

EVANS BANCORP INC
Form 10-Q
May 15, 2007

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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 March 31, 2007

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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act: (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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 2,748,013 shares as of May 1, 2007

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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
 MARCH 31, 2007 AND DECEMBER 31, 2006
 (in thousands, except share and per share amounts)

	March 31, 2007	December 31, 2006
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	\$ 14,340	\$ 12,592
Securities:		
Available for sale, at fair value	149,957	133,519
Held to maturity, at amortized cost	4,142	4,211
Loans and leases, net of allowance for loan and lease losses of \$3,885 in 2007 and \$3,739 in 2006	290,467	285,367
Properties and equipment, net	8,695	8,743
Goodwill	10,003	10,003
Intangible assets	2,154	2,298
Bank-owned life insurance	10,280	10,140
Other assets	7,354	7,021
TOTAL ASSETS	\$ 497,392	\$ 473,894
LIABILITIES AND STOCKHOLDERS EQUITY		
LIABILITIES		
Deposits:		
Demand	\$ 70,830	\$ 72,125
NOW	12,929	11,253
Regular savings	86,637	85,084
Muni-vest	46,745	31,240
Time	162,797	156,047
Total deposits	379,938	355,749
Securities sold under agreement to repurchase	6,281	8,954
Other short-term borrowings	26,350	24,753
Other liabilities	11,067	9,089

Junior subordinated debentures	11,330	11,330
Long-term borrowings	22,285	24,476
Total liabilities	457,251	434,351

CONTINGENT LIABILITIES AND COMMITMENTS

STOCKHOLDERS EQUITY:

Common stock, \$.50 par value; 10,000,000 shares authorized; 2,745,338 and 2,745,338 shares issued, respectively, and 2,729,556 and 2,733,056 shares outstanding, respectively	1,373	1,373
Capital surplus	26,184	26,160
Retained earnings	14,555	14,196
Accumulated other comprehensive loss, net of tax	(1,629)	(1,917)
Less: Treasury stock, at cost (15,782 and 12,282 shares, respectively)	(342)	(269)
Total stockholders equity	40,141	39,543

TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	\$ 497,392	\$ 473,894
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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
 THREE MONTHS ENDED MARCH 31, 2007 AND 2006
 (in thousands, except share and per share amounts)

	Three Months Ended March 31,	
	2007	2006
INTEREST INCOME		
Loans	\$ 5,600	\$ 4,615
Federal funds sold/Interest bearing deposits at other banks	87	11
Securities:		
Taxable	1,012	1,104
Non-taxable	443	474
Total interest income	7,142	6,204
INTEREST EXPENSE		
Deposits	2,704	1,895
Other borrowings	350	483
Junior subordinated debentures	218	192
Total interest expense	3,272	2,570
NET INTEREST INCOME	3,870	3,634
PROVISION FOR LOAN AND LEASE LOSSES	315	282
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	3,555	3,352
NON-INTEREST INCOME:		
Bank charges	471	498
Insurance service and fees	2,129	2,177
Net loss on sales of securities	(1)	
Premium on loans sold	1	3
Bank-owned life insurance	140	105
Other	405	373
Total non-interest income	3,145	3,156
NON-INTEREST EXPENSE:		
Salaries and employee benefits	2,668	2,501
Occupancy	603	532
Supplies	78	85
Repairs and maintenance	139	137
Advertising and public relations	88	71
Professional services	252	144
Amortization of intangibles	144	130
Other Insurance	90	87

Other	870	799
Total non-interest expense	4,932	4,486
INCOME BEFORE INCOME TAXES	1,768	2,022
INCOME TAXES	481	616
NET INCOME	\$ 1,287	\$ 1,406
Net income per common share-basic	\$ 0.47	\$ 0.52
Net income per common share-diluted	\$ 0.47	\$ 0.52
Cash dividends per common share	\$ 0.34	\$ 0.34
Weighted average number of common shares	2,730,499	2,722,950
Weighted average number of diluted shares	2,731,925	2,724,583

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
 THREE MONTHS ENDED MARCH 31, 2007 AND 2006
 (in thousands, except share and per share amounts)

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
Balance, January 1, 2006	\$ 1,373	\$ 26,155	\$ 11,087	\$ (1,387)	\$ (352)	\$ 36,876
Impact of adopting SAB 108, net of tax \$12			43			43
Comprehensive income:						
Net Income			1,406			1,406
Unrealized loss on available-for-sale securities, net of tax effect of \$453				(711)		(711)
Total comprehensive income						738
Cash dividends (\$0.34 per common share)			(928)			(928)
Stock options expense		30				30
Purchased 10,100 shares for treasury					(211)	(211)
Balance, March 31, 2006	\$ 1,373	\$ 26,185	\$ 11,608	\$ (2,098)	\$ (563)	\$ 36,505
Balance, January 1, 2007	\$ 1,373	\$ 26,160	\$ 14,196	\$ (1,917)	\$ (269)	\$ 39,543
Comprehensive income:						
Net Income			1,287			1,287
Unrealized gain on available-for-sale securities, net of reclassification adjustment of (\$1) and tax effect of \$(176)				275		275
Amortization of prior service cost and net loss, net of tax effect \$(8)				13		13

Total comprehensive income						1,575
Cash dividends (\$0.34 per common share)			(928)			(928)
Stock options expense		24				24
Purchased 3,500 shares for treasury					(73)	(73)
Balance, March 31, 2007	\$ 1,373	\$ 26,184	\$ 14,555	\$ (1,629)	\$ (342)	\$ 40,141

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
 THREE MONTHS ENDED MARCH 31, 2007 AND 2006
 (in thousands)

	Three Months Ended March 31,	
	2007	2006
OPERATING ACTIVITIES:		
Interest received	\$ 7,120	\$ 6,125
Fees received	2,854	3,098
Proceeds from sales of loans	527	492
Origination of loans held for resale	(1,014)	(584)
Interest paid	(3,327)	(2,607)
Cash paid to employees and suppliers	(3,674)	(3,909)
Income taxes paid	(20)	(108)
Net cash provided by operating activities	2,466	2,507
INVESTING ACTIVITIES:		
Available for sales securities:		
Purchases	(63,938)	(82)
Proceeds from sales	575	
Proceeds from maturities	47,258	5,419
Held to maturity securities:		
Purchases	(24)	(240)
Proceeds from maturities	93	92
Additions to properties and equipment	(195)	(201)
Increase in loans, net of repayments	(5,133)	(1,569)
Cash paid on earn-out agreements	(202)	(56)
Net cash (used in) provided by investing activities	(21,566)	3,363
FINANCING ACTIVITIES:		
Proceeds from borrowings	7,848	
Repayments of short-term borrowings	(8,926)	(38,205)
Repayments of long-term borrowings	(2,190)	(2,033)
Increase in deposits	24,189	31,431
Dividends paid		(928)
Purchase of treasury stock	(73)	(211)
Net cash provided by (used in) financing activities	20,848	(9,946)

Net increase (decrease) in cash and equivalents	1,748	(4,076)
CASH AND CASH EQUIVALENTS:		
Beginning of period	12,592	15,635
End of period	\$ 14,340	\$ 11,559

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PART I-FINANCIAL INFORMATION
 ITEM I-FINANCIAL STATEMENTS
 EVANS BANCORP, INC. AND SUBSIDIARIES
 UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
 THREE MONTHS ENDED MARCH 31, 2007 AND 2006
 (in thousands)

	Three Months Ended March 31,	
	2007	2006
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net income	\$ 1,287	\$ 1,406
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	519	411
Deferred tax benefit	(122)	(215)
Provision for loan and lease losses	315	282
Net gain on sales of securities	1	
Proceeds from sale of loans held for resale	527	492
Originations of loans held for resale	(1,014)	(584)
Premiums on loans sold	(1)	(3)
Stock options expense	24	30
Changes in assets and liabilities affecting cash flow:		
Other assets	561	(155)
Other liabilities	369	843
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,466	\$ 2,507

See Notes to Unaudited Consolidated Financial Statements

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PART 1 FINANCIAL INFORMATION**ITEM 1 FINANCIAL STATEMENTS****EVANS BANCORP, INC. AND SUBSIDIARIES****NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS****THREE MONTHS ENDED MARCH 31, 2007 AND 2006****1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies followed by Evans Bancorp, Inc. (the Company), a financial holding company organized as a New York business corporation and incorporated under the laws of the State of New York on October 28, 1988, for the purpose of becoming a bank holding company, and its two direct, wholly-owned subsidiaries: (i) Evans National Bank (the Bank), and its subsidiaries, Evans National Leasing, Inc. (ENL) and Evans National Holding Corp. (ENHC); and (ii) Evans National Financial Services, Inc. (ENFS), and its subsidiary ENB Insurance Agency, Inc. (ENBI) and its subsidiaries, Frontier Claim Services, Inc. (FCS) and ENB Associates Inc. (ENB), in the preparation of the accompanying interim unaudited consolidated financial statements conform with generally accepted accounting principles and with general practice within the banking industry. 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 financial position and results of operations for the interim periods have been made. Such adjustments are of a normal recurring nature.

The results of operations for the three month period ended March 31, 2007 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, 2006.

2. SECURITIES

Securities which the Company has the positive ability and intent to hold to maturity are stated at amortized cost. Securities which the Company has identified as available-for-sale are stated at fair value with changes in fair value included as a component of stockholders' equity. Available-for-sale securities are net of unrealized losses of \$1.5 million and \$1.9 million as of March 31, 2007 and December 31, 2006, respectively. As of March 31, 2007, the securities portfolio did not contain any other than temporary declines in fair value.

3. ALLOWANCE FOR LOAN AND LEASE LOSSES

The allowance for loan and lease losses represents the amount charged against the Bank's earnings to establish an allowance for probable loan and lease losses based on Bank management's evaluation of the loan and lease portfolio. Factors considered by the Bank's management in establishing the allowance include: the collectibility of individual loans and leases, current loan and lease concentrations, charge-off history, delinquent loan and lease percentages, input from regulatory agencies and general economic conditions.

On a quarterly basis, management of the Bank meets to review and determine the adequacy of the allowance for loan and lease losses. In making this determination, the Bank's management analyzes the ultimate collectibility of the loans and leases in its portfolio by incorporating feedback provided by the Bank's internal loan staff, an independent internal loan review function and information provided by examinations performed by regulatory agencies.

The analysis of the allowance for loan and lease losses is composed of three components: specific credit allocation, general portfolio allocation and subjectively by determined allocation. The specific credit allocation includes a detailed review of the credit in accordance with the Statement of Financial Accounting Standards (SFAS) No. 114, Accounting by Creditors for Impairment of a Loan and No. 118, Accounting by Creditors for Impairment of a Loan Income Recognition and Disclosures, and allocation is made based on this analysis. The general portfolio allocation consists of an assigned reserve percentage based on the actual credit rating of the loan or lease.

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The subjective portion of the allowance reflects management's evaluation of various conditions, and involves a higher degree of uncertainty because this component of the allowance is not identified with specific problem credits of portfolio segments. The conditions evaluated in connection with this component include the following: industry and regional conditions; seasoning of the loan and lease portfolio and changes in the composition of and growth in the loan and lease portfolio; the strength and duration of the business cycle; existing general economic and business conditions in the lending areas; credit quality trends in nonaccruing loans and leases; historical loan and lease charge-off experience; and the results of bank regulatory examinations.

The following table sets forth information regarding the allowance for loan and lease losses for the three month periods ended March 31, 2007 and 2006.

Allowance for loan and lease losses

	Three months ended March 31,	
	2007	2006
	(in thousands)	
Beginning balance, January 1	\$ 3,739	\$ 3,211
Charge-offs:		
Commercial	(23)	(100)
Installment loans	(1)	(5)
Overdrafts	(7)	(6)
Direct financing leases	(170)	(47)
Total charge-offs	(201)	(158)
Recoveries:		
Commercial	4	
Installment loans	1	9
Overdrafts	5	6
Direct financing leases	22	14
Total recoveries	32	29
Net charge-offs	(169)	(129)
Provision for loan and lease losses	315	282
Ending balance, March 31	\$ 3,885	\$ 3,364
Ratio of net charge-offs to average net loans and leases outstanding (annualized)	0.23%	0.20%

4. PER SHARE DATA

The common stock per share information is based upon the weighted average number of shares outstanding during each period, retroactively adjusted for stock dividends and stock splits. The Company's potential dilutive securities included 1,426 dilutive shares for the three month period ended March 31, 2007. There were 1,633 dilutive shares for

the three month period ended March 31, 2006. On February 23, 2007, the Company declared a cash dividend of \$0.34 per share payable on April 2, 2007 to shareholders of record as of March 12, 2007.

Potential common shares that would have the effect of increasing diluted earnings per share are considered to be anti-dilutive. In accordance with SFAS No. 128, Earnings Per Share, these shares were not included in calculating diluted earnings per share. As of March 31, 2007 and 2006, there were 55 thousand and 59 thousand shares, respectively, that are not included in calculating diluted earnings per share because their effect was anti-dilutive.

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5. TREASURY STOCK

During the quarter ended March 31, 2007 the Company repurchased 3,500 shares of common stock at an average cost of \$20.77 per share, pursuant to the Company's publicly announced common stock repurchase program.

6. SEGMENT INFORMATION

The Company is comprised of two primary business segments, banking and insurance agency activities. The following tables set forth information regarding these segments for the three month periods ended March 31, 2007 and 2006.

Three Months Ended
March 31, 2007
(in thousands)

	Banking Activities	Insurance Agency Activities	Total
Net interest income (expense)	\$ 3,990	(\$ 120)	\$ 3,870
Provision for loan and lease losses	315		315
Net interest income (expense) after provision for loan and lease losses	3,675	(120)	3,555
Non-interest income	1,016		1,016
Insurance commissions and fees		2,129	2,129
Non-interest expense	3,783	1,149	4,932
Income before income taxes	908	860	1,768
Income taxes	137	344	481
Net income	\$ 771	\$ 516	\$ 1,287

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Three Months Ended
March 31, 2006
(in thousands)

	Banking Activities	Insurance Agency Activities	Total
Net interest income (expense)	\$ 3,752	(\$ 118)	\$ 3,634
Provision for loan and lease losses	282		282
Net interest income (expense) after provision for loan and lease losses	3,470	(118)	3,352
Non-interest income	979		979
Insurance commissions and fees		2,177	2,177
Non-interest expense	3,282	1,204	4,486
Income before income taxes	1,167	855	2,022
Income taxes	274	342	616
Net income	\$ 893	\$ 513	\$ 1,406

7. CONTINGENT LIABILITIES AND COMMITMENTS

The unaudited consolidated financial statements do not reflect various commitments and contingent liabilities, which arise in the normal course of business, and which involve elements of credit risk, interest rate risk and liquidity risk. These commitments and contingent liabilities consist of commitments to extend credit and standby letters of credit. A summary of the Bank's commitments and contingent liabilities at March 31, 2007 and 2006 is as follows:

	2007	2006
	(in thousands)	
Commitments to extend credit	\$ 72,687	\$ 69,600
Standby letters of credit	1,992	1,996
Total	\$ 74,679	\$ 71,596

Commitments to extend credit and standby letters of credit include some exposure to credit loss in the event of nonperformance of the customer. The Bank's credit policies and procedures for credit commitments and financial

guarantees are the same as those for extensions of credit that are recorded on the Company's unaudited consolidated balance sheets. Because these instruments have fixed maturity dates, and because they may expire without being drawn upon, they do not necessarily represent cash requirements of the Bank. The Bank has not incurred any losses on its commitments during the past two years.

Certain lending commitments for construction residential mortgage loans are considered derivative instruments under the guidelines of SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. The changes in the fair value of these commitments due to interest rate risk are not recorded on the consolidated balance sheets as these derivatives are considered inconsequential.

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The Company is subject to possible litigation proceedings in the normal course of business. As of March 31, 2007, there were no claims pending against the Company that management considered to be significant.

8. RECLASSIFICATIONS

Certain reclassifications have been made to the 2006 consolidated financial statements to conform with the presentation used in 2007.

9. NET PERIODIC BENEFIT COSTS

The Bank has a defined benefit pension plan covering substantially all Bank employees. The plan provides benefits that are based on the employees' compensation and years of service. The Bank uses an actuarial method of amortizing prior service cost and unrecognized net gains or losses which result from actual experience and assumptions being different than those that are projected. The amortized method used by the Bank recognizes the prior service cost and net gains or losses over the average remaining service period of active employees.

The Bank also maintains a nonqualified supplemental executive retirement plan covering certain members of the Company's senior management. The Bank uses an actuarial method of amortizing unrecognized net gains or losses which result from actual expense and assumptions being different than those that are projected. The amortization method used by the Bank recognizes the net gains or losses over the average remaining service period of active employees.

The following table represents net periodic benefit costs recognized:

	Three months ended March 31, (in thousands)			
	Pension Benefits		Supplemental Executive Retirement Plan	
	2007	2006	2007	2006
Service cost	\$ 91	\$ 79	\$ 15	\$ 29
Interest cost	61	49	40	38
Expected return on plan assets	(62)	(58)		
Amortization of prior service cost	(4)	(4)	14	14
Amortization of the net loss	7	6	4	4
Net periodic benefit cost	\$ 93	\$ 72	\$ 73	\$ 85

10. RECENT ACCOUNTING PRONOUNCEMENTS

Accounting for Servicing of Financial Assets (SFAS 156) - In March 2006, the FASB issued SFAS No. 156, Accounting for Servicing of Financial Assets - an amendment of FASB Statement No. 140 (SFAS 156). This statement

amends SFAS 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, with respect to the accounting for separately recognized servicing assets and servicing liabilities. This statement requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable. It permits an entity to choose either the amortization method or the fair value measurement method for subsequent measurement for each class of separately recognized servicing assets and servicing liabilities. The adoption of the fair value measurement method under this statement on January 1, 2007, did not have a material impact on the Company's financial statements.

Accounting for Uncertainty in Income Taxes In July 2006, the FASB issued FIN 48, *Accounting for Uncertainty in Income Taxes*, to set out a consistent framework for tax preparers to use to determine the appropriate level of tax reserves to maintain for uncertain tax positions. This interpretation of FASB Statement No. 109 uses a two-step approach wherein a tax benefit is recognized if a position is more likely than not to be sustained.

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The amount of the benefit is then measured to be the highest tax benefit that is greater than 50 percent likely to be realized. FIN 48 also sets out disclosure requirements to enhance transparency of an entity's tax reserves. The Company adopted FIN 48 as of January 1, 2007. There were no unrecognized tax benefits or penalties at the date of adoption.

The Internal Revenue Service (IRS) commenced examinations of the Company's U.S. Federal income tax returns for 2003, 2004, and 2005 in the first quarter of 2007. It is anticipated that the examination related to these returns will be completed within the next twelve months. To date, there are no proposed adjustments that will have a material impact on the Company's financial position or results of operations. All penalties or interest on adjustments, if any, will be expensed as income tax expense.

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-Q may contain certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act), that involve substantial risks and uncertainties. When used in this report, or in the documents incorporated by reference herein, the words anticipate, believe, estimate, expect, intend, may, plan, seek, and similar expressions identify such forward-looking statements. These forward-looking statements include statements regarding the Company's business plans, prospects, growth and operating strategies, statements regarding the asset quality of the Company's loan and investment portfolios, and estimates of the Company's risks and future costs and benefits.

These forward-looking statements are based largely on the expectations of the Company's management and are subject to a number of risks and uncertainties, including but not limited to general economic conditions, either nationally or in the Company's market areas, that are worse than expected; increased competition among depository or other financial institutions; inflation and changes in the interest rate environment that reduce the Company's margins or reduce the fair value of financial instruments; changes in laws or government regulations affecting financial institutions, including changes in regulatory fees and capital requirements; the Company's ability to enter new markets successfully and capitalize on growth opportunities; the Company's ability to successfully integrate acquired entities; changes in accounting pronouncements and practices, as adopted by financial institution regulatory agencies, the Financial Accounting Standards Board and the Public Company Accounting Oversight Board; changes in consumer spending, borrowing and saving habits; changes in the Company's organization, compensation and benefit plans; and other factors discussed elsewhere in this Report on Form 10-Q, as well as in the Company's periodic reports filed with the Securities and Exchange Commission (the SEC). Many of these factors are beyond the Company's control and are difficult to predict.

Because of these and other uncertainties, the Company's actual results, performance or achievements could differ materially from those contemplated, expressed or implied by the forward-looking statements contained herein. Forward-looking statements speak only as of the date they are made. The Company undertakes no obligation, to publicly update or revise forward-looking information, whether as a result of new, updated information, future events or otherwise.

APPLICATION OF CRITICAL ACCOUNTING ESTIMATES

The Company's Unaudited Consolidated Financial Statements are prepared in accordance with generally accepted accounting principles and follow general practices within the industries in which it operates. Application of these principles requires management to make estimates, assumptions and judgments that affect the amounts reported in the Company's Unaudited Consolidated Financial Statements and Notes. These estimates, assumptions and judgments are based on information available as of the date of the Unaudited Consolidated Financial Statements. Accordingly, as this information changes, the Unaudited Consolidated Financial Statements could reflect different estimates, assumptions and judgments. Certain policies inherently have a greater reliance on the use of estimates, assumptions and judgments, and as such, have a greater possibility of producing results that could be materially different than originally reported. Estimates, assumptions and judgments are necessary when assets and liabilities are required to be

recorded at fair value, when a decline in the value of an asset not carried on the financial statements at fair value warrants an impairment write-down or valuation reserve to be established, or when an asset or liability needs to be recorded contingent upon a future event. Carrying assets and liabilities at fair value inherently results in more financial statement volatility. The fair values and the information used to record valuation adjustments for certain assets and liabilities are based either on quoted market prices or are provided by other third-party sources, when available. When third-party information is not available, valuation adjustments are estimated in good faith by management primarily through the use of internal cash flow modeling techniques.

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The most significant accounting policies followed by the Company are presented in Note 1 to the Audited Consolidated Financial Statements included in Item 8 in its Annual Report on Form 10-K. These policies, along with the disclosures presented in the other Notes to the Company's Audited Consolidated Financial Statements contained in its Annual Report on Form 10-K and in this financial review, provide information on how significant assets and liabilities are valued in the Company's Unaudited Consolidated Financial Statements and how those values are determined.

Based on the valuation techniques used and the sensitivity of financial statement amounts to the methods, assumptions and estimates underlying those amounts, management has identified the determination of the allowance for loan and lease losses and valuation of goodwill to be the accounting areas that require the most subjective or complex judgments, and as such, could be most subject to revision as new information becomes available.

Allowance for Loan and Lease Losses

The allowance for loan and lease losses represents management's estimate of probable losses in the Bank's loan and lease portfolio. Determining the amount of the allowance for loan and lease losses is considered a critical accounting estimate because it requires significant judgment on the part of management and the use of estimates related to the amount and timing of expected future cash flows on impaired loans and leases, estimated losses on pools of homogeneous loans and leases based on historical loss experience and consideration of current economic trends and conditions, all of which may be susceptible to significant change. The loan and lease portfolio also represents the largest asset type on the Unaudited Consolidated Balance Sheets. Note 1 to the Audited Consolidated Financial Statements included in Item 8 in its Annual Report on Form 10-K describes the methodology used to determine the allowance for loan and lease losses.

Goodwill

The amount of goodwill reflected in the Company's Unaudited Consolidated Financial Statements is required to be tested by management for impairment on at least an annual basis. The test for impairment of goodwill on the identified reporting unit is considered a critical accounting estimate because it requires judgment on the part of management and the use of estimates related to the growth assumptions and market multiples used in the valuation model.

ANALYSIS OF FINANCIAL CONDITION**Average Balance Sheet**

The following table presents the significant categories of the assets and liabilities of the Company, interest income and interest expense, and the corresponding yields earned and rates paid for the periods indicated. The assets and liabilities are presented as daily averages. The average loan and lease balances include both performing and non-performing loans and leases. Investments are included at amortized cost. Yields are presented on a non-tax-equivalent basis.

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	Three Months Ended March 31, 2007			Three Months Ended March 31, 2006		
	Average Outstanding Balance (dollars in thousands)	Interest Earned/ Paid	Yield/ Rate	Average Outstanding Balance (dollars in thousands)	Interest Earned/ Paid	Yield/ Rate
ASSETS						
Interest-earning assets:						
Loans and leases, net	\$ 286,986	\$ 5,600	7.81%	\$ 257,874	\$ 4,615	7.16%
Taxable securities	94,387	1,011	4.28%	112,352	1,104	3.93%
Tax-exempt securities	41,241	443	4.30%	45,479	474	4.17%
Federal funds sold	7,062	87	4.93%	1,162	11	3.79%
Total interest-earning assets	429,676	7,141	6.65%	416,867	6,204	5.95%
Non-interest-earning assets						
Cash and due from banks	10,987			12,642		
Premises and equipment, net	8,708			8,156		
Other assets	29,558			28,146		
Total Assets	\$ 478,929			\$ 465,811		
LIABILITIES & STOCKHOLDERS EQUITY						
Interest-bearing liabilities						
NOW	\$ 12,057	\$ 6	0.20%	\$ 11,562	\$ 5	0.17%
Regular savings	88,254	252	1.14%	89,628	188	0.84%
Muni-Vest savings	47,927	518	4.32%	34,125	330	3.87%
Time deposits	157,473	1,927	4.89%	149,397	1,372	3.67%
Other borrowed funds	34,000	336	3.95%	51,495	466	3.62%
Junior subordinated debentures	11,330	218	7.70%	11,330	192	6.78%
Securities sold U/A to repurchase	7,445	14	0.75%	8,068	17	0.84%
Total interest-bearing liabilities	358,486	\$ 3,271	3.65%	355,605	\$ 2,570	2.89%

Non-interest-bearing liabilities			
Demand deposits	70,935		65,806
Other	9,451		7,006
Total liabilities	\$ 438,872		\$ 428,417
Stockholders' equity	40,057		37,394
Total Liabilities and Equity	\$ 478,929		\$ 465,811
Net interest earnings		\$ 3,870	\$ 3,634
Net yield on interest earning assets		3.60%	3.49%
Interest rate spread		3.00%	3.06%

Loan and Lease Activity

Total gross loans and leases grew to \$294.4 million at March 31, 2007, reflecting a 1.8% or \$5.2 million increase from December 31, 2006. Gross loans and leases are net of \$8.2 million and \$7.8 million unearned income on direct financing leases as of March 31, 2007 and December 31, 2006, respectively. Commercial loans and leases totaled \$207.0 million at March 31, 2007, reflecting a 2.6% or \$5.3 million increase from December 31, 2006. Increases in direct financing leases and installment loans of \$2.5 million and \$1.2 million, respectively, were largely responsible for this increase. Consumer loans totaled \$86.7 million at March 31, 2007, which was unchanged from the balance at December 31, 2006. Increases in consumer real estate and home equity loans were offset by decreases in installment, credit card, and other balances. The Bank continues to sell certain fixed rate residential mortgages originated below a designated interest level to the Federal National Mortgage Association (FNMA), while maintaining the servicing rights for those mortgages. The Bank sold mortgages to FNMA totaling \$0.5 million during the first quarters of 2007 and 2006. At March 31, 2007, the Bank had a loan servicing portfolio

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principal balance of \$28.9 million upon which it earns servicing fees, compared to \$28.7 million at December 31, 2006.

Loan and Lease Portfolio Composition

The following table presents selected information on the composition of the Company's loan and lease portfolio in dollar amounts and in percentages as of the dates indicated.

	March 31, 2007 (in thousands)	Percentage	December 31, 2006 (in thousands)	Percentage
Commercial Loans and Leases				
Real Estate	\$ 141,041	47.9%	\$ 140,376	48.6%
Installment	18,463	6.3%	17,263	6.0%
Direct Financing Leases	34,210	11.6%	31,742	11.0%
Lines of Credit	13,206	4.5%	12,279	4.2%
Cash Reserve	54	0.0%	39	0.0%
Total Commercial Loans and leases	206,974	70.3%	201,699	69.8%
Consumer Loans				
Real Estate	49,547	16.8%	48,877	16.9%
Home Equity	34,484	11.7%	34,453	11.9%
Installment	2,443	0.8%	2,621	0.9%
Overdrafts	159	0.1%	163	0.1%
Credit Card	2	0.0%	298	0.1%
Other	111	0.1%	341	0.1%
Total Consumer Loans	86,746	29.5%	86,753	30.0%
Net Deferred Costs & Unearned Discounts	632	0.2%	654	0.2%
Total Loans and Leases	294,352	100.0%	289,106	100.0%
Allowance for Loan and Lease Losses	(3,885)		(3,739)	
Loans and Leases, net	\$ 290,467		\$ 285,367	

Net charge-offs were \$169 thousand in the first quarter of 2007 as compared to \$129 thousand in the first quarter of 2006. Non-performing loans and leases, defined as accruing loans and leases greater than 90 days past due and non-accrual loans and leases, totaled 0.22% of total loans and leases outstanding at March 31, 2007 as compared to 0.23 % at December 31, 2006. The allowance for loan and lease losses totaled \$3.9 million or 1.32% of total loans and leases outstanding at March 31, 2007 as compared to \$3.7 million or 1.29% of total loans and leases outstanding at December 31, 2006.

The adequacy of the Company's allowance for loan and lease losses is reviewed quarterly by the Company's management with consideration given to loan and lease concentrations, charge-off history, delinquent loan and lease

percentages, and general economic conditions. Management believes the allowance for loan and lease losses is adequate for losses from existing loans and leases.

The following table sets forth information regarding non-performing loans and leases as of the dates specified.

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	March 31, 2007	December 31, 2006
	(in thousands)	
Non-accruing loans and leases:		
Mortgage loans on real estate		
Residential 1-4 family	\$	\$
Commercial and multi-family	136	145
Construction		
Second mortgages		
Home equity lines of credit		
Total mortgage loans on real estate	136	145
Direct financing leases		
Commercial loans	455	443
Consumer installment loans		
Personal		
Credit cards		
Other		
Total consumer installment loans		
Total non-accruing loans and leases	\$ 591	\$ 588
Accruing loans and leases 90+ days past due	68	74
Total non-performing loans and leases	659	662
Total non-performing loans and leases as a percentage of total assets	0.14%	0.15%
Total non-performing loans and leases as a of total loans and leases	0.22%	0.23%

For the quarter ended March 31, 2007, gross interest income that would have been reported on non-accruing loans and leases, had they been current, was \$18 thousand. There was \$6 thousand in interest income included in net income for the quarter ended March 31, 2007 on non-accruing loans and leases.

Investing Activities

The Company's securities portfolio increased by 11.9%, or \$16.4 million, to approximately \$154.1 million at March 31, 2007, as compared to approximately \$137.7 million at December 31, 2006. The increase in the securities portfolio was mainly due to securities purchased to collateralize seasonal municipal tax deposits, which are expected to decrease by the end of the next quarter end. The Company monitors extension and prepayment risk in the portfolio to limit potential exposures. Management believes the average expected life of the portfolio is 2.7 years as of March 31, 2007. Available-for-sale securities with a total fair value of \$121.6 million at March 31, 2007 were pledged as collateral to secure public deposits and for other purposes required or permitted by law.

Funding Activities

Total deposits during the quarter ended March 31, 2007, increased 6.8% to \$379.9 million at March 31, 2007 from \$355.7 million at December 31, 2006. Time deposits \$100,000 and over increased 4.7%, or \$3.8 million, in the quarter, mainly composed of municipal money. Due to higher short-term interest rates, many municipalities have preferred short-term time deposit funding as an investment option. Muni-vest deposits increased 49.6%, or \$15.5 million, due to the normal inflow of municipal tax receipts, which occurs during the first quarter of the calendar year. Core deposits (all deposits excluding time deposits greater than \$100,000) increased 7.8% or \$21.5 million during the quarter ended March 31, 2007. Demand deposits decreased 1.8%, or \$1.3 million, while NOW accounts increased 14.9%, or \$1.7 million, from December 31, 2006. Securities sold under agreement to repurchase decreased 30.0%, or \$2.7 million, from December 31, 2006. Balances in demand deposits, NOW accounts and securities sold under agreement to repurchase vary from day to day based on customer transaction volume and represent normal deposit activity.

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The Company also uses borrowings from other correspondent banks and the Federal Home Loan Bank of New York as sources of funding. There was \$26.4 million in short-term borrowing at March 31, 2007 as compared to \$24.8 million at December 31, 2006.

ANALYSIS OF RESULTS OF OPERATIONS**Net Income**

Net income was \$1.3 million or \$0.47 per basic and diluted share for the three months ended March 31, 2007, as compared to \$1.4 million or \$0.52 per basic and diluted share for the same period in 2006. Net income represented a return on average assets of 1.07% and 1.21% for the three month periods ended March 31, 2007 and 2006, respectively. The return on average equity was 12.85% and 15.04% for the three months periods ended March 31, 2007 and 2006, respectively.

Other Operating Results

Net interest income for the three month period ended March 31, 2007 was \$3.9 million, an increase of \$0.2 million over the same period in 2006, and is primarily a result of interest income growth related to the loan and lease portfolio, offset by increased interest expense on deposits.

The net interest margin for the three month period ended March 31, 2007 was 3.60% as compared to 3.49% for the same period in 2006. The increase in interest income was mainly attributable to an increase in the interest earned on loans and leases, due to both higher average balances and elevated yields. Interest free funds contributed 60 basis points to the net interest margin in the three month period ended March 31, 2007 compared to a 43 basis point contribution in the same period of 2006 as average demand deposit balances, other non-interest-bearing liabilities, and stockholders' equity all increased. These were partially offset by an increase in the Bank's cost of interest-bearing liabilities, which increased to 3.65% from 2.89% in 2006. Higher interest expense reflects elevated rates paid on deposits.

The provision for loan and lease losses for the three month period ended March 31, 2007 increased to \$315 thousand from \$282 thousand for the same period in 2006. The increase was a result of the Company's expanding direct financing lease portfolio through Evans National Leasing, along with continued commercial loan growth. Commercial loans and direct financing leases tend to have a higher credit risk than consumer loans.

Non-interest income was \$3.1 million for the three month period ended March 31, 2007, which was flat to the same period in 2006. Higher other income, which was primarily volume driven fee revenue related to lending, offset lower service charges and insurance fees.

Non interest expense was \$4.9 million for the three month period ended March 31, 2007, an increase of \$0.4 million, or 9.9%, over the same period in 2006. Salaries and employee benefits increased \$0.2 million during the quarter ended March 31, 2007. Approximately \$0.1 million of that increase are non-recurring expenses as executive management succession is completed. Higher professional services expenses were the result of additional non-recurring items including market analysis for the Company's distribution network, executive search, and investor relations consulting. Occupancy expenses increased in the first quarter of 2007 compared with the same period for the prior year due to the addition of the Company's eleventh bank branch, which opened in December 2006. Additionally, the Company experienced a \$0.2 million loss related to a branch operational error in processing checks.

Income tax expense totaled \$481 thousand for the three month period ended March 31, 2007, compared to \$616 thousand for the same period in 2006. The effective tax rate for the three month period ended March 31, 2007 was 27.2%, compared to 30.5% for the same period in 2006. The Company records an effective tax rate for the period that will be reflective of the projected annual tax rate based on expected supportable tax positions.

In July 2006, the FASB issued FIN 48, Accounting for Uncertainty in Income Taxes, to set out a consistent framework for tax preparers to use to determine the appropriate level of tax reserves to maintain for uncertain tax positions. This interpretation of FASB Statement No. 109 uses a two-step approach wherein a tax benefit is recognized if a position is more likely than not to be sustained. The amount of the benefit is then measured to be the highest tax benefit that is greater than 50 percent likely to be realized. FIN 48 also sets out disclosure requirements to enhance transparency of an entity's tax reserves. The Company adopted FIN 48 as of January 1, 2007. There were no

unrecognized tax benefits or penalties at the date of adoption.

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CAPITAL

The Bank has consistently maintained regulatory capital ratios at, or above, federal well capitalized standards. Equity as a percentage of assets was 8.1% at March 31, 2007 down slightly from 8.3% at December 31, 2006. Book value per common share was \$14.71 at March 31, 2007, compared to \$13.41 at December 31, 2006. Total stockholders equity was \$40.1 million at March 31, 2007, up from \$39.5 million at December 31, 2006. The increase is primarily attributable to net income of \$1.3 million and unrealized gains in the investment portfolio in first quarter 2007, somewhat offset by the declaration of dividends.

LIQUIDITY

The Bank utilizes cash flows from the investment portfolio and federal funds sold balances to manage the liquidity requirements related to loan demand and deposit fluctuations. The Bank also has many borrowing options. As a member of the Federal Home Loan Bank (FHLB) the Bank is able to borrow funds at competitive rates. Advances of up to \$45.0 million can be drawn on the FHLB via an Overnight Line of Credit Agreement between the Bank and the FHLB. An amount equal to 25% of the Bank s total assets could be borrowed through the advance programs under certain qualifying circumstances. The Bank also has the ability to purchase up to \$14.0 million in federal funds from its correspondent banks. By placing sufficient collateral in safekeeping at the Federal Reserve Bank, the Bank could also borrow at the discount window. Additionally, the Company has access to capital markets as a funding source.

Cash flows from the Bank s investment portfolio are laddered, so that securities mature at regular intervals, to provide funds from principal and interest payments at various times as liquidity needs may arise. Contractual maturities are also laddered, with consideration as to the volatility of market prices, so that securities are available-for-sale from time-to-time without the need to incur significant losses. At March 31, 2007, approximately 24.1% of the Bank s securities had contractual maturity dates of one year or less and approximately 43.0% had maturity dates of five years or less. Available assets of \$154.6 million, less public and purchased funds of \$207.3 million, resulted in a long-term liquidity ratio of 75% at March 31, 2007, versus 80% at December 31, 2006. The liquidity ratio decreased due to large municipal collections in the first quarter which increased the percentage of public funds.

The Company s liquidity needs can also be met by more aggressively pursuing municipal deposits, which are normally awarded on the basis of competitive bidding. The Company believes that the Bank maintains a sufficient level of U.S. government and government agency securities and New York State municipal bonds that can be pledged as collateral for these deposits.

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Additional information responsive to this Item is contained in the Liquidity section of Management s Discussion and Analysis of Financial Condition and Results of Operations, which information is incorporated herein by reference.

Market risk is the risk of loss from adverse changes in market prices and/or interest rates of the Bank s financial instruments. The primary market risk the Company is exposed to is interest rate risk. The core banking activities of lending and deposit-taking expose the Bank to interest rate risk, which occurs when assets and liabilities reprice at different times and by different amounts as interest rates change. As a result, net interest income earned by the Bank is subject to the effects of changing interest rates. The Bank measures interest rate risk by calculating the variability of net interest income in the future periods under various interest rate scenarios using projected balances for interest-earning assets and interest-bearing liabilities. Management s philosophy toward interest rate risk management is to limit the variability of net interest income to changes in net interest rates. The balances of financial instruments used in the projections are based on expected growth from forecasted business opportunities, anticipated prepayments of loans, and investment securities and expected maturities of investment securities, loans and deposits. Management supplements the modeling technique described above with analysis of market values of the Bank s financial instruments and changes to such market values given changes in the interest rates.

The Bank s Asset Liability Committee, which includes members of senior management, monitors the Bank s interest rate sensitivity with the aid of a computer model that considers the impact of ongoing lending and deposit taking activities, as well as interrelationships in the magnitude and timing of the repricing of financial instruments, including

the effect of changing interest rates on expected prepayments and maturities. When deemed prudent, management has taken actions, and intends to do so in the future, to mitigate exposure to interest rate risk through the use of on- or off-balance sheet financial instruments. Possible actions include, but are not limited to,

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changing the pricing of loan and deposit products, and modifying the composition of interest-earning assets and interest-bearing liabilities, and other financial instruments used for interest rate risk management purposes.

The following table demonstrates the possible impact of changes in interest rates on the Bank's net interest income over a 12 month period of time:

**SENSITIVITY OF NET INTEREST INCOME
TO CHANGES IN INTEREST RATES**

	Calculated (decrease) increase in projected annual net interest income (in thousands)	
	March 31, 2007	December 31, 2006
Changes in interest rates		
+200 basis points	(872)	(853)
+100 basis points	(432)	(424)
-100 basis points	387	379
-200 basis points	566	551

Many assumptions were utilized by management to calculate the impact that changes in the interest rates may have on the Bank's net interest income. The more significant assumptions related to the rate of prepayments of mortgage-related assets, loan and deposit volumes and pricing, and deposit maturities. The Bank assumed immediate changes in rates including 200 basis point rate changes. In the event that the 200 basis point rate changes cannot be achieved, the applicable rate changes are limited to lesser amounts such that interest rates cannot be less than zero. These assumptions are inherently uncertain and, as a result, the Bank cannot precisely predict the impact of changes in interest rates on net interest income. Actual results may differ significantly due to the timing, magnitude, and frequency of interest rate changes in market conditions and interest rate differentials (spreads) between maturity/repricing categories, as well as any actions such as those previously described, which management may take to counter such changes. In light of the uncertainties and assumptions associated with the process, the amounts presented in the table and changes in such amounts are not considered significant to the Bank's projected net interest income.

ITEM 4 CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

The Company's management, with the participation of the Company's principal executive officer and principal financial officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, the Company's principal executive and principal financial officers concluded that the Company's disclosure controls and procedures as of March 31, 2007 (the end of the period covered by this Report) have been designed and are functioning effectively to provide reasonable assurance that the information required to be disclosed by the Company in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

No changes in the Company's internal control over financial reporting were identified in the fiscal quarter ended March 31, 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II OTHER INFORMATION**ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS****Issuer Purchases of Equity Securities**

The following table includes all Company repurchases of its common stock, \$0.50 par value, made on a monthly basis during the period covered by this Report, including those made pursuant to publicly announced plans or programs.

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs
January 2007 (January 1, 2007 through January 31, 2007)	2,500	\$ 20.69	2,500	42,615
February 2007 (February 1, 2007 through February 28, 2007)	600	\$ 21.16	600	42,015
March 2007 (March 1, 2007 through March 31, 2007)	400	\$ 20.64	400	41,615
Total	3,500	\$ 20.77	3,500	

All of the foregoing shares were purchased in open market transactions. On August 18, 2005, the Company announced that its Board of Directors authorized a common stock repurchase program, pursuant to which the Company may repurchase of up to 75,000 shares of the Company's common stock over a period of two years, unless the program is terminated earlier. The Company did not make any repurchases during the quarter ended March 31, 2007 other than pursuant to this publicly announced program, and there were no other publicly announced plans or programs outstanding during the quarter ended March 31, 2007.

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ITEM 6 EXHIBITS

Exhibit No.	Name	Page No.
10.1	Summary of Compensation Arrangements of Certain Officers and Directors	23
10.2	Employment Agreement between ENB Insurance Agency, Inc. and Robert G. Miller Jr. (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on February 26, 2007)	
10.3	Employment Agreement among Evans Bancorp, Inc., Evans National Bank and Gary A. Kajtoch as of April 1, 2007 (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed March 26, 2007)	
31.1	Certification of Principal Executive Officer pursuant to section 302 of The Sarbanes-Oxley Act of 2002.	24
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32.1	Certification of Principal Executive Officer pursuant to 18 USC Section 1350 Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	26
32.2	Certification of Principal Financial Officer pursuant to 18 USC Section 1350 Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	27

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Evans Bancorp, Inc.

DATE
May 15, 2007

/s/ David J. Nasca

David J. Nasca
President and CEO
(On Behalf of the Registrant
and
as Principal Executive Officer)

DATE
May 15, 2007

/s/ Gary A. Kajtoch

Gary A. Kajtoch
Treasurer
(Principal Financial Officer)

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Exhibit Index

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