%	2.98%	3.07%	3.21%	3.32%
CAPITAL & LIQUIDITY					
Tier 1 Leverage	10.13%	10.13%	10.05%	9.77%	9.68%
Common Equity Tier 1 Capital	10.94%	10.81%	10.65%	10.63%	10.32%
Tier 1 Risk Based Capital	10.94%	10.81%	10.65%	10.63%	10.32%
Total Risk Based Capital	11.95%	11.84%	11.70%	11.73%	11.43%
Loan to deposit ratio	107.62%	99.58%	107.83%	98.57%	100.76%
ASSET QUALITY					
Gross loan charge-offs	\$0	\$0	\$0	\$0	\$0
Net loan charge-offs (recoveries)	(\$0)	(\$1)	(\$3)	(\$3)	(\$4)
Allowance for loan and lease losses to total loans	1.02%	1.06%	1.07%	1.13%	1.13%
Nonperforming loans to total loans	0.00%	0.00%	0.00%	0.00%	0.00%
Nonperforming assets to total assets	0.32%	0.32%	0.34%	0.34%	0.35%

Branch Locations:

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