

Dear Fellow Shareholder:

Enclosed please find your regular quarterly cash dividend of \$0.22 per share of Emclair Financial Corp's common stock. The dividend is a reflection of the Corporation's continued growth and sound financial performance in the preceding quarter.

The Corporation reported net income available to common stockholders of \$816,000 for the first quarter of 2014 compared to \$733,000 for the same period in 2013. The results for the first quarter of 2014 included a \$126,000, or 3.2%, increase in net interest income despite the continued low interest rate environment. Additionally, the Corporation recognized security gains of \$658,000 primarily related to a balance sheet management strategy whereby securities were sold to prepay a \$5.0 million Federal Home Loan Bank long term advance having a prepayment penalty of \$550,000. This strategy enhanced the Bank's ability to realize growth in net interest income in the periods ahead. Total assets increased 1.7% to \$534.9 million at March 31, 2014 from \$525.8 million at December 31, 2013 as customer deposits increased 8.1% to \$467.2 million from \$432.0 million, respectively, driving increases in securities and cash and equivalents. The Corporation's tangible book value per common share was \$20.55 at March 31, 2014 compared to \$20.04 at December 31, 2013.

In addition to our quarterly results, we are excited to announce that our fifteenth branch banking office opened in Cranberry Township (Butler County, PA) on May 27, 2014, following a 10:00 a.m. Ribbon Cutting Ceremony. The full-service office, located at the intersection of Route 19 and Ogle View Road, hosted Grand Opening events on May 30 and 31, 2014. We were pleased with the warm reception we received from the local community.

On behalf of the Board of Directors, officers and staff, I thank you for your continued support and look forward to serving you in the years ahead.

*William C. Marsh*  
 William C. Marsh  
 Chairman, President  
 and Chief Executive Officer

Balance Sheet Highlights <i>(in \$,000's)</i>	March 31, 2014 <i>(Unaudited)</i>	December 31, 2013 <i>(Audited)</i>
	Assets	\$ 534,877
Loans, net	344,915	352,430
Deposits	467,162	432,006
Stockholders' Equity	45,945	45,072

  

Earnings Highlights <i>(in \$,000's)</i>	For the three months ended March 31,	
	2014 <i>(Unaudited)</i>	2013 <i>(Unaudited)</i>
Net Interest Income	\$ 4,004	\$ 3,878
Noninterest Income	1,439	931
Noninterest Expense	4,222	3,575
Net Income	841	858
Return on Average Assets <sup>(1)</sup>	0.65%	0.69%
Return on Average Equity <sup>(1)</sup>	7.37%	6.72%
Return on Average Common Equity <sup>(1)</sup>	8.02%	7.11%
Net Interest Margin	3.47%	3.47%
Efficiency Ratio	83.91%	71.48%

<sup>(1)</sup> Ratios are annualized.

For additional details regarding our quarterly results, please visit [www.emclairfinancial.com](http://www.emclairfinancial.com) to access the Corporation's SEC filings and quarterly earnings press releases.

## Mission Statement

*"Our Mission is to deliver quality financial products and services while remaining a strong, independent community bank offering personal attention through highly motivated and well-trained employees. We are committed to profitable growth and the expansion of our franchise to satisfy customers, maximize shareholder value, and make a positive impact in the communities we serve."*



Pictured above is the Cranberry Township office, located at 20581 Route 19, which opened on Tuesday, May 27, 2014.



**Emclair Financial Corp**

612 Main Street • Emlenton, Pennsylvania 16373  
 724.867.2311 • [www.emclairfinancial.com](http://www.emclairfinancial.com)

## 2014: First Quarter Update



- [Shareholder Letter](#)
- [Consolidated Balance Sheets](#)
- [Consolidated Statements of Income](#)





## Consolidated Balance Sheets

In \$000's, except share data	As of	
	March 31, 2014 <i>(Unaudited)</i>	December 31, 2013 <i>(Audited)</i>
<b>Assets:</b>		
Cash and cash equivalents	\$ 28,766	\$ 16,658
Securities	122,196	117,304
Gross loans receivable	349,836	357,299
Less: allowance for loan losses	(4,921)	(4,869)
<b>Loans receivable, net</b>	<b>344,915</b>	<b>352,430</b>
Premises and equipment	\$ 12,839	\$ 12,310
Bank-owned life insurance	10,484	10,401
Intangible assets, net	4,572	4,629
Other assets	11,105	12,110
<b>Total other assets</b>	<b>39,000</b>	<b>39,450</b>
<b>Total Assets</b>	<b>\$ 534,877</b>	<b>\$ 525,842</b>
<b>Liabilities &amp; Stockholders' Equity:</b>		
Deposits	\$ 467,162	\$ 432,006
Borrowed funds	17,150	44,150
Other liabilities	4,620	4,614
<b>Total Liabilities</b>	<b>488,932</b>	<b>480,770</b>
Series B non-cumulative preferred stock <sup>(1)</sup>	5,000	5,000
Common stock <sup>(2)</sup>	2,340	2,338
Additional paid-in capital	19,544	19,478
Treasury stock, at cost (102,017 shares)	(2,114)	(2,114)
Retained earnings	24,077	23,650
Accumulated other comprehensive loss	(2,902)	(3,280)
<b>Total Stockholders' Equity</b>	<b>45,945</b>	<b>45,072</b>
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>\$ 534,877</b>	<b>\$ 525,842</b>
Book value per common share	\$ 23.13	\$ 22.66
Tangible book value per common share	20.55	20.04
Common shares outstanding	1,770,158	1,768,658

<sup>(1)</sup> \$1.00 par value, \$5.0 million liquidation value, 5,000 shares issued and outstanding.

<sup>(2)</sup> \$1.25 par value, 12,000,000 shares authorized; 1,872,175 and 1,870,675 issued; 1,770,158 and 1,768,658 shares outstanding

## Consolidated Statements of Income

In \$000's, except share data	For the three months ended March 31,	
	2014 <i>(Unaudited)</i>	2013 <i>(Unaudited)</i>
Interest income	\$ 4,745	\$ 4,914
Interest expense	741	1,036
<b>Net interest income</b>	<b>4,004</b>	<b>3,878</b>
Provision for loan losses	163	143
<b>Net interest income after provision for loan losses</b>	<b>3,841</b>	<b>3,735</b>
Noninterest income		
Customer service fees	378	398
Financial services	9	64
Security gains, net	658	85
Other income	394	384
<b>Total noninterest income</b>	<b>1,439</b>	<b>931</b>
Noninterest expense		
Compensation and benefits	1,943	1,905
Occupancy and equipment	600	542
Other expenses	1,679	1,128
<b>Total noninterest expense</b>	<b>4,222</b>	<b>3,575</b>
<b>Income before income taxes</b>	<b>1,058</b>	<b>1,091</b>
Provisions for income taxes	217	233
<b>Net income</b>	<b>\$ 841</b>	<b>\$ 858</b>
Preferred stock dividends	25	125
<b>Net income available to common shareholders</b>	<b>\$ 816</b>	<b>\$ 733</b>
<b>Earnings per common share</b>	<b>\$ 0.46</b>	<b>\$ 0.42</b>
Dividends per common share	0.22	0.20
Average common shares outstanding	1,769,389	1,760,927

## Board of Directors

### William C. Marsh

Chairman of the Board  
President and Chief Executive Officer  
Emclaire Financial Corp  
Farmers National Bank

### David L. Cox

Retired President  
Emclaire Financial Corp  
Farmers National Bank

### George W. Freeman

General Partner  
Freeman's Tree Farm

### Robert L. Hunter

Chairman  
Hunter Truck Sales and Service  
Hunter Leasing

### John B. Mason

President  
H.B. Beels & Sons, Inc.

### Ronald L. Ashbaugh

Retired President  
Emclaire Financial Corp  
Farmers National Bank  
Manager: Cindy Elder  
612 Main Street  
Emlenton, Pennsylvania 16373  
844.867.1001

### James M. Crooks

President and Owner  
FL. Crooks Clothing Co., Inc.

### Mark A. Freemer, CPA

Partner  
CLYDE, FERRARO & Co. LLP

### Brian C. McCarrier, CPA

President  
Interstate Pipe and Supply

## Locations

### Emlenton

Manager: Cindy Elder  
612 Main Street  
Emlenton, Pennsylvania 16373  
844.867.1001

### Brookville

Manager: Stephanie Burford  
263 Main Street  
Brookville, Pennsylvania 15825  
844.849.8363

### Cranberry

Manager: Shelly Hartle  
7001 Route 322  
Cranberry, Pennsylvania 16319  
844.676.1970

### DuBois

Manager: Kelli Allison  
861 Beaver Drive  
DuBois, Pennsylvania 15801  
844.371.2166

### Eau Claire

Assistant Manager: Susan Myers  
207 South Washington Street  
Eau Claire, Pennsylvania 16030  
844.791.2591

### Knox

Manager: Allan Johnson  
8868 Route 338 • Suite 1  
Knox, Pennsylvania 16232  
844.797.2200

### Ridgway

Manager: Heather Serafini  
173 Main Street  
Ridgway, Pennsylvania 15853  
844.773.3195

### Titusville

Manager: Amy Ruot  
127 West Spring Street  
Titusville, Pennsylvania 16354  
844.827.5910

### Bon Aire

Acting Manager: Nan Davis  
100 Bon Aire Plaza  
Butler, Pennsylvania 16001  
844.283.4666

### Clarion

Manager: Heidi Byers  
6th Street & Wood Street  
Clarion, Pennsylvania 16214  
844.226.7523

### Cranberry Township

Manager: Renee Foust  
20581 Route 19  
Cranberry Twp., Pennsylvania 16066  
844.776.5432

### East Brady

Manager: Nan Davis  
433 Kellys Way  
East Brady, Pennsylvania 16028  
844.526.5793

### Grove City

Manager: Darian Murray  
1319 West Main Street  
Grove City, Pennsylvania 16127  
844.264.4260

### Meridian

Manager: Renee Foust  
101 Meridian Road  
Butler, Pennsylvania 16001  
844.482.0133

### St. Marys

Manager: Heather Serafini  
10 North Michael Street  
St. Marys, Pennsylvania 15857  
844.834.1634

## Officers of The Farmers National Bank of Emlenton

### William C. Marsh\*

Chairman of the Board  
President and Chief Executive Officer

### Matthew J. Lucco\*

Senior Vice President  
Chief Financial Officer

### Robert A. Vernick

Senior Vice President  
Chief Lending & Business Development Officer

### Amanda L. Engles\*

Vice President  
Controller

### Eric Smeltzer

Vice President  
Asset and Liability Management

### Michael R. Hemmerlin

Vice President  
Senior Credit Officer

### Danyell L. Bundy

Vice President  
Regional Manager

### Scott D. Patton

Vice President  
Regional Manager

### Richard J. Doverspike

Assistant Vice President  
Corporate Banking

### Andrew M. Hogue

Assistant Vice President  
Facilities and Security

### Stephanie A. Slezak

Assistant Vice President  
Consumer Credit Operations

### Brittany A. Basham

Assistant Vice President  
Manager of Human Resources

### Raymond M. Lawton\*

Senior Vice President  
Chief Credit Officer

### Jennifer A. Roxbury

Senior Vice President  
Chief Operating Officer

### Robert W. Foust

Senior Vice President  
Corporate Business Development

### Aubery L. Hulings

Vice President  
Operations Manager

### Jerome F. Millin

Vice President  
Information Technology

### Bruce J. Goodman

Vice President  
Corporate Banking

### Joshua D. Fye

Vice President  
Corporate Banking

### Richard E. Grejda

Assistant Vice President  
Corporate Banking

### Shirley J. Carroll

Assistant Vice President  
Corporate Banking

### Richard P. Liszka

Assistant Vice President  
Senior Credit Analyst

### April C. McElravy

Assistant Vice President  
Deposit Operations

\*Officer of Emclaire Financial Corp



**Emclaire  
Financial  
Corp**