Emclaire Financial Corp. Reports 2008 Earnings and Announces Annual Meeting Date

Company Release - 02/02/2009 17:38

EMLENTON, Pa.--(BUSINESS WIRE)-- Emclaire Financial Corp. (OTCBB: EMCF), the parent holding company of the Farmers National Bank of Emlenton, reported consolidated net income of $2.4 million or $1.87 per common share for 2008, compared to net income of $2.7 million or $2.13 per common share for 2007. The Corporation's return on average assets and equity were 0.72% and 9.37%, respectively, for 2008, versus 0.90% and 11.13%, respectively, for 2007.

Net income for the fourth quarter ended December 31, 2008 was $614,000 or $0.44 per common share versus $685,000 or $0.54 per common share during the same quarter in the prior year. During the three month period ended December 31, 2008, the Corporation realized return on average assets and equity of 0.65% and 6.69%, respectively.

The decreases in net income of $267,000 and $71,000 for the year and quarter ended December 31, 2008, respectively, compared to the same periods in 2007, were primarily due to a decrease in noninterest income and increases in the provision for loan losses and noninterest expense for both periods, partially offset by an increase in net interest income, a decrease in the provision for income taxes and the recognition of extraordinary income for both the annual and quarterly periods in 2008.

Decreased noninterest income was primarily due to a decrease in net gains on securities available for sale. During 2008, the Corporation realized security losses of $391,000 as management determined that two marketable equity securities were impaired. The impairment of these financial industry securities were considered to be other than temporary due to developments in the financial conditions and near-term prospects of the issuers, a downturn of economic conditions of the industry and deteriorating book values of the securities. Conversely, during 2007, the Corporation realized $207,000 in gains primarily from the sale of a community bank stock investment as a result of that bank's merger with a larger financial institution.

The increase in the provision for loan losses was primarily due to growth in the loan portfolio, particularly with respect to commercial loans.

Increased noninterest expense was due to increases in compensation and benefits expense, premises and equipment expense and other noninterest expense for both periods. Compensation and benefits increased primarily due to severance charges recognized in the fourth quarter of 2008, principally associated with the previously disclosed retirement of the Corporation's former Chairman of the Board, President and Chief Executive Officer. Also contributing to the increase in compensation and benefits expense were customary salary and wage increases and the addition of staff to operate the new Grove City, Pennsylvania office which opened in April 2008. The increase in premises and equipment expense was also primarily related to the addition of the Grove City office. In addition, charges were recognized in the fourth quarter of 2008 due to the write-down of the Bank's East Brady, Pennsylvania building as a sale of the property is uncertain and the new facility is nearing completion. Other noninterest expense increased primarily due to contract termination fees of $360,000 recognized in connection with an ATM processing conversion planned for 2009. Management's strategic decision to change the Bank's ATM processor was made in an effort to improve customer service, increase operational efficiency and provide future cost savings.

Increased net interest income was primarily due to an increase in interest earned on loans receivable. Contributing to the increase in interest earned on loans receivable was growth in the loan portfolio, particularly with respect to commercial loans.

The decrease in provision for income taxes in both 2008 periods was due to lower pre-tax income.

The Corporation recognized $906,000 of extraordinary gain during the fourth quarter of 2008 related to the completion of a merger conversion with Elk County Savings and Loan Association (ECSLA) in Ridgway, Pennsylvania. This extraordinary gain, also defined as negative goodwill, was the result of the sum of the fair values of the assets acquired less the liabilities assumed exceeding the acquisition costs. In connection with this transaction, the Corporation added approximately $7.4 million, $6.2 million, and $4.5 million, respectively, in loans, deposits and stockholders' equity.

William C. Marsh, Chairman of the Board, President and Chief Executive Officer stated, "We are extremely pleased with core operating results and the considerable balance sheet and capital growth that the Corporation experienced during 2008. Despite the dire conditions in the national economy the Corporation raised capital through a public offering and acquisition, and through participation in the U.S. Treasury's Capital Purchase Program, all while growing the Bank's customer foundation and franchise. Further, the Corporation's ability to generate competitive and improved core net income during this period is an achievement that the Board of Directors, executive management, employees and I are proud to have accomplished."

During the year ended December 31, 2008, total assets increased $63.9 million or 20.5% to $375.7 million at year end from $311.7 million at December 31, 2007. This significant asset growth was driven by total loan portfolio growth of $35.0 million or 15.2%, and increases in cash and equivalents and securities of $19.5 million and $6.1 million, respectively, funded by increases in customer deposits of $42.4 million or 17.4% and borrowed funds of $7.8 million or 19.3%. This growth resulted in a $1.0 million or 9.6% increase in net interest income to $10.9 million in 2008, compared to $10.0 million in 2007.

During 2008, the Corporation's loan portfolio increased $35.0 million or 15.2% to $264.8 million at December 31, 2008 from $229.8 million at December 31, 2007, primarily due to growth in the commercial loan portfolio of $19.3 million or 18.0% during the year. In addition, the Corporation's residential loan portfolio increased $8.4 million or 12.8% primarily due to the addition of loans from ECSLA. The Corporation's asset quality remained strong as nonperforming loans were $1.0 million or 0.38% of total loans, at December 31, 2008, compared to $1.0 million or 0.41% of total loans, at December 31, 2007.

Customer deposits increased $42.4 million or 17.4% to $286.6 million at December 31, 2008 from $244.3 million at December 31, 2007. Contributing to this increase was $6.5 million in deposits gathered at the new Grove City, Pennsylvania office and an increase of $5.7 million in deposits at the Cranberry, Pennsylvania office which opened in November 2006. Deposit growth in the remaining ten offices totaled $30.2 million with $6.2 million having been acquired with the aforementioned ECSLA transaction.

Marsh noted, "The Bank realized record loan and deposit growth through expansion in new and existing offices, through corporate banking efforts and via the acquisition of Elk County Savings and Loan Association in the fourth quarter. This growth occurred while asset quality remained strong. We are guardedly optimistic about the continued strength of our asset quality, but recognize that further deterioration in the national and local economies could impact our balance sheet as negative circumstances beyond our control may continue to evolve."

Stockholders' equity increased $11.4 or 46.2% to $36.1 million at December 31, 2008 compared to $24.7 million at December 31, 2007. This increase resulted from the fourth quarter 2008 completion of a stock offering related to the ECSLA transaction in which 163,569 shares of Emclaire common stock were issued at a price of $21.15, resulting in gross proceeds of $3.5 million. Also, as previously disclosed, during the fourth quarter of 2008, the Corporation received $7.5 million in new capital under the U.S. Department of the Treasury's Capital Purchase Program. The Corporation remains well capitalized and is positioned for continued growth with total stockholders' equity at 9.6% of total assets. At December 31, 2008, book value per common share amounted to $20.06.

In addition to reporting earnings, the Corporation announced that the annual meeting of stockholders will be held on Wednesday, April 22, 2009 at 9:00 AM at the main office of Farmers National Bank of Emlenton, in Emlenton, Pennsylvania. The voting record date for the purpose of determining stockholders eligible to vote on proposals presented at the annual meeting is March 2, 2009.

Emclaire Financial Corp. is the parent company of The Farmers National Bank of Emlenton, an independent, nationally chartered, FDIC-insured community bank headquartered in Emlenton, Pennsylvania, operating twelve full service offices in Venango, Butler, Clarion, Clearfield, Elk, Jefferson and Mercer counties, Pennsylvania. The Corporation's common stock is quoted on and traded through the OTC Electronic Bulletin Board under the symbol "EMCF". For more information, visit the Corporation's website at "www.emclairefinancial.com".

EMCLAIRE FINANCIAL CORP. AND SUBSIDIARY

Financial Highlights

(Unaudited - Dollar amounts in thousands, except share data)

CONSOLIDATED OPERATING RESULTS DATA:

	Three month period ended December 31,		Year ended December 31,	
	2008	2007	2008	2007
Interest income	$ 5,163	$ 4,592	$ 19,093	$ 17,855
Interest expense	2,075	2,026	8,168	7,886
Net interest income	3,088	2,566	10,925	9,969
Provision for loan losses	215	136	500	256
Noninterest income	711	745	2,487	2,943
Noninterest expense	4,029	2,263	11,032	9,164
Net income (loss) before provision for (benefit from) income taxes	(445)	912	1,880	3,492
Provision for (benefit from) income taxes	(153)	227	356	795
Net income (loss) before extraordinary income	(292)	685	1,524	2,697
Extraordinary income	906	-	906	-
Net income	$ 614	$ 685	$ 2,430	$ 2,697
Net income and diluted net income per common share	$ 0.44	$ 0.54	$ 1.87	$ 2.13
Dividends per common share	$ 0.34	$ 0.67	$ 1.30	$ 1.54
Return on average assets (1)	0.65 %	0.88 %	0.72 %	0.90 %
Return on average equity (1)	6.80 %	11.12 %	9.37 %	11.13 %
Yield on average interest-earning assets	5.97 %	6.62 %	6.18 %	6.55 %
Cost of average interest-bearing liabilities	2.92 %	3.40 %	3.16 %	3.46 %
Net interest margin	3.62 %	3.76 %	3.59 %	3.73 %

(1) Returns are annualized for the three month periods ended December 31, 2008

and 2007.

CONSOLIDATED FINANCIAL CONDITION DATA:

As of As of

12/31/2008 12/31/2007

Total assets $ 375,664 $ 311,700

Cash and equivalents 16,571 10,483

Securities 71,443 51,919

Loans 264,838 229,819

Deposits 286,647 244,262

Borrowed funds 48,188 40,400

Stockholders' equity 36,123 24,703

Book value per common share $20.06 $19.48

Net loans to deposits 92.39% 94.09%

Allowance for loan losses to total loans 0.99% 0.93%

Earning assets to total assets 94.47% 92.21%

Stockholders' equity to total assets 9.62% 7.92%

Shares of common stock outstanding 1,431,404 1,267,835

Source: Emclaire Financial Corp.

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