FIRST MARINER BANCORP
Form SC 13D/A
May 05, 2010

**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

**SCHEDULE 13D**

**Under the Securities Exchange Act of 1934**
**(Amendment No. 1 )***

FIRST MARINER BANCORP
(Name of Issuer)
Common Stock
(Title of Class of Securities)
320795107
(CUSIP Number)
Daniel G. Schmedlen, Jr.
LTC Global, Inc.
33 North Central Avenue, Suite 317
Medford, Oregon 97501
(800) 362 - 8837
(Name, Address and Telephone Number of Person Authorized to
Receive Notices and Communications)
April 29, 2010
(Date of Event Which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box. o

**Note:** Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 13d-7 for other parties to whom copies are to be sent.

* The remainder of this cover page shall be filled out for a reporting person s initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 ( Act ) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. 320795107

| | |
|---|---|
| **1** | NAMES OF REPORTING PERSONS<br><br>LTC Global, Inc. |
| **2** | CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)<br><br>(a) o<br>(b) o |
| **3** | SEC USE ONLY |
| **4** | SOURCE OF FUNDS (SEE INSTRUCTIONS)<br><br>WC - Working Capital |
| **5** | CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) OR 2(e)<br><br>o |
| **6** | CITIZENSHIP OR PLACE OF ORGANIZATION<br><br>Nevada |

| | | |
|---|---|---|
| NUMBER OF | **7** | SOLE VOTING POWER<br><br>848,597 |
| SHARES BENEFICIALLY OWNED BY | **8** | SHARED VOTING POWER<br><br>0 |
| EACH REPORTING | **9** | SOLE DISPOSITIVE POWER |

| | | |
|---|---|---|
| PERSON | | 848,597 |
| WITH | **10** | SHARED DISPOSITIVE POWER<br><br>0 |

| | |
|---|---|
| **11** | AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON<br><br>848,597 |
| **12** | CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)<br><br>o |
| **13** | PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)<br><br>4.80% |
| **14** | TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)<br><br>Corporation (CO) |

CUSIP No. 320795107

This Amendment No. 1 amends the Schedule 13D filed with the Securities and Exchange Commission on April 16, 2010 (the Schedule 13D ), by and on behalf of LTC Global, Inc. with respect to the Common Stock of First Mariner Bancorp. Capitalized terms used but not defined in this Amendment No. 1 shall have the same meanings herein as are ascribed to such terms in the Schedule 13D. This Amendment No. 1 reports beneficial ownership of the Issuer s Common Stock as of May 4, 2010.

**Item 5. Interest in Securities of the Issuer.**

The information set forth in Item 5 is hereby amended and supplemented with the following:

(a) As of May 4, 2010, LTC Global, Inc. owns 848,597 shares of the Common Stock of Issuer which constitutes approximately 4.80% of the Common Stock of Issuer, as of April 26, 2010.

(b) As of May 4, 2010, LTC Global, Inc. has sole voting power of 848,597 shares of the Common Stock of Issuer which constitutes approximately 4.80% of the Common Stock of Issuer, as of April 26, 2010.

(c) During the last sixty (60) days, LTC Global, Inc. has engaged in the transactions as specified in the chart below:

| Date of Transaction | Nature of Transaction | Numer of Shares | Average price per Share |
|---|---|---|---|
| 4/12/2010 | Purchase | 1,184,863 | 1.15 |
| 4/27/2010 | Sale | 112,950 | 1.15 |
| 4/28/2010 | Sale | 51,009 | 2.30 |
| 4/29/2010 | Sale | 27,016 | 2.17 |
| 4/30/2010 | Sale | 16,724 | 1.82 |
| 5/3/2010 | Sale | 2,500 | 1.80 |
| 5/3/2010 | Sale | 4,500 | 1.72 |
| 5/4/2010 | Sale | 121,567 | 1.48 |

LTC Global, Inc. acquired 1,184,863 shares of the Issuer s Common Stock, as reported above, in connection with the Issuer s public offering.

All of the sale transactions reported above were executed through brokers and settled through facilities of The Depository Trust & Clearing Corporation (DTCC).

(d) No other person is known to have the right to receive or the power to direct the receipt of dividends from, or the proceeds of sale of, any of the securities listed in Item 5(a).

(e) On May 4, 2010, LTC Global Inc. ceased to be the beneficial owner of more than five percent of the Issuer s Common Stock.

CUSIP No. 320795107

SIGNATURE

After reasonable inquiry and to the best of knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: May 5, 2010

LTC Global, Inc.

By: /s/ DANIEL G. SCHMEDLEN, JR.
DANIEL G. SCHMEDLEN, JR.
VICE PRESIDENT

t double #000000 ;border-right:1pt none #D9D9D9 ;height:15.00pt;font-family:Times New Roman;font-size:9pt;text-align:right;" nowrap="nowrap">1,812

$

3,955

$

193

The Company's TDRs have various agreements that involve deferral of principal payments, or interest-only payments, for a period (usually 12 months or less) to allow the customer time to improve cash flow or sell the property. Other common types of concessions leading to the designation of a TDR are lines of credit that are termed out and extensions of maturities at rates that are less than market given the risk profile of the borrower.

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The following table shows the data for TDR activity by type of concession granted to the borrower for the three month periods ended March 31, 2016 and 2015:

| | Three months ended March 31, 2016 (in thousands) | | | Three months ended March 31, 2015 (in thousands) | | |
|---|---|---|---|---|---|---|
| Troubled Debt Restructurings by Type of Concession | Number of Contracts | Pre-Modification Outstanding Recorded Investment | Post-Modification Outstanding Recorded Investment | Number of Contracts | Pre-Modification Outstanding Recorded Investment | Post-Modification Outstanding Recorded Investment |
| Commercial and Industrial: | | | | | | |
| Deferral of principal | - | $ - | $ - | 3 | $ 541 | $ 541 |
| Extension of maturity | 1 | 24 | 24 | - | - | - |
| Term-out line of credit | 1 | 20 | 20 | - | - | - |
| Residential Real Estate & Construction: | | | | | | |
| Extension of maturity | 1 | 95 | 95 | - | - | - |
| Commercial Real Estate & Construction | - | - | - | - | - | - |
| Home Equities | - | - | - | - | - | - |
| Consumer loans | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |

The general practice of the Bank is to work with borrowers so that they are able to pay back their loan in full. If a borrower continues to be delinquent or cannot meet the terms of a TDR and the loan is determined to be uncollectible, the loan will be charged-off. The following table presents loans which were classified as TDRs during the previous 12 months which defaulted during the three month periods ended March 31, 2016 and 2015:

| | Three months ended March 31, 2016 (in thousands) | | Three months ended March 31, 2015 (in thousands) | |
|---|---|---|---|---|
| Troubled Debt Restructurings That Subsequently Defaulted | Number of Contracts | Recorded Investment | Number of Contracts | Recorded Investment |
| Commercial and Industrial | - | $ - | - | $ - |
| Residential Real Estate: | | | | |
| Residential | - | - | - | - |
| Construction | - | - | - | - |
| Commercial Real Estate: | | | | |
| Commercial and multi-family | - | - | - | - |
| Construction | - | - | - | - |
| Home Equities | - | - | 1 | 19 |
| Consumer loans | - | - | - | - |
| Other | - | - | - | - |

5. PER SHARE DATA

The common stock per share information is based upon the weighted average number of shares outstanding during each period. For the three periods ended March 31, 2016 and 2015, the Company had an average of 64,925 and 78,167 dilutive shares outstanding, respectively.

Potential common shares that would have the effect of increasing diluted earnings per share are considered to be anti-dilutive and not included in calculating diluted earnings per share. For the three month periods ended March 31, 2016 and 2015, there was an average of 49,550 and 38,630 anti-dilutive shares outstanding, respectively, that were not included in calculating diluted earnings per share because their effect was anti-dilutive.

6. OTHER COMPREHENSIVE INCOME

The following tables summarize the changes in the components of accumulated other comprehensive income (loss) during the three month periods ended March 31, 2016 and 2015:

| | Balance at December 31, 2015 | Net Change | Balance at March 31, 2016 |
|---|---|---|---|
| | (in thousands) | | |
| Net unrealized gain on investment securities | $ 475 | $ 649 | $ 1,124 |
| Net defined benefit pension plan adjustments | (2,285) | 40 | (2,245) |
| Total | $ (1,810) | $ 689 | $ (1,121) |

| | Balance at December 31, 2014 | Net Change | Balance at March 31, 2015 |
|---|---|---|---|
| | (in thousands) | | |
| Net unrealized gain on investment securities | $ 911 | $ 331 | $ 1,242 |

| | | | |
|---|---|---|---|
| Net defined benefit pension plan adjustments | (2,419) | 29 | (2,390) |
| Total | $ (1,508) | $ 360 | $ (1,148) |

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| | Three months ended March 31, 2016 (in thousands) | | | Three months ended March 31, 2015 (in thousands) | | |
|---|---|---|---|---|---|---|
| | Before-Tax Amount | Income Tax (Provision) Benefit | Net-of-Tax Amount | Before-Tax Amount | Income Tax (Provision) Benefit | Net-of-Tax Amount |
| Unrealized gain on investment securities: | | | | | | |
| Unrealized gain on investment securities | $ 1,047 | $ (398) | $ 649 | $ 541 | $ (210) | $ 331 |
| Reclassification from accumulated other comprehensive income for gains (losses) | - | - | - | - | - | - |
| Net change | 1,047 | (398) | 649 | 541 | (210) | 331 |
| | | | | | | |
| Defined benefit pension plan adjustments: | | | | | | |
| Net actuarial gain (loss) | $ - | $ - | $ - | $ - | $ - | $ - |
| Reclassifications from accumulated other comprehensive income for gains (losses) | | | | | | |
| Amortization of prior service cost (a) | 8 | (3) | 5 | 7 | (2) | 5 |
| Amortization of actuarial loss (a) | 56 | (21) | 35 | 48 | (24) | 24 |
| Net change | 64 | (24) | 40 | 55 | (26) | 29 |
| | | | | | | |
| Other Comprehensive Income (Loss) | $ 1,111 | $ (422) | $ 689 | $ 596 | $ (236) | $ 360 |

(a) Included in net periodic pension cost, as described in Note 9 – “Net Periodic Benefit Costs”

7. 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, 2016 and 2015.

| | Three months ended March 31, 2016 | | |
|---|---|---|---|
| | Banking Activities | Insurance Agency Activities | Total |
| | (in thousands) | | |
| Net interest income (expense) | $ 8,291 | $ (31) | $ 8,260 |
| Provision for loan losses | 208 | - | 208 |
| Net interest income (expense) after provision for loan losses | 8,083 | (31) | 8,052 |
| Non-interest income | 1,246 | - | 1,246 |
| Insurance service and fees | 116 | 1,632 | 1,748 |
| Non-interest expense | 7,327 | 1,201 | 8,528 |
| Income before income taxes | 2,118 | 400 | 2,518 |
| Income tax provision | 650 | 154 | 804 |
| Net income | $ 1,468 | $ 246 | $ 1,714 |

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| | Three months ended March 31, 2015 | | |
|---|---|---|---|
| | Banking Activities | Insurance Agency Activities | Total |
| | (in thousands) | | |
| Net interest income (expense) | $ 7,609 | $ (28) | $ 7,581 |
| Provision for loan losses | 201 | - | 201 |
| Net interest income (expense) after provision for loan losses | 7,408 | (28) | 7,380 |
| Non-interest income | 1,237 | - | 1,237 |
| Insurance service and fees | 162 | 1,667 | 1,829 |
| Non-interest expense | 6,481 | 1,031 | 7,512 |
| Income before income taxes | 2,326 | 608 | 2,934 |
| Income tax provision | 794 | 235 | 1,029 |
| Net income | $ 1,532 | $ 373 | $ 1,905 |

8. 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 is as follows:

| | March 31, 2016 | December 31, 2015 |
|---|---|---|
| | (in thousands) | |
| Commitments to extend credit | $ 226,787 | $ 206,346 |
| Standby letters of credit | 3,550 | 3,794 |

| | | |
|---|---|---|
| Total | $ 230,337 | $ 210,140 |

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Commitments to extend credit and standby letters of credit include some exposure to credit loss in the event of nonperformance by 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 did not incur any losses on its commitments and did not record a reserve for its commitments during the first three months of 2016 or during 2015.

Certain lending commitments for construction residential mortgage loans are considered derivative instruments under the guidelines of GAAP. The changes in the fair value of these commitments, due to interest rate risk, are not recorded on the consolidated balance sheets as the fair value of these derivatives is not considered to be material.

## 9. NET PERIODIC BENEFIT COSTS

On January 31, 2008, the Bank froze its defined benefit pension plan. The plan covered substantially all Bank employees. The plan provides benefits that are based on the employees' compensation and years of service. Under the freeze, eligible employees will receive, at retirement, the benefits already earned through January 31, 2008, but have not accrued any additional benefits since then. As a result, service cost is no longer incurred.

The Bank uses an actuarial method of amortizing prior service cost and unrecognized net gains or losses which result from actual expense and assumptions being different than those that are projected. The amortization method the Bank used recognized 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 the Bank uses recognizes the net gains or losses over the average remaining service period of active employees.

The Bank did not contribute to the defined benefit pension plan during the first three months of 2016 but expects to contribute $140 thousand to the pension plan at a later date in 2016.

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The following table presents the net periodic cost for the Bank's defined benefit pension plan and supplemental executive retirement plan for the three month periods ended March 31, 2016 and 2015:

| Three months ended March 31, (in thousands) | Pension Benefits | | Supplemental Executive Retirement Plan | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Service cost | $ - | $ - | $ 47 | $ 48 |
| Interest cost | 55 | 51 | 36 | 37 |
| Expected return on plan assets | (65) | (77) | - | - |
| Amortization of prior service cost | - | - | 8 | 7 |
| Amortization of the net loss | 22 | 17 | 34 | 31 |
| Net periodic cost (benefit) | $ 12 | $ (9) | $ 125 | $ 123 |

10. RECENT ACCOUNTING PRONOUNCEMENTS

Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers. The objective of this ASU is to require entities to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This ASU will replace most existing revenue recognition guidance under U.S. GAAP when it becomes effective. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. The standard allows an entity to apply the amendments in the ASU using either the retrospective or cumulative effect transition method. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities. The main objective of this ASU is to enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2017, including interim periods within those fiscal years. The Company is evaluating the impact of the standard on its financial reporting. The ASU will not impact results of operations or the financial position of the Company.

ASU 2016-02, Leases. The objective of this ASU is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements to meet that objective. The main difference between previous GAAP and this ASU is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. Under this new guidance, a lessee should recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous GAAP. Information about the Company’s operating lease obligations is disclosed in Note 16 to the Company’s Financial Statements on Form 10-K for the year ended December 31, 2015. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years.

ASU 2016-09, Improvements to Employee Share-Based Payment Accounting. This ASU is part of the FASB’s Simplification Initiative. The areas for simplification in this Update involve several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Some of the areas of simplification apply only to nonpublic entities. Although the impact on the Company’s financial statements is not expected to be material, the area of this ASU that will impact the Company is the elimination of the concept of a tax windfall pool. Currently, an entity must determine for each award whether the difference between the deduction for tax purposes and the compensation cost recognized for financial reporting purposes results in either an excess benefit or a tax deficiency. Excess tax benefits are recognized in additional paid-in-capital; tax deficiencies are recognized either as an offset to accumulated excess tax benefits, if any, or in the income statement. Excess tax benefits are not recognized until the deduction reduces taxes payable. Under

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the new standard, all excess tax benefits and tax deficiencies will be recognized as income tax expense or benefit in the income statement.  The amendments in this ASU are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods.

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## 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,” “pla
“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, monetary policy, 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 tax policies, rates and regulations of federal, state and local tax authorities; 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 Quarterly Report on Form 10-Q, as well as in the Company’s periodic reports filed with the SEC, in particular the “Risk Factors” discussed in Item 1A of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2015. 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 included in this Quarterly Report on Form 10-Q are prepared in accordance with U.S. GAAP 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. Refer to Note 3 – "Fair Value Measurements" to the Company's Unaudited Consolidated Financial Statements included in Item 1 of this Quarterly Report on Form 10-Q for further detail on fair value measurement.

Significant accounting policies followed by the Company are presented in Note 1 – "Organization and Summary of Significant Accounting Policies" to the Audited Consolidated Financial Statements included in Item 8 in its Annual Report on Form 10-K for the year ended December 31, 2015. 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 presented 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 losses and valuation of goodwill to

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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 Losses

The allowance for loan losses represents management's estimate of probable losses in the Company's loan portfolio. Determining the amount of the allowance for loan 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, estimated losses on pools of homogeneous loans based on historical loss experience, and consideration of current economic trends and conditions, all of which may be susceptible to significant change. The loan portfolio also represents the largest asset type on the Company's Unaudited Consolidated Balance Sheets. Note 1 to the Audited Consolidated Financial Statements included in Item 8 in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 describes the methodology used to determine the allowance for loan 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. The goodwill impairment testing is performed annually as of December 31st. No impairment charges were incurred in the most recent test and the fair value of the tested reporting unit substantially exceeded its fair value. There were no triggering events in the three month period ended March 31, 2016 that resulted in an interim impairment test.

ANALYSIS OF FINANCIAL CONDITION

Loan Activity

Total loans grew to $797 million at March 31, 2016, a $23 million, or 3%, increase from total loans of $774 million at December 31, 2015, and a $95 million, or 14%, increase from total loans of $702 million at March 31, 2015.

Loans secured by real estate were $643 million at March 31, 2016, reflecting a $16 million, or 3%, increase from $627 million at December 31, 2015. The most significant growth was in commercial construction loans, which grew $8 million, or 13%, in the first quarter to $69 million at March 31, 2016 as the Company's footprint in Western New York continued to experience strong commercial construction loan demand. The Company's commercial real estate portfolio, which has historically been the fastest growing part of the real estate portfolio, grew to $406 million at the recent quarter end, a $6 million, or 2%, increase from $400 million at December 31, 2015, while the Company's residential real estate loan portfolio increased $2 million, or 2%, to $106 million from $104 million over that same period.

In the first quarter of 2016, residential mortgage originations of $5 million were lower than the previous quarter's originations of $10 million and $7 million in last year's first quarter. Residential mortgages sold in the first quarter of 2016 equated to approximately 19% of the residential mortgages originated by the Company during this quarter, as compared with 16% of residential mortgages originated during the fourth quarter of 2015 and 41% in the first quarter of 2015.

The Company has focused on growth opportunities in commercial and industrial ("C&I") lending as a way to diversify its overall loan portfolio. The C&I portfolio grew to $151 million at March 31, 2016, representing a $7 million, or 5%, increase from $144 million at December 31, 2015.

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Credit Quality of Loan Portfolio

Total non-performing loans, defined as accruing loans greater than 90 days past due and non-accrual loans, totaled $18 million, or 2.25% of total loans outstanding, as of March 31, 2016, compared with $16 million, or 2.07% of total loans outstanding, as of December 31, 2015, and $12 million, or 1.68% of total loans outstanding at March 31, 2015. The $2 million increase in non-performing loans as compared to the 2015 year-end was due to a single commercial real estate loan moving from performing status to 90 days past due and accruing. Loans 90 days past due and still accruing are considered well secured and in the process of collection and are therefore not impaired and in nonaccrual status. In addition to the $2 million commercial real estate loan that is 90 days past due and still accruing at March 31, 2016, the remainder of the $6 million increase in non-performing loans since the end of last year's first quarter is primarily attributable to a single redevelopment project that defaulted in the fourth quarter of 2015 and was moved to nonaccrual status.

Commercial credits graded as "special mention" and "substandard" were $41 million at March 31, 2016, or roughly unchanged from the balance at December 31, 2015. As noted in Note 4 to the Company's Unaudited Financial Statements included in Part I of this Quarterly Report on Form 10-Q, internal risk ratings are the credit quality indicators used by the Company's management to determine the appropriate allowance for loan losses for commercial credits. "Special mention" and "substandard" loans are weaker credits with a higher risk of loss categorized as "criticized" credits rather than "pass" or "watch" credits.

The allowance for loan losses totaled $13 million, or 1.65% of total loans outstanding as of March 31, 2016, compared with $13 million, or 1.66% of total loans outstanding at December 31, 2015 and $13 million, or 1.82% of total loans outstanding as of March 31, 2015. The decrease in the allowance to loan ratio since last year's first quarter-end was driven by the strong loan growth without a proportional increase in the allowance. A single large charge-off in the fourth quarter of 2015 lowered the allowance, somewhat offsetting the increase in the allowance over the past year due to the provision for loan growth. The net charge-off (recovery) ratio for the first quarter of 2016 was (0.02) % of average net loans, compared with a ratio of 0.42% and (0.03) % in the fourth and first quarters of 2015, respectively.

Investing Activities

Total securities were $116 million at March 31, 2016, compared with $99 million at December 31, 2015 and $100 million at March 31, 2015. Interest-bearing deposits at other banks, which consist of overnight funds kept at correspondent banks and the Federal Reserve, increased to $22 million at March 31, 2016 from $11 million at December 31, 2015, but were down from $46 million at March 31, 2015. The increase in interest-bearing deposits at banks from the 2015 year-end is largely a result of an increase in seasonal municipal deposits. Given the expected short duration of these deposits, management has invested the funds in short-term assets. A portion of the Bank's excess liquidity from strong savings and time deposit growth was invested in investment securities purchased in the first quarter of 2016, including $11 million in U.S. government agency mortgage-backed securities, $4 million in U.S. government collateralized mortgage obligations, and $5 million in other U.S. government agency bonds. Securities and interest-bearing deposits at correspondent banks made up 14% of the Bank's total average interest earning assets in the first quarter of 2016, consistent with the ratio in the fourth and first quarters of 2015, respectively.

The Company's highest concentration in its securities portfolio was in available for sale U.S. government sponsored mortgage-backed securities at 44% of total investment securities at March 31, 2016, compared with 38% at December 31, 2015 and 40% at March 31, 2015. The concentration in tax-advantaged debt securities issued by state and political subdivisions and U.S. government-sponsored agency bonds was 34% and 22%, respectively, of the total securities portfolio at March 31, 2016, compared with 40% and 22% at December 31, 2015 and 33% and 27% at March 31, 2015.

Management believes that the credit quality of the securities portfolio as a whole is strong, as the portfolio has no individual securities in a significant unrealized loss position. Interest rates decreased in the first quarter, resulting in an increase in the net unrealized gain position of the available-for-sale investment portfolio to $1.8 million at March 31, 2016 from $0.8 million at December 31, 2015. The net unrealized gain position was $2.0 million at March 31, 2015.

The Company monitors extension and prepayment risk in the securities portfolio to limit potential exposures. The Company has no direct exposure to subprime mortgages, nor does the Company hold private mortgage-backed securities, credit default swaps, or FNMA or FHLMC preferred stock investments in its investment portfolio.

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Funding Activities

Total deposits at March 31, 2016 were $849 million, a $46 million, or 6%, increase from $803 million at December 31, 2015, and a $69 million, or 9% increase, when compared with total deposits of $780 million at March 31, 2015. Seasonal municipal deposits represented $25 million of the first quarter's growth as municipalities collect property taxes in the first quarter before using those funds throughout the remainder of the fiscal year. The rest of the growth in the Company's total deposits from December 31, 2015 was due mainly to increases in savings deposits and time deposits. With impending market disruption in the Western New York market due to a significant announced merger, the Company has maintained promotional savings and time deposit rates in an effort to attract new customers.

The Company had $10 million in other borrowings, which reflected a long-term advance with the FHLBNY scheduled to mature in 2020, at each of March 31, 2016 and December 31, 2015, compared with no other borrowings at March 31, 2015.

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ANALYSIS OF RESULTS OF OPERATIONS

Average Balance Sheet

The following tables present 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 balances include both performing and non-performing loans. Investments are included at amortized cost. Yields are presented on a non-tax-equivalent basis.

| | Three months ended March 31, 2016 | | | Three months ended March 31, 2015 | | |
|---|---|---|---|---|---|---|
| | Average Outstanding Balance | Interest Earned/ Paid | Yield/ Rate | Average Outstanding Balance | Interest Earned/ Paid | Yield/ Rate |
| | (dollars in thousands) | | | (dollars in thousands) | | |
| ASSETS | | | | | | |
| Interest-earning assets: | | | | | | |
| Loans, net | $ 772,672 | $ 8,730 | 4.52 % | $ 682,653 | $ 7,813 | 4.58 % |
| Taxable securities | 64,796 | 377 | 2.33 % | 68,373 | 405 | 2.37 % |
| Tax-exempt securities | 38,298 | 238 | 2.49 % | 32,513 | 237 | 2.92 % |
| Interest bearing deposits at banks | 18,862 | 11 | 0.23 % | 6,624 | 1 | 0.06 % |
| Total interest-earning assets | 894,628 | $ 9,356 | 4.18 % | 790,163 | $ 8,456 | 4.28 % |
| Non interest-earning assets: | | | | | | |
| Cash and due from banks | 12,733 | | | 11,480 | | |
| Premises and equipment, net | 11,092 | | | 10,164 | | |
| Other assets | 42,550 | | | 42,728 | | |
| Total Assets | $ 961,003 | | | $ 854,535 | | |
| LIABILITIES & STOCKHOLDERS' EQUITY | | | | | | |
| Interest-bearing liabilities: | | | | | | |
| NOW | $ 88,220 | $ 85 | 0.39 % | $ 77,072 | $ 79 | 0.41 % |
| Regular savings | 447,318 | 531 | 0.47 % | 370,017 | 269 | 0.29 % |
| Time deposits | 108,954 | 343 | 1.26 % | 112,224 | 435 | 1.55 % |
| Other borrowed funds | 10,427 | 44 | 1.69 % | 9,156 | 8 | 0.35 % |
| Junior subordinated debentures | 11,330 | 87 | 3.07 % | 11,330 | 78 | 2.75 % |
| Securities sold U/A to repurchase | 12,493 | 6 | 0.19 % | 13,366 | 6 | 0.18 % |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total interest-bearing liabilities | 678,742 | $ 1,096 | 0.65 % | 593,165 | $ 875 | 0.59 % |
| Noninterest-bearing liabilities: | | | | | | |
| Demand deposits | 176,074 | | | 159,388 | | |
| Other | 13,879 | | | 14,785 | | |
| Total liabilities | $ 868,695 | | | $ 767,338 | | |
| Stockholders' equity | 92,308 | | | 87,197 | | |
| Total Liabilities and Equity | $ 961,003 | | | $ 854,535 | | |
| Net interest earnings | | $ 8,260 | | | $ 7,581 | |
| Net interest margin | | | 3.69 % | | | 3.84 % |
| Interest rate spread | | | 3.53 % | | | 3.69 % |

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Net Income

Net income was $1.7 million, or $0.40 per diluted share, in the first quarter of 2016, down from $1.8 million, or $0.41 per diluted share, in the fourth quarter of 2015, and $1.9 million, or $0.44 per diluted share, in the first quarter of 2015. The decrease from the linked quarter reflects lower net interest income of $0.2 million. The year over year decrease is primarily due to increased non-interest expenses of $1.0 million, somewhat offset by an increase in net interest income of $0.7 million. Return on average equity was 7.43% for the first quarter of 2016 compared with 7.72% in the fourth quarter of 2015 and 8.74% in the first quarter of 2015.

Other Results of Operations – Quarterly Comparison

Net interest income was $8.3 million in the first quarter of 2016, down $0.2 million or 2% from the fourth quarter of 2015, but up $0.7 million or 9% from the prior year's first quarter. The decrease in net interest income from the linked quarter reflects the accelerated interest income recognized in the fourth quarter from the payoff of a large investment security as well as one additional day in the fourth quarter, somewhat offset by growth in average interest-earning assets. The increase in net interest income from last year's first quarter reflected growth in average interest-earnings assets, particularly loans. The positive impact from higher interest-earning assets was somewhat offset by a reduced net interest margin.

Net interest margin was 3.69% in the first quarter of 2016, compared with 3.91% in the fourth quarter of 2015 and 3.84% in last year's first quarter. The yield on interest-earning assets was 4.18% in the recent quarter, compared with 4.37% in the fourth quarter of 2015 and 4.28% in the first quarter of 2015. The decrease from the fourth quarter of 2015 is predominantly a result of a large investment security payoff in the fourth quarter, as reflected in the decrease in the yield on investment securities from 3.59% in the last quarter of 2015 to 2.39% in the initial quarter of 2016. The decrease from the previous year's first quarter reflects continued loan and investment security re-pricing in a persistent low interest rate environment. The cost of interest-bearing liabilities was 0.65% in the first quarter of 2016, higher than 0.62% in the fourth quarter of 2015 and 0.59% in the first quarter of 2015. The increase from the linked quarter and prior year first quarter reflects a continued shift in the regular savings deposit mix as both new and existing customers move to the Bank's highest rate product.

The provision for loan losses was $208 thousand in the first quarter of 2016, in line with the provision of $204 thousand and $201 thousand in the fourth and first quarters of the prior year, respectively.

Non-interest income was $3.0 million, or 27% of total revenue, in the recent quarter, up $0.1 million or 3% from the fourth quarter of 2015, but down $0.1 million or 2% from last year's first quarter. This increase from the linked quarter reflects seasonal profit sharing revenue at TEA as insurance service and fee income increased $0.2 million. The decrease from last year's first quarter is due to a $0.1 million decline in insurance service and fee income. The lower insurance service and fee income is attributable to reduced financial services fee income and lower profit sharing revenue and FCS income. The lower profit sharing revenue and FCS income reflects higher loss rates and fewer insurance claims, respectively, due to inclement weather in the previous winter.

Total non-interest expense was $8.5 million in the first quarter of 2016, a decrease of $0.1 million or 2% from the fourth quarter of 2015, but an increase of $1.0 million or 14% from the prior-year period. The decrease from the final quarter of 2015 resulted from a decrease in other expenses of $0.4 million and litigation expense of $0.1 million, offset by an increase in salaries and employee benefits of $0.1 million, professional services costs of $0.1 million, and technology and communications expenses of $0.1 million. The decline in other expenses resulted from several items including lower loan expenses and lower travel, postage and supplies costs related to the Bank’s core banking system conversion project. The decrease in litigation expense was attributable to reimbursement under a Bank insurance policy covering a portion of the cost associated with the settlement of litigation with the New York State Attorney General, as previously disclosed by the Company. Salaries and benefits were higher in the first quarter when compared with the fourth quarter due to seasonal expenses such as health savings account contributions and payroll taxes, as well as merit increases and an increase in headcount. The higher professional services costs and technology and communications costs in the first quarter of 2016 compared with the last quarter of 2015 were attributable to the Bank’s core banking system conversion project.

The increase of $1.0 million in non-interest expenses in the first quarter of 2016 when compared with the initial quarter of 2015 was largely driven by an increase in salaries and benefits costs of $0.7 million, as well as higher technology and communications costs of $0.2 million and higher advertising and professional services costs of $0.1 million each. Higher salaries and benefits costs were due to higher salaries from added headcount related to the Company’s growth strategy as well as annual merit increases and higher benefits costs, particularly health insurance. The increased technology and communications costs were related to the core conversion project. The increase in professional services costs was primarily attributable to the core conversion project due to the hiring of temporary contractors, and costs related to the Company’s recent filing of a Registration Statement on Form S-3.

Income tax expense for the quarter ended March 31, 2016 was $0.8 million, representing an effective tax rate of 31.9% compared with an effective tax rate of 29.5% in the fourth quarter of 2015 and 35.1% in the first quarter of 2015. The Company records income tax expense based on the expected effective tax rate for the year plus or minus applicable discreet items. The decrease from last year’s first

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quarter was due to one-time adjustments to deferred tax assets in the previous year's first quarter as a result of statutory changes that came into effect on January 1, 2015.

CAPITAL

The Company consistently maintains regulatory capital ratios significantly above the federal "well capitalized" standard, including a Tier 1 leverage ratio of 10.18% and 10.45% at March 31, 2016 and December 31, 2015, respectively. New minimum capital ratios, known as "Basel III", became effective for the Company and the Bank on January 1, 2015 and will be fully phased-in on January 1, 2019. As of March 31, 2016, the Company and the Bank met all applicable capital adequacy requirements under the Basel III capital rules.

Book value per share of the Company's common stock was $21.54 at March 31, 2016, compared with $21.44 at December 31, 2015. Tangible book value per share (a non-GAAP measure) at March 31, 2016 was $19.64, compared with $19.53 at December 31, 2015.

Tangible book value per share is a non-GAAP financial measure. The Company calculates tangible book value per share by dividing tangible book value by the number of common shares outstanding, as compared to GAAP book value per share, which the Company calculates by dividing GAAP book value by the number of common shares outstanding. Management believes that this information is consistent with treatment by bank regulatory agencies, which exclude intangible assets from the calculation of risk-based capital ratios. Accordingly, management believes that this non-GAAP financial measure provides information that is important to investors and that is useful in understanding the Company's capital position and ratios. Further, management believes that presentation of this measure, together with the accompanying reconciliation, provides a complete understanding of factors and trends affecting the Company's business and allows investors to view the Company's performance in a manner similar to management, the financial services industry, bank stock analysts and regulatory agencies. However, this non-GAAP financial measure is supplemental and is not a substitute for an analysis based on GAAP financial measures. Note that other companies may use different calculations for this measure, and, therefore, the Company's presentation of tangible book value per share may not be comparable to similarly titled measures reported by other companies. Investors should review the Company's consolidated financial statements in their entirety and should not rely on any single financial measure.

A reconciliation of this non-GAAP financial measure, tangible book value per share, to the most directly comparable GAAP financial measure, book value, is set forth in the following table:

| ($ in thousands, except per share data) | March 31, 2016 | December 31, 2015 |
|---|---|---|
| Stockholders' equity ("book value") | $ 92,160 | $ 91,256 |
| Goodwill (related to insurance agency reporting unit) | (8,101) | (8,101) |
| Tangible book value (non-GAAP) | $ 84,059 | $ 83,155 |

| | | |
|---|---|---|
| Number of common shares outstanding | 4,279,296 | 4,257,179 |
| Tangible book value per share | $ 19.64 | $ 19.53 |

On February 16, 2016, the Company declared a cash dividend of $0.38 per share on the Company's outstanding common stock. The dividend was paid on April 5, 2016 to shareholders of record as of March 15, 2016.

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 FHLB, the Bank is able to borrow funds at competitive rates. Advances of up to $208.6 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 borrow at the discount window. The Bank's liquidity needs also can be met by more aggressively pursuing time deposits, or accessing the brokered time deposit market, including the Certificate of Deposit Account Registry Service ("CDARS") network. The

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Company's primary source of liquidity is dividends from the Bank.  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.  At March 31, 2016, approximately 4.1% of the Bank's securities had contractual maturity dates of one year or less and approximately 29.9% had maturity dates of five years or less.

Management, on an ongoing basis, closely monitors the Company's liquidity position for compliance with internal policies, and believes that available sources of liquidity are adequate to meet funding needs in the normal course of business.  As part of that monitoring process, management calculates the 90-day liquidity each month by analyzing the cash needs of the Bank.  Included in the calculation are liquid assets and potential liabilities.  Management stresses the potential liabilities calculation to ensure a strong liquidity position.  Included in the calculation are assumptions of some significant deposit run-off as well as funds needed for loan closings and investment purchases.  At March 31, 2016, in the Company's internal stress test, the Company had net short-term liquidity of $210.1 million as compared with $282.0 million at December 31, 2015, due to the usage of cash for loan growth.  Available assets of $142.2 million, divided by public and purchased funds of $148.0 million, resulted in a long-term liquidity ratio of 96% at March 31, 2016, compared with 102% at December 31, 2015.

Management does not anticipate engaging in any activities, either currently or in the long term, for which adequate funding would not be available and which would therefore result in significant pressure on liquidity.

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

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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 increase in projected annual net interest income (in thousands) | |
|---|---|---|
| Changes in interest rates | March 31, 2016 | December 31, 2015 |
| +200 basis points | $ 1,786 | $ 1,034 |
| +100 basis points | 2,305 | 1,856 |
| -100 basis points | NM | NM |
| -200 basis points | NM | NM |

Many assumptions were utilized by management to calculate the impact that changes in 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 each of the 100 and 200 basis point rate reduction scenarios, the applicable rate changes are limited to lesser amounts such that interest rates are not 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) as of March 31, 2016 (the end of the period covered by this Report). Based on that evaluation, the Company’s principal executive and principal financial officers concluded that as of March 31, 2016 the Company’s disclosure controls and procedures were effective.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

No changes in the Company’s internal control over financial reporting were identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or Rule 15d-15 under the Exchange Act that occurred during the fiscal quarter ended March 31, 2016 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 1 – LEGAL PROCEEDINGS

The nature of the Company’s business generates a certain amount of litigation involving matters arising in the ordinary course of business.

In the opinion of management, there are no proceedings pending to which the Company is a party or to which its property is subject, which, if determined adversely, would have a material effect on the Company’s results of operations or financial condition.

ITEM 2 – UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In March 2013, the Company announced it had been authorized by its Board of Directors to purchase up to 100,000 shares of the Company’s outstanding common stock. In the first quarter of 2016, the Company did not purchase any shares of its common stock.

Issuer Purchases of Equity Securities

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1) | Maximum Number of Shares that may yet be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| January 2016: | | | | |
| January 1, 2016 - January 31, 2016 | - | $ - | - | 18,492 |
| February 2016: | | | | |
| February 1, 2016 - February 29, 2016 | - | $ - | - | 18,492 |

| | | | | |
|---|---|---|---|---|
| March 2016: March 1, 2016 - March 31, 2016 | - | $ - | - | 18,492 |
| Total: | - | $ - | - | 18,492 |

(1) On March 25, 2013, the Board of Directors authorized the Company to repurchase up to 100,000 shares of the Company's common stock. The repurchase program has no fixed expiration date but may be suspended or discontinued at any time. The Company did not make any repurchases during the quarter ended March 31, 2016.

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ITEM 6 – EXHIBITS

The information called for by this item is incorporated herein by reference to the Exhibit Index included immediately following the signature page to this Quarterly Report on Form 10-Q.

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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 2, 2016

/s/ David J. Nasca
David J. Nasca
President and CEO
(Principal Executive Officer)

DATE

May 2, 2016

/s/ John B. Connerton
John B. Connerton

Treasurer
(Principal Financial Officer)

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EXHIBIT INDEX

| Exhibit No. | Name |
|---|---|
| 31.1 | Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 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. |
| 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. |
| 101 | The following materials from Evans Bancorp, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) Unaudited Consolidated Balance Sheets – March 31, 2016 and December 31, 2015; (ii) Unaudited Consolidated Statements of Income – Three months ended March 31, 2016 and 2015; (iii) Unaudited Statements of Consolidated Comprehensive Income – Three months ended March 31, 2016 and 2015; (iv) Unaudited Consolidated Statements of Stockholders' Equity – Three months ended March 31, 2016 and 2015; (v) Unaudited Consolidated Statements of Cash Flows – Three months ended March 31, 2016 and 2015; and (vi) Notes to Unaudited Consolidated Financial Statements. |