



## **Emclaire Financial Corp. Reports Record Net Income for 2003 and Fourth Quarter and Announces Annual Meeting Date**

EMLENTON, Pa.--(BUSINESS WIRE)--Jan. 26, 2004--Emclaire Financial Corp. (OTCBB:EMCF), the parent holding company of the Farmers National Bank of Emlenton, reported consolidated net income of \$2.5 million or \$1.91 per share for the year ended December 31, 2003, as compared to net income of \$2.3 million or \$1.69 per share for 2002. This represents a 10.4% improvement in net income.

The Corporation's return on average equity improved to 10.96% for 2003 compared to 10.21% in the prior year. The Corporation's return on average assets remained constant at 0.99% for 2003 and 2002.

For the fourth quarter ended December 31, 2003, the Corporation realized consolidated net income of \$675,000 or \$0.53 per share, as compared to net income of \$663,000 or \$0.50 per share for the same period last year. Return on annualized average equity and assets were 11.92% and 1.03%, respectively, for the quarterly period ended December 31, 2003, as compared to 11.69% and 1.11%, respectively, for the same period in the prior year.

During 2003, the Corporation experienced sound balance sheet growth which contributed to the increase in earnings between 2003 and 2002. Total assets increased \$23.9 million or 10.0% to \$262.5 million, fueled by growth in customer deposits of \$12.7 million or 6.2% to \$217.1 million at December 31, 2003. Total loans increased \$20.9 million or 12.3% for the year to \$190.5 million and investment securities increased \$414,000 or 0.85% to \$49.2 million at December 31, 2003.

The Corporation remains well capitalized for future growth with stockholders' equity of \$22.7 million or 8.6% of total assets. Stockholders' equity decreased \$25,000 to \$22.655 million at December 31, 2003 from \$22.680 million at December 31, 2002. While total shareholder equity decreased, book value per share increased to \$17.87 from \$17.02 per share during 2003 due to share repurchases throughout the year.

David L. Cox, Chairman of the Board, President and Chief Executive Officer of the Corporation and the Bank, stated, "The Board of Directors, senior management and I are pleased with the Corporation's earnings results and are looking forward to the coming years as we continue to enhance our existing branch network as well as continuing to improve customer service, training and product development. The growth in earnings that we have experienced over the past couple of years provides us with a firm foundation for the realization of future expansion opportunities. We will continue to be dedicated to our employees and our customers and are excited about the future as we strive to be the #1 Community Bank in Western Pennsylvania."

Net income increased \$235,000 or 10.4% to \$2.5 million for 2003 versus \$2.3 million in 2002. Contributing to this increase in earnings was an increase in noninterest income of \$385,000 and decreases in the provision for loan losses and the provision for income taxes of \$51,000 and \$85,000, respectively. Offsetting this favorable variance was a decrease in net interest income and an increase in noninterest expense of \$184,000 and \$102,000, respectively.

Net interest income decreased as the volume of interest-earning assets, including primarily loans and securities, increased \$17.7 million or 8.2% on an average balance basis to \$233.5 million for 2003, compared to \$215.8 million for 2002. The decrease in volume was offset by a decrease in the yield on earning assets to 6.28% for 2003 from 6.93% for 2002. The volume of interest-bearing liabilities, including primarily customer deposits, increased \$18.9 million or 10.9% to \$191.3 million for 2003, compared to \$172.5 million for 2002, while the cost of these liabilities decreased to 2.56% for 2003 from 2.99% for 2002. The Corporation's interest rate spread decreased to 3.72% for 2003, compared to 3.94% for the preceding year. This decrease in net interest income was the direct result of the Federal Reserve Board lowering interest rates in 2002 and 2003.

The Corporation experienced balance sheet and earnings growth while noninterest expenses remained relatively stable. Noninterest expenses increased only \$102,000 or 1.4% to \$7.5 million in 2003, compared to \$7.4 million in 2002. This increase in noninterest expense was the result of increases in compensation and benefits expense as a result of normal salary and wage increases, partially offset by staff reductions through routine attrition. Offsetting this variance were decreases in premises and equipment expenses as well as the reduction of intangible amortization expense on the branches acquired in 1998 from the People's Savings Bank.

In addition to reporting earnings, the Corporation announced that the regular annual meeting of stockholders is to be held on Wednesday, May 19, 2004 at 11:00 AM at the Main Office Building in Emlenton, PA. The voting record date for the purpose of

determining stockholders eligible to vote on proposals presented at the annual meeting is March 29, 2004.

Emclaire Financial Corp. is the parent company of the Farmers National Bank of Emlenton, an independent, nationally chartered, FDIC-insured community commercial bank headquartered in Emlenton, Pennsylvania, operating ten full service offices in Venango, Butler, Clarion, Clearfield, Elk and Jefferson Counties, Pennsylvania. The Corporation's common stock is quoted on and traded through the OTC Electronic Bulletin Board under the symbol "EMCF".

EMCLAIRE FINANCIAL CORP. AND SUBSIDIARY

Financial Highlights

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

CONSOLIDATED INCOME STATEMENT DATA:

	Year ended		Three month	
	December 31,		period ended	
	2003	2002	2003	2002
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Interest income	\$14,209	\$14,653	\$3,591	\$3,664
Interest expense	4,901	5,161	1,250	1,281
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Net interest income	9,308	9,492	2,341	2,383
Provision for loan losses	330	381	105	90
Noninterest income	1,785	1,400	467	404
Noninterest expense	7,522	7,420	1,865	1,864
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Net income before provision for income taxes	3,241	3,091	838	833
Provision for income taxes	749	834	163	170
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Net income	\$2,492	\$2,257	\$675	\$663
	=====	=====	=====	=====
Net income per share	\$1.91	\$1.69	\$0.53	\$0.50
Dividends per share	\$1.11	\$1.03	\$0.48	\$0.46
Return on annualized average assets	0.99%	0.99%	1.03%	1.11%
Return on annualized average equity	10.96%	10.21%	11.92%	11.68%
Yield on average interest earning assets	6.28%	6.93%	6.20%	6.72%
Cost of average interest bearing liabilities	2.56%	2.99%	2.51%	2.82%
Net interest margin	4.18%	4.54%	4.15%	4.43%

CONSOLIDATED BALANCE SHEET DATA:

	As of	As of
	12/31/2003	12/31/2002
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Total assets	\$262,512	\$238,577
Cash and equivalents	7,703	7,716
Securities	49,162	48,748
Loans	190,482	169,557
Deposits	217,110	204,425
Borrowed funds	20,700	10,000
Stockholders' equity	22,655	22,680
Book value per share	\$17.87	\$17.02
Net loans to deposits	87.74%	82.94%

Allowance for loan losses to total loans	0.92%	0.93%
Earning assets to total assets	94.02%	94.68%
Stockholders' equity to total assets	8.63%	9.51%
Shares common stock outstanding	1,267,835	1,332,835

This news release may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risk and uncertainties which could cause actual results to differ materially from those currently anticipated due to a number of factors. Such factors include, but are not limited to, changes in interest rates which could effect net interest margins and net interest income, the possibility that increased demand or prices for the Corporation's financial services and products may not occur, changing economic and competitive conditions, technological and regulatory developments, and other risks and uncertainties, including those detailed in the Corporation's filings with the Securities and Exchange Commission. The Corporation does not undertake, and specifically disclaims any obligation to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of such statements.

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SOURCE: Emclaire Financial Corp.