

EVANS BANCORP INC  
Form 10-Q  
October 31, 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 quarterly period ended September 30, 2014

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 001-35021

EVANS BANCORP, INC. .

(Exact name of registrant as specified in its charter)

New York 16-1332767

(State or other jurisdiction of (I.R.S. Employer

incorporation or organization) Identification No.)

One Grimsby Drive, Hamburg, NY 14075

(Address of principal executive offices) (Zip Code)

(716) 926-2000

(Registrant's telephone number, including area code)

Not Applicable

(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. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if smaller reporting company)Smaller reporting company

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes    No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Common Stock, \$.50 par value 4,189,765 shares as of October 31, 2014

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EVANS BANCORP, INC. AND SUBSIDIARIES  
UNAUDITED CONSOLIDATED BALANCE SHEETS  
SEPTEMBER 30, 2014 AND DECEMBER 31, 2013  
(in thousands, except share and per share amounts)

	September 30, 2014	December 31, 2013
<b>ASSETS</b>		
Cash and due from banks	\$ 11,645	\$ 14,698
Interest-bearing deposits at banks	573	27,256
Securities:		
Available for sale, at fair value (amortized cost: \$98,289 at September 30, 2014; \$99,353 at December 31, 2013)	99,608	99,665
Held to maturity, at amortized cost (fair value: \$1,728 at September 30, 2014; \$2,319 at December 31, 2013)	1,760	2,384
Federal Home Loan Bank common stock, at amortized cost	1,369	1,364
Federal Reserve Bank common stock, at amortized cost	1,486	1,467
Loans and leases, net of allowance for loan and lease losses of \$11,955 at September 30, 2014 and \$11,503 at December 31, 2013	673,385	635,493
Properties and equipment, net of accumulated depreciation of \$15,030 at September 30, 2014 and \$14,226 at December 31, 2013	10,792	11,163
Goodwill	8,101	8,101
Intangible assets	-	108
Bank-owned life insurance	20,274	19,840
Other assets	12,359	11,959
<b>TOTAL ASSETS</b>	<b>\$ 841,352</b>	<b>\$ 833,498</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Deposits:		
Demand	\$ 153,065	\$ 139,973
NOW	72,344	65,927
Regular savings	367,277	390,575
Time	117,110	110,137
Total deposits	709,796	706,612
Securities sold under agreement to repurchase	11,496	13,351
Other short term borrowings	12,150	9,000
Other liabilities	12,606	12,493

Junior subordinated debentures	11,330	11,330
Total liabilities	757,378	752,786

## CONTINGENT LIABILITIES AND COMMITMENTS

## STOCKHOLDERS' EQUITY:

Common stock, \$.50 par value, 10,000,000 shares authorized; 4,236,162 and 4,208,459 shares issued at September 30, 2014 and December 31, 2013, respectively, and 4,190,195 and 4,201,362 outstanding at September 30, 2014 and December 31, 2013, respectively	2,120	2,106
Capital surplus	42,912	42,619
Treasury stock, at cost, 45,967 shares and 4,906 at September 30, 2014 and December 31, 2013, respectively	(992)	(120)
Retained earnings	40,521	37,370
Accumulated other comprehensive (loss) gain, net of tax	(587)	(1,263)
Total stockholders' equity	83,974	80,712

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 841,352	\$ 833,498
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THREE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013  
(in thousands, except share and per share amounts)

	Three Months Ended September 30,	
	2014	2013
INTEREST INCOME		
Loans and leases	\$ 7,865	\$ 7,445
Interest bearing deposits at banks	1	39
Securities:		
Taxable	469	402
Non-taxable	241	263
Total interest income	8,576	8,149
INTEREST EXPENSE		
Deposits	752	806
Other borrowings	64	87
Junior subordinated debentures	82	82
Total interest expense	898	975
NET INTEREST INCOME	7,678	7,174
PROVISION FOR LOAN AND LEASE LOSSES	327	774
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND LEASE LOSSES	7,351	6,400
NON-INTEREST INCOME		
Bank charges	482	540
Insurance service and fees	1,888	1,906
Data center income	85	118
Gain on loans sold	87	-
Bank-owned life insurance	137	108
Loss on tax credit investment	-	(1,555)
Other	831	1,501
Total non-interest income	3,510	2,618
NON-INTEREST EXPENSE		
Salaries and employee benefits	4,792	4,637
Occupancy	720	695
Repairs and maintenance	190	169

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Advertising and public relations	146	158
Professional services	438	480
Technology and communications	247	299
Amortization of intangibles	27	55
FDIC insurance	137	147
Other	788	708
Total non-interest expense	7,485	7,348
INCOME BEFORE INCOME TAXES	3,376	1,670
INCOME TAX PROVISION (BENEFIT)	1,086	(780)
NET INCOME	\$ 2,290	\$ 2,450
Net income per common share-basic	\$ 0.55	\$ 0.59
Net income per common share-diluted	\$ 0.54	\$ 0.58
Cash dividends per common share	\$ 0.34	\$ 0.26
Weighted average number of common shares outstanding	4,184,491	4,181,041
Weighted average number of diluted shares outstanding	4,260,759	4,232,961

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NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013  
(in thousands, except share and per share amounts)

	For the nine months ended, September 30,	
	2014	2013
INTEREST INCOME		
Loans and leases	\$ 23,253	\$ 21,974
Interest bearing deposits at banks	32	103
Securities:		
Taxable	1,374	1,223
Non-taxable	729	799
Total interest income	25,388	24,099
INTEREST EXPENSE		
Deposits	2,264	2,506
Other borrowings	225	347
Junior subordinated debentures	241	243
Total interest expense	2,730	3,096
NET INTEREST INCOME	22,658	21,003
PROVISION FOR LOAN AND LEASE LOSSES	655	1,304
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND LEASE LOSSES	22,003	19,699
NON-INTEREST INCOME		
Bank charges	1,406	1,528
Insurance service and fees	5,606	5,632
Data center income	292	342
Gain on loans sold	127	25
Bank-owned life insurance	434	350
Loss on tax credit investment	-	(1,555)

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Other	2,094	2,821
Total non-interest income	9,959	9,143
NON-INTEREST EXPENSE		
Salaries and employee benefits	14,052	13,151
Litigation expense	1,000	-
Occupancy	2,148	2,249
Repairs and maintenance	547	534
Advertising and public relations	648	518
Professional services	1,374	1,414
Technology and communications	826	930
Amortization of intangibles	108	180
FDIC insurance	410	450
Other	2,322	2,256
Total non-interest expense	23,435	21,682
INCOME BEFORE INCOME TAXES	8,527	7,160
INCOME TAX PROVISION	2,646	971
NET INCOME	\$ 5,881	\$ 6,189
Net income per common share-basic	\$ 1.41	\$ 1.48
Net income per common share-diluted	\$ 1.38	\$ 1.47
Cash dividends per common share	\$ 0.65	\$ 0.26
Weighted average number of common shares outstanding	4,183,777	4,178,241
Weighted average number of diluted shares outstanding	4,266,341	4,220,405

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EVANS BANCORP, INC. AND SUBSIDIARIES  
UNAUDITED STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME  
THREE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013  
(in thousands, except share and per share amounts)

	Three Months Ended September 30,	
	2014	2013
NET INCOME	\$ 2,290	\$ 2,450
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:		
Unrealized gain (loss) on available-for-sale securities:		
Unrealized gain (loss) on available-for-sale securities	(171)	(142)
Less: Reclassification of gain on sale of securities	-	-
	(171)	(142)
Defined benefit pension plans:		
Amortization of prior service cost	4	10
Amortization of actuarial loss	14	28
Total	18	38
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	(153)	(104)
COMPREHENSIVE INCOME	\$ 2,137	\$ 2,346

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NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013  
(in thousands, except share and per share amounts)

	Nine Months Ended September 30,	
	2014	2013
NET INCOME	\$ 5,881	\$ 6,189
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:		
Unrealized gain (loss) on available-for-sale securities:		
Unrealized gain (loss) on available-for-sale securities	618	(1,808)
Less: Reclassification of gain on sale of securities	-	-
	618	(1,808)
Defined benefit pension plans:		
Amortization of prior service cost	12	32
Amortization of actuarial loss	46	81
Total	58	113
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	676	(1,695)
COMPREHENSIVE INCOME	\$ 6,557	\$ 4,494

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## PART I - FINANCIAL INFORMATION

## ITEM 1 - FINANCIAL STATEMENTS

EVANS BANCORP, INC. AND  
SUBSIDIARIESUNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS'  
EQUITY

NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

(in thousands, except share and per share  
amounts)

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance, December 31, 2012	\$ 2,087	\$ 42,029	\$ 30,611	\$ 101	\$ -	\$ 74,828
Net Income			6,189			6,189
Other comprehensive (loss)				(1,695)		(1,695)
Cash dividends (\$0.26 per common share)			(1,092)			(1,092)
Stock options and restricted stock expense		266				266
Excess tax expense from stock-based compensation		(9)				(9)
Issued 17,567 restricted shares, net of forfeitures	9	(19)				(10)
Issued 4,1000 shares through stock option exercise	2	61				63
Issued 7,067 shares under Employee Stock Purchase Plan	4	91				95
Balance, September 30, 2013	\$ 2,102	\$ 42,419	\$ 35,708	\$ (1,594)	\$ -	\$ 78,635
Balance, December 31, 2013	\$ 2,106	\$ 42,619	\$ 37,370	\$ (1,263)	\$ (120)	\$ 80,712
Net Income			5,881			5,881
Other comprehensive income (loss)				676		676
Cash dividends (\$0.65 per common share)			(2,730)			(2,730)
Stock options and restricted stock expense		352				352
Excess tax expense from stock-based compensation		72				72
Issued 16,694 restricted shares, net of forfeitures	11	(11)				-
Repurchased 59,800 shares					(1,436)	(1,436)
Reissued 19,351 shares in stock option exercises		(253)			449	196
Reissued 5,400 shares through Dividend						

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Reinvestment Program		9			115	124
Issued 7,186 shares under Employee Stock Purchase Plan	3	124				127
Balance, September 30, 2014	\$ 2,120	\$ 42,912	\$ 40,521	\$ (587)	\$ (992)	\$ 83,974

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 EVANS BANCORP, INC. AND SUBSIDIARIES  
 UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013  
 (in thousands)

	Nine Months Ended September 30,	
	2014	2013
<b>OPERATING ACTIVITIES:</b>		
Interest received	\$ 24,834	\$ 23,849
Fees received	9,309	11,106
Interest paid	(2,738)	(3,111)
Cash paid to employees and vendors	(21,937)	(20,642)
Cash contributed to pension plan	(110)	(185)
Income taxes paid	(3,141)	(2,327)
Proceeds from sale of loans held for resale	9,978	776
Originations of loans held for resale	(10,600)	187
Net cash provided by operating activities	5,595	9,653
<b>INVESTING ACTIVITIES:</b>		
Available for sales securities:		
Purchases	(11,446)	(16,180)
Proceeds from maturities, calls, and payments	12,212	12,800
Held to maturity securities:		
Purchases	(498)	(691)
Proceeds from maturities, calls, and payments	1,122	659
Cash paid for bank owned life insurance	-	(4,000)
Additions to properties and equipment	(433)	(567)
Cash investment in tax credit	(1,577)	-
Net increase in loans	(36,897)	(44,558)
Net cash used in investing activities	(37,517)	(52,537)
<b>FINANCING ACTIVITIES:</b>		
Repayments of borrowings, net	1,295	(7,932)
Net increase in deposits	3,184	23,633
Dividends paid	(1,304)	-
Repurchase of treasury stock	(1,436)	-
Issuance of common stock	127	148

Reissuance of treasury stock	320	-
Net cash provided by financing activities	2,186	15,849
Net decrease in cash and equivalents	(29,736)	(27,035)
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of period	41,954	90,477
End of period	\$ 12,218	\$ 63,442

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 NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013  
 (in thousands)

	Nine Months Ended September 30,	
	2014	2013
<b>RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Net income	\$ 5,881	\$ 6,189
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,075	1,425
Deferred tax expense	18	93
Provision for loan and lease losses	655	1,304
Gain on loans sold	(127)	(25)
Stock options and restricted stock expense	352	266
Proceeds from sale of loans held for resale	9,978	776
Originations of loans held for resale	(10,600)	187
Cash contributed to pension plan	(110)	(185)
Changes in assets and liabilities affecting cash flow:		
Other assets	(748)	(2,482)
Other liabilities	(779)	2,105
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 5,595</b>	<b>\$ 9,653</b>

See Notes to Unaudited Consolidated Financial Statements



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PART 1 – FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS

EVANS BANCORP, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies followed by Evans Bancorp, Inc. (the “Company”), a financial holding company, and its two direct, wholly-owned subsidiaries: (i) Evans Bank, National Association (the “Bank”), and the Bank’s subsidiaries, Evans National Leasing, Inc. (“ENL”), Evans National Holding Corp. (“ENHC”) and Suchak Data Systems, LLC (“SDS”); and (ii) Evans National Financial Services, LLC (“ENFS”), and ENFS’s subsidiary, The Evans Agency, LLC (“TEA”), and TEA’s subsidiaries, Frontier Claims Services, Inc. (“FCS”) and ENB Associates Inc. (“ENBA”), in the preparation of the accompanying interim unaudited consolidated financial statements conform with U.S. generally accepted accounting principles (“GAAP”) and with general practice within the industries in which it operates. Except as the context otherwise requires, the Company and its direct and indirect subsidiaries are collectively referred to in this report as the “Company.”

The results of operations for the three and nine month periods ended September 30, 2014 are not necessarily indicative of the results to be expected for the full year. The accompanying unaudited consolidated financial statements should be read in conjunction with the Audited Consolidated Financial Statements and the Notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2013.

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## 2. SECURITIES

The amortized cost of securities and their approximate fair value at September 30, 2014 and December 31, 2013 were as follows:

	September 30, 2014 (in thousands)			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available for Sale:				
Debt securities:				
U.S. government agencies	\$ 28,863	\$ 301	\$ (346)	\$ 28,818
States and political subdivisions	30,506	1,120	(33)	31,593
Total debt securities	\$ 59,369	\$ 1,421	\$ (379)	\$ 60,411
Mortgage-backed securities:				
FNMA	\$ 15,161	\$ 441	\$ (41)	\$ 15,561
FHLMC	6,218	116	(95)	6,239
GNMA	6,575	139	(46)	6,668
CMO	10,966	19	(256)	10,729
Total mortgage-backed securities	\$ 38,920	\$ 715	\$ (438)	\$ 39,197
Total securities designated as available for sale	\$ 98,289	\$ 2,136	\$ (817)	\$ 99,608
Held to Maturity:				
Debt securities				
States and political subdivisions	\$ 1,760	\$ 13	\$ (45)	\$ 1,728
Total securities designated as held to maturity	\$ 1,760	\$ 13	\$ (45)	\$ 1,728

December 31, 2013  
(in thousands)

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
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Available for Sale:

Debt securities:

U.S. government agencies	\$ 32,176	\$ 439	\$ (623)	\$ 31,992
States and political subdivisions	31,266	802	(188)	31,880
Total debt securities	\$ 63,442	\$ 1,241	\$ (811)	\$ 63,872

Mortgage-backed securities:

FNMA	\$ 13,204	\$ 354	\$ (57)	\$ 13,501
FHLMC	7,156	109	(147)	7,118
GNMA	7,570	99	(96)	7,573
CMO	7,981	9	(389)	7,601
Total mortgage-backed securities	\$ 35,911	\$ 571	\$ (689)	\$ 35,793