

EMCLAIRE FINANCIAL CORP

Form 10-Q

August 11, 2014

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, 2014**

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)

(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 1,771,158 at August 11, 2014.

EMCLAIRE FINANCIAL CORP

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

Emclaire Financial Corp

Consolidated Balance Sheets

As of June 30, 2014 (Unaudited) and December 31, 2013

(Dollar amounts in thousands, except per share data)

	June 30, 2014	December 31, 2013
Assets		
Cash and due from banks	\$2,426	\$ 2,485
Interest earning deposits with banks	35,068	14,173
Cash and cash equivalents	37,494	16,658
Securities available for sale	146,527	117,304
Loans receivable, net of allowance for loan losses of \$5,046 and \$4,869	360,469	352,430
Federal bank stocks, at cost	2,791	3,977
Bank-owned life insurance	10,562	10,401
Accrued interest receivable	1,530	1,466
Premises and equipment, net	14,114	12,310
Goodwill	3,664	3,664
Core deposit intangible, net	852	965
Prepaid expenses and other assets	5,699	6,667
Total Assets	\$583,702	\$ 525,842
Liabilities and Stockholders' Equity		
Liabilities:		
Deposits:		
Non-interest bearing	\$115,362	\$ 104,269
Interest bearing	399,041	327,737
Total deposits	514,403	432,006
Short-term borrowed funds	2,150	24,150
Long-term borrowed funds	15,000	20,000
Accrued interest payable	253	292

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Accrued expenses and other liabilities	4,439	4,322
Total Liabilities	536,245	480,770
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; 1,872,175 and 1,870,675 shares issued; 1,770,158 and 1,768,658 shares outstanding, respectively	2,340	2,338
Additional paid-in capital	19,586	19,478
Treasury stock, at cost; 102,017 shares	(2,114)	(2,114)
Retained earnings	24,541	23,650
Accumulated other comprehensive loss	(1,896)	(3,280)
Total Stockholders' Equity	47,457	45,072
Total Liabilities and Stockholders' Equity	\$583,702	\$ 525,842

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, 2014 and 2013

(Dollar amounts in thousands, except per share data)

	For the three months ended June 30,		For the six months ended June 30,	
	2014	2013	2014	2013
Interest and dividend income:				
Loans receivable, including fees	\$ 4,089	\$ 4,098	\$ 8,119	\$ 8,297
Securities:				
Taxable	493	470	897	887
Exempt from federal income tax	253	295	518	562
Federal bank stocks	44	17	79	35
Interest earning deposits with banks	27	18	38	31
Total interest and dividend income	4,906	4,898	9,651	9,812
Interest expense:				
Deposits	607	805	1,169	1,643
Borrowed funds	149	194	329	392
Total interest expense	756	999	1,498	2,035
Net interest income	4,150	3,899	8,153	7,777
Provision for loan losses	183	153	345	295
Net interest income after provision for loan losses	3,967	3,746	7,808	7,482
Noninterest income:				
Fees and service charges	394	428	771	826
Commissions on financial services	13	76	22	139
Title premiums	15	27	24	49
Net gain on sales of available for sale securities	-	99	658	184
Earnings on bank-owned life insurance	93	96	192	192
Other	318	305	605	571
Total noninterest income	833	1,031	2,272	1,961
Noninterest expense:				
Compensation and employee benefits	1,832	1,932	3,774	3,837
Premises and equipment	604	527	1,204	1,069
Intangible asset amortization	57	73	113	145
Professional fees	183	178	346	355
Federal deposit insurance	88	102	176	208

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Other	942	820	2,314	1,593
Total noninterest expense	3,706	3,632	7,927	7,207
Income before provision for income taxes	1,094	1,145	2,153	2,236
Provision for income taxes	216	206	433	439
Net income	878	939	1,720	1,797
Preferred stock dividends	25	125	50	250
Net income available to common stockholders	\$ 853	\$ 814	\$ 1,670	\$ 1,547
Basic and diluted earnings per common share	\$ 0.48	\$ 0.46	\$ 0.94	\$ 0.88
Diluted earnings per common share	0.48	0.46	0.94	0.87
Average common shares outstanding	1,770,158	1,762,158	1,769,775	1,761,546

See accompanying notes to consolidated financial statements.

Emclaire Financial Corp

Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

For the three and six months ended June 30, 2014 and 2013

(Dollar amounts in thousands)

	For the three months ended June 30,		For the six months ended June 30,	
	2014	2013	2014	2013
Net income	\$ 878	\$ 939	\$ 1,720	\$ 1,797
Other comprehensive income (loss)				
Unrealized gains (losses) on securities:				
Unrealized holding gain (loss) arising during the period	1,525	(4,110)	2,755	(4,471)
Reclassification adjustment for gains included in net income	-	(99)	(658)	(184)
	1,525	(4,209)	2,097	(4,655)
Tax effect	(519)	1,431	(713)	1,583
Net of tax	1,006	(2,778)	1,384	(3,072)
Comprehensive income (loss)	\$ 1,884	\$ (1,839)	\$ 3,104	\$ (1,275)

See accompanying notes to consolidated financial statements.

Emclaire Financial Corp

Condensed Consolidated Statements of Cash Flows (Unaudited)

For the six months ended June 30, 2014 and 2013

(Dollar amounts in thousands)

	For the six months ended June 30, 2014		2013	
Cash flows from operating activities				
Net income	\$	1,720	\$	1,797
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation and amortization		386		336
Provision for loan losses		345		295
Amortization of premiums, net		127		90
Amortization of intangible assets and mortgage servicing rights		113		145
Realized gains on sales of available for sale securities, net		(658)		(184)
Net gains on foreclosed real estate		(14)		(12)
Restricted stock and stock option compensation		84		98
Increase in bank-owned life insurance, net		(161)		(164)
Increase in accrued interest receivable		(64)		(49)
Decrease in prepaid expenses and other assets		169		1,111

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Decrease in accrued interest payable	(39))	(65))
Increase in accrued expenses and other liabilities	117		250	
Net cash provided by operating activities	2,125		3,648	
Cash flows from investing activities				
Loan originations and principal collections, net	(8,531))	(1,055))
Available for sale securities:				
Sales	21,559		3,314	
Maturities, repayments and calls	5,227		26,304	
Purchases	(53,255))	(60,116))
Redemption (purchase) of federal bank stocks	1,186		(555))
Proceeds from the sale of foreclosed real estate	121		70	
Write-down of foreclosed real estate	-		19	
Additions to premises and equipment	(2,190))	(2,251))
Net cash used in investing activities	(35,883))	(34,270))
Cash flows from financing activities				
Net increase in deposits	82,397		17,038	
Repayments on Federal Home Loan Bank advances	(5,000))	-	
Net change in short-term borrowings	(22,000))	5,500	
Proceeds from exercise of stock options, including tax benefit	26			