



PUBLIC DISCLOSURE

May 06, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Evans Bank, National Association
Charter Number 11583

8599 Erie Road
Angola, NY 14006

Office of the Comptroller of the Currency

5000 Brittonfield Parkway Suite 102B, East Syracuse, NY 13057

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: Outstanding.

The primary factors supporting the overall rating are:

- The bank had a more than reasonable average loan-to-deposit ratio during the evaluation period when compared to other similarly situated institutions.
- A majority of all home mortgage and small business loans originated are within the bank's assessment areas (AA).
- The bank had a reasonable penetration of loans to borrowers of different income levels and businesses of different sizes within the AAs.
- The bank had an excellent dispersion of loans among census tracts of different income levels within the AAs.
- The bank's community development performance demonstrates excellent responsiveness to the community development needs through qualified lending, investments, and services.

Scope of Examination

The evaluation period covers the time period from November 9, 2009, through May 5, 2013. With the exception of the loan-to-deposit ratio, we only evaluated loans originated between January 1, 2010, and December 31, 2011. This review period is representative of the entire evaluation period. For community development activities, the evaluation period was from November 9, 2009, the date of the last examination, through May 5, 2013, the date of the current examination.

EB has defined two AAs for the purposes of CRA. The first AA (AAI) consists of 147 census tracts in Erie County and 10 census tracts in Niagara County, which are within the Buffalo-Niagara Falls Metropolitan Statistical Area (MSA #15380). The second AA (AAII) consists of five census tracts in Chautauqua County and two census tracts in Cattaraugus County. Please refer to the Description of the Assessment Area section for the definition of the bank's two AAs.

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 home mortgage loans as reported on the Home Mortgage Disclosure Act Loan Application Register (HMDA-LAR) and small business loans. All of the home loans and small business loans originated during the period mentioned above 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 housing

units and population, and 96% of the evaluated loans were inside this AA. A brief review of home loans and small business loans in AAll indicate performance similar to the bank's performance in AAI. AAI also contains 23 low- and moderate-income census tracts compared to the two located in AAll.

Description of Institution

EB is a \$776 million community bank headquartered in Angola, New York (NY), 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, with 12 in Erie County and one in Chautauqua County. The majority of the offices are located in rural or suburban communities. During the evaluation period, EB opened one new branch in Williamsville, NY on October 15, 2012, and closed one branch in Angola, NY on March 1, 2013.

As of December 31, 2012, EB had \$573 million in net loans (71.68% of total assets) and \$683 million in total deposits. Commercial real estate loans totaled \$308 million (52.98% of total loans), other commercial loans totaled \$91 million (15.53% of total loans), construction and development loans totaled \$33 million (5.67% of total loans), and residential real estate loans totaled \$131 million (22.58% of total loans). Loans to individuals totaled \$1.5 million and represent 0.28% 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. At the last CRA evaluation dated November 9, 2009, EB received a rating of "Satisfactory" CRA performance.

We contacted an organization representing a group of local experts and stakeholders formed to develop long-term strategic plans for economic growth in the Western NY region. The contact indicated the region faces a number of challenges, including population loss, an aging population, high commercial vacancy rates in urban centers, growing housing vacancies, an aging infrastructure, and high unemployment and poverty rates. Jobs in the manufacturing industry, once an economic driver, have steadily declined. The contact mentioned a number of credit and community development needs. These needs included more safe and decent affordable housing options, better employment training, improved public safety, infrastructure improvement to encourage business investment, funding to help demolish vacant and abandoned buildings, funding for weatherization of older properties, and improved transportation options. The organization was recently awarded significant funding to help foster economic development and job growth in the region. The projects initiated by this funding provide opportunities for bank participation. Financial institutions in the area, including EB, take part in a linked deposit program to provide reduced-rate financing for projects to improve the competitiveness of local firms.

Description of Assessment Areas

EB has defined two AAs for the purposes of CRA. The first AA (AAI) consists of 147 census tracts in Erie County and 10 census tracts in Niagara County, which are within the Buffalo-Niagara Falls Metropolitan Statistical Area (MSA #15380). The second AA (AAIL) consists of five census tracts in Chautauqua County and two census tracts in Cattaraugus County. Neither Chautauqua nor Cattaraugus Counties are located within an MSA. The bank's two AAs meet all regulatory guidelines and do not arbitrarily exclude any low- or moderate-income areas. The combined AAs reflect the portion of the Counties the bank can reasonably be expected to serve given the bank's size and branch network.

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, 17 moderate-income, 80 middle-income, and 50 upper-income census tracts. Four census tracts did not have income data available. AAI has a total population of 676,274, consisting of 177,343 families and 269,340 households. The AA consists of 14.79% low-income families, 16.45% moderate-income families, 22.73% middle-income families, and 46.02% upper-income families. Of the 285,569 housing units in AAI, 66.18% are owner-occupied, 28.15% are renter-occupied, and 5.67% are vacant. The median housing value in the AA is \$98,545, and the median housing age is 56 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>
Low	3.82	3.78	3.36	3.77	1.68
Moderate	10.83	6.65	5.91	7.40	4.55
Middle	50.96	49.68	50.14	51.39	50.94
Upper	31.85	38.99	40.58	37.44	42.82
NA	2.55	0.90	0.00	0.00	0.00
Total	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 2011 Updated Median Family Income for this MSA is \$65,300. 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).

According to the Bureau of Labor Statistics, the New York State unemployment rate for March 2013 was 8.2%, 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, grocery stores and financial service companies. Competition from large financial institutions is strong. Competitors include HSBC, M&T Bank, KeyBank, RBS Citizens Bank, First Niagara, 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 8,928 total housing units in the AA, 69.74% are owner-occupied, 17.47% are renter-occupied, 12.79% are vacant. The median housing value is \$64,383, and the median housing age is 64 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>
Low	14.29	0.11	0.13	0.13	0.16
Moderate	14.29	1.87	1.71	1.78	1.51
Middle	71.43	98.01	98.17	98.09	98.33
Upper	0.00	0.00	0.00	0.00	0.00
NA	0.00	0.00	0.00	0.00	0.00
Total	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. The 2011 Updated Median Family Income for the Non-MSAs is \$56,100. Approximately 3% of the population of this bank's combined AA resides in AII.

According to the Bureau of Labor Statistics, as of March 2013, the unemployment rates for Chautauqua and Cattaraugus Counties were 8.8% and 9.3%, respectively. In Chautauqua and Cattaraugus Counties, major employers include state and local governments, school districts, health care systems, and defense contractors. Competition from large financial institutions is strong. Competitors include HSBC, M&T Bank, KeyBank, and RBS Citizens Bank.

Conclusions with Respect to Performance Tests

The bank's overall CRA performance is satisfactory. Performance with regard to individual lending tests was satisfactory in all cases. Additionally, the bank demonstrated excellent responsiveness to the community development needs through qualified lending, investments, and services.

LENDING TEST

The bank's lending performance is satisfactory. In order to determine the bank's performance under the lending test, we evaluated its average loan-to-deposit ratio, the percentage of loans 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

The bank's average loan-to-deposit ratio during the evaluation period was more than reasonable. The average quarterly loan-to-deposit ratio since the last CRA examination through December 31, 2012, was 91.09%. In comparison, four similarly situated institutions had average quarterly loan-to-deposit ratios ranging from 70.67% to 77.90% during the same time period. The institutions used for comparison either competed directly with EB or in similar markets.

Lending in Assessment Areas

A majority of home mortgage and small business loans originated during the evaluation period were inside the bank's AAs. By count, 76.49% of the home mortgage and small business loans were originated to borrowers within the bank's two AAs. Refer to the table below.

Lending in the Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage	412	80.94	97	19.06	509	72,188	61.63	44,944	38.37	117,132
Small Business	460	72.90	171	27.10	631	73,629	63.25	42,787	36.75	116,416
Totals	872	76.49	268	23.51	1,140	145,817	62.44	87,731	37.56	233,548

Source: Data reported under HMDA during January 1, 2010 through December 31, 2011

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

The bank had a reasonable penetration of loans to borrowers of different income levels and businesses of different sizes during the evaluation period. By count, the percentage of home mortgage loans to low-income borrowers at 5.58% was reasonable when compared to the percentage of low-income families within the AA at 14.79%. In determining the reasonableness of the penetration, we considered the fact that 8.40% of the households in the area were below the poverty level and unlikely to qualify for a

home mortgage loan. By count, the percentage of home mortgage loans to moderate-income borrowers at 12.94% was near the percentage of moderate-income families within the AA at 16.45%. The bank did not have income information available on 10.66% of the home mortgage borrowers. Refer to the table below.

Borrower Distribution of Residential Real Estate Loans in AAI								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
	14.79	5.58	16.45	12.94	22.73	20.05	46.02	50.76

Source: Data reported under HMDA; 2000 U.S. Census data.

By count, 58.20% of the bank's small business loans were to businesses reporting revenues of \$1 million or less, which is near the percentage of businesses in the AA reporting revenues of \$1 million or less at 64.80%. Refer to the table below.

Borrower Distribution of Loans to Businesses in AAI				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	64.80	4.07	31.13	100%
% of Bank Loans in AA by #	58.20	41.80	0.00	100%

Source: Small business loans originated between January 1, 2010 and December 31, 2011; Dun and Bradstreet data.

Geographic Distribution of Loans

The geographic dispersion of home mortgages during the evaluation period was excellent. By count, 1.78% of home mortgages were originated within low-income census tracts. This exceeds the percentage of owner-occupied houses located in those tracts at 1.68%. By count, 4.82% of the home mortgages were originated within moderate-income census tracts. This also exceeds the percentage of owner-occupied houses within those tracts at 4.55%. Refer to the table below.

Geographic Distribution of Residential Real Estate Loans in AAI								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
	1.68	1.78	4.55	4.82	50.94	43.91	42.82	49.49

Source: Data reported under HMDA; 2000 U.S. Census data.

The geographic dispersion of small business loans during the evaluation period was excellent. By count, 3.15% of the small business loans were originated within low-income census tracts. This exceeds the percentage of businesses located within those tracts at 2.50%. By count, 5.39% of the small business loans were originated within moderate-income tracts. This was near the percentage of businesses located within those tracts at 5.43%. Refer to the table below.

Geographic Distribution of Loans to Businesses in AAI								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
	2.50	3.15	5.43	5.39	46.93	56.18	44.74	35.28

Source: Small business loans originated between January 1, 2010 and December 31, 2011; 2000 U.S. Census data.

Responses to Complaints

The bank did not receive any CRA-related complaints during the evaluation period.

COMMUNITY DEVELOPMENT TEST

Community development performance is rated outstanding. The bank's community development performance in both AAs demonstrates excellent responsiveness to the community development needs through qualified lending, investments, and services.

Number and Amount of Community Development Loans

During the evaluation period, the bank originated or renewed the following:

- Loans totaling \$5.6 million to a non-profit organization engaged in community development activity through the revitalization of low- and moderate-income communities. The lines of credit are unsecured and used to provide construction and permanent financing.
- A \$2.4 million loan to a small-sized business to renovate a vacant building to be used as a mixed-use facility. The project is located in a moderate-income census tract within the bank's AA and helps to revitalize and stabilize the census tract.
- Loans totaling \$700 thousand to a non-profit business development corporation benefiting small businesses which are creating jobs within the bank's AAs.

- Loans totaling \$300 thousand for working capital needs for a non-profit organization that operates facilities for underprivileged lower-income children from the western NY area, including the bank's AAs. A vast majority of the children serviced are from low- to moderate-income families.
- Loans totaling \$225 thousand for working capital needs 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.
- A loan totaling \$50 thousand to a non-profit organization that provides foster care services operating throughout Erie County and serves primarily low- and moderate-income families.
- Loans totaling \$45 thousand used to fund timing differences between expenses and grants for a non-profit organization providing housing services to low- and moderate-income individuals in Erie County.

Number and Amount of Qualified Investments

During the evaluation period, the bank had approximately \$2.5 million in qualified investments. This includes a FNMA mortgage-backed security from the prior evaluation period and a GNMA mortgage-backed security from the current evaluation period specifically targeting low- and moderate-income borrowers located in the bank's AAs. The book value of the FNMA security at the time of this evaluation amounted to \$170 thousand. The GNMA security at origination had \$1.5 million backed by mortgages to low- and moderate-income individuals within the bank's AAs. The bank also invested \$800 thousand during the current evaluation period in a Small Business Investment Company (SBIC) that funds multiple businesses located within the bank's AA.

The bank contributed \$44 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.

In addition to the above investments, the bank donated \$47 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 evaluation period, twelve bank employees were involved in fourteen organizations that provide community

development services. Community development services were provided to low- and moderate-income individuals and small business development within areas in need of revitalization. All of these services benefited the bank's AAs either directly or indirectly.

In addition to services provided by employees, the bank collaborated with two organizations providing financial literacy services to low- and moderate-income individuals. The bank's involvement in the partnerships ranged from providing branch locations for counseling to providing incentives for individuals to seek the assistance.

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.