

EVANS BANCORP INC
Form 10-Q
August 13, 2008

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**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 June 30, 2008

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 0-18539
EVANS BANCORP, INC.**

(Exact name of registrant as specified in its charter)

New York

16-1332767

(State of other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

14 -16 North Main Street, Angola, New York 14006

(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 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 Smaller reporting company

(Do not check if a 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 2,755,274 shares as of August 1, 2008

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EVANS BANCORP, INC. AND SUBSIDIARIES

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PART I FINANCIAL INFORMATION
 ITEM I FINANCIAL STATEMENTS
 EVANS BANCORP, INC. AND SUBSIDIARIES
 UNAUDITED CONSOLIDATED BALANCE SHEETS
 JUNE 30, 2008 AND DECEMBER 31, 2007
 (in thousands, except share and per share amounts)

	June 30, 2008	December 31, 2007
ASSETS		
Cash and due from banks	\$ 16,031	\$ 12,335
Interest-bearing deposits at banks	653	269
Securities:		
Available for sale, at fair value	64,978	70,144
Held to maturity, at amortized cost	2,079	2,266
Loans and leases, net of allowance for loan and lease losses of \$5,059 in 2008 and \$4,555 in 2007	360,961	319,556
Properties and equipment, net	8,512	8,366
Goodwill	10,046	10,046
Intangible assets	2,180	2,507
Bank-owned life insurance	10,968	10,760
Other assets	8,331	6,480
TOTAL ASSETS	\$ 484,739	\$ 442,729
LIABILITIES AND STOCKHOLDERS EQUITY		
LIABILITIES		
Deposits:		
Demand	\$ 76,947	\$ 69,268
NOW	16,691	10,141
Regular savings	107,845	92,864
Muni-vest	17,952	24,530
Time	152,025	129,026
Total deposits	371,460	325,829
Securities sold under agreement to repurchase	4,342	3,825
Other short-term borrowings	23,083	33,980
Other liabilities	10,877	10,361
Junior subordinated debentures	11,330	11,330
Long-term borrowings	18,349	14,101
Total liabilities	439,441	399,426

CONTINGENT LIABILITIES AND COMMITMENTS

STOCKHOLDERS EQUITY:

Common stock, \$.50 par value; 10,000,000 shares authorized; 2,759,700 and 2,756,731 shares issued, respectively, and 2,755,274 and 2,751,698 shares outstanding, respectively	1,380	1,378
Capital surplus	26,459	26,380
Retained earnings	17,573	15,612
Accumulated other comprehensive (loss) income, net of tax	(39)	16
Less: Treasury stock, at cost (4,426 and 5,033 shares, respectively)	(75)	(83)
 Total stockholders equity	 45,298	 43,303
 TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	 \$ 484,739	 \$ 442,729

See Notes to Unaudited Consolidated Financial Statements

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PART I FINANCIAL INFORMATION
 ITEM I FINANCIAL STATEMENTS
 EVANS BANCORP, INC. AND SUBSIDIARIES
 UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
 THREE MONTHS ENDED JUNE 30, 2008 AND 2007
 in thousands, except share and per share amounts)

	Three Months Ended June 30	
	2008	2007
INTEREST INCOME		
Loans and leases	\$ 6,434	\$ 6,094
Interest bearing deposits at banks	3	10
Securities:		
Taxable	320	861
Non-taxable	392	435
Total interest income	7,149	7,400
INTEREST EXPENSE		
Deposits	1,866	2,670
Other borrowings	299	313
Junior subordinated debentures	154	223
Total interest expense	2,319	3,206
NET INTEREST INCOME	4,830	4,194
PROVISION FOR LOAN AND LEASE LOSSES	675	345
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND LEASE LOSSES	4,155	3,849
NON-INTEREST INCOME:		
Bank charges	540	548
Insurance service and fees	1,617	1,423
Net gain (loss) on sales of securities	7	(2,302)
Premium on loans sold	4	4
Bank-owned life insurance	151	177
Other	493	439
Total non-interest income	2,812	289
NON-INTEREST EXPENSE:		
Salaries and employee benefits	2,837	2,621
Occupancy	578	525
Supplies	62	73
Repairs and maintenance	143	140
Advertising and public relations	102	133
Professional services	254	273
Technology and communications	290	255
Amortization of intangibles	166	142
Other insurance	84	90

Other	526	460
Total non-interest expense	5,042	4,712
INCOME (LOSS) BEFORE INCOME TAXES	1,925	(574)
INCOME TAX PROVISION (BENEFIT)	540	(435)
NET INCOME (LOSS)	\$ 1,385	(\$139)
Net income (loss) per common share-basic	\$ 0.50	\$ (0.05)
Net income (loss) per common share-diluted	\$ 0.50	\$ (0.05)
Cash dividends per common share	\$ 0.00	\$ 0.00
Weighted average number of common shares	2,748,771	2,743,819
Weighted average number of diluted shares	2,750,563	2,743,819

See Notes to Unaudited Consolidated Financial Statements

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PART I FINANCIAL INFORMATION
 ITEM I FINANCIAL STATEMENTS
 EVANS BANCORP, INC. AND SUBSIDIARIES
 UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
 SIX MONTHS ENDED JUNE 30, 2008 AND 2007
 (in thousands, except share and per share amounts)

	Six Months Ended June 30,	
	2008	2007
INTEREST INCOME		
Loans and leases	\$ 12,608	\$ 11,694
Interest bearing deposits at banks	7	97
Securities:		
Taxable	641	1,873
Non-taxable	791	878
Total interest income	14,047	14,542
INTEREST EXPENSE		
Deposits	3,823	5,373
Other borrowings	689	663
Junior subordinated debentures	347	441
Total interest expense	4,859	6,477
NET INTEREST INCOME	9,188	8,065
PROVISION FOR LOAN AND LEASE LOSSES	1,232	660
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND LEASE LOSSES	7,956	7,405
NON-INTEREST INCOME:		
Bank charges	1,072	1,019
Insurance service and fees	3,751	3,552
Net gain (loss) on sales of securities	7	(2,303)
Premium on loans sold	5	5
Bank-owned life insurance	208	317
Pension curtailment	328	
Other	972	843
Total non-interest income	6,343	3,433
NON-INTEREST EXPENSE:		
Salaries and employee benefits	5,709	5,289
Occupancy	1,204	1,128
Supplies	129	151
Repairs and maintenance	290	279
Advertising and public relations	210	220
Professional services	522	525
Technology and communications	565	519
Amortization of intangibles	328	286

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Other insurance	165	180
Other	1,009	1,067
Total non-interest expense	10,131	9,644
INCOME BEFORE INCOME TAXES	4,168	1,194
INCOME TAX PROVISION	1,190	46
NET INCOME	\$ 2,978	\$ 1,148
Net income per common share-basic	\$ 1.08	\$ 0.42
Net income per common share-diluted	\$ 1.08	\$ 0.42
Cash dividends per common share	\$ 0.37	\$ 0.34
Weighted average number of common shares	2,748,643	2,737,232
Weighted average number of diluted shares	2,749,645	2,737,914

See Notes to Unaudited Consolidated Financial Statements

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PART 1 FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

EVANS BANCORP, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

SIX MONTHS ENDED JUNE 30, 2008 AND 2007

(in thousands, except share and per share amounts)

	Common	Capital	Retained	Accumulated Other Comprehensive Income (Loss)	Treasury	Total
	Stock	Surplus	Earnings		Stock	
Balance, January 1, 2007	\$ 1,373	\$ 26,160	\$ 14,196	\$ (1,917)	\$ (269)	\$ 39,543
Comprehensive income:						
Net Income			1,148			1,148
Unrealized gain on available-for-sale securities, net of reclassification of loss of \$1,413 (after tax) and tax effect of (\$629)				985		985
Amortization of prior service cost and net loss, net tax effect (\$17)				26		26
Total comprehensive income						2,159
Cash dividends (\$0.34 per common share)			(928)			(928)
Stock options expense		56				56
Reissued 8,747 shares treasury stock under dividend reinvestment plan		(21)			195	174
Reissued 2,500 shares of restricted stock		(53)			53	
Issued 7,983 shares treasury stock	4	161				165
Reissued 4,689 shares treasury stock under		(20)			101	81

employee stock purchase
plan

Purchased 9,300 shares for
treasury

					(189)	(189)
Balance, June 30, 2007	\$ 1,377	\$ 26,283	\$ 14,416	\$ (906)	\$ (109)	\$ 41,061
Balance, January 1, 2008	\$ 1,378	\$ 26,380	\$ 15,612	\$ 16	\$ (83)	\$ 43,303
Comprehensive income: Net Income			2,978			2,978
Unrealized loss on available-for-sale securities, net of tax effect of \$65				(101)		(101)
Amortization of prior service cost and net loss				37		37
Pension curtailment adjustment net of taxes \$7				9		9
Total comprehensive income						2,923
Cash dividends (\$0.37 per common share)			(1,017)			(1,017)
Stock options expense		74				74
Reissued 7,733 shares treasury stock under dividend reinvestment plan		(12)			130	118
Issued 2,969 shares under dividend reinvestment plan	2	44				46
Reissued 6,575 shares treasury stock under employment stock purchase plan		(27)			112	85
Purchased 13,701 shares for treasury					(234)	(234)
Balance, June 30, 2008	\$ 1,380	\$ 26,459	\$ 17,573	\$ (39)	\$ (75)	\$ 45,298

See Notes to Unaudited Consolidated Financial Statements

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PART I FINANCIAL INFORMATION
 ITEM I FINANCIAL STATEMENTS
 EVANS BANCORP, INC. AND SUBSIDIARIES
 UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
 SIX MONTHS ENDED JUNE 30, 2008 AND 2007
 (in thousands)

	Six Months Ended June 30,	
	2008	2007
OPERATING ACTIVITIES:		
Interest received	\$ 14,020	\$ 13,748
Fees received	5,677	5,367
Interest paid	(4,963)	(6,416)
Cash paid to employees and suppliers	(8,484)	(8,525)
Income taxes paid	(2,344)	(1,069)
Proceeds from sale of loans held for resale	1,391	1,117
Originations of loans held for resale	(1,336)	(1,385)
Net cash provided by operating activities	3,961	2,837
 INVESTING ACTIVITIES:		
Available for sales securities:		
Purchases	(49,005)	(66,937)
Proceeds from sales		45,653
Proceeds from maturities	54,149	39,733
Held to maturity securities:		
Purchases	(41)	(93)