



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

November 09, 2009

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Evans Bank, National Association  
Charter Number: 11583

14 North Main Street  
Angola, NY 14006-1394

Office of the Comptroller of the Currency

UPSTATE NEW YORK (SYRACUSE) Field Office  
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**NOTE:** This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

## **INSTITUTION'S CRA RATING: This institution is rated Satisfactory**

**The Lending Test is rated Satisfactory.**

**The Community Development Test is rated Satisfactory.**

The primary factors supporting the overall rating are:

- A reasonable average loan-to-deposit ratio during the evaluation period when compared to other lending institutions headquartered in Erie County.
- A majority of all home mortgage and small business loans originated are within the bank's assessment area (AA).
- A good distribution of loans among borrowers of different income levels and businesses of different sizes.
- An adequate distribution of loans among census tracts of different income levels.
- The bank's community development performance in both AAs demonstrates good responsiveness to the community development needs through qualified lending, investments, and services.
- The bank did not receive any CRA-related complaints during the evaluation period.

## **Scope of Examination**

The evaluation period for the lending test for this examination was April 1, 2006, through June 30, 2009. With the exception of the loan-to-deposit ratio, we only evaluated loans that were originated between January 1, 2007, and June 30, 2009. We believe this to be representative of the entire evaluation period. For community development activities, the evaluation period was from June 13, 2006, through November 9, 2009.

An evaluation of the bank's lending data and discussions with bank management indicated Evans Bank, N.A.'s (EB) primary products during this period were loans reported on the Home Mortgage Disclosure Act Loan Application Register (HMDA LAR) as home loans and small business loans. All of the home loans and small business loans originated between January 1, 2007, and June 30, 2009, were used in this evaluation. We further refined our evaluation of borrower and geographic distribution to lending activity in AAI since 96% of the combined census tracts, 97% of the businesses and farms, and 95% of the evaluated loans were inside this AA. A brief review of home loans and small business loans in AAI indicate performance similar to the bank's performance in AAI.

## Description of Institution

Evans Bank, N.A. (EB) is a \$533 million community bank headquartered in Angola, New York, approximately 30 miles southwest of Buffalo, NY. EB is a subsidiary of Evans Bancorp, Inc., a one-bank holding company. Evans Bancorp, Inc. is publicly traded on NASDAQ under the symbol EVBN. EB is an intrastate bank with 13 offices - 12 in Erie County and one in Chautauqua County. The majority of the offices are located in rural or suburban communities. EB opened two branches in Erie County during the assessment period, the Tonawanda office in December 2006 and the Elmwood office in August 2008, both of which are in upper-income tracts. However, with the addition of the Elmwood branch, the bank's Buffalo-Niagara Falls Assessment Area (AAI) was adjusted to include three more low-income and six more moderate-income tracts. In addition to the branch openings, EB acquired a branch in the town of Clarence in July 2009 in an upper-income tract as part of the acquisition of assets of a failed institution. EB has not closed any offices during the assessment period.

As of June 30, 2009, EB had \$419 million in net loans (77.6% of total assets) and \$453 million in total deposits. As of June 30, 2009, commercial real estate loans totaled \$191 million (45.46% of total loans), other commercial loans totaled \$48 million (11.35% of total loans), construction and development loans totaled \$20 million (4.86% of total loans), and residential real estate loans totaled \$99 million (23.66% of total loans). Loans to individuals totaled \$1.8 million and represent 0.43% of the portfolio.

EB is in direct competition with a variety of financial institutions including multinational, regional, and community banks, non-bank mortgage companies, and credit unions. The bank is adequately positioned to meet the credit needs of the community and has no legal or financial impediments that would hinder its ability to meet those needs.

During our examination, we contacted a local non-profit organization that provides affordable rental housing for low- and moderate-income individuals. The community contact indicated that affordable rental housing for moderate-income retired individuals is a need in the local community.

We last evaluated EB's performance under the CRA as satisfactory on June 12, 2006. The previous report used lending data through March 31, 2006.

## Description of Assessment Areas

EB has defined two assessment areas (AAs) for the purposes of CRA. The first AA consists of 147 census tracts in Erie County and ten census tracts in Niagara County, which are within the Buffalo-Niagara Falls Metropolitan Statistical Area (MSA 15380). The second AA consists of five census tracts in Chautauqua County and two census tracts in Cattaraugus County. Neither Chautauqua nor Cattaraugus Counties are located within a defined MSA. The bank's two AAs meet all regulatory guidelines and do not arbitrarily exclude any low- or moderate-income areas.

### Assessment Area I

Assessment Area I (AAI) represents 95.73% of the census tracts in the bank's combined AA. This AA contains six low-income, ten moderate-income, 80 middle-income, and 50 upper-income census tracts. Three census tracts did not have income data available. AAI has a total population of 682,263, consisting of 178,528 families and 272,412 households. The AA consists of 14.90% low-income families, 16.41% moderate-income families, 22.66% middle-income families, and 46.02% upper-income families. Of the 293,585 housing units in AAI, 64.77% are owner-occupied, 28.02% are renter-occupied, 1.56% are mobile homes, and 5.64% are vacant. The median housing value in the AA is \$98,546, and the median housing age is 52 years.

Selected Characteristics by Income Category					
Percentage					
<i>Geographic Income Category</i>	<i>Census Tracts</i>	<i>Population</i>	<i>Families</i>	<i>Households</i>	<i>Owner- Occupied Units</i>
<b>Low</b>	3.82	3.75	3.34	3.73	1.67
<b>Moderate</b>	11.46	7.14	6.17	8.08	4.77
<b>Middle</b>	50.96	49.58	50.18	51.17	50.99
<b>Upper</b>	31.85	38.64	40.31	37.01	42.56
<b>NA</b>	1.91	0.89	0.00	0.00	0.00
<b>Total</b>	100.00	100.00	100.00	100.00	100.00

The 2000 US Census Median Family Income for the Buffalo-Niagara Falls MSA is \$49,149. This figure is used to determine the income designations of the MSA's census tracts. The 2009 Updated Median Family Income for this MSA is \$63,500. This figure is used to evaluate the income level of borrowers. The Updated Median Family Income is based on information from the Department of Housing and Urban Development (HUD). Approximately 97% of the population of this bank's combined AAs resides in this MSA.

According to the Bureau of Labor Statistics, the New York State unemployment rate for October 2009 was 9.0% and the unemployment rate for the Buffalo-Niagara Falls MSA was 8.3%. Major employers in the area include federal, state, and local governments, local school districts, health care systems, and financial service companies.

Competition from large financial institutions is strong. Competitors include HSBC, M&T Bank, KeyBank, Citizens Bank, and Bank of America.

**Assessment Area II**

Assessment Area II (AII) consists of seven census tracts in Chautauqua and Cattaraugus County and represents 4.27% of the census tracts in the bank's combined AA. This AA contains one low-income, one moderate-income, five middle-income, and no upper-income census tracts. AII has a total population of 20,703, consisting of 5,565 families and 7,813 households. The AA consists of 16.03% low-income families, 19.78% moderate-income families, 24.28% middle-income families, and 39.91% upper-income families. Of the 10,348 total housing units in the AA, 60.17% are owner-occupied, 15.08% are renter-occupied, 13.50% are mobile homes, and 11.04% are vacant. The median housing value is \$64,383, and the median housing age is 60 years.

Selected Characteristics by Income Category					
Geographic Income Category	Census Tracts	Percentage			Owner- Occupied Units
		Population	Families	Households	
<b>Low</b>	14.29	0.11	0.13	0.13	0.16
<b>Moderate</b>	14.29	1.87	1.71	1.78	1.51
<b>Middle</b>	71.43	98.01	98.17	98.09	98.33
<b>Upper</b>	0.00	0.00	0.00	0.00	0.00
<b>NA</b>	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	100.00	100.00	100.00	100.00	100.00

The 2000 US Census Median Family Income for the Non-MSA portions of New York State is \$41,761. This figure is used to determine the income designations of the Non-MSA's census tracts. The 2009 Updated Median Family Income for the Non-MSAs is \$54,900. This figure is used to evaluate the income level of borrowers. The Updated Median Family Income is based on information from the Department of Housing and Urban Development (HUD). Approximately 3% of the population of this bank's combined assessment area resides in AII.

According to the Bureau of Labor Statistics, as of October 2009 the unemployment rates for Chautauqua and Cattaraugus Counties were 7.7% and 8.7%, respectively. In Chautauqua and Cattaraugus Counties, major employers include state and local governments, school districts, and several food processors. Competition from large financial institutions is strong. Competitors include HSBC, M&T Bank, KeyBank, Citizens Bank, and Bank of America.

## Conclusions with Respect to Performance Tests

### LENDING TEST

EB's lending performance is satisfactory. In order to determine the bank's performance under the lending test, we evaluated the average loan-to-deposit ratio, the amount of total loans that were originated inside the AAs, lending to borrowers of different incomes and businesses of different sizes, and the geographic distribution of loans.

#### Loan-to-Deposit Ratio

EB's loan-to-deposit ratio meets the standard for satisfactory performance. EB's average loan-to-deposit ratio for the last 13 quarters is 87.77%. This is consistent with other domestic commercial banks headquartered in Erie County. The average loan-to-deposit ratios for these institutions during the last 13 quarters range from 74.34%-109.65%. The four other banks headquartered in Erie County include three small community banks and one regional bank (M&T). There are no similarly situated institutions headquartered in either of the bank's AAs.

#### Lending in Assessment Area (AA)

EB meets the standard for satisfactory performance for lending in the AA. A majority of the home loans and small business loans originated during the assessment period are in the bank's two AAs.

Loan Type	# in AA	Count %	Amount in AA (in 000s)	Amount %	Total # of Loans	Total Amount of Loans
Home Loans	417	87.06%	\$49,706	79.66%	479	\$62,394
Commercial Loans	407	73.47%	\$68,036	68.27%	554	\$99,653
Total	824	79.77%	\$117,742	72.66%	1033	\$162,047

#### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

EB's record of lending to borrowers of different income levels and businesses of different sizes meets the standard for satisfactory performance. In our assessment of borrower distribution of home mortgage loans, we took into consideration that 8.5% of the households in AAI are living below the poverty level. It is unlikely that a person with income below the poverty level would qualify for a home loan.

The distribution of home loans to low- and moderate-income is good compared to the distribution of family income levels in AAI. Home loans to low-income borrowers represent 5.41% of total loans originated in the AA, which is near to the distribution of low-income families in the area of 14.90% when considering that 8.5% of households

are living below the poverty level. Home loans to moderate-income borrowers represent 17.27% of the number of loans originated, which exceeds the distribution of moderate-income families in the area of 16.41%.

#### **Borrower Distribution of Home Mortgage Loans**

Borrower Income Level	# of Loans	Count %	Amount (in 000s)	Amount %	Income Level of Families
Low	21	5.41%	\$633	1.31%	14.90%
Moderate	67	17.27%	\$3,645	7.55%	16.41%
Middle	103	26.55%	\$6,707	13.89%	22.67%
Upper	163	42.01%	\$21,932	45.42%	46.02%
NA	34	8.76%	\$15,369	31.83%	0.00%
Total	388	100%	\$48,286	100%	100%

The distribution of small business loans to small businesses is good. By count, 72.22% of these loans were to businesses reporting revenues of \$1 million or less, which is near to the percentage of businesses in AAI that reported revenues of \$1 million or less.

#### **Borrower Distribution of Small Business Loans**

Revenues	Count	Count %	Amount (in 000s)	Amount %	Revenue Distribution
<=\$1 million	286	72.22%	\$43,130	64.50%	74.61%
\$1million +	110	27.78%	\$23,741	35.50%	5.88%
Not Reported	0	0.00%	\$0	0.00%	19.52%
Total	396	100%	\$66,871	100%	100%

#### **Geographic Distribution of Loans**

EB's geographic distribution of loans meets the standard for satisfactory performance. In evaluating the performance, we considered the fact that the Elmwood Office in Buffalo was opened in August 2008, which would only include 11 of the 30 months in the evaluation period. This is significant due to the fact that the branch opening added 15 more census tracts to AAI, including three low-income and six moderate-income tracts. The addition of the low- and moderate-income tracts increased both the percentage of owner-occupied housing and businesses located in those tracts. We also gave more weight to the geographic distribution of small business loans due to the fact that they were greater both in number and dollar amount.

The geographic distribution of home mortgage loans in low- and moderate-income census tracts is poor compared to the level of owner-occupied housing in those respective census tracts. The distribution of those loans during the lending period is significantly lower than the percentage of owner-occupied housing in low- and moderate-income tracts before and after the addition of the tracts that occurred with the Elmwood Office opening. Prior to the office opening, 0.56% and 3.87% of the owner-

occupied housing in AAI was located in low- and moderate-income census tracts, respectively.

### Geographic Distribution of Home Mortgage Loans

Census Tract Income Level	# of Loans	Count %	Amount (in 000s)	Amount %	Owner-Occupied Housing
Low	0	0.00%	\$0	0.00%	1.67%
Moderate	5	1.29%	\$718	1.49%	4.77%
Middle	245	63.14%	\$25,170	52.13%	50.99%
Upper	138	35.57%	\$22,398	46.39%	42.56%
NA	0	0.00%	\$0	0.00%	0.00%
Total	388	100%	\$48,286	100%	100%

The geographic distribution of small business loans in low- and moderate-income census tracts is good compared to the number of businesses located in those respective tracts. By count, 1.77% of the small business loans were to businesses located in low-income census tracts, which is somewhat less than the percentage of businesses located in those tracts at 2.68%. However, the distribution actually exceeds the percentage of businesses located in those tracts prior to the Elmwood Office opening at 1.43%. The percentage of small business loans located in moderate-income census tracts at 3.79% is somewhat less than the percentage of businesses at 7.45%, but these loans also exceeded the businesses located in those tracts prior to the Elmwood Office opening at 4.97%.

### Geographic Distribution of Small Business Loans

Tract Designation	# of Loans	Count %	Amount (in 000s)	Amount %	Geographic Distribution of Businesses
Low	7	1.77%	\$920	1.38%	2.68%
Moderate	15	3.79%	\$2,145	3.21%	7.45%
Middle	209	52.77%	\$34,603	51.75%	45.99%
Upper	165	41.67%	\$29,203	43.66%	43.51%
NA	0	0.00%	\$0	0.00%	0.37%
Total	396	100%	\$66,871	100%	100%

### Responses to Complaints

EB has not received any CRA-related consumer complaints during the evaluation period.

### COMMUNITY DEVELOPMENT TEST

Community development performance is rated satisfactory. The bank's community development performance in both AAs demonstrates good responsiveness to the community development needs through qualified lending, investments, and services. The bank's AA has a reasonable level of opportunity for community development activities.

### **Number and Amount of Community Development Loans**

During the evaluation period, EB originated four loans totaling \$2.1 million to three non-profit organizations that are engaged in community development activity. This includes two separate lines of credit at \$1 million each to a corporation engaged in the stabilization, renovation, and strengthening of housing in low- to moderate-income areas in the state of New York. The corporation recently announced a commitment of \$50 million to build and revitalize housing in Buffalo. The lines of credit are both unsecured and are used to provide construction and permanent financing.

A \$75 thousand line of credit for working capital needs was originated for a 501C organization that operates facilities for underprivileged children from the western New York area. Approximately 70-75% of the children serviced are from low- to moderate-income families. The loan is secured with a certificate of deposit.

Finally, an unsecured \$25 thousand line of credit used for working capital needs was originated for a corporation that provides credit counseling and consumer education to individuals and families in EB's AAs. The average income of the clients serviced indicates a majority are low- to moderate-income.

### **Number and Amount of Qualified Investments**

During the evaluation period, EB had approximately \$1 million in qualified investments. This includes a Fannie Mae mortgage-backed security specifically targeting low- and moderate-income borrowers located in the bank's AAs. The investment at origination amounted to \$938 thousand backed by ten mortgages located in AA census tracts. EB also contributed \$36 thousand in interest income from a government agency bond held in trust to an organization designed to reduce crime in housing venues for low- and moderate-income seniors. The contributions specifically sponsored a nursing home facility located in a tract within the bank's AA. EB also provided a capital contribution of \$5 thousand to one of the non-profit organizations mentioned in the community development lending section, and a \$5 thousand investment in an organization that assists low- and moderate-income individuals in becoming first-time home buyers in Western New York.

In addition to the above investments, EB donated \$37 thousand to several organizations providing various services to low- and moderate-income individuals.

### **Extent to Which the Bank Provides Community Development Services**

Bank employees have served the community by providing financial expertise and serving on the Boards of Directors of several organizations that provide assistance to low- and moderate-income individuals and families. During the assessment period, 16 bank employees were involved in 23 organizations that provide community development services. Community development services provided ranged from providing financing to small businesses that create jobs for low- and moderate-income individuals to revitalization and creation of affordable housing. All of these services benefited EB's AAs either directly or indirectly.

## **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.