



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

April 30, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Evans National Bank
Charter Number 11583**

**14-16 North Main Street
Angola, NY 14006**

**Comptroller of the Currency
ADC-Upstate New York (Syracuse)
231 Salina Meadows Parkway, Suite 105
Syracuse, NY 13212**

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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

- The average loan-to-deposit ratio of 68% meets the standards for satisfactory performance based on the bank's financial condition, and assessment area credit needs.
- Evans National Bank meets the standard for satisfactory performance for loans originated within the bank's assessment area.
- Lending performance exceeds the standard for satisfactory performance based on the distribution of credit to borrowers of different income levels and lending to businesses of different sizes.
- Geographic distribution of loan originations meets the standard for satisfactory performance based on the distribution of credit to borrowers and businesses in different geographies (i.e., a census tract or block numbering area).

DESCRIPTION OF INSTITUTION

Evans National Bank (ENB) is a \$289 million community bank headquartered in Angola, New York with eight locations serving Western New York State. ENB is wholly owned by Evans Bancorp, Inc. – a one-bank holding company. As of December 31, 2002, the bank had total assets of \$289 million consisting mainly of \$151 million (52%) in loans and \$114 million (39%) in investments. The bank's deposits total \$240 million. The loan portfolio consists of \$80 million (53%) in commercial real estate loans, \$48 million (32%) in residential real estate loans, \$21 million (14%) in commercial loans, and \$2 million (1%) in consumer loans.

ENB has eight offices serving four assessment areas (AA) in the rural and suburban communities outside the city of Buffalo. All eight offices are located in middle- or upper-income geographies. The first AA (AAI) includes 49 geographies in southern Erie County served by six of the eight offices. Five of the six offices have deposit-taking automated teller machines (ATM's) and drive-up facilities. The second AA (AAII) includes 12 geographies in northeast Chautauqua County served by one office. The third AA (AAIII) includes three geographies in northwestern Cattaraugus County. The bank does not have an office in AAIII. AAIII is included in the bank's overall AA because it connects AAI and AAII. The fourth AA (AAIV) includes 45 geographies served by one office in Amherst. The Amherst office, which opened December 2, 2002, has a deposit taking ATM and a drive-up facility.

ENB does not have any legal, financial or other factors that would impede its ability to help meet the credit needs in its defined assessment area. The AAs meet the requirements of the regulation and do not arbitrarily exclude low- or moderate- income geographies. At the last

CRA examination dated March 15, 1999, ENB demonstrated a satisfactory level of performance meeting the credit needs of the community.

DESCRIPTION OF ASSESSMENT AREA I

Assessment Area I (AAI) consists of 49 geographies located in the Buffalo-Niagara Falls MSA representing approximately 45 percent of the geographies in the bank's combined AA. This AA contains one (1) low-income, five (5) moderate-income, 28 middle-income, and 15 upper-income geographies. AAI has a total population of 208,479 consisting of 56,989 families and 76,021 households. The table below further describes the distribution of the population, families and households based on geographic income categories. The AA consists of 12.4% low-income, 16.9% moderate-income, 26.1% middle-income and 44.6% upper-income families. Of the 79,422 housing units in the AA, 72.2% are owner-occupied, 23.4% are renter-occupied and 4.4% are vacant. The median housing value in the AA is \$75,537 with a median housing age of 33 years.

<i>Selected Characteristics by Income Category of the Geography</i>					
<i>Geographic Income Category</i>	<i>Percentage</i>				
	<i>Geographies</i>	<i>Population</i>	<i>Families</i>	<i>Households</i>	<i>Owner-Occupied Units</i>
<i>Low</i>	2.04	0.90	0.02	0.05	0.01
<i>Moderate</i>	10.20	5.49	5.14	5.93	4.45
<i>Middle</i>	57.14	55.34	55.66	56.41	55.14
<i>Upper</i>	30.61	38.28	39.18	37.61	40.41
<i>Total</i>	100.00	100.00	100.00	100.00	100.00

The 1990 U. S. Census Median Family Income for the Buffalo-Niagara Falls MSA is \$34,831. This figure is used to determine the income designation of the MSA's geographies. The 2002 Updated Median Family Income for this MSA is \$50,800. 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 44 percent of the population of this bank's combined AA resides in this MSA.

The New York State unemployment rate for February 2003 was 6.7%; the Buffalo-Niagara Falls MSA was 6.2%. The unemployment rate for Erie County was 5.9%. Major employers in the area include federal, state, and local governments, local school districts, several health care systems, and two major American auto manufacturers. Competition from other financial institutions is strong from several offices of multi-billion dollar organizations including HSBC, M&T, Key Bank, Charter One, and Fleet. We conducted one community contact who indicated a need for credit to stimulate reinvestment in residential, commercial and community renewal activities.

DESCRIPTION OF ASSESSMENT AREA II

Assessment Area II (AAII) consists of 12 geographies in the Jamestown MSA representing approximately 11 percent of the geographies in the bank's combined AA. This AA contains one (1) moderate-income, nine (9) middle-income, and two (2) upper-income geographies. AAII has a total population of 44,351 consisting of 11,072 families and 16,148 households. The table below further describes the distribution of the population, families and households based on geographic income categories. The AA consists of 19.7% low-income, 18.2% moderate-income, 22.8% middle-income, and 39.3% upper-income families. Of the 18,157 housing units in the AA, 62.6% are owner-occupied, 26.8% are renter-occupied and 10.6% are vacant. The median housing value in the AA is \$49,980 with a median housing age of 43 years.

<i>Selected Characteristics by Income Category of the Geography</i>					
<i>Geographic Income Category</i>	<i>Percentage</i>				
	<i>Geographies</i>	<i>Population</i>	<i>Families</i>	<i>Households</i>	<i>Owner-Occupied Units</i>
Low	0.00	0.00	0.00	0.00	0.00
Moderate	8.33	7.66	8.24	8.74	7.66
Middle	75.00	76.61	80.64	80.12	82.12
Upper	16.67	15.73	11.12	11.15	10.23
Total	100.00	100.00	100.00	100.00	100.00

The 1990 U. S. Census Median Family Income for the Jamestown MSA is \$29,927. This figure is used to determine the income designation of the MSA's geographies. The 2002 Updated Median Family Income for this MSA is \$40,800. 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 10 percent of the population of this bank's combined AA resides in this MSA.

The New York State unemployment rate for February 2003 was 6.7%; the Jamestown MSA was 6.2%. The unemployment rate for Chautauqua County was 6.2%. Major employers include state and local governments, local school districts, and several food processors. Competition from other financial institutions is strong from multi-billion dollar institutions such as HSBC, M&T, Key Bank and Community Bank. Some local institutions including Lake Shore Savings and Loan, and Jamestown Savings Bank serve Chautauqua County.

DESCRIPTION OF ASSESSMENT AREA III

Assessment Area III (AAIII) consists of 3 geographies representing approximately three (3) percent of the geographies in the bank's combined AA. This AA contains one (1) low-income, one (1) moderate-income, and one (1) middle-income geography. AAIII has a total population of 5,058 consisting of 1,277 families and 1,811 households. The table below further describes the distribution of the population, families and households based on geographic income categories. The AA consists of 17.6% low-income, 21.8% moderate-income, 24.3% middle-income, and 36.3% upper-income families. Of the 2,000 housing units in the AA, 65.5% are

owner-occupied, 25.2% are renter-occupied and 9.3% are vacant. The median housing value in the AA is \$44,794 with a median housing age of 49 years.

<i>Selected Characteristics by Income Category of the Geography</i>					
<i>Geographic Income Category</i>	<i>Percentage</i>				
	<i>Geographies</i>	<i>Population</i>	<i>Families</i>	<i>Households</i>	<i>Owner-Occupied Units</i>
<i>Low</i>	33.33	3.95	3.84	3.15	3.28
<i>Moderate</i>	33.33	3.24	3.37	2.82	2.67
<i>Middle</i>	33.33	92.80	92.80	94.04	94.05
<i>Upper</i>	0.00	0.00	0.00	0.00	0.00
<i>Total</i>	100.00	100.00	100.00	100.00	100.00

The 1990 U. S. Census Median Family Income for the Non-MSA portion of New York State is \$31,472. This figure is used to determine the income designation of the MSA’s geographies. The 2002 Updated Median Family Income for this MSA is \$43,600. 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 one (1) percent of the population of this bank’s combined AA resides in this MSA.

The New York State unemployment rate for February 2003 was 6.7%; the unemployment rate for counties outside MSA’s was 6.0%. The unemployment rate for Cattaraugus County was 7.1%. The Cattaraugus County web site indicates tourism in the area is a major industry with over 75% of the county being open forest, woodland and farm country. Many of the counties largest employers are located in Olean, NY in southern Cattaraugus County. Olean, NY is not part of this bank’s assessment area. Approximately nine other institutions with 27 offices serve Cattaraugus County.

DESCRIPTION OF ASSESSMENT AREA IV

Assessment Area IV (AAIV) consists of 45 geographies located in the Buffalo-Niagara Falls MSA representing approximately 41 percent of the geographies in the bank’s combined AA. This AA contains two (2) moderate-income, 22 middle-income, 20 upper-income geographies, and one (1) geography without an income designation. AAIV has a total population of 211,488 consisting of 58,027 families and 81,757 households. The table below further describes the distribution of the population, families and households based on geographic income categories. The AA consists of 10.5% low-income, 15.7% moderate-income, 22.7% middle-income, and 51.1% upper-income families. Of the 84,967 housing units in the AA, 71.4% are owner-occupied, 25.0% are renter-occupied and 3.6% are vacant. The median housing value in the AA is \$88,219 with a median housing age of 33 years.

<i>Selected Characteristics by Income Category of the Geography</i>					
<i>Geographic Income Category</i>	<i>Percentage</i>				
	<i>Geographies</i>	<i>Population</i>	<i>Families</i>	<i>Households</i>	<i>Owner- Occupied Units</i>
<i>Low</i>	0.00	0.00	0.00	0.00	0.00
<i>Moderate</i>	4.44	1.84	1.80	1.84	0.78
<i>Middle</i>	48.89	45.60	46.99	48.21	46.34
<i>Upper</i>	44.44	50.70	51.22	49.96	52.88
<i>\$0/NA Income</i>	2.22	1.85	0.00	0.00	0.00
<i>Total</i>	100.00	100.00	100.00	100.00	100.00

The 1990 U. S. Census Median Family Income for the Buffalo-Niagara Falls MSA is \$34,831. This figure is used to determine the income designation of the MSA's geographies. The 2002 Updated Median Family Income for this MSA is \$50,800. 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 45 percent of the population of this bank's combined AA resides in this MSA.

The New York State unemployment rate for February 2003 was 6.7%; the Buffalo-Niagara Falls MSA was 6.2%. The unemployment rate for Erie County was 5.9%. Major employers in the area include federal, state, and local governments, local school districts, several health care systems, and two major American auto manufacturers. Competition from other financial institutions is strong from several offices of multi-billion dollar organizations including HSBC, M&T, Key Bank, Charter One, and Fleet.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

This evaluation of Evans National Bank's (ENB) performance covers the period from March 15, 1999 through December 31, 2002. The evaluation includes an analysis of the bank's performance lending in AAI and AII. We did not consider the bank's performance in AIII since this area represented a small portion of the combined AA, the fact that the bank does not operate a branch in this AA, and the fact that only a small portion of the bank's outstanding loans are in this AA. We did not consider AIV when evaluating borrower distribution and geographic distribution since this AA was not added until opening the Amherst office in December 2002.

Based on a discussion with management and a review of the new loan reports for 2001 and 2002, we determined the bank's primary products to be residential home purchase and refinance loans, and business loans. Our analysis and conclusions are based on all home purchase loans and refinances located in AAI and AII and listed on the Home Mortgage Disclosure Act – Loan Application Register (HMDA-LAR) from 1999 through 2002. We also summarized data from the bank's internal reports and relied on management reports for the years 1999 through 2002 to formulate our conclusions on the bank's performance in commercial lending. Business loans were weighted more heavily because it was the majority of the bank's loans and originations.

Loan-to-Deposit Ratio

ENB's loan-to-deposit ratio meets the standard for satisfactory performance for similarly situated banks located in their AAs. Since the last CRA examination, ENB has had an average loan-to-deposit ratio of 68%. Similarly situated banks operating in their AAs have loan-to-deposit ratios ranging from 49% to 78%. Most banks within the AAs maintain an average loan-to-deposit ratio between 60% to 70%.

Lending within the Assessment Area

Lending within the AAs meets the standard for satisfactory performance. Overall, 84% of the number and 70% of the amount of loans originated, are in the four AAs. ENB originated 271 home purchase loans totaling \$25,074 thousand. Of the total originated, 230 loans (85%) totaling \$20,480 thousand (82%) were within the bank's four AAs. ENB originated 449 refinances totaling \$26,987 thousand. Of the total originated, 424 loans (94%) totaling \$24,789 thousand (92%) were within the bank's four AAs. A review of the bank's business loan data indicates ENB originated 903 commercial loans (including commercial real estate loans) totaling \$174,863 thousand. Of the total originated, 702 loans (78%) totaling \$114,220 thousand (65%) were within the bank's four AAs.

Lending to Borrowers of Different Incomes and to Business of Different Sizes

ENB's record of lending to borrowers of different incomes and to businesses of different sizes exceeds the standard for satisfactory performance.

AAI - Borrower Distribution

Income Level	Home Purchase Loans				Refinances				Family Distribution
	Count	Cnt/Total	Amount	Amt/Total	Count	Cnt/Total	Amount	Amt/Total	
Low	7	3.52%	302	1.66%	11	2.99%	377	1.70%	12.44%
Moderate	28	14.07%	1374	7.57%	56	15.22%	2118	9.57%	16.86%
Middle	53	26.63%	4098	22.57%	98	26.63%	4643	20.97%	26.08%
Upper	105	52.76%	11643	64.12%	184	50.00%	12772	57.70%	44.62%
NA	6	3.02%	741	4.08%	19	5.16%	2226	10.06%	
Total	199	100.00%	18158	100.00%	368	100.00%	22,136	100.00%	100.00%

The borrower distribution of home purchase and refinances to low-income borrowers in AAI is satisfactory. While home purchase and refinances to low-income borrowers is lower than the distribution of families, this level of penetration is considered reasonable since 6.8% of the families in the AA are living below the poverty level. The borrower distribution of home purchase and refinances to moderate-income borrowers in AAI is satisfactory when compared to the distribution of moderate-income families.

AAII - Borrower Distribution

Income Level	Home Purchase Loans				Refinances				Family Distribution
	Count	Cnt/Total	Amount	Amt/Total	Count	Cnt/Total	Amount	Amt/Total	
Low	0	0.00%	0	0.00%	2	4.26%	45	2.50%	19.72%
Moderate	3	14.29%	91	6.39%	8	17.02%	348	19.30%	18.19%
Middle	4	19.05%	172	12.09%	16	34.04%	539	29.89%	22.83%
Upper	13	61.90%	1044	73.37%	20	42.55%	844	46.81%	39.26%
NA	1	4.76%	116	8.15%	1	2.13%	27	1.50%	
Total	21	100.00%	1423	100.00%	47	100.00%	1803	100.00%	100.00%

The borrower distribution of home purchase and refinances to low-income borrowers in AAI is satisfactory. While home purchase and refinances to low-income borrowers is lower than the distribution of families, this level of penetration is considered reasonable since 15.1% of the families in the AA are living below the poverty level. The borrower distribution of home purchase and refinances to moderate-income borrowers in AAI is satisfactory when compared to the distribution of moderate-income families.

Business Loans

AAI	Count	Cnt/Total	Amount	Amt/Total	2002 Biz Data
Loans with Revenues <=\$1MM	561	98.59%	74733	86.29%	92.51%
Loans with Revenues \$1MM+	8	1.41%	11873	13.71%	7.49%
Total	569	100.00%	86606	100.00%	100.00%

Lending to businesses of different sizes in AAI is excellent with almost 99% of the number and 86% of the amount of loans to businesses with revenues less than \$1 million. In comparison, 92.5% of the businesses (that reported revenues) in the AA had revenues less than \$1 million.

AAII	Count	Cnt/Total	Amount	Amt/Total	2002 Biz Data
Loans with Revenues <=\$1MM	82	98.80%	8970	89.33%	93.14%
Loans with Revenues \$1MM+	1	1.20%	1072	10.67%	6.86%
Total	83	100.00%	10042	100.00%	100.00%

Lending to businesses of different sizes in AAI is excellent with almost 99% of the number and 89% of the amount of loans to businesses with revenues less than \$1 million. In comparison, 93% of the businesses (that reported revenues) in the AA had revenues less than \$1 million.

Geographic Distribution of Loans

ENB's geographic distribution of loans meets the standard for satisfactory performance.

AAI - Geographic Distribution

	Home Purchase Loans				Refinances				Owner-occ Housing
	Count	Cnt/Total	Amount	Amt/Total	Count	Cnt/Total	Amount	Amt/Total	
Low	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0.01%
Moderate	1	0.50%	84	0.46%	0	0.00%	0	0.00%	4.45%
Middle	127	63.82%	9874	54.38%	257	69.84%	13568	61.29%	55.14%
Upper	71	35.68%	8200	45.16%	111	30.16%	8568	38.71%	40.41%
Total	199	100.00%	18158	100.00%	368	100.00%	22136	100.00%	100.00%

The geographic distribution for home purchase and refinances in low-income geographies did not receive a rating since the level of owner-occupied housing in these geographies is very small in comparison to the owner-occupied housing in the AA. The geographic distribution for home purchase loans and refinances in moderate-income geographies is adequate given ENB’s closest branch to four of the five moderate-income geographies is in excess of ten miles. These geographies are serviced by approximately 19 offices of other financial institutions. The fifth moderate-income geography is located on the Seneca Nation’s Cattaraugus Reservation.

AAII – Geographic Distribution

	Home Purchase Loans				Refinances				Owner-occ Housing
	Count	Cnt/Total	Amount	Amt/Total	Count	Cnt/Total	Amount	Amt/Total	
Moderate	0	0.00%	0	0.00%	2	4.26%	45	2.50%	7.66%
Middle	21	100.00%	1423	100.00%	41	87.23%	1500	83.19%	82.12%
Upper	0	0.00%	0	0.00%	4	8.51%	258	14.31%	10.23%
Total	21	100.00%	1423	100.00%	47	100.00%	1803	100.00%	100.00%

The geographic distribution for home purchase loans in moderate-income geographies is less than adequate for home purchases and adequate for refinances. However, ENB’s closest branch to this single geography is in excess of ten miles. This geography is serviced by five offices of other financial institutions. The geographic distribution for refinances in moderate-income geographies is satisfactory.

Business Loans

AAI	# of loans	%	\$ of loans	%	Business Distribution
Low-income geographies	0	0.00%	0	0.00%	0.04%
Moderate-income geographies	23	4.04%	1550	1.79%	3.53%
Middle-income geographies	361	63.44%	68784	79.42%	52.82%
Upper-income geographies	185	32.51%	16272	18.79%	43.61%
Total	569	100.00%	86606	100.00%	100.00%

The geographic distribution for business loans in low-income geographies did not receive a rating since the distribution of businesses in these geographies is very small. The geographic

distribution for business loans in moderate-income geographies is good in comparison to the distribution of businesses in these geographies.

AAII	# of loans	%	\$ of loans	%	Business Distribution
Moderate-income geographies	0	0.00%	0	0.00%	3.51%
Middle-income geographies	70	87.50%	9480	94.40%	87.96%
Upper-income geographies	10	12.50%	563	5.60%	8.53%
Total	80	100.00%	10043	100.00%	100.00%

The geographic distribution for business loans is adequate given ENB's closest branch to this single geography is in excess of ten miles. This geography is serviced by five offices of other financial institutions.

Responses to Complaints

ENB has not received any CRA-related complaints during this evaluation period.

Fair Lending Review

An analysis of public comments and consumer complaint information since the last CRA evaluation was performed according to the OCC's risk-based fair lending approach. Based on its analysis of the information, the OCC determined that a comprehensive fair lending examination would not be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1999.