

Northeastern District
1114 Avenue of the Americas, Suite 3900
New York, New York 10036

PUBLIC DISCLOSURE

March 15, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Evans National Bank of Angola
Charter Number 11583
14-16 North Main Street
Angola, New York 14006**

**Comptroller of the Currency
Syracuse Field Office
231 Salina Meadows Parkway
Suite 105
Syracuse, New York 13212**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Evans National Bank of Angola** prepared by **The Office of the Comptroller of the Currency** the institution's supervisory agency, as of March 15, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

Evans National Bank of Angola (ENB) has satisfactory CRA performance based on the following conclusions:

- ! ENB's average loan to deposit ratio is reasonable in comparison to local and national peer group averages.
- ! ENB originated a substantial majority of loans within its assessment area.
- ! ENB's distribution of loans to borrowers of different incomes and businesses of different sizes is good.
- ! ENB's geographic distribution of loans is reasonable. There are limited lending opportunities in low and moderate-income geographies.

DESCRIPTION OF INSTITUTION

Evans National Bank of Angola is a community bank located in Angola, New York. It is a wholly owned subsidiary of Evans Bancorp, Inc. As of December 31, 1998, total bank assets were \$174 million. Gross loans of \$111 million represented 64% of total assets. The loan portfolio is primarily real estate secured loans, which represent 88% of the loan portfolio. The remainder of the portfolio is commercial loans 9%, individual loans 2%, and agriculture and other loans 1%. According to ENB's 1998 Annual Report, commercial mortgages represent the largest segment of the bank's real estate secured loan portfolio or 48% of the total loan portfolio. This is followed by residential mortgages at 22%. The bank is a highly active home equity lender, with home equity loans representing 14% of total loans.

ENB operates seven banking offices from which it provides a full range of deposit and loan products. The bank opened three branch offices over the three year period since the previous examination. One of the new branch offices opened as recently as February, 1999. ENB did not close any offices. Five of the offices have Automatic Teller Machines (ATMs), and four of the offices have drive-up facilities. The office hours vary by location and are based on customer traffic patterns. All offices are open later on Friday, and three of the offices have Saturday morning hours.

ENB has grown significantly since its last CRA examination. The bank's assets increased 39% from December, 1995 to December, 1998. The largest area of growth has been in real estate secured lending, which has grown by 56% within the same time period. Commercial loans grew by 27%, while loans to individuals decreased by 44%. ENB faces intense competition from mortgage companies, large and regional banks, community banks, and savings banks. There are no legal, financial or other impediments hindering the bank's ability to help meet the credit needs of the community.

DESCRIPTION OF ASSESSMENT AREAS (AA)

ENB's AAs meet the requirements of the CRA regulation and do not arbitrarily exclude low or moderate-income geographies.

The bank has three AAs all located in the western portion of New York State. The AAs, which are contiguous to one another, encompass portions of two MSAs, the Buffalo-Niagara MSA 1280, the Jamestown, NY MSA 3610, as well as a small nonmetropolitan area.

Buffalo-Niagara MSA - The geographies within this MSA account for the majority of the geographies in the bank's combined AA. Thirty-one or 67% of the bank's 46 geographies comprising the bank's combined AA are located in this MSA. All of the geographies are located in the southern portion of Erie County. The largest municipality within Erie County is the City of Buffalo. The bank's AA does not include any geographies located within Buffalo. The AA includes one of the two low-income geographies, and one of the three moderate-income geographies of the combined AA. These each account for 3% of the total geographies in the area. The area also consists of 17 middle income geographies, which account for 55% of total geographies, and 12 upper-income geographies

accounting for 39% of the geographies. The area includes 4,267 low-income families, representing 64% of the 6,675 low-income families in the combined AA. There are 6,169 moderate-income families, representing 73% of the 8,461 moderate-income families in the combined AA.

The 1990 U.S. Census Median Family Income for the MSA is \$34,831. This figure is used to determine the income designation of the MSA's geographies. The 1998 Updated Median Family Income for this MSA is \$44,000. This figure is used to determine the income designation of individuals in this MSA. The Updated Median Family Income is based on information from the Department of Housing and Urban Development (HUD). The majority of the population, 74% or 140,404 of the combined AAs 189,813 population, reside in this MSA. Seventy-four percent, or 3,564 of the 4,708 small businesses operating in the combined AA are located in this AA. The most recent unemployment rate for Erie County is 5.6%, slightly below the New York State rate of 5.7%.

Jamestown MSA - This MSA contains 12 or 26% of the 46 geographies comprising the bank's combined AA. All of the geographies are located in the northern portion of Chautauqua County. The largest municipality within Chautauqua County is the City of Jamestown. The bank's AA does not include any geographies located within Jamestown. There are no low-income geographies located within this AA. There is one moderate-income geography, which accounts for 8% of total geographies in the area. There are nine middle-income geographies, accounting for 75% of the area geographies. The balance, or 17% of the geographies are upper-income. The area includes 2,183 low-income families, representing 33% of the low-income families in the combined AA. There are 2,014 moderate-income families, representing 24% of the moderate-income families in the combined AA.

The 1990 U.S. Census Median Family Income for the MSA is \$29,926. The Updated Median Family Income is \$36,300. Twenty three percent or 44,351 of the combined AA's population reside in this AA. Twenty-two percent, or 1,029 of the small businesses in the combined AA are located in this AA. The most recent unemployment rate in this MSA is 6.0%, slightly above the New York State rate of 5.7%.

Cattaraugus AA - This AA consists of only three geographies located in the northwest portion of Cattaraugus County, a nonmetropolitan area of New York State. The area which accounts for only 7% of the combined AA's 46 geographies, includes one of the two low-income geographies, and one of the three moderate-income geographies. The remaining geography is a middle-income geography. The low and moderate-income geographies are both part of the Cattaraugus Indian Reservation. The area includes 225 low-income families, representing 3% of the low-income families in the combined AA. There are 278 moderate-income families, representing 3% of the moderate-income families in the combined AA.

The 1990 U.S. Census Median Family Income for the nonmetropolitan area of New York State is \$31,473. The Updated Median Family Income is \$37,700. Three percent or 5,058 of the combined AAs population reside in this AA. Two percent, or 115 of the small businesses located in the combined AA are located in this AA. The most recent unemployment rate for Cattaraugus County is 8.4%, significantly higher than the New York State rate of 5.7%.

The main employers located within the combined AA include local school districts, local municipal government, The State University College at Fredonia, Niagara Mohawk Power Company, and the New Era Cap Company. Both Ford Motor Company and General Motors Company have plants located outside the combined AA, but nearby enough to employ residents of the combined AA.

A community contact verified that home mortgage and small business loans are important credit needs in the AA. The contact has not heard of any creditworthy parties having difficulty obtaining credit but also indicated that some bankers have stated they cannot find enough business customers to lend to.

The economic conditions in the area vary by county. Erie and Chautauqua County have a much lower rate of unemployment than Cattaraugus County. There is a shortage of qualified labor at all skill levels, including entry level, in a good portion of the bank's combined AA.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The examination time period covers the calendar years 1996, 1997, and 1998. ENB's **loan to deposit ratio** is slightly higher than its national peer group. Its average loan to deposit ratio was nearly double one of its similarly situated peers, and significantly less than another similarly situated peer. ENB's average loan to deposit ratio for the twelve quarters from March 31, 1996, through December 31, 1998, was 72%. The twelve quarter average for ENB's national peer group was 70%. The average for one similarly situated lender was 37%, and the other was 81%. ENB's ratio has not varied significantly over the three-year period. The ratio has been between 70-75% each quarter except for the first two quarters of 1996 when it was in the mid-sixties. The bank sold about 50% of its residential mortgage loans in the secondary market during the examination period.

ENB originated a **substantial majority of loans within its AA**. Overall the bank originated 86% of its small business and HMDA loans in the AA. The ratio of loan dollars within the AA were somewhat less than the number of loans due to some larger dollar participation loans and multifamily dwelling loans made outside the AA. For example, eighty-eight percent of the loan dollars, or \$5.5 million of ENB's multifamily dwelling loans were made outside the AA.

There were 19 HMDA loans for \$6.7 million not geocoded by the bank. Management believes these loans were largely made in its Cattaraugus AA. Small banks such as ENB are not required to provide geographic data on loans made in nonmetropolitan areas where the bank does not have a branch office. These loans are included in the total loans section of the table below, but would not be included in the loans made within the AA or in the borrower or geographic distribution analyses that appear later in this report.

Within the AA, refinance loans represented the HMDA product with the largest number of loans, accounting for 58% of HMDA activity. Home improvement loans accounted for 27% of activity, followed by home purchase loans at 14%, and multifamily loans at only 1%.

ENB ranked third for HMDA market share in 1996 and fifth in 1997 demonstrating a high volume of loan activity within the bank's AA. The financial institutions that outranked the bank were all much larger banks and mortgage company subsidiaries of large banks. ENB outranked several larger financial institutions.

All further discussions of lending performance in this report concern ENB's activity within its AA only.

Ratio of Loans Originated Inside the AA - January 1, 1996-December 31, 1998			
	HMDA	Small Business	Total
Number			
Number of loans inside the AA	772	499	1,271
Total number of Loans	858	614	1,472
% of Loans Inside/Total # of Loans	90	81	86
Dollars (in 000's)			
\$ of Loans Inside the AA	31,836	36,898	68,734
Total \$ of Loans	44,341	54,998	99,339
% of Loans Inside/Total \$ of Loans	72	67	69

ENB's lending to borrowers of different incomes and businesses of different sizes is good.

The table below shows the distribution of the bank's small business loans based on three monetary categories. Nearly all, or 99% of the bank's commercial loans originated during the examination period were small business loans, i.e., loans for \$1 million or less. The majority of the loans (74%) were for a dollar size less than \$100,000, the loan dollar size believed to be most beneficial to small businesses. The vast majority, or 94% of the bank's small business loans originated by the bank during the examination period were made to small size businesses.

Distribution of Small Business Loans by Dollar Size	
Dollar Loan Size	% of loans
<\$100,000	74
\$100,000-<\$250,000	25
\$250,000-\$1,000,000	1
Total	100

The table below shows the distribution of HMDA loans based on borrower income level, compared to the average distribution of all lenders in the market during 1996 and 1997 and the distribution of families by income level. ENB's distribution was slightly ahead of the average lender in the 1996/1997 time period for both low and moderate-income borrowers. ENB's distribution rates declined slightly in 1998, but are still good compared to the 1996/1997 average lender rates.

Borrower Distribution of HMDA Loans Originations Average Lender Distribution Compared to ENB Distribution				
Income Level of Families	% Families by Income Level	% Distribution of Average Lender 1996 & 1997	% ENB Loans 1996 & 1997	% ENB Loans 1998
Low	13	4	5	3
Moderate	17	15	16	15
Middle	26	32	30	28
Upper	45	49	49	54
Total	100*	100	100	100

* not equal to 100% due to rounding

The following table shows the distribution for each of the three HMDA loan products, i.e., home purchase, home improvement and refinance loans, compared to the distribution of the average lender. ENB either equaled or outperformed the average lender in all loan categories except home purchase lending to low-income individuals.

Percentage Distribution of HMDA Loans to Low and Moderate Income Borrowers Average Lender vs. ENB for 1996 & 1997			
Income Level of Borrower	Home Purchase Average Lender/ENB	Home Improvement Average Lender/ENB	Refinance Average Lender/ENB
Low	3/1	8/9	3/3
Moderate	15/16	16/19	14/14

In 1998, ENB made no home purchase loans to low-income borrowers, while realizing a 15% distribution to moderate-income borrowers. The percentage of home improvement and refinance loans to low-income borrowers also dropped from 1996/1997 levels, with home improvement loans at 6% and refinance loans at 2%. Home improvement loans to moderate-income borrowers increased significantly to 29%, while refinance loans to moderate-income borrowers declined to 10%.

ENB's **geographic distribution** of HMDA loans is reasonable compared to the average lender distribution and the distribution of owner occupied housing in the AA. The table below shows minimal lending activity in low-income geographies. Only one HMDA loan was made in a low-income geography by any lender during the 1996/1997 time period. There are only 52 owner occupied housing units in low-income geographies, representing .1% of the owner occupied housing stock in the AA. ENB made two loans in moderate-income geographies during the 1996/1997 time period, representing less than .5% of its HMDA loans. The average lender made 1% of its loans in moderate-income geographies during this time period. Moderate-income geographies account for 3% of the geographies in the AA. There is no separate analysis of the geographic distribution of the 3 HMDA products, due to minimal lending activity in these areas.

Geographic Distribution of HMDA Loans Average Lender Distribution Compared to ENB Distribution					
Income Level of the Geography	% of geographies in the AA	% Owner Occupied Housing	% Distribution of Average Lender 1996 & 1997	% ENB Loans 1996 & 1997	% ENB Loans 1998
Low	4	0*	0*	0	0
Moderate	7	3	1	0*	0*
Middle	59	63	61	82	83
Upper	30	34	37	18	17
Total	100	100	99**	100	100

*less than 1/2%, ** less than 100% due to rounding

The **geographic distribution of small business loans** is reasonable in relation to the distribution of small businesses and geographies in the AA. There is only one business located in a low-income geography within the AA. There are 59 small businesses located in the moderate-income geographies, representing only 1% of the small businesses located in the AA. ENB did make one loan in a moderate-income geography, but this represented less than one half percent of total loans.

Geographic Distribution of Small Business Loans 1996-1998		
Income Level of the Geography	% Small Businesses	Distribution of Small Business Loans
Low	0*	0
Moderate	1	0*
Middle	60	72
Upper	39	28
Total	100	100

* less than 1/2%

ENB has not received any **consumer complaints** since the last CRA exam.

Fair Lending

There were no violations of the antidiscrimination laws and regulations discovered in our concurrent fair lending examination.

Buffalo-Niagara MSA 1280

ENB's performance in this MSA is consistent with the bank's overall performance. There were no notable differences in the borrower and geographic distribution of the bank's lending activities between this AA and the bank's combined AA. The bank does the vast majority of its lending within the portion of its AA contained in this MSA. During the examination period, ENB made 89% of its HMDA loans and 87% of its small business loans in this area. This is a reasonable portion of the bank's lending activity given that five of the six (83%) branch offices operating in 1998 were located in this area. The bank's seventh office, which opened in February 1999, is also located in this MSA. ENB conducts most of its business activity through its branch offices.

Jamestown NY MSA 3610

ENB's performance in this MSA is consistent with the bank's overall performance. There were no notable differences in the borrower and geographic distribution of the bank's lending activities between this AA and the bank's combined AA. The bank made 11% of its HMDA loans, and 13% of its small business loans within the portion of its AA contained in this MSA. This is reasonable given that only one of the six branch offices, or 16% of total branch offices operating in 1998 were located in this area. ENB conducts most of its business activity through its branch offices.