



## **PUBLIC DISCLOSURE**

November 14, 2016

### **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 (CD) performance demonstrates excellent responsiveness to the CD needs of its AAs through qualified lending, investments, and services.

## **Scope of Evaluation**

The evaluation period covers the time period from May 6, 2013 through November 13, 2016. The Lending Test portion of the evaluation, with the exception of the loan-to-deposit ratio, was based on an evaluation of loans originated between January 1, 2014 and December 31, 2015. This two year period is considered representative of the entire evaluation period, since the bank's business strategy did not change significantly during this time. For CD activities, the evaluation period was from May 6, 2013, the date of the last evaluation, through November 13, 2016, the day before the start of the current evaluation period.

Evans Bank (EB) has defined two AAs for the CRA. The first AA (AAI) consists of 164 census tracts in Erie County and 11 census tracts in Niagara County, which are within the Buffalo-Niagara Falls Metropolitan Statistical Area (MSA #15380). The second AA (AAII) consists of four census tracts in Chautauqua County and two census tracts in Cattaraugus County. Refer to the Description of the Assessment Areas section for a description of the bank's two AAs. EB expanded AAI in 2016 to include the entire Buffalo-Niagara Falls MSA. The AA expansion was primarily due the opening of a new branch in Niagara County in May 2016. The new AA will be used in the bank's next CRA evaluation.

An evaluation of the bank's lending data and discussions with bank management

indicated EB's 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. We focused our evaluation on AAI, as it represented 98 percent of EB's inside AA lending and 97 percent of the combined AA census tracts. AAI contains 31 low- and moderate-income census tracts compared to none located in AAll. A brief review of lending activity in AAll indicates performance similar to the bank's performance in AAI.

## **Description of Institution**

EB is an intrastate community bank with \$1.075 billion in assets, as of September 30, 2016. The bank is 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 the NASDAQ under the symbol EVBN. EB has 14 offices, with 12 in Erie County, one in Niagara County, and one in Chautauqua County. The majority of the offices are located in rural or suburban communities. As of December 31, 2015, EB had \$761 million in net loans (81.48 percent of total assets) and \$808 million in total deposits. The loan portfolio was comprised of 83 percent real estate loans, 16 percent commercial loans, and one percent individual loans and other loans and leases.

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 May 6, 2013, EB received a CRA rating of "Satisfactory".

We had a community contact with an organization involved in economic development that encompasses the bank's two AAs. The contact indicated that while the region continues to face a number of challenges, many improvements have occurred in the last three years. The improvements include having more young people locating in or opting to stay in the area, commercial vacancy rates in urban centers that have improved greatly, and a much lower unemployment rate. The contact mentioned credit and CD needs for 1-4 family home construction on vacant lots in the City of Buffalo, rehabilitation/home improvement loans for individual homeowners, and loans to small and new developers who are seeking to develop mixed use properties. 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**

As mentioned earlier, EB has defined two AAs for the purposes of the CRA. AAI consists of 164 census tracts in Erie County and 11 census tracts in Niagara County, which are within the Buffalo-Niagara Falls MSA. AAll consists of four census tracts in Chautauqua County and two census tracts in Cattaraugus County, and neither county is

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 during the evaluation period.

**Assessment Area I**

AAI represents 96.69 percent of the census tracts in the bank's combined AA. This AA contains nine low-income, 22 moderate-income, 84 middle-income, and 57 upper-income census tracts. Three census tracts did not have income data available. AAI has a total population of 721,779, consisting of 184,432 families and 296,540 households. The AA consists of 16.49 percent low-income families, 16.76 percent moderate-income families, 21.34 percent middle-income families, and 45.41 percent upper-income families. Of the 318,371 housing units in AAI, 65.87 percent are owner-occupied, 27.27 percent are renter-occupied, and 6.86 percent are vacant. The median housing value in the AA is \$131,125, and the median housing age is 66 years.

Selected Characteristics by Income Category					
Percentage					
Geographic Income Category	Census Tracts	Population	Families	Households	Owner- Occupied Units
<b>Low</b>	5.14	4.75	4.00	4.69	1.89
<b>Moderate</b>	12.57	10.19	9.74	11.46	8.69
<b>Middle</b>	48.00	41.27	41.75	43.68	43.55
<b>Upper</b>	32.57	42.41	44.51	40.17	45.86
<b>NA</b>	1.72	1.38	0.00	0.00	0.00
<b>Total</b>	100.00	100.00	100.00	100.00	100.00

The 2010 US Census Median Family Income for the Buffalo-Niagara Falls MSA is \$62,530. This figure is used to determine the income designations of the MSA's census tracts. The 2015 Updated Median Family Income for this MSA is \$69,000. This figure is used to evaluate the income level of borrowers. The Updated Median Family Income is based on information from the Federal Financial Institutions Council (FFEIC).

According to the New York State Department of Labor, the New York State and Buffalo-Niagara MSA unemployment rates were each 4.9 percent in October 2016. Major employers in the area include state, federal and local government, Kaleida Health, Catholic Health System, Tops Market, M&T Bank, and the Seneca Gaming Company. Competition in AAI is strong. Competitors include much larger multinational and regional banks, community banks, mortgage companies, and credit unions.

**Assessment Area II**

AAII consists of six census tracts in Chautauqua and Cattaraugus Counties and represents 3.31 percent of the census tracts in the bank's combined AA. This AA contains five middle-income census tracts and one upper-income census tract. AAII has a total population of 19,572, consisting of 5,377 families and 7,835 households.

The AA consists of 17.82 percent low-income families, 18.65 percent moderate-income families, 21.61 percent middle-income families, and 41.92 percent upper-income families. Of the 9,034 total housing units in AAll, 70.85 are owner-occupied, 15.87 percent are renter-occupied, and 13.27 percent are vacant. The median housing value is \$86,251, and the median housing age is 60 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>	0.00	0.00	0.00	0.00	0.00	0.00
<b>Moderate</b>	0.00	0.00	0.00	0.00	0.00	0.00
<b>Middle</b>	83.33	86.34	84.82	85.90	84.64	
<b>Upper</b>	16.67	13.66	15.18	14.10	15.36	
<b>NA</b>	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	100.00	100.00	100.00	100.00	100.00	100.00

The 2010 US Census Median Family Income for the Non-MSA portions of New York State is \$54,386. The 2015 Updated Median Family Income for the AA is \$60,000.

According to the New York State Department of Labor, the unemployment rates for Chautauqua and Cattaraugus Counties were 5.6 percent and 5.4 percent, respectively, higher than the state average of 4.9 percent. The two counties were among the counties with the highest rates in the state. Major employers in Cattaraugus County include the Seneca Nation of Indians, Seneca Allegany Casino and Hotel, Dresser Rand, Alcas Corporation, and Olean General Hospital. Major employers in Chautauqua County include Bush Industries, Cummins Inc., Nestle Purina Petcare Company, and National Grape Cooperative Association, Inc., (NGCA) which is a grape growers cooperative. NGCA’s members are located in the United States and Canada. The region south of Buffalo along Lake Erie has a large concentration of Concord grape growers. NGCA owns Welch’s Foods Inc., a consumer products company that produces and markets Concord grape products. EB’s competition in AAll includes larger banks, community banks, mortgage companies, and credit unions.

## Conclusions with Respect to Performance Tests

EB’s overall CRA performance is satisfactory. Overall lending performance was satisfactory and CD performance was outstanding.

### 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 evaluation through September 30, 2016 was 91.04 percent. In comparison, five similarly situated institutions had average quarterly loan-to-deposit ratios ranging from 71.76 percent to 93.98 percent, with an average of 81.30 percent during the same time period. The institutions used for comparison either compete directly with EB or in similar markets.

## Lending in Assessment Area

A majority of home mortgage and small business loans originated during the evaluation period were inside the bank's AAs. By count, 79.27 percent of the home mortgage and small business loans were originated to borrowers within the bank's two AAs. Refer to the table below for details.

Lending in the Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage	575	81.44	131	18.56	706	121,682	73.43	44,023	26.57	165,705
Small Business	724	77.60	209	22.40	933	98,515	69.89	42,446	30.11	140,961
Totals	1,299	79.27	340	20.73	1,639	220,197	71.80	86,469	28.20	306,666

Sources: Home mortgage information from data reported under HMDA during January 1, 2014 through December 31, 2015. Small business information originated by EB from January 1, 2014 through December 31, 2015, per bank loan records and reports.

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

EB had a reasonable penetration of loans to borrowers of different income levels and businesses of different sizes during the evaluation period. The portion of home mortgage loans made to low-income borrowers was near to and to moderate-income borrowers exceeded the portion of families defined as such in the AA. In determining the reasonableness of the penetration, we considered the fact that 10.24 percent of the households in the area were below the poverty level and unlikely to qualify for a home mortgage loan. The portion of small business loans made to small size businesses was somewhat lower than the percentage of small size businesses located in the AA. There was a fairly large percentage of businesses (17.79 percent) with unknown or unavailable revenues. Refer to the following tables for details.

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
	16.49	11.31	16.76	27.74	21.34	17.14	45.41	32.69

Source: Data reported under HMDA; 2010 U.S. Census data.

Borrower Distribution of Loans to Businesses in AAI				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	75.64	6.57	17.79	100%
% of Bank Loans in AA by #	60.42	39.58	0.00	100%

Source: Small business loans originated between January 1, 2014 and December 31, 2015, per bank loans records and reports; Dun and Bradstreet market data.

### Geographic Distribution of Loans

EB's geographic dispersion of home mortgage loans and small business loans was excellent. The percentage of EB's home mortgage loans made in low- and moderate-income census tracts exceeded the percentage of owner-occupied housing in those census tracts. The percentage of small business loans made in low- and moderate-income census tracts exceeded the percentage of businesses located in those census tracts. Refer to the tables below for details.

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
	1.89	6.36	8.69	12.19	43.55	40.99	45.86	40.46

Source: Data reported under HMDA; 2010 U.S. Census data.

Geographic Distribution of Loans to Businesses in AAI								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
	4.20	5.34	9.26	10.41	39.77	41.49	46.28	42.76

Source: Small business loans originated between January 1, 2014 and December 31, 2015; 2010 U.S. Census data—0.48% of AA businesses are located in census tracts not classified for income.



## **Responses to Complaints**

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

## **COMMUNITY DEVELOPMENT TEST**

EB's CD performance is rated outstanding. The bank's CD performance in both AAs represented excellent responsiveness to the CD needs of the AAs. The bank primarily meets the AA's CD needs through the making of CD loans.

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

The bank made 28 qualified CD loans for \$19.2 million during the evaluation period. The majority of the loans supported affordable housing for people of low- and moderate-income and the revitalization and stabilization of low- and moderate-income census tracts. The remainder of the loans supported community services targeted to people of low- and moderate-income and economic development by supporting small size businesses that are creating, maintaining and improving jobs in the AAs.

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

EB had three prior period CD investments that have current outstanding balances valued at \$2.5 million. Two of the investments were mortgage backed securities valued at \$1.7 million. The other investment is in Small Business Investment Corporation (SBIC) valued at \$800,000. The SBIC funds have not been paid down since the original purchase in December 2010. The SBIC made three new loans valued at \$6.9 million that benefitted the bank's AAs during the evaluation period.

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

EB employees participated in nearly 1,200 hours of qualified CD service activity during the evaluation period. Employees served on boards of directors, loan and finance committees, and as treasurers for nearly 30 CD related organizations. The majority of the services were provided to organizations that provide services to people of low- or moderate-income, followed by organizations that support affordable housing for people of low- and moderate-income and economic development by supporting small size businesses that are creating, maintaining or improving jobs in the AAs.

### **Responsiveness to Community Development Needs**

EB's responsiveness to the CD needs of the AAs was excellent.

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

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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