

EVANS BANCORP INC
Form 10-Q
August 01, 2018

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, 2018

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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth 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

Emerging growth company

If an emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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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, 4,821,381 shares as of August 1, 2018.

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EVANS BANCORP, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED BALANCE SHEETS
JUNE 30, 2018 AND DECEMBER 31, 2017
(in thousands, except share and per share amounts)

	June 30, 2018	December 31, 2017
ASSETS		
Cash and due from banks	\$ 13,324	\$ 13,751
Interest-bearing deposits at banks	3,441	7,579
Securities:		
Available for sale, at fair value (amortized cost: \$146,106 at June 30, 2018; \$145,232 at December 31, 2017)	141,933	143,818
Held to maturity, at amortized cost (fair value: \$4,609 at June 30, 2018; \$5,261 at December 31, 2017)	4,637	5,334
Equity securities, at fair value at June 30, 2018; at cost at December 31, 2017	2,058	580
Federal Home Loan Bank common stock, at cost	1,475	4,863
Federal Reserve Bank common stock, at cost	1,924	1,916
Loans, net of allowance for loan losses of \$15,235 at June 30, 2018 and \$14,019 at December 31, 2017	1,110,660	1,051,296
Properties and equipment, net of accumulated depreciation of \$18,800 at June 30, 2018 and \$18,255 at December 31, 2017	10,331	10,564
Goodwill and intangible assets	8,496	8,553
Bank-owned life insurance	28,072	27,729
Other assets	19,740	19,650
TOTAL ASSETS	\$ 1,346,091	\$ 1,295,633
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Demand	\$ 224,373	\$ 219,664
NOW	121,170	109,378
Savings	595,500	535,730

Time	241,425	186,457
Total deposits	1,182,468	1,051,229
Securities sold under agreement to repurchase	4,018	9,289
Other borrowings	10,000	88,250
Other liabilities	14,700	17,193
Junior subordinated debentures	11,330	11,330
Total liabilities	1,222,516	1,177,291

CONTINGENT LIABILITIES AND COMMITMENTS

STOCKHOLDERS' EQUITY:

Common stock, \$.50 par value, 10,000,000 shares authorized; 4,821,381 and 4,783,562 shares issued at June 30, 2018 and December 31, 2017, respectively, and 4,821,381 and 4,782,505 outstanding at June 30, 2018 and December 31, 2017, respectively	2,413	2,394
Capital surplus	60,220	59,444
Treasury stock, at cost, 0 and 1,057 shares at June 30, 2018 and December 31, 2017, respectively	-	-
Retained earnings	66,325	59,921
Accumulated other comprehensive loss, net of tax	(5,383)	(3,417)
Total stockholders' equity	123,575	118,342
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,346,091	\$ 1,295,633

See Notes to Unaudited Consolidated Financial Statements

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EVANS BANCORP, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
THREE MONTHS ENDED JUNE 30, 2018 AND 2017
(in thousands, except share and per share amounts)

	Three Months Ended June 30,	
	2018	2017
INTEREST INCOME		
Loans	\$ 13,199	\$ 10,646
Interest-bearing deposits at banks	15	43
Securities:		
Taxable	863	563
Non-taxable	170	210
Total interest income	14,247	11,462
INTEREST EXPENSE		
Deposits	1,759	1,190
Other borrowings	160	50
Junior subordinated debentures	132	104
Total interest expense	2,051	1,344
NET INTEREST INCOME	12,196	10,118
PROVISION FOR LOAN LOSSES	659	410
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	11,537	9,708
NON-INTEREST INCOME		
Deposit service charges	525	428
Insurance service and fees	1,952	1,912
Gain on loans sold	-	52
Bank-owned life insurance	178	142
Loss on tax credit investment	-	(919)
Refundable state historic tax credit	-	647
Interchange fee income	420	379
Other	564	448
Total non-interest income	3,639	3,089
NON-INTEREST EXPENSE		
Salaries and employee benefits	6,475	5,959
Occupancy	727	775
Advertising and public relations	326	216
Professional services	626	550
Technology and communications	847	804
Amortization of intangibles	28	28
FDIC insurance	246	129
Other	958	856

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Total non-interest expense	10,233	9,317
INCOME BEFORE INCOME TAXES	4,943	3,480
INCOME TAX PROVISION	1,152	862
NET INCOME	\$ 3,791	\$ 2,618
Net income per common share-basic	\$ 0.79	\$ 0.55
Net income per common share-diluted	\$ 0.77	\$ 0.54
Cash dividends per common share	\$ -	\$ -
Weighted average number of common shares outstanding	4,810,487	4,764,080
Weighted average number of diluted shares outstanding	4,933,522	4,880,454

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EVANS BANCORP, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(in thousands, except share and per share amounts)

	Six Months Ended June 30,	
	2018	2017
INTEREST INCOME		
Loans	\$ 25,562	\$ 20,892
Interest-bearing deposits at banks	25	55
Securities:		
Taxable	1,660	999
Non-taxable	366	434
Total interest income	27,613	22,380
INTEREST EXPENSE		
Deposits	3,257	2,306
Other borrowings	458	108
Junior subordinated debentures	250	204
Total interest expense	3,965	2,618
NET INTEREST INCOME	23,648	19,762
PROVISION (CREDIT) FOR LOAN LOSSES	1,426	(25)
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	22,222	19,787
NON-INTEREST INCOME		
Deposit service charges	1,034	818
Insurance service and fees	3,917	4,080
Gain on loans sold	-	70
Bank-owned life insurance	349	272
Loss on tax credit investment	-	(919)
Refundable state historic tax credit	-	647
Interchange fee income	912	723
Other	1,213	920
Total non-interest income	7,425	6,611
NON-INTEREST EXPENSE		
Salaries and employee benefits	13,102	11,605
Occupancy	1,485	1,550
Advertising and public relations	450	406
Professional services	1,279	1,152
Technology and communications	1,611	1,411
Amortization of intangibles	56	56
FDIC insurance	478	356
Other	1,943	1,836
Total non-interest expense	20,404	18,372

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INCOME BEFORE INCOME TAXES	9,243	8,026
INCOME TAX PROVISION	2,133	2,262
NET INCOME	\$ 7,110	\$ 5,764
Net income per common share-basic	\$ 1.48	\$ 1.23
Net income per common share-diluted	\$ 1.44	\$ 1.20
Cash dividends per common share	\$ 0.46	\$ 0.40
Weighted average number of common shares outstanding	4,799,229	4,699,447
Weighted average number of diluted shares outstanding	4,926,385	4,819,375

See Notes to Unaudited Consolidated Financial Statements

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EVANS BANCORP, INC. AND SUBSIDIARIES

UNAUDITED STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME

THREE MONTHS ENDED JUNE 30, 2018 AND 2017

(in thousands)

	Three Months Ended June 30,	
	2018	2017
NET INCOME	\$ 3,791	\$ 2,618
OTHER COMPREHENSIVE (LOSS) INCOME, NET OF TAX:		
Unrealized (loss) gain on available-for-sale securities	(684)	3
Defined benefit pension plans:		
Amortization of prior service cost	5	5
Amortization of actuarial loss	31	26
Total	36	31
OTHER COMPREHENSIVE (LOSS) INCOME, NET OF TAX	(648)	34
COMPREHENSIVE INCOME	\$ 3,143	\$ 2,652

See Notes to Unaudited Consolidated Financial Statements

PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

EVANS BANCORP, INC. AND SUBSIDIARIES

UNAUDITED STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME

SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(in thousands)

	Six Months Ended June 30,	
	2018	2017

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NET INCOME	\$ 7,110	\$ 5,764
OTHER COMPREHENSIVE (LOSS) INCOME, NET OF TAX:		
Unrealized (loss) gain on available-for-sale securities	(2,044)	190
Defined benefit pension plans:		
Amortization of prior service cost	11	15
Amortization of actuarial loss	67	79
Total	78	94
OTHER COMPREHENSIVE (LOSS) INCOME, NET OF TAX	(1,966)	284
COMPREHENSIVE INCOME	\$ 5,144	\$ 6,048

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EVANS BANCORP, INC. AND
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UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS'
EQUITY
SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(in thousands, except share and per share
amounts)

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balance, December 31, 2016	\$ 2,153	\$ 44,389	\$ 52,630	\$ (2,424)	\$ -	\$ 96,748
Net Income			5,764			5,764
Other comprehensive income				284		284
Cash dividends (\$0.40 per common share)			(1,902)			(1,902)
Stock compensation expense		295				295
Issued 440,000 shares in stock offering	220	13,922				14,142
Issued 16,283 restricted shares	8	(8)				-
Issued 3,253 shares under Dividend Reinvestment Plan	2	124				126
Issued 3,713 shares in Employee Stock Purchase Plan	2	124				126
Issued 7,743 shares in stock option exercises	4	111				115
Repurchased 9,218 shares in treasury stock					(342)	(342)
Reissued 10,597 shares in stock option exercises, net of forfeitures		(135)			342	207
Balance, June 30, 2017	\$ 2,389	\$ 58,822	\$ 56,492	\$ (2,140)	\$ -	\$ 115,563
Balance, December 31, 2017	\$ 2,394	\$ 59,444	\$ 59,921	\$ (3,417)	\$ -	\$ 118,342
Cumulative-effect adjustment due to change in accounting principle (See Note 1)			1,496			1,496
Net Income			7,110			7,110
Other comprehensive income				(1,966)		(1,966)
Cash dividends (\$0.46 per common share)			(2,202)			(2,202)
Stock compensation expense		399				399
Reissued 1,057 restricted shares						-
Issued 16,816 restricted shares	8	(8)				-
Issued 3,205 shares under Dividend Reinvestment Plan	2	142				144

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Issued 3,898 shares in Employee Stock Purchase Plan	2	151				153
Issued 13,900 shares in stock option exercises	7	92				99
Balance, June 30, 2018	\$ 2,413	\$ 60,220	\$ 66,325	\$ (5,383)	\$ -	\$ 123,575

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 EVANS BANCORP, INC. AND SUBSIDIARIES
 UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
 SIX MONTHS ENDED JUNE 30, 2018 AND 2017
 (in thousands)

	Six Months Ended June 30,	
	2018	2017
OPERATING ACTIVITIES:		
Interest received	\$ 27,645	\$ 22,329
Fees received	6,931	6,538
Interest paid	(3,828)	(2,587)
Cash paid to employees and vendors	(21,009)	(18,748)
Cash contributed to pension plan	-	(1,000)
Income taxes paid	(576)	(1,635)
Proceeds from sale of loans held for resale	-	5,376
Originations of loans held for resale	-	(5,532)
Net cash provided by operating activities	9,163	4,741
INVESTING ACTIVITIES:		
Available for sales securities:		
Purchases	(47,863)	(52,697)
Proceeds from maturities, calls, and payments	50,169	6,905
Held to maturity securities:		
Purchases	-	(35)
Proceeds from maturities, calls, and payments	697	646
Proceeds from bank owned life insurance claims	675	-
Additions to properties and equipment	(367)	(264)
Purchase of tax credit investment	(676)	(811)
Insurance agency acquisitions	-	(275)
Net increase in loans	(62,275)	(32,925)
Net cash used in investing activities	(59,640)	(79,456)
FINANCING ACTIVITIES:		
Repayments of short-term borrowings, net	(83,521)	(14,278)
Net increase in deposits	131,239	79,082
Dividends paid	(2,202)	(1,902)
Repurchase of treasury stock	-	(342)
Issuance of common stock	396	14,509
Reissuance of treasury stock	-	207
Net cash provided by financing activities	45,912	77,276

Net (decrease) increase in cash and cash equivalents	(4,565)	2,561
CASH AND CASH EQUIVALENTS:		
Beginning of period	21,330	13,084
End of period	\$ 16,765	\$ 15,645

See Notes to Unaudited Consolidated Financial Statements

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