

EVANS BANCORP INC
Form 10-Q
May 03, 2010

Table of Contents

**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, 2010

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 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

Smaller reporting company

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(Do not check if 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: 2,835,080 shares as of April 30, 2010

INDEX
EVANS BANCORP, INC. AND SUBSIDIARIES

	PAGE
<u>PART 1. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements</u>	
<u>Unaudited Consolidated Balance Sheets March 31, 2010 and December 31, 2009</u>	1
<u>Unaudited Consolidated Statements of Operations Three months ended March 31, 2010 and 2009</u>	2
<u>Unaudited Consolidated Statements of Stockholders Equity Three months ended March 31, 2010 and 2009</u>	3
<u>Unaudited Consolidated Statements of Cash Flows Three months ended March 31, 2010 and 2009</u>	4
<u>Notes to Unaudited Consolidated Financial Statements</u>	6
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	18
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	30
<u>Item 4T. Controls and Procedures</u>	31
<u>PART II. OTHER INFORMATION</u>	
<u>Item 6. Exhibits</u>	32
<u>SIGNATURES</u>	33
<u>EX-31.1</u>	
<u>EX-31.2</u>	
<u>EX-32.1</u>	
<u>EX-32.2</u>	

Table of Contents

PART I FINANCIAL INFORMATION
 ITEM I FINANCIAL STATEMENTS
 EVANS BANCORP, INC. AND SUBSIDIARIES
 UNAUDITED CONSOLIDATED BALANCE SHEETS
 MARCH 31, 2010 AND DECEMBER 31, 2009

(in thousands, except share and per share amounts)

	March 31, 2010	December 31, 2009
ASSETS		
Cash and due from banks	\$ 10,123	\$ 12,379
Interest-bearing deposits at banks	656	604
Securities:		
Available for sale, at fair value	84,971	75,854
Held to maturity, at amortized cost	3,118	3,164
Loans and leases, net of allowance for loan and lease losses of \$8,170 in 2010 and \$6,971 in 2009	491,466	482,597
Properties and equipment, net	9,166	9,281
Goodwill	8,101	8,101
Intangible assets	1,837	2,068
Bank-owned life insurance	12,029	11,921
Other assets	13,481	13,475
TOTAL ASSETS	\$ 634,948	\$ 619,444
LIABILITIES AND STOCKHOLDERS EQUITY		
LIABILITIES		
Deposits:		
Demand	\$ 87,759	\$ 87,855
NOW	20,611	15,619
Regular savings	230,319	229,609
Muni-vest	37,656	23,418
Time	134,495	143,007
Total deposits	510,840	499,508
Securities sold under agreement to repurchase	5,512	5,546
Other short-term borrowings	22,038	19,090
Other liabilities	11,293	10,831
Junior subordinated debentures	11,330	11,330
Long-term borrowings	27,000	27,180

Total liabilities	588,013	573,485
CONTINGENT LIABILITIES AND COMMITMENTS		
STOCKHOLDERS EQUITY:		
Common stock, \$.50 par value; 10,000,000 shares authorized; 2,827,894 and 2,813,274 shares issued and outstanding, respectively	1,414	1,407
Capital surplus	27,321	27,279
Retained earnings	18,263	17,381
Accumulated other comprehensive loss, net of tax	(63)	(108)
Total stockholders equity	46,935	45,959
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 634,948	\$ 619,444

See Notes to Unaudited Consolidated Financial Statements

Table of Contents

PART I FINANCIAL INFORMATION
 ITEM I FINANCIAL STATEMENTS
 EVANS BANCORP, INC. AND SUBSIDIARIES
 UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
 THREE MONTHS ENDED MARCH 21, 2010 AND 2009

(in thousands, except share and per share amounts)

	Three Months Ended March 31,	
	2010	2009
INTEREST INCOME		
Loans and leases	\$ 6,941	\$ 6,663
Interest bearing deposits at banks		
Securities:		
Taxable	403	334
Non-taxable	402	429
Total interest income	7,746	7,426
INTEREST EXPENSE		
Deposits	1,350	1,896
Other borrowings	238	193
Junior subordinated debentures	80	123
Total interest expense	1,668	2,212
NET INTEREST INCOME	6,078	5,214
PROVISION FOR LOAN AND LEASE LOSSES	1,214	3,314
NET INTEREST INCOME AFTER PROVISION FOR LOAN AND LEASE LOSSES	4,864	1,900
NON-INTEREST INCOME		
Bank charges	511	560
Insurance service and fees	2,246	2,325
Net loss on sales and calls of securities	(6)	
Premium on loans sold	10	29
Bank-owned life insurance	108	220
Other	833	760
Total non-interest income	3,702	3,894
NON-INTEREST EXPENSE		
Salaries and employee benefits	3,608	3,302
Occupancy	771	719
Repairs and maintenance	182	191
Advertising and public relations	102	81
Professional services	414	325
Technology and communications	225	174
Goodwill impairment		1,984
Amortization of intangibles	231	224
FDIC Insurance	226	63
Other	692	619

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Total non-interest expense	6,451	7,682
INCOME (LOSS) BEFORE INCOME TAXES	2,115	(1,888)
INCOME TAX PROVISION (BENEFIT)	668	(641)
NET INCOME (LOSS)	\$ 1,447	(\$1,247)
Net income (loss) per common share-basic	\$ 0.51	(\$0.45)
Net income (loss) per common share-diluted	\$ 0.51	(\$0.45)
Cash dividends per common share	\$ 0.20	\$ 0.41
Weighted average number of common shares outstanding	2,818,147	2,770,655
Weighted average number of diluted shares outstanding	2,823,559	2,770,683

See Notes to Unaudited Consolidated Financial Statements

2

Table of Contents

PART 1 FINANCIAL INFORMATION
 ITEM 1 FINANCIAL STATEMENTS
 EVANS BANCORP, INC. AND SUBSIDIARIES
 UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY
 THREE MONTHS ENDED MARCH 31, 2010 AND 2009

(in thousands, except share and per share amounts)

	Common	Capital	Retained	Accumulated Other Comprehensive (Loss) Income	Treasury	Total
	Stock	Surplus	Earnings		Stock	
Balance, January 1, 2009	\$ 1,386	\$ 26,696	\$ 18,374	\$ (537)	\$	\$ 45,919
Comprehensive loss:						
Net Loss			(1,247)			(1,247)
Unrealized gain on available-for-sale securities, net of tax effect of (\$125)				197		197
Amortization of prior service cost and net loss, net of tax of (\$12)				19		19
Total comprehensive loss						(1,031)
Cash dividends (\$0.41 per common share)			(1,135)			(1,135)
Stock options expense		28				28
Purchased 2,000 shares for treasury					(27)	(27)
Balance, March 31, 2009	\$ 1,386	\$ 26,724	\$ 15,992	\$ (321)	\$ (27)	\$ 43,754
Balance, January 1, 2010	\$ 1,407	\$ 27,279	\$ 17,381	\$ (108)	\$	\$ 45,959
Comprehensive income:						
Net Income			1,447			1,447
Unrealized gain on available-for-sale securities, net of reclassification of loss of (\$4) (after tax), net				25		25

of tax effect of (\$8)

Amortization of prior
service cost and net loss net
of tax effect of (\$13)

20

20

Total comprehensive
income

1,492

Cash dividends (\$0.20 per
common share)

(565)

(565)

Stock options expense

49

49

Issued 14,620 restricted
shares

7

(7)

Balance, March 31, 2010

\$ 1,414

\$ 27,321

\$ 18,263

\$

(63)

\$

\$ 46,935

See Notes to Unaudited Consolidated Financial Statements

3

Table of Contents

PART I-FINANCIAL INFORMATION
ITEM I-FINANCIAL STATEMENTS
EVANS BANCORP, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2010 AND 2009
(in thousands)

	Three Months Ended March 31,	
	2010	2009
OPERATING ACTIVITIES:		
Interest received	\$ 7,679	\$ 7,142
Fees received	3,765	3,647
Interest paid	(1,805)	(2,422)
Cash paid to employees and suppliers	(4,680)	(4,987)
Income taxes paid	(1,021)	(75)
Proceeds from sale of loans held for resale	1,998	4,138
Originations of loans held for resale	(2,817)	(4,066)
Net cash provided by operating activities	3,119	3,377
INVESTING ACTIVITIES:		
Available for sales securities:		
Purchases	(38,305)	(46,603)
Proceeds from maturities and calls	29,254	29,489
Held to maturity securities:		
Purchases		
Proceeds from maturities and calls		65
Additions to properties and equipment	(613)	(87)
Increase in loans, net of repayments	(9,725)	(13,015)
Cash paid on earn-out agreements		(40)
Net cash used in investing activities	(19,389)	(30,191)
FINANCING ACTIVITIES:		
Proceeds from borrowings	2,795	
Repayments of borrowings	(61)	(26,929)
Net increase in deposits	11,332	56,073
Dividends paid		(1,135)
Purchase of treasury stock		(27)
Net cash provided by financing activities	14,066	27,982
Net (decrease) increase in cash and equivalents	(2,204)	1,168
CASH AND CASH EQUIVALENTS:		

Beginning of period	12,983	9,151
End of period	\$ 10,779	\$ 10,319

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Table of Contents

PART I-FINANCIAL INFORMATION
 ITEM I-FINANCIAL STATEMENTS
 EVANS BANCORP, INC. AND SUBSIDIARIES
 UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
 THREE MONTHS ENDED MARCH 31, 2010 AND 2009
 (in thousands)

	Three Months Ended March 31,	
	2010	2009
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net income (loss)	\$ 1,447	(\$1,247)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	819	545
Goodwill impairment		1,984
Deferred tax benefit	(31)	(1,070)
Provision for loan and lease losses	1,214	3,314
Net loss on sales and calls of securities	6	
Premium on loans sold	(10)	(29)
Stock options expense	49	28
Proceeds from sale of loans held for resale	1,998	4,138
Originations of loans held for resale	(2,817)	(4,066)
Changes in assets and liabilities affecting cash flow:		
Other assets	(490)	380
Other liabilities	934	(600)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 3,119	\$ 3,377

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 MONTHS ENDED MARCH 31, 2010 AND 2009

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, Inc. (SDS); and (ii) Evans National Financial Services, Inc. (ENFS), and ENFS's subsidiary, The Evans Agency, Inc. (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 accompanying consolidated financial statements are unaudited. In the opinion of management, all adjustments necessary for a fair presentation of the Company's financial position and results of operations for the interim periods have been made. Certain reclassifications have been made to the 2009 unaudited consolidated financial statements to conform to the presentation used in 2010.

The results of operations for the three month period ended March 31, 2010 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, 2009. The Company has evaluated subsequent events for potential recognition and/or disclosure through the date of filing.

2. SECURITIES

The amortized cost of securities and their approximate fair value at March 31, 2010 and December 31, 2009 were as follows:

Table of Contents

	March 31, 2010 (in thousands)			
		Unrealized		
	Amortized Cost	Gains	Losses	Fair Value
Available for Sale:				
Debt securities:				
U.S. government agencies	\$ 30,053	\$ 130	\$	\$ 30,183
States and political subdivisions	36,181	1,092	(5)	37,268
Total debt securities	\$ 66,234	\$ 1,222	\$ (5)	\$ 67,451
Mortgage-backed securities:			&n	