

EMCLAIRE FINANCIAL CORP
Form 10-Q
August 10, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **June 30, 2015**

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: **001-34527**

EMCLAIRE FINANCIAL CORP

(Exact name of registrant as specified in its charter)

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Pennsylvania 25-1606091
(State or other jurisdiction of incorporation or organization) (IRS Employer Identification No.)

612 Main Street, Emlenton, Pennsylvania 16373
(Address of principal executive offices) (Zip Code)

(844) 767-2311

(Registrant's telephone number)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company as defined in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the Registrant's common stock was 2,134,858 at August 10, 2015.

EMCLAIRE FINANCIAL CORP

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PART I - FINANCIAL INFORMATION**Item 1. Interim Financial Statements**

Emclaire Financial Corp

Consolidated Balance Sheets (Unaudited)

As of June 30, 2015 and December 31, 2014

(Dollar amounts in thousands, except share and per share data)

	June 30, 2015	December 31, 2014
Assets		
Cash and due from banks	\$2,684	\$ 2,386
Interest earning deposits with banks	9,225	9,470
Cash and cash equivalents	11,909	11,856
Securities available for sale	146,715	149,861
Loans receivable, net of allowance for loan losses of \$5,370 and \$5,224	396,643	379,648
Federal bank stocks, at cost	2,512	2,406
Bank-owned life insurance	10,890	10,728
Accrued interest receivable	1,548	1,543
Premises and equipment, net	15,048	15,144
Goodwill	3,664	3,664
Core deposit intangible, net	652	749
Prepaid expenses and other assets	9,565	6,310
Total Assets	\$599,146	\$ 581,909
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits:		
Non-interest bearing	\$115,551	\$ 111,282
Interest bearing	396,861	390,537
Total deposits	512,412	501,819
Short-term borrowed funds	7,500	6,500
Long-term borrowed funds	15,000	15,000
Accrued interest payable	187	199

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Accrued expenses and other liabilities	7,146	10,401
Total Liabilities	542,245	533,919
Commitments and Contingent Liabilities	-	-
Stockholders' Equity:		
Preferred stock, \$1.00 par value, 3,000,000 shares authorized; Series B, non-cumulative preferred stock, \$5,000 liquidation value, 5,000 shares issued and outstanding	5,000	5,000
Common stock, \$1.25 par value, 12,000,000 shares authorized; 2,235,875 and 1,882,675 shares issued; 2,133,858 and 1,780,658 shares outstanding, respectively	2,795	2,353
Additional paid-in capital	27,573	19,740
Treasury stock, at cost; 102,017 shares	(2,114)	(2,114)
Retained earnings	26,811	26,009
Accumulated other comprehensive loss	(3,164)	(2,998)
Total Stockholders' Equity	56,901	47,990
Total Liabilities and Stockholders' Equity	\$599,146	\$ 581,909

See accompanying notes to consolidated financial statements.

Emclaire Financial Corp

Consolidated Statements of Net Income (Unaudited)

For the three and six months ended June 30, 2015 and 2014

(Dollar amounts in thousands, except share and per share data)

	For the three months ended		For the six months ended	
	June 30,	2014	June 30,	2014
	2015		2015	
Interest and dividend income:				
Loans receivable, including fees	\$ 4,470	\$ 4,089	\$ 8,670	\$ 8,119
Securities:				
Taxable	520	493	1,045	897
Exempt from federal income tax	214	253	435	518
Federal bank stocks	29	44	102	79
Interest earning deposits with banks	19	27	34	38
Total interest and dividend income	5,252	4,906	10,286	9,651
Interest expense:				
Deposits	535	607	1,082	1,169
Borrowed funds	177	149	359	329
Total interest expense	712	756	1,441	1,498
Net interest income	4,540	4,150	8,845	8,153
Provision for loan losses	203	183	371	345
Net interest income after provision for loan losses	4,337	3,967	8,474	7,808
Noninterest income:				
Fees and service charges	378	394	726	771
Commissions on financial services	5	13	10	22
Title premiums	6	15	17	24
Net gain on sales of available for sale securities	34	-	34	658
Earnings on bank-owned life insurance	97	93	194	192
Other	328	318	646	605
Total noninterest income	848	833	1,627	2,272
Noninterest expense:				
Compensation and employee benefits	2,050	1,832	4,118	3,774
Premises and equipment	655	604	1,324	1,204
Intangible asset amortization	49	57	98	113
Professional fees	178	183	380	346
Federal deposit insurance	98	88	195	176
Other	981	942	1,861	2,314
Total noninterest expense	4,011	3,706	7,976	7,927
Income before provision for income taxes	1,174	1,094	2,125	2,153
Provision for income taxes	247	216	417	433
Net income	927	878	1,708	1,720

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Preferred stock dividends	25	25	50	50
Net income available to common stockholders	\$ 902	\$ 853	\$ 1,658	\$ 1,670
Basic earnings per common share	\$ 0.48	\$ 0.48	\$ 0.91	\$ 0.94
Diluted earnings per common share	0.48	0.48	0.90	0.94
Average common shares outstanding	1,864,298	1,770,158	1,823,086	1,769,775

See accompanying notes to consolidated financial statements.

Emclaire Financial Corp

Consolidated Statements of Comprehensive Income (Unaudited)

For the three and six months ended June 30, 2015 and 2014

(Dollar amounts in thousands)

	For the three months ended June 30,		For the six months ended June 30,	
	2015	2014	2015	2014
Net income	\$ 927	\$ 878	\$ 1,708	\$ 1,720
Other comprehensive income				
Unrealized gains on securities:				
Unrealized holding gain (loss) arising during the period	(1,256)	1,525	(218)	2,755
Reclassification adjustment for gains included in net income	(34)	-	(34)	(658)
	(1,290)	1,525	(252)	2,097
Tax effect	439	(519)	86	(713)
Net of tax	(851)	1,006	(166)	1,384
Comprehensive income	\$ 76	\$ 1,884	\$ 1,542	\$ 3,104

See accompanying notes to consolidated financial statements.

Emclaire Financial Corp

Condensed Consolidated Statements of Cash Flows (Unaudited)

For the six months ended June 30, 2015 and 2014

(Dollar amounts in thousands)

	For the six months ended June 30, 2015		2014
Cash flows from operating activities			
Net income	\$ 1,708		\$ 1,720
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	500		386
Provision for loan losses	371		345
Amortization of premiums, net	166		127
Amortization of intangible assets and mortgage servicing rights	98		113
Realized gains on sales of available for sale securities, net	(34)		(658)
Net gains on foreclosed real estate	(18)		(14)
Stock compensation expense	108		84
Increase in bank-owned life insurance, net	(162)		(161)
Increase in accrued interest receivable	(5)		(64)
(Increase) decrease in prepaid expenses and other assets	(2,997)		169
	(12)		(39)

Decrease in accrued interest payable			
Increase (decrease) in accrued expenses and other liabilities	(237)	117
Net cash (used in) provided by operating activities	(514)	2,125
Cash flows from investing activities			
Loan originations and principal collections, net	864		(8,531
Purchase of residential mortgage loans	(14,647)	-
Settlement of syndicated national credits	(7,039)	-
Available for sale securities:			
Sales	1,791		21,559
Maturities, repayments and calls	12,701		5,227
Purchases (Purchase)	(11,555)	(53,255
redemption of federal bank stocks	(106)	1,186
Proceeds from the sale of foreclosed real estate	102		121
Write-down of foreclosed real estate	6		-
Additions to premises and equipment	(404)	(2,190
Net cash used in investing activities	(18,287)	(35,883
Cash flows from financing activities			
Net increase in deposits	10,593		82,397
Repayments on Federal Home Loan Bank advances	-		(5,000
Net change in short-term borrowings	1,000		(22,000
	4		26

Proceeds from exercise of stock options, including tax benefit				
Dividends paid	(905)	(829)
Proceeds from the issuance of common stock	8,162		-	
Net cash provided by financing activities	18,854		54,594	
Increase in cash and cash equivalents	53		20,836	
Cash and cash equivalents at beginning of period	11,856		16,658	
Cash and cash equivalents at end of period	\$	11,909	\$	37,494
Supplemental information:				
Interest paid	\$	1,453	\$	1,537
Income taxes paid		525		-
Supplemental noncash disclosure:				
Transfers from loans to foreclosed real estate		263		20

See accompanying notes to consolidated financial statements.

Emclair Financial Corp

Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

For the three and six months ended June 30, 2015 and 2014

(Dollar amounts in thousands, except per share data)

For the three months ended June 30,	For the six months ended June 30,
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