

EVANS BANCORP INC  
Form 10-Q  
May 02, 2016

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 March 31, 2016

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

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 4,284,566 shares as of May 2, 2016

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Table of Contents

INDEX

EVANS BANCORP, INC. AND SUBSIDIARIES

PART 1. FINANCIAL INFORMATION	PAGE
<u>Financial Statements</u>	
1.	
<u>Unaudited Consolidated Balance Sheets – March 31, 2016 and December 31, 2015</u>	1
<u>Unaudited Consolidated Statements of Income – Three months ended March 31, 2016 and 2015</u>	2
<u>Unaudited Statements of Consolidated Comprehensive Income – Three months ended March 31, 2016 and 2015</u>	3
<u>Unaudited Consolidated Statements of Changes in Stockholder’s Equity – Three months ended March 31, 2016 and 2015</u>	4
<u>Unaudited Consolidated Statements of Cash Flows - Three months ended March 31, 2016 and 2015</u>	5
<u>Notes to Unaudited Consolidated Financial Statements</u>	7
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	35
2.	
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	42
3.	
<u>Controls and Procedures</u>	43
4.	
PART II. OTHER INFORMATION	
<u>Legal Proceedings</u>	44

Item	
1.	
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	44
2.	
<u>Exhibits</u>	45
6.	
<u>Signatures</u>	46

---

Table of Contents

PART I - FINANCIAL INFORMATION  
ITEM 1 - FINANCIAL STATEMENTS  
EVANS BANCORP, INC. AND SUBSIDIARIES  
UNAUDITED CONSOLIDATED BALANCE SHEETS  
MARCH 31, 2016 AND DECEMBER 31, 2015  
(in thousands, except share and per share amounts)

	March 31, 2016	December 31, 2015
<b>ASSETS</b>		
Cash and due from banks	\$ 11,287	\$ 11,813
Interest-bearing deposits at banks	22,105	10,808
Securities:		
Available for sale, at fair value (amortized cost: \$112,874 at March 31, 2016; \$96,374 at December 31, 2015)	114,687	97,141
Held to maturity, at amortized cost (fair value: \$1,595 at March 31, 2016; \$1,584 at December 31, 2015)	1,607	1,617
Federal Home Loan Bank common stock, at cost	1,296	1,296
Federal Reserve Bank common stock, at cost	1,492	1,487
Loans, net of allowance for loan losses of \$13,119 at March 31, 2016 and \$12,883 at December 31, 2015	783,654	761,101
Properties and equipment, net of accumulated depreciation of \$16,072 at March 31, 2016 and \$15,799 at December 31, 2015	11,078	11,051
Goodwill	8,101	8,101
Bank-owned life insurance	21,114	20,978
Other assets	13,494	13,714
<b>TOTAL ASSETS</b>	<b>\$ 989,915</b>	<b>\$ 939,107</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Deposits:		
Demand	\$ 174,276	\$ 183,098
NOW	95,622	83,674
Regular savings	463,672	439,993
Time	115,479	96,217
Total deposits	849,049	802,982
Securities sold under agreement to repurchase	12,894	10,821
Other borrowings	10,000	10,000
Other liabilities	14,482	12,718
Junior subordinated debentures	11,330	11,330
Total liabilities	897,755	847,851
<b>CONTINGENT LIABILITIES AND COMMITMENTS</b>		

STOCKHOLDERS' EQUITY:

Common stock, \$.50 par value, 10,000,000 shares authorized; 4,279,296 and 4,260,203 shares issued at March 31, 2016 and December 31, 2015, respectively, and 4,279,210 and 4,257,179 outstanding at March 31, 2016 and December 31, 2015, respectively	2,142	2,132
Capital surplus	43,435	43,318
Treasury stock, at cost, 86 and 3,024 shares at March 31, 2016 and December 31, 2015, respectively	-	-
Retained earnings	47,704	47,616
Accumulated other comprehensive loss, net of tax	(1,121)	(1,810)
Total stockholders' equity	92,160	91,256
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 989,915</b>	<b>\$ 939,107</b>

See Notes to Unaudited Consolidated Financial Statements

Table of Contents

PART I - FINANCIAL INFORMATION  
ITEM 1 - FINANCIAL STATEMENTS  
EVANS BANCORP, INC. AND SUBSIDIARIES  
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME  
THREE MONTHS ENDED MARCH 31, 2016 AND 2015  
(in thousands, except share and per share amounts)

	Three Months Ended March 31,	
	2016	2015
INTEREST INCOME		
Loans	\$ 8,730	\$ 7,813
Interest bearing deposits at banks	11	1
Securities:		
Taxable	377	405
Non-taxable	238	237
Total interest income	9,356	8,456
INTEREST EXPENSE		
Deposits	959	781
Other borrowings	50	15
Junior subordinated debentures	87	79
Total interest expense	1,096	875
NET INTEREST INCOME	8,260	7,581
PROVISION FOR LOAN LOSSES	208	201
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	8,052	7,380
NON-INTEREST INCOME		
Bank charges	443	409
Insurance service and fees	1,748	1,829
Gain on loans sold	15	22
Bank-owned life insurance	136	137
Interchange fee income	318	294
Other	334	375
Total non-interest income	2,994	3,066
NON-INTEREST EXPENSE		
Salaries and employee benefits	5,514	4,794
Occupancy	699	695
Repairs and maintenance	176	173
Advertising and public relations	285	211
Professional services	580	511
Technology and communications	422	259
Litigation expense	(100)	-
FDIC insurance	159	147
Other	793	722
Total non-interest expense	8,528	7,512
INCOME BEFORE INCOME TAXES	2,518	2,934



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INCOME TAX PROVISION	804	1,029
NET INCOME	\$ 1,714	\$ 1,905
Net income per common share-basic	\$ 0.40	\$ 0.45
Net income per common share-diluted	\$ 0.40	\$ 0.44
Cash dividends per common share	\$ 0.38	\$ 0.36
Weighted average number of common shares outstanding	4,263,109	4,213,509
Weighted average number of diluted shares outstanding	4,328,034	4,291,676

See Notes to Unaudited Consolidated Financial Statements

2

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Table of Contents

PART I - FINANCIAL INFORMATION  
ITEM 1 - FINANCIAL STATEMENTS  
EVANS BANCORP, INC. AND SUBSIDIARIES  
UNAUDITED STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME  
THREE MONTHS ENDED MARCH 31, 2016 AND 2015  
(in thousands, except share and per share amounts)

	Three Months Ended March 31,	
	2016	2015
NET INCOME	\$ 1,714	\$ 1,905
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:		
Unrealized gain on available-for-sale securities:		
Unrealized gain on available-for-sale securities	649	331
Less: Reclassification of gain on sale of securities	-	-
	649	331
Defined benefit pension plans:		
Amortization of prior service cost	5	5
Amortization of actuarial assumptions	35	24
Total	40	29
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	689	360
COMPREHENSIVE INCOME	\$ 2,403	\$ 2,265

See Notes to Unaudited Consolidated Financial Statements



Table of Contents

## PART I - FINANCIAL INFORMATION

## ITEM 1 - FINANCIAL STATEMENTS

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

THREE MONTHS ENDED MARCH 31, 2016 AND 2015

(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, 2014	\$ 2,123	\$ 43,102	\$ 42,822	\$ (1,508)	\$ (751)	\$ 85,788
Net Income			1,905			1,905
Other comprehensive income				360		360
Cash dividends (\$0.36 per common share)			(1,517)			(1,517)
Stock options and restricted stock expense		117				117
Excess tax benefit from stock-based compensation		14				14
Repurchased 1,397 shares in Treasury stock					(34)	(34)
Reissued 20,942 restricted shares		(503)			503	-
Reissued 4,872 shares through stock option exercise		(48)			116	68
Balance, March 31, 2015	\$ 2,123	\$ 42,682	\$ 43,210	\$ (1,148)	\$ (166)	\$ 86,701
Balance, December 31, 2015	\$ 2,132	\$ 43,318	\$ 47,616	\$ (1,810)	\$ -	\$ 91,256
Net Income			1,714			1,714
Other comprehensive income				689		689
Cash dividends (\$0.38 per common share)			(1,626)			(1,626)
Stock options and restricted stock expense		118				118
Excess tax benefit from stock-based compensation		9				9
Issued 19,093 restricted shares	10	(10)				-
Reissued 2,938 restricted shares, net of forfeitures						-
Balance, March 31, 2016	\$ 2,142	\$ 43,435	\$ 47,704	\$ (1,121)	\$ -	\$ 92,160

See Notes to Unaudited Consolidated  
Financial Statements



Table of Contents

PART I - FINANCIAL INFORMATION  
 ITEM 1 - FINANCIAL STATEMENTS  
 EVANS BANCORP, INC. AND SUBSIDIARIES  
 UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 THREE MONTHS ENDED MARCH 31, 2016 AND 2015

(in thousands)

	Three Months Ended March 31,	
	2016	2015
<b>OPERATING ACTIVITIES:</b>		
Interest received	\$ 9,090	\$ 8,256
Fees received	2,839	2,779
Interest paid	(1,068)	(896)
Cash paid to employees and vendors	(8,353)	(7,804)
Income taxes paid	(9)	(1)
Proceeds from sale of loans held for resale	880	2,658
Originations of loans held for resale	(335)	(4,995)
Net cash provided by (used in) operating activities	3,044	(3)
<b>INVESTING ACTIVITIES:</b>		
Available for sales securities:		
Purchases	(20,471)	(4,244)
Proceeds from maturities, calls, and payments	3,883	2,451
Held to maturity securities:		
Proceeds from maturities, calls, and payments	11	11
Additions to properties and equipment	(300)	(111)
Purchase of tax credit investment	(359)	(667)
Net increase in loans	(23,176)	(3,595)
Net cash used in investing activities	(40,412)	(6,155)
<b>FINANCING ACTIVITIES:</b>		
Proceeds from (repayments of) borrowings, net	2,072	(16,803)
Net increase in deposits	46,067	72,723
Repurchase of treasury stock	-	(34)
Reissuance of treasury stock	-	68
Net cash provided by financing activities	48,139	55,954
Net increase in cash and cash equivalents	10,771	49,796
<b>CASH AND CASH EQUIVALENTS:</b>		

Beginning of period	22,621	10,898
End of period	\$ 33,392	\$ 60,694

(continued)

5

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Table of Contents

PART I - FINANCIAL INFORMATION  
 ITEM 1 - FINANCIAL STATEMENTS  
 EVANS BANCORP, INC. AND SUBSIDIARIES  
 UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 THREE MONTHS ENDED MARCH 31, 2016 AND 2015  
 (in thousands)

	Three Months Ended March 31,	
	2016	2015
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net income	\$ 1,714	\$ 1,905
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	359	356
Deferred tax expense	36	42
Provision for loan losses	208	201
Gain on loans sold	(15)	(22)
Stock options and restricted stock expense	118	117
Proceeds from sale of loans held for resale	880	2,658
Originations of loans held for resale	(335)	(4,995)
Changes in assets and liabilities affecting cash flow:		
Other assets	561	327
Other liabilities	(482)	(592)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>\$ 3,044</b>	<b>\$ (3)</b>

See Notes to Unaudited Consolidated Financial Statements





Table of Contents

PART 1 – FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS

EVANS BANCORP, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTH PERIODS ENDED MARCH 31, 2016 AND 2015

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 three month periods ended March 31, 2016 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, 2015.

Table of Contents

## 2. SECURITIES

The amortized cost of securities and their approximate fair value at March 31, 2016 and December 31, 2015 were as follows:

	March 31, 2016 (in thousands)			
	Amortized Cost	Unrealized Gains	Losses	Fair Value
Available for Sale:				
Debt securities:				
U.S. government agencies	\$ 24,835	\$ 387	\$ (15)	\$ 25,207
States and political subdivisions	36,659	1,046	(23)	37,682
Total debt securities	\$ 61,494	\$ 1,433	\$ (38)	\$ 62,889
Mortgage-backed securities:				
FNMA	\$ 18,427	\$ 276	\$ (26)	\$ 18,677
FHLMC	4,393	96	(32)	4,457
GNMA	11,044	120	(30)	11,134
CMO	17,516	116	(102)	17,530
Total mortgage-backed securities	\$ 51,380	\$ 608	\$ (190)	\$ 51,798
Total securities designated as available for sale	\$ 112,874	\$ 2,041	\$ (228)	\$ 114,687
Held to Maturity:				
Debt securities				
States and political subdivisions	\$ 1,607	\$ 12	\$ (24)	\$ 1,595
Total securities designated as held to maturity	\$ 1,607	\$ 12	\$ (24)	\$ 1,595

December 31, 2015  
(in thousands)

Amortized Unrealized Fair

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	Cost	Gains	Losses	Value
Available for Sale:				
Debt securities:				
U.S. government agencies	\$ 21,914	\$ 166	\$ (234)	\$ 21,846
States and political subdivisions	36,838	874	(29)	37,683
Total debt securities	\$ 58,752	\$ 1,040	\$ (263)	\$ 59,529
Mortgage-backed securities:				
FNMA	\$ 12,312	\$ 168	\$ (25)	\$ 12,455
FHLMC	4,629	61	(56)	4,634
GNMA	7,047	82	(61)	7,068
CMO	13,634	24	(203)	13,455
Total mortgage-backed securities	\$ 37,622	\$ 335	\$ (345)	\$ 37,612
Total securities designated as available for sale	\$ 96,374	\$ 1,375	\$ (608)	\$ 97,141