

EVANS BANCORP INC
Form 10-Q
November 04, 2008

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 **September 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
(Do not check if a 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 2,766,125 shares as of November 1, 2008

INDEX
EVANS BANCORP, INC. AND SUBSIDIARIES

	PAGE
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements</u>	
<u>Unaudited Consolidated Balance Sheets September 30, 2008 and December 31, 2007</u>	1
<u>Unaudited Consolidated Statements of Income Three months ended September 30, 2008 and 2007</u>	2
<u>Unaudited Consolidated Statements of Income Nine months ended September 30, 2008 and 2007</u>	3
<u>Unaudited Consolidated Statements of Stockholders Equity-Nine months ended September 30, 2008 and 2007</u>	4
<u>Unaudited Consolidated Statements of Cash Flows Nine months ended September 30, 2008 and 2007</u>	5
<u>Notes to Unaudited Consolidated Financial Statements</u>	7
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	13
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	25
<u>Item 4. Controls and Procedures</u>	26
<u>PART II. OTHER INFORMATION</u>	
<u>Item 6. Exhibits</u>	27
<u>SIGNATURES</u>	28
<u>EX-31.1</u>	
<u>EX-31.2</u>	
<u>EX-32.1</u>	
<u>EX-32.2</u>	

Table of Contents

1

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

	September 30, 2008	December 31, 2007
ASSETS		
Cash and due from banks	\$ 13,847	\$ 12,335
Interest-bearing deposits at banks	4,585	269
Securities:		
Available for sale, at fair value	62,136	70,144
Held to maturity, at amortized cost	2,035	2,266
Loans and leases, net of allowance for loan and lease losses of \$5,091 in 2008 and \$4,555 in 2007	379,427	319,556
Properties and equipment, net	9,055	8,366
Goodwill	10,046	10,046
Intangible assets	2,442	2,507
Bank-owned life insurance	10,999	10,760
Other assets	8,190	6,480
TOTAL ASSETS	\$ 502,762	\$ 442,729
LIABILITIES AND STOCKHOLDERS EQUITY		
LIABILITIES		
Deposits:		
Demand	\$ 78,473	\$ 69,268
NOW	12,635	10,141
Regular savings	141,676	92,864
Muni-vest	24,198	24,530
Time	146,534	129,026
Total deposits	403,516	325,829
Securities sold under agreement to repurchase	3,744	3,825
Other short-term borrowings	7,213	33,980
Other liabilities	11,966	10,361
Junior subordinated debentures	11,330	11,330
Long-term borrowings	18,316	14,101
Dividend payable	1,130	
Total liabilities	457,215	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	26,501	26,380
Retained earnings	17,868	15,612
Accumulated other comprehensive (loss) income, net of tax	(127)	16
Less: Treasury stock, at cost (4,426 and 5,033 shares, respectively)	(75)	(83)
Total stockholders equity	45,547	43,303

TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 502,762	\$ 442,729
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See Notes to Unaudited Consolidated Financial Statements

Table of Contents

2

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

	Three Months Ended September 30	
	2008	2007
INTEREST INCOME		
Loans and leases	\$ 6,908	\$ 6,036
Interest bearing deposits at banks	13	156
Securities:		
Taxable	360	501
Non-taxable	353	401
 Total interest income	 7,634	 7,094
INTEREST EXPENSE		
Deposits	2,115	2,395
Other borrowings	234	235
Junior subordinated debentures	151	226
 Total interest expense	 2,500	 2,856
NET INTEREST INCOME	5,134	4,238
PROVISION FOR LOAN AND LEASE LOSSES	582	283
 NET INTEREST INCOME AFTER PROVISION FOR LOAN AND LEASE LOSSES	 4,552	 3,955
NON-INTEREST INCOME:		
Bank charges	597	596
Insurance service and fees	1,756	1,683
Net gain on sales of securities	1	1
Premium on loans sold	2	2
Bank-owned life insurance	31	151
Other	529	448
 Total non-interest income	 2,915	 2,881
NON-INTEREST EXPENSE:		
Salaries and employee benefits	2,940	2,718
Occupancy	631	587
Supplies	51	76
Repairs and maintenance	162	163
Advertising and public relations	125	68
Professional services	243	240
Technology and communications	305	273
Amortization of intangibles	171	170

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Other insurance	73	93
Other	553	474
Total non-interest expense	5,254	4,862
INCOME BEFORE INCOME TAXES	2,213	1,974
INCOME TAX PROVISION	788	559
NET INCOME	\$ 1,425	\$ 1,415
Net income per common share-basic	\$ 0.52	\$ 0.52
Net income per common share-diluted	\$ 0.52	\$ 0.52
Cash dividends per common share	\$ 0.41	\$ 0.37
Weighted average number of common shares	2,755,274	2,746,651
Weighted average number of diluted shares	2,757,972	2,746,956

See Notes to Unaudited Consolidated Financial Statements

Table of Contents

3

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

	Nine Months Ended September 30,	
	2008	2007
INTEREST INCOME		
Loans and leases	\$ 19,515	\$ 17,730
Interest bearing deposits at banks	20	253
Securities:		
Taxable	1,001	2,374
Non-taxable	1,144	1,279
 Total interest income	 21,680	 21,636
INTEREST EXPENSE		
Deposits	5,937	7,768
Other borrowings	924	898
Junior subordinated debentures	498	667
 Total interest expense	 7,359	 9,333
NET INTEREST INCOME	14,321	12,303
PROVISION FOR LOAN AND LEASE LOSSES	1,814	943
 NET INTEREST INCOME AFTER PROVISION FOR LOAN AND LEASE LOSSES	 12,507	 11,360
NON-INTEREST INCOME:		
Bank charges	1,669	1,615
Insurance service and fees	5,506	5,235
Net gain (loss) on sales of securities	7	(2,302)
Premium on loans sold	7	7
Bank-owned life insurance	239	468
Pension curtailment	328	
Other	1,502	1,291
 Total non-interest income	 9,258	 6,314
NON-INTEREST EXPENSE:		
Salaries and employee benefits	8,649	8,007
Occupancy	1,835	1,715
Supplies	180	227
Repairs and maintenance	452	442
Advertising and public relations	335	288
Professional services	764	765
Technology and communications	870	792

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Amortization of intangibles	499	456
Other insurance	238	273
Other	1,562	1,541
Total non-interest expense	15,384	14,506
INCOME BEFORE INCOME TAXES	6,381	3,168
INCOME TAX PROVISION	1,978	605
NET INCOME	\$ 4,403	\$ 2,563
Net income per common share-basic	\$ 1.60	\$ 0.94
Net income per common share-diluted	\$ 1.60	\$ 0.94
Cash dividends per common share	\$ 0.78	\$ 0.71
Weighted average number of common shares	2,750,870	2,740,406
Weighted average number of diluted shares	2,753,534	2,741,111

See Notes to Unaudited Consolidated Financial Statements

Table of Contents

4

PART 1 FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

EVANS BANCORP, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007

(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, 2007	\$ 1,373	\$ 26,160	\$ 14,196	\$ (1,917)	\$ (269)	\$ 39,543
Comprehensive income:						
Net Income			2,563			2,563
Unrealized gain on available-for-sale securities, net of reclassification of loss of \$1,413 (after tax) and tax effect of (\$868)				1,361		1,361
Amortization of prior service cost and net loss, net tax effect (\$26)				39		39
Total comprehensive income						3,963
Cash dividends (\$0.71 per common share)			(1,945)			(1,945)
Stock options expense		93				93
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 employee stock purchase		(20)			101	81

plan							
Purchased 11,400 shares for treasury						(229)	(229)
Balance, September 30, 2007	\$ 1,377	\$ 26,320	\$ 14,814	\$ (517)	\$ (149)		\$ 41,845
Balance, January 1, 2008	\$ 1,378	\$ 26,380	\$ 15,612	\$ 16	\$ (83)		\$ 43,303
Comprehensive income:							
Net Income			4,403				4,403
Unrealized loss on available-for-sale securities, net of tax effect of \$119					(186)		(186)
Amortization of prior service cost and net loss net of tax effect of (\$22)					34		34
Pension curtailment net of taxes \$7					9		9
Total comprehensive income							4,260
Cash dividends (\$0.78 per common share)			(2,147)				(2,147)
Stock options expense		116					116
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, September 30,
2008**

\$ 1,380 \$ 26,501 \$ 17,868 \$ (127) \$ (75) \$ 45,547

See Notes to Unaudited Consolidated Financial Statements

Table of Contents

5

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

	Nine Months Ended September 30,	
	2008	2007
OPERATING ACTIVITIES:		
Interest received	\$ 21,421	\$ 20,721
Fees received	8,574	7,799
Interest paid	(7,701)	(9,419)
Cash paid to employees and suppliers	(12,006)	(12,522)
Income taxes paid	(2,345)	(964)
Proceeds from sale of loans held for resale	1,815	1,460
Originations of loans held for resale	(1,758)	(1,812)
Net cash provided by operating activities	8,000	5,263
INVESTING ACTIVITIES:		
Available for sales securities:		
Purchases	(64,028)	(170,341)
Proceeds from sales		45,655
Proceeds from maturities		