EVANS BANCORP INC

FORM 10-K
(Annual Report)

Filed 3/28/1997 For Period Ending 12/31/1996

Address	PO BOX 191 14-16 N MAIN ST
	ANGOLA, New York 14006
Telephone	716-549-1000
CIK	0000842518
Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

**FOR ANNUAL AND TRANSITION REPORTS
PURSUANT TO SECTIONS 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

(mark one)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (Fee required)

For fiscal year ended: December 31, 1996

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to __________________

Commission file number: 0-18539

EVANS BANCORP, INC.
(Exact name of registrant as specified in its charter)

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             New York                                        16-1332767
      ------------------------------                     ------------------
      (State or other jurisdiction of                    (I.R.S. Employer
      incorporation or organization)                     Identification No.)

14-16 North Main Street, Angola, New York                    14006
-----------------------------------------                  ---------
 (Address of principal executive offices)                  (Zip Code)

                              (716) 549-1000
                        --------------------------
                        (Issuer's telephone number)
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Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
None	N/A

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, Par Value $2.50 per share
(Title of Class)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to

Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ].

As of February 28, 1997, the aggregate market value of the registrant's common stock, $2.50 par value, (the "Common Stock") held by nonaffiliates of the registrant was approximately $36,102,560 based upon the per share prices known to management at which the Company's Common Stock has actually been transferred in private transactions prior to that date. There is not, and has never been, an organized public trading market for the registrant's shares.

As of February 28, 1997, 339,790 shares of the registrant's Common Stock were outstanding.

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DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Registration Statement on Form 10, as amended by Amendment Nos. 1 and 2 (Registration No. 0-18539), the Registrant's Registration Statement on Form S-4 (Registration No. 33-25321), and the Registrant's Report on Form 10-KSB for the period ended December 31, 1995 are incorporated by reference in Part IV of this Form 10-K.

Portions of the Registrant's 1996 Annual Report to Shareholders are incorporated by reference in Part II of this Form 10-K.

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PART I

PART II

ITEM 1. BUSINESS EVANS BANCORP, INC.

Evans Bancorp, Inc. (the "Company") was organized as a New York business corporation and incorporated under the laws of the State of New York on October 28, 1988 for the purpose of becoming a bank holding company. The Company is registered with the Federal Reserve Board as a bank holding company under the Bank Holding Company Act of 1956, as amended (the "BHCA"), and conducts its business through its wholly-owned subsidiary, Evans National Bank (the "Bank"). The principal business of the Company, through the Bank, is commercial banking and consists of, among other things, attracting deposits from the general public and using these funds in commercial loans, commercial mortgages, business loans, residential mortgages, home equity loans, consumer loans, and investment securities.

The Company has no material assets other than its investment in the Bank. The Company's sole business, therefore, is the ongoing business of the Bank.

EVANS NATIONAL BANK

The Bank was established in 1920 as a national banking association and currently is regulated by the Comptroller of the Currency. Prior to February 1995, the Bank was known as The Evans National Bank of Angola. Its legal headquarters is located at 14-16 N. Main Street, Angola, New York 14006.

The Bank is a full service commercial bank offering secured and unsecured commercial loans, consumer loans, educational loans and mortgages. It also accepts time and demand deposits.

As of December 31, 1996, the Bank had total assets of $140,898,057, total deposits of $123,461,379 and total stockholders' equity of $15,510,083.

MARKET AREA

The Bank's primary market area is located in southern Erie County, northern Chautauqua County and northwestern Cattaraugus County, which includes the towns of Evans, Boston, Hamburg, Eden, Orchard Park and Hanover. This market area is the primary area where the Bank receives deposits and makes loans.

AVERAGE BALANCE SHEET INFORMATION

The table on the following page presents the significant categories of the assets and liabilities of the Company, interest income and interest expense, and the corresponding yields earned and rates paid for the last two years. The assets and liabilities are presented as daily averages. The average loan balances include both performing and nonperforming loans. Interest income on loans does not include interest on loans for which the Bank has ceased to accrue interest. Interest and yield are not presented on a tax-equivalent basis.

	1996 Average Balance	1996 Interest	1996 Yield/ Rate	1995 Average Balance	1995 Interest	1995 Yield/ Rate
Assets	($000)	($000)		($000)	($000)	
Interest-earning assets:						
Loans, Net	$81,591	$7,382	9.05%	$72,425	$6,760	9.34%
Taxable securities	22,837	1,428	6.25%	22,520	1,382	6.14%
Tax-exempt securities	15,676	765	4.88%	15,105	762	5.04%
Federal funds sold	3,791	202	5.33%	4,703	277	5.89%
Time deposits in other banks	428	23	5.37%	753	46	6.11%
Total interest-earning assets	124,323	9,800	7.88%	115,506	9,227	7.99%
Noninterest-earning assets						
Cash and due from banks	5,531			5,051		
Premises and equipment, net	3,362			1,838		
Other assets	1,888			1,642		
Total	$135,104			$124,037		
LIABILITIES & SHAREHOLDER'S EQUITY						
Interest-bearing liabilities:						
NOW accounts	$6,402	$80	1.25%	$6,751	$100	1.48%
Savings deposits	45,042	1,250	2.78%	47,407	1,302	2.75%
Time deposits	46,568	2,583	5.55%	36,639	2,017	5.51%
Total interest-bearing liabilities	98,012	3,913	3.99%	90,797	3,419	3.77%
Noninterest-bearing liabilities:						
Demand deposits	20,360			18,093		
Other	1,805			1,583		
	120,177			110,473		
Shareholders' equity	14,927			13,564		
Total	$135,104			$124,037		
Net interest earnings		$5,887			$5,808	
Net yield on interest earning assets			4.67%			5.01%

In 1996, the Company's interest income increased by $573,315 over 1995, compared to an increase of $1,019,904 in 1995 over 1994. Also, interest expense on deposits increased by $493,979 in 1996 over 1995 compared to an increase of $671,485 in 1995 over 1994. The following table segregates these changes for the past two years into amounts attributable to changes in volume and changes in rates by major categories of assets and liabilities. The change in interest due to both volume and rate has been allocated to volume and rate changes in proportion to the relationship of the absolute dollar amounts of the change in each.

	1996 Compared to 1995 Increase (Decrease) Due to			1995 Compared to 1994 Increase (Decrease) Due to		
	(thousands)					
	Volume	Rate	Total	Volume	Rate	Total
Interest earned on:						
Loans	$820	$(198)	$622	$184	$515	$699
Taxable securities	20	26	46	75	118	193
Tax-exempt securities	20	(17)	3	12	6	18
Federal funds sold	(50)	(25)	(75)	55	90	145
Time deposits in other banks	(18)	(5)	(23)	(57)	23	(34)
Total interest-earning assets	$792	$(219)	$573	$269	$752	$1,021
Interest paid on:						
NOW accounts	$(5)	$(15)	$(20)	$(12)	$(10)	$(22)
Savings deposits	(59)	7	(52)	(229)	30	(199)
Time deposits	551	15	566	534	359	893
Total interest-bearing liabilities	$487	$7	$494	$293	$379	$672

SECURITIES ACTIVITIES

Income from securities represented approximately 22.4% of total interest income of the Company in 1996 and approximately 23.2% of total interest income of the Company in 1995. At December 31, 1996, the Bank's securities portfolio of $36,054,324 consisted primarily of United States ("U.S.") and federal agency obligations, state and municipal securities, corporate bonds and mortgage-backed securities by the Government National Mortgage Association, Federal National Mortgage Association and Federal Home Loan Mortgage Corp.

In 1994, the Bank adopted Statement of Financial Accounting Standard No. 115, "Accounting for Certain Investments in Debt and Equity Securities." As a result, all securities in the Bank's portfolio are now designated as "held to maturity" or "available for sale".

The following table summarizes the Bank's securities with those designated as available for sale at fair value and securities designated as held to maturity valued at amortized cost as of December 31, 1996 and 1995:

	1996 ($000)	1995 ($000)
Available for Sale:		
U.S. Treasury and other U.S. government agencies	$ 14,570	$ 17,498
States and political subdivisions in the U.S.	14,808	14,583
Other	823	732
Total Securities Designated as Available for Sale	$ 30,201	$ 32,813
Held to Maturity:		
U.S. Treasury and other U.S. government agencies	3,948	4,072
States and political subdivisions in the U.S.	1,905	2,069
Total Securities Designated as Held to Maturity	$ 5,853	$ 6,141
Total Securities	$ 36,054	$ 38,954

SECURITIES POLICY. The Bank considers its securities portfolio as part of its overall asset liability management policy encompassing the areas of securities, capital, liquidity and interest sensitivity. The primary objective of the securities portfolio is to provide liquidity while maintaining safety of principal. Secondary objectives include investment of funds in periods of decreased loan demand, interest sensitivity considerations, providing collateral to secure local municipal deposits, supporting local communities through the purchase of tax-exempt securities and tax planning considerations. The Board of Directors is responsible for establishing overall policy and reviewing performance.

The Bank's policy provides that acceptable portfolio investments include:
U.S. Government obligations, obligations of Federal agencies, Municipal obligations (General Obligations, Revenue Obligations, School Districts and Non-rated Issues from Bank's general market area), Banker's Acceptances, Certificates of Deposit, Industrial Development Authority Bonds, Public Housing Authority Bonds, Corporate Bonds (each corporation limited to the Bank's legal lending limit), and Collateral Mortgage Obligations, Federal Reserve stock and Federal Home Loan Bank stock.

The Bank's securities policy is that in-state securities must be rated Moody's BAA (or equivalent) at the time of purchase. Out-of-state issues must be rated AA (or equivalent) at the time of purchase. Bonds or securities rated below A will be reviewed periodically to assure their continued credit worthiness. The purchase of non-rated municipal securities is permitted, but limited to those bonds issued by municipalities in the Bank's general market area which, in the Bank's judgment, possess no greater credit risk than BAA (or equivalent) bonds and the annual budgets of the issuers are reviewed by the Bank. A credit file of the issuers is kept on each non-rated municipal security with relevant financial information. In addition, the Bank's loan policy permits the purchase of notes issued by various states and municipalities which have not been rated by Moody's or Standard & Poors. The securities portfolio of the Bank is priced and rated on a monthly basis.

The following table sets forth the maturities and weighted average interest yields of the Bank's securities portfolio (yields on tax-exempt obligations have not been computed on a tax equivalent basis) as of December 31, 1996:

	Maturing							
	Within One Year		After One But Within Five		After Five But Within Ten Years		After Ten Years	
	Amount ($000)	Yield	Amount ($000)	Yield	Amount ($000)	Yield	Amount ($000)	Yield
CLASSIFIED AS AVAILABLE FOR SALE AT FAIR VALUE:								
U.S. Treasury and other U.S. government agencies	$ 150	6.13%	$ 6,688	5.99%	$ 5,239	6.99%	$2,494	7.97%
States and political subdivisions	1,029	5.95	4,729	5.48	9,049	4.72	0	0.00
Other	823	6.29	0	0.00	0	0.00	0	0.00
Total Available for Sale	$2,002	6.11	$11,417	5.78	$14,288	5.56	$2,494	7.97
CLASSIFIED AS HELD TO MATURITY AT AMORTIZED COST:								
U.S. Treasury and other U.S. government agencies	0	0.00	0	0.00	0	0.00	3,948	6.38
States and political subdivisions	1,267	4.02	428	5.23	63	5.70	147	6.22
Total Held to Maturity	1,267	4.02	428	5.23	63	5.70	4,095	6.38
Total Securities	$3,269	5.30	$11,845	5.76	$14,351	5.56	$6,589	6.99

At December 31, 1996, approximately $18,519,000 of the Bank's securities portfolio were obligations of the U.S. Treasury and other U.S. government agencies. Additionally, at December 31, 1996, the Bank had $1,450,000 in Federal Funds Sold.

LENDING ACTIVITIES

GENERAL. The Bank has a loan policy which is approved by the Board of Directors on an annual basis. The loan policy addresses the lending authorities of Bank officers, charge off policies, desired portfolio mix, loan approval guidelines and loan pricing.

The Bank offers a variety of loan products to its customers including residential and commercial real estate mortgage loans, commercial loans, installment loans and student loans. The Bank primarily extends loans to customers located within the Western New York area. Income on loans represented approximately 75.3% of the total interest income of the Company in 1996 and approximately 73.3% of total interest income in 1995. The Bank's loan portfolio after unearned discounts, loan origination costs and allowances for credit losses totalled $92,087,902 and $75,468,504 at December 31, 1996 and December 31, 1995, respectively. At December 31, 1996, the Bank had established $546,954 as an allowance for credit losses which is approximately 0.59% of total loans. This compares with $557,961 at December 31, 1995 which was approximately 0.74% of total loans. The net loan portfolio represented approximately 65.4% and 60.2% of the Bank's total assets at December 31, 1996 and December 31, 1995, respectively.

REAL ESTATE LOANS. Approximately 86.9% of the Bank's loan portfolio at December 31, 1996 consisted of real estate loans or loans collateralized by mortgages on real estate including residential mortgages, commercial mortgages and other types of real estate loans. The Bank's real estate loan portfolio was $80,110,342 at December 31, 1996, compared to $62,510,966 at December 31, 1995. The real estate loan portfolio increased approximately 28.2% in 1996 over 1995 compared to an increase of 10.6% in 1995 over 1994.

Growth in the Bank's commercial real estate loans during 1996 resulted partially from declining rates in December 1995 and January 1996, which encouraged real estate acquisition and expansion. Only modest growth was realized in the residential real estate portfolio, as the Bank sold an increasing number of mortgages to The Federal National Mortgage Association ("FNMA"), while retaining servicing rights. This arrangement allows the Bank to offer long term fixed rate mortgages, without undue rate risk, while retaining customer relationships.

The Bank offers fixed rate residential mortgages with terms of ten to thirty years with up to an 80% loan-to-value ratio. Fixed rate residential mortgages loans outstanding totalled $21,432,804 at December 31, 1996, which was approximately 23.1% of total loans outstanding. In 1995, the Bank entered into a contractual arrangement with the Federal National Mortgage Association ("FNMA") whereby mortgages can be sold to FNMA and the Bank retains the servicing rights. In 1996, approximately $1,316,180 of mortgages were sold to FNMA under this arrangement compared to $355,000 of mortgages sold in 1995.

The Bank also offers commercial mortgages with up to a 75% loan-to-value ratio for up to fifteen years on a variable and fixed rate basis. Many of these mortgages either mature or are subject to a rate call after three to five years. The Bank's outstanding commercial mortgages were $38,721,554 at December 31, 1996, which was approximately 41.8% of total loans outstanding. This balance included $7,238,467 in fixed rate and $31,483,087 in variable rate loans.

The Bank also offers other types of loans collateralized by real estate such as home equity loans. The Bank offers home equity loans at variable and fixed interest rates with terms of up to fifteen years and up to a 75% loan-to-value ratio. At December 31, 1996, the real estate loan portfolio included $12,830,503 of home equity loans outstanding which represented approximately 13.9% of its total loans outstanding. This balance included $6,937,480 in variable rate and $5,893,024 in fixed rate loans.

In 1993, the Bank began offering adjustable rate residential mortgages with terms of up to fifteen years. Rates on these mortgages remain fixed for the first three years and are adjusted annually thereafter. On December 31, 1996, the Bank's outstanding adjustable rate mortgages were $4,204,218 or 4.5% of total loans. This balance did not include any construction mortgages.

The Bank also offers real estate-construction loans at up to a 80% loan-to-value ratio at fixed interest rates and multiple maturities. At December 31, 1996, fixed rate real estate-construction loans outstanding were $783,354 or 0.85% of the Bank's loan portfolio, and adjustable rate construction loans outstanding were $620,936 or 0.67% of the portfolio.

As of December 31, 1996, approximately $1,140,000 or 1.4% of the Bank's real estate loans were 30 to 90 days delinquent, $33,000 or 0.05% of the bank's real estate loans were more than 90 days delinquent and approximately $164,000 or 0.21% of real estate loans were nonaccruing.

COMMERCIAL LOANS. The Bank offers commercial loans on a secured and unsecured basis including lines of credit and term loans at fixed and variable interest rates and multiple maturities. The Bank's commercial loan portfolio totaled $6,993,852 and $7,709,115 at December 31, 1996 and December 31, 1995, respectively. Commercial loans represented approximately 7.6% and 10.1% of the Bank's total loans at December 31, 1996 and December 31, 1995, respectively. The commercial loan portfolio decreased $715,263 or 9.3% in 1996.

Commercial lending entails significant additional risk as compared with real estate loans. These loans typically involve larger loan balances to single borrowers or groups of related borrowers. Collateral, where applicable, may consist of inventory, receivables, equipment and other business assets. Ninety-two percent of the Bank's commercial loans are variable rate which are tied to the prime rate.

The Bank's ability to lend larger amounts to any one borrower is subject to regulation by the Comptroller of Currency. The Bank continually monitors its loan portfolio to review compliance with new and existing regulations.

As of December 31, 1996, approximately $75,000 or 1.1% of the Bank's commercial loans were 30 to 90 days past due, approximately $45,000 or 0.7% of its commercial loans were more than 90 days past due and none of its commercial loans were nonaccruing.

INSTALLMENT LOANS. The Bank's installment loan portfolio (which includes automobile loans, personal loans and revolving credit card balances) totaled $2,646,246 and $2,731,891 at December 31, 1996 and December 31, 1995, respectively, representing approximately 2.9% of the Bank's total loans at December 31, 1996 and 3.6% of the Bank's total loans at December 31, 1995. Traditional installment loans are offered at fixed interest rates with various maturities up to 60 months, on a secured and unsecured basis. In 1993, the Bank began offering a variable rate credit card in addition to the fixed rate card previously offered. On December 31, 1996, the installment loan portfolio included $246,621 in fixed rate card balances at an interest rate of 15.60% and $36,033 in the variable rate option. As of December 31, 1996, approximately $64,000 or 2.4% of the Bank's installment loans were 30-90 days past due and approximately $18,000 or 0.7% of the Bank's installment loans were more than 90 days past due. None of the Bank's installment loans were nonaccruing.

STUDENT LOANS. The Bank's student loan portfolio totaled $1,692,334 at December 31, 1996 and $1,919,549 at December 31, 1995. Student loans represented 1.8% of the total loan portfolio in 1996 and 2.5% of the total loan portfolio in 1995. These loans are guaranteed by the federal government and the New York State Higher Education Assistance Corporation. The Bank offers student loans at variable interest rates with terms of up to 10 years. In 1995, the Bank entered into a contract with the Student Loan Marketing Association. Under terms of this agreement, SLMA services the Bank's loans to students who are still in school and subsequently purchases those loans when the student goes into repayment. The Bank sold $1,242,276 and $3,749,930 of its student loans to SLMA in 1996 and 1995 respectively. Student loan products have been expanded to include Federal Plus and HEAL loans.

OTHER LOANS. Other loans totaled $769,322 at December 31, 1996 and $711,902 at December 31, 1995. Other loans consisted primarily of loans to municipalities, hospitals, churches and non-profit organizations. These loans are at fixed or variable interest rates with multiple maturities. Other loans also include overdrafts.

The following table summarizes the major classifications of the Bank's loans (net of deferred origination costs) at December 31, 1996, and 1995:

	December 31, 1996	December 31, 1995
	(in thousands)	
Real Estate	$80,111	$62,511
Commercial	6,994	7,709
Installment	2,646	2,732
Student Loans	1,692	1,920
All Other	769	712
Net deferred loan origination costs	423	443
Total Loans	$92,635	$76,027
Allowance for credit losses	(547)	(558)
Net loans	$92,088	$75,469

LOAN MATURITIES. The following table shows the maturities of commercial and real estate construction loans outstanding as of December 31, 1996 and the classification of loans due after one year according to sensitivity to changes in interest rates:

(in thousands)

	0-1 Yr.	1-5 Yrs.	Over 5 Yrs.	Total
Commercial	$1,714	$1,877	$3,403	$6,994
Real estate construction	454	275	675	1,404
	$2,168	$2,152	$4,078	$8,398
Loans maturing after one year with:				
Fixed rates		$738	$404	
Variable rates		1,414	3,674	
		$2,152	$4,078	

CREDIT LOSSES.

The following table summarizes the Bank's non-accrual and past due loans as of December 31, 1996 and December 31, 1995. The Bank had no restructured loans as of those dates and none of the Bank's other loans were classified as restricted or potential problem loans as December 31, 1996 or December 31, 1995. Any loans classified for regulatory purposes as loss, doubtful, substandard or special mention that have not been disclosed do not (i) represent or result from trends or uncertainties which management reasonably expects will materially impact future operating results, liquidity or capital resources, or (ii) represent material credit about which management has serious doubts as to the ability of such borrowers to comply with the loan repayment terms. See also "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Results of Operations - Provision for Credit Losses."

	1996	1995
	(in thousands)	
Nonaccrual loans	$180	$220
Accruing loans past due 90 days or more	96	156
Total	$276	$376

Information with respect to nonaccrual loans at December 31, 1996 and December 31, 1995 is as follows:

	1996	1995
	(in thousands)	
Nonaccrual loans	$180	$220
Interest income that would have been recorded under the original terms	19	29
Interest income recorded during the period	0	0

At December 31, 1996, $180,000 of nonaccrual loans are collateralized.

The following tables summarize the Bank's allowance for credit losses and changes in the allowance for credit losses by loan categories:

ANALYSIS OF CHANGES IN THE ALLOWANCE FOR CREDIT LOSSES

	1996	1995
BALANCE AT BEGINNING OF YEAR	$ 557,961	$ 628,957
CHARGE-OFFS		
Commercial, Financial, Agricultural	(33,741)	(1,733)
Real Estate - Mortgages	0	(2,521)
Installment Loans	(42,863)	(7,592)
Overdrafts	0	4,502
TOTAL CHARGE-OFFS	(76,604)	(7,344)
RECOVERIES		
Commercial, Financial, Agricultural	538	16,760
Real Estate - Mortgages	0	650
Installment Loans	3,859	4,671
Overdrafts	1,200	1,200
TOTAL RECOVERIES	5,597	23,281
NET (CHARGEOFFS) RECOVERIES	(71,007)	15,937
ADDITIONS (REDUCTIONS) CHARGED TO OPERATIONS	60,000	(86,933)
BALANCE AT END OF YEAR	$ 546,954	$ 557,961

ALLOCATION OF THE ALLOWANCE FOR CREDIT LOSSES

	Balance at 12/31/96 Attributable to:	Balance at 12/31/95 Attributable to:	Percent of Loans in Each Category to Total Loans:	
			1996	1995
Real Estate Loans	$259,102	$304,034	86.9%	82.7%
Commercial Loans	118,461	219,766	7.6	10.2
Installment Loans (Includes Credit Cards)	45,231	27,917	2.9	3.6
Student Loans	0	0	1.8	2.5
All Other Loans	0	0	0.8	1.0
Unallocated	124,160	6,244	n/a	n/a
Total	$546,954	$557,961	100.0%	100.0%

SOURCES OF FUNDS - DEPOSITS

GENERAL. Customer deposits represent the major source of the Bank's funds for lending and other investment purposes. In addition to deposits, other sources of funds include loan repayments, loan sales, interest and dividends from investments, matured investments, and borrowings from the Federal Reserve Bank, Federal Home Loan Bank, Manufacturers and Traders Trust Company and First Tennessee Bank.

DEPOSITS. The Bank offers a variety of deposit products including checking, passbook, statement savings, money market, NOW accounts, certificates of deposit and jumbo certificates of deposit. Deposits of the Bank are insured up to the limits provided by the Federal Deposit Insurance Corporation ("FDIC"). At December 31, 1996, the Bank's deposits totalled $123,461,379 consisting of the following:

Demand deposits	$20,149,152
NOW and Money Market accounts	6,437,613
Regular savings	42,136,290
Time deposits, $100,000 and over	14,096,821
Other time deposits	40,641,503
	$123,461,379

The following table shows daily average deposits and average rates paid on significant deposit categories by the Bank:

	1996		1995	
	Average Balance (in thousands)	Weighted Average Rate	Average Balance (in thousands)	Weighted Average Rate
Demand Deposits	$ 20,122	---%	$18,093	---%
NOW and Money Market Accounts	6,402	1.25%	6,751	1.48%
Regular Savings	45,280	2.76%	47,408	2.74%
Time Deposits	46,568	5.55%	36,639	5.51%
Total	$118,372	3.30%	$108,891	3.14%

The Bank has a very stable deposit base and no material amount of deposits is obtained from a single depositor or group of depositors (including federal, state and local governments). The Bank has not experienced any significant seasonal fluctuations in the amount of its deposits.

EMPLOYEES

As of February 28, 1997, the Bank employed 72 persons on a full-time basis. There were also 10 part-time employees.

COMPETITION

All phases of the Bank's business are highly competitive. The Bank competes actively with local commercial banks as well as other commercial banks with branches in the Bank's market area of southern Erie County, northern Chautauqua County, and northwestern Cattaraugus County, New York. The Bank considers its major competition to be Marine Midland Bank, Manufacturers and Traders Trust Company, and Key Bank of Western New York, N.A., all headquartered in Buffalo, New York. The Bank is generally competitive with all financial institutions in its service area with respect to interest rates paid on time and savings deposits, service charges on deposit accounts, and interest rates charged on loans.

ASSET AND LIABILITY MANAGEMENT

Like all financial institutions, the Bank must constantly monitor its exposure to interest rate risk. Proper management of interest sensitive funds is necessary to help secure the Bank's earnings against extreme changes in interest rates. In 1995, an Asset/Liability Management Committee ("ALCO") was established for the purpose of evaluating the Bank's short-range and long-range liquidity position and the potential impact of a sudden change in interest rates on the Bank's capital and earnings. Specific minimum guidelines for liquidity and capital ratios have been established, and maximum guidelines have been set for the negative impact acceptable on net interest income and the market value of assets as a result of a shift in interest rates. These guidelines have been delineated in the Bank's formal Asset/Liability Policy which also includes guidelines for investment activities and funds management. The ALCO meets regularly to review the Bank's liquidity, gap, interest rate risk and capital positions and to formulate its strategy based on current economic conditions, interest rate forecasts, loan demand, deposit volatility and the Bank's earnings objectives.

The following table summarizes the interest rate sensitivity analysis for the Bank as of December 31, 1996 for the periods indicated:

	0 to 3 Months	4 to 12 Months	One to Five Years	Over Five Years
		(in millions)		
Interest-earning assets	$27.9	$17.9	$51.4	$32.4
Interest-bearing liabilities	31.2	23.8	68.4	0
Interest sensitivity gap	$59.1	$41.7	$119.8	$32.4

The primary assets and liabilities in the one year maturity range are securities, commercial loans and time deposits. As of December 31, 1996, the Bank's cumulative one year gap ratio (rate sensitive assets divided by rate sensitive liabilities) was .83 as compared to .88 at December 31, 1995 and 1.07 as of December 31, 1994. The Bank has more liabilities than assets repricing over the next twelve months. However, since liabilities tend to reprice less quickly than assets, management believes that earnings will not be significantly impaired should rates rise.

The following schedule sets forth the maturities of the Bank's time deposits as of December 31, 1996:

Time Deposit Maturity Schedule (in millions)

	0-3 Mos.	3-6 Mos.	6-12 Mos.	Over 12 Mos.	Total
Time deposits - $100,000 and over	$8.2	$2.8	$0.7	$2.4	$14.1
Other time deposits	10.3	5.1	6.0	19.3	40.7
Total time deposits	$18.5	$7.9	$6.7	$21.7	$54.8

REGULATION

The operations of the bank are subject to federal and state statutes applicable to banks chartered under the banking laws of the United States, to members of the Federal Reserve System and to banks whose deposits are insured by the Federal Deposit Insurance Corporation ("the FDIC"). Bank operations are also subject to regulations of the Comptroller of the Currency, the Federal Reserve Board, the FDIC and the New York State Banking Department.

The primary supervisory authority of the Bank is the Comptroller of the Currency, who regularly examines the Bank. The Comptroller of the Currency has the authority under the Financial Institutions Supervisory Act to prevent a national bank from engaging in an unsafe or unsound practice in conducting its business.

Federal and state banking laws and regulations govern, among other things, the scope of a bank's business, the investments a bank may make, the reserves against deposits a bank must maintain, the loans a bank makes and collateral it takes, the maximum interest rates a bank must pay on deposits, the activities of a bank with respect to mergers and consolidations and the establishment of branches. Branches may be established within the permitted areas of New York State only after approval by the Comptroller of the Currency.

A subsidiary bank (such as the Bank) of a bank holding company is subject to certain restrictions imposed by the Federal Reserve Act on any extensions of credit to the bank holding company or its subsidiaries, on investments in the stock or other securities of the bank holding company or its subsidiaries and on taking such stock or securities as collateral for loans. The Federal Reserve Act and Federal Reserve Board regulations also place certain limitations and reporting requirements on extensions of credit by a bank to principal shareholders of its parent holding company, among others, and to related interests of such principal shareholders. In addition, such legislation and regulations would affect the terms upon which any person becoming a principal shareholder of a holding company may obtain credit from banks with which the subsidiary bank maintains a correspondent relationship.

Federal law also prohibits acquisitions of control of a bank holding company (such as the Company) without prior notice to certain federal bank regulators. Control is defined for this purpose as the power, directly, or indirectly, to direct the management or policies of the bank or bank holding company or to vote 25% or more of any class of voting securities of the bank holding company.

In addition to the restrictions imposed upon a bank holding company's ability to acquire control of additional banks, federal law generally prohibits a bank holding company from acquiring a direct or indirect interest in, or control of 5% or more of the outstanding voting shares of any company, and from engaging directly or indirectly in activities other than that of banking, managing or controlling banks or furnishing services to subsidiaries, except that a bank holding company may engage in, and may own shares of companies engaged in certain activities found by the Federal Reserve Board to be closely related to banking or managing or controlling banks as to be a proper incident thereto.

From time to time, various types of federal and state legislation has been proposed that could result in additional regulation of, and restrictions on, the business of the Bank. It cannot be predicted whether any such legislation will be adopted or how such legislation would affect the business of the Bank. As a consequence of the extensive regulation of commercial banking activities in the United States, the Bank's business is particularly susceptible to being affected by federal legislation and regulations that may increase the costs of doing business.

The Depository Institutions Deregulation and Monetary Control Act of 1980 became effective in March 1980. The principal effects of this law are to: phase in the deregulation of the interest rates paid on personal deposits by gradually eliminating regulatory ceilings on interest rate differential allowed thrifts and savings institutions; enable all banks to offer personal interest bearing checking type accounts; phase in mandatory and uniform reserve requirements; and override certain usury limits on loan interest rates established by state laws. On October 1, 1983, the Depository Institutions' Deregulation Committee, acting under the provisions of this Act, removed all remaining interest rate ceilings and other regulations on time deposits, except for early withdrawal penalties.

Under the Federal Deposit Insurance Act, the Comptroller of the Currency possesses the power to prohibit institutions regulated by it (such as the Bank) from engaging in any activity that would be an unsafe and unsound banking practice or would otherwise be in violation of law. Moreover, the Financial Institutions and Interest Rate Control Act of 1978 ("FIRA") generally expands the circumstances under which officers or directors of a bank may be removed by the institution's federal supervisory agency, restricts lending by a bank to its executive officers, directors, principal shareholders or related interests thereof, restricts management personnel of a bank from serving as directors or in other management positions with certain depository institutions whose assets exceed a specified amount or which have an office within a specified geographic area, and restricts management personnel from borrowing from another institution that has a correspondent relationship with their bank.

Additionally, FIRA requires that no person may acquire control of a bank unless the appropriate federal supervisory agency has been given 60 days prior written notice and within that time has not disapproved of the acquisition or extended the period for disapproval.

Under the Community Reinvestment Act of 1977, the Comptroller of the Currency is required to assess the record of all financial institutions regulated by it to determine if these institutions are meeting the credit needs of the community (including low and moderate income neighborhoods) which they serve and to take this record into account in its evaluation of any application made by any such institutions for, among other things, approval of a branch of other deposit facility, office relocation, a merger or an acquisition of bank shares.

The Company must give prior notice to the Federal Reserve Board of certain purchases or redemptions of its outstanding equity securities. The Federal Reserve Board has adopted capital adequacy guidelines for bank holding companies (on a consolidated basis) substantially similar to those that apply to the Bank. In January 1989, the Federal Reserve Board adopted new risk-based capital adequacy guidelines. Under these new guidelines, bank holding companies with at least $150 million in assets are required to maintain a ratio or qualifying total capital to weighted risk assets of at least 8% effective December 31, 1993. For bank holding companies with less than $150 million in assets, the above-described ratio will not apply on a consolidated basis, but will apply on a bank-only basis unless (i) the parent holding company is engaged in non-bank activities involving significant leverage, or (ii) the parent holding company has a significant amount of outstanding debt held by the general public. The Federal Reserve Board has the discretionary authority to require higher capital ratios.

In connection with the risk-based capital framework applicable to bank holding companies described above, the Federal Reserve Board applies a risk-based capital framework for Federal Reserve member banks, such as the Bank. The framework requires banks to maintain minimum capital levels based upon a weighing of their assets according to risk. Effective December 31, 1992, Federal Reserve member banks were required to maintain a ratio of qualifying total capital to risk-weighted assets of a minimum of 8.00%, and Tier 1 Capital to Assets ratio of 4.00%. A minimum leverage ratio of 3.00% is required for banks with the highest regulatory examination ratings and not contemplating or experiencing significant growth or expansion. All other banks are required to maintain a minimum leverage ratio of at least 1-2% above the stated minimum.

A comparison of the Bank's capital as of December 31, 1996 and December 31, 1995 with these minimum requirements is presented below:

	Bank		
	1996	1995	Minimum Requirements
Total Risk-based Capital	17.7%	19.6%	8%
Tier 1 Risk-based Capital	17.1%	18.9%	4%
Leverage Ratio	11.1%	11.4%	3-5%

As of December 31, 1996, the Bank met all three capital requirements.

Management is not aware of any known trends, events, uncertainties, or current regulatory recommendations that will have, or that are reasonably likely, to have a material effect on the Bank's liquidity, capital resources or operations.

MONETARY POLICY. The earnings of the Company and the Bank are also affected by the monetary policy of the Federal Reserve Board. An important function of the Federal Reserve System is to regulate the money supply and prevailing interest rates. Among the instruments used to implement those objectives are open market operations in U.S. Government securities and changes in reserve requirements against member bank deposits. These instruments are used in varying combinations to influence overall growth and distribution of bank loans, investments and deposits, and their use may also affect interest rates charged on loans by the Bank or paid on its deposits.

ITEM 2. PROPERTIES The Bank operates out of its main office and five branch offices. The Bank's main office is located at 14-16 North Main Street in Angola, New York. The main office is 9,344 square feet and is owned by the Bank. A newly-constructed 3,900 square foot retail facility located in the Town of Evans, New York, opened in May, 1996. In addition to housing the Loan Division, the main office continues to serve as an operations center, and a small retail facility is maintained at the site.

In addition, the Bank owns and operates a 3,650 square foot branch office at 6480 Erie Road, Derby, New York. In 1995, the Bank purchased property adjacent to this office, providing additional parking facilities for customers and enabling future expansion. An existing building on the property has been leased to a tenant for a five year term commencing December 1, 1995. The lease provides for monthly payments of $5,217 in Year One and increasing annually to $5,445 in Year Five.

The Bank owns and operates a 1,530 square foot branch office at 25 Main Street, Forestville, New York, and leases branch offices in North Boston and Hamburg. The 1,280 square foot branch office at 7186 North Boston State Road, Boston, New York is occupied pursuant to a land lease which provides for monthly payments of $1,375 through the year 2000, with an option to be renewed for an additional five year term. The 3,000 square foot branch office at 5999 South Park Avenue, Hamburg, New York, is occupied pursuant to a twenty year lease which provides for monthly payments of $5,875 for the first five years through October 31, 2000. Thereafter, monthly payments increase annually from $6,162.50 in Year Six to $7,967.50 in Year Twenty.

ITEM 3. LEGAL PROCEEDINGS There are no legal proceedings to which the Company is a party.

The nature of the Bank's business generates a certain amount of litigation involving matters arising in the ordinary course of business. However, in the opinion of management of the Bank, there are no proceedings pending to which the Bank is a party or to which its property is subject, which, if determined adversely to the Bank, would be material in relation to the Bank's financial condition, nor are there any proceedings pending other than ordinary routine litigation incident to the business of the Bank. In addition, no material proceedings are pending or are known to be threatened or contemplated against the Bank by governmental authorities or others.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(a) MARKET. There has never been an organized public trading market for the Company's outstanding Common Stock. The following table represents the highest and lowest per share prices known to management at which the Company's Common Stock has actually been transferred in private transactions during the periods indicated. In each period for which prices are shown, the management has price information for the transaction(s). The prices for these transactions do not include any retail markup, markdown or commission.

	1996		1995	
QUARTER	High	Low	High	Low
FIRST	$115.00	$110.00	$ 80.00	$ 70.00
SECOND	$135.00	$115.00	$ 83.00	$ 80.00
THIRD	$136.00	$135.00	$100.00	$ 83.00
FOURTH	$136.00	$136.00	$110.00	$100.00

(b) HOLDERS. As of January 31, 1997, 339,790 shares of the Company's Common Stock were outstanding and the number of holders of record of the Common Stock at that date was 785.

(c) DIVIDENDS.

CASH DIVIDENDS. In the years ended December 31, 1996 and 1995, the Company declared cash dividends of $1.12 and $.75, respectively, per share of Common Stock. The $1.12 per share in 1997 was the combined total of a $.62 per share dividend paid on October 1, 1996 and $.50 per share payable on February 1, 1997 to holders of record on November 26, 1996. The amount, if any, of future dividends will be determined by the Company's Board of Directors and will depend upon the Company's future earnings, financial condition and requirements, and other factors considered by the Board of Directors to be relevant. Banking regulations limit the amount of dividends that may be paid without prior approval of the Comptroller of the Currency. See Footnote 11 to the Financial Statements.

STOCK DIVIDENDS. For both years ending December 31, 1996 and December 31, 1995 the Company's stock dividend was 7.14%. This amounted to one share for every 14 shares in 1996 and 1995.

The following table shows consolidated operating and capital ratios for the Company for the last three years:

	1996	1995	1994
Return on Average Assets	1.20%	1.34%	1.37%
Return on Average Equity	10.75%	11.59%	12.61%
Dividend Payout Ratio	23.58%	15.31%	10.50%
Equity to Assets Ratio	11.37%	11.85%	10.26%

ITEM 6. SELECTED FINANCIAL DATA

SELECTED FINANCIAL INFORMATION

For the year ended December 31	1996	1995	1994	1993	1992
RESULTS OF OPERATIONS					
Interest Income	$9,799,815	$9,226,500	$8,206,596	$7,989,392	$8,282,555
Interest Expense	3,912,761	3,418,782	2,747,297	2,680,003	3,366,960
Net Interest Income	5,887,054	5,807,718	5,459,299	5,309,389	4,915,595
Non-Interest Income	930,986	763,054	785,551	672,015	588,206
Non-Interest Expense	4,555,398	4,228,922	3,981,801	3,581,929	3,395,906
Net Income	1,614,642	1,664,783	1,617,049	1,612,392	1,432,489
BALANCE SHEET DATA					
Total Assets	$140,898,057	$125,308,204	$114,565,971	$112,465,797	$108,158,334
Loans - Net	92,087,902	75,468,504	71,998,929	67,754,002	59,466,817
Allowance for Loan Losses	546,954	557,961	628,957	612,921	478,775
Securities	36,054,324	38,954,494	32,341,350	33,371,944	38,013,829
Total Deposits	123,461,379	109,020,551	100,532,031	99,860,851	96,859,418
Stockholders' Equity	15,510,083	14,485,510	12,723,940	11,489,412	10,018,622
PER SHARE DATA					
Net Income	$4.75	$4.90	$4.76	$4.75	$4.22
Cash Dividend	$0.62	$0.75	$0.50	$0.45	$0.40
Stock Dividend	7.14%	7.14%	7.14%	7.14%	7.14%
Book Value at Year End	$45.65	$45.63	$42.90	$41.45	$38.68
Market Value	$136.00	$110.00	$70.00	$65.50	$50.00
Shares Outstanding	339,790	317,481	296,613	277,170	258,992
Weighted Average Shares	339,790	339,790	339,790	339,790	339,790

(Retroactively adjusted for stock dividends)

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS

This MD & A of Evans Bancorp, Inc. ("The Company") is intended to compare the performance of the Company for the years ended December 31, 1996, 1995 and 1994. The review of the information presented should be read in conjunction with the consolidated financial statements and accompanying notes.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Evans National Bank (the "Bank"), a wholly-owned subsidiary of Evans Bancorp, Inc. (the "Company"), is a nationally chartered bank founded in 1920 which is headquartered in Angola, New York. The Bank's principal business is to provide full banking services to consumer and commercial customers in Erie and Chautauqua Counties of Western New York. The Bank serves it market through six banking offices located in Angola, Derby, Evans, Forestville, Hamburg and North Boston, New York. The Bank's principal source of funding is through deposits which it reinvests in the community in the form of loans and investments. Deposits are insured to the applicable limit by the Bank Insurance Fund ("BIF") of the Federal Deposit Insurance Corporation ("FDIC"). The Bank is regulated by the Office of the Comptroller of the Currency.

The following discussion of financial conditions and results of operations of the Company and the Bank should be read in conjunction with the consolidated financial statements and accompanying notes.

RESULTS OF OPERATIONS

Net income in 1996 of $1,614,642 resulted in earnings per share of $4.75, which compares with net income of $1,664,783, or $4.90 per share, in 1995 and $1,617,049, or $4.76 per share, in 1994. The decrease in net income of 3% in 1996 from 1995 reflects the impact on annual earnings of the $2.2 million expansion plan implemented over the last two years. Non-interest expense increased 7.7% in 1996 over 1995, largely due to increases in salary expense, occupancy expense and advertising expense. These costs have risen as a result of the opening of the newly-constructed branch office in Evans, NY in May, 1996, the operation of a branch office in Hamburg, NY, which opened for business in October, 1995, and the recently completed renovation of the Angola office in Angola, NY, which currently serves as the Bank's operations center, in addition to housing the Bank's loan department and a small retail facility.

Net interest income, the difference between interest income and fees on earning assets, such as loans and securities, and interest expense on deposits, provides the basis for the Bank's results of operations. These results are also affected by non-interest income, the provision for credit losses, non-interest expense, and income taxes.

NET INCOME
($ MILLIONS)

'92 '93 '94 '95 '96
? ? ? ? ?

NET INTEREST INCOME

Net interest income, before the provision for credit losses, increased 1.4% from 1995 to 1996, compared to an increase of 6.4% from 1994 to 1995. Although average earning assets increased 7.7% in 1996, the tax-equivalent yield on those assets was 8.27%, compared to 8.28% in 1995. The increase in income on earning assets was largely offset by a volume increase in average interest-bearing liabilities of 8.22% and an increase in the average cost of funds from 3.77% in 1995 to 3.99% in 1996. In 1996, the Bank's net interest margin was 4.64% compared to 4.99% in 1995.

The increase of 6.4% in net interest income in 1995 over 1994 was the combined result of a volume increase of 3.2% in average earning assets in 1995 and an increase in the tax-equivalent yield on those assets to 8.28% from 7.68% in 1994. This increase was offset in part by a volume increase in interest-bearing liabilities of 1.6% and an increase in the average cost of funds from 3.08% in 1994 to 3.77% in 1995. The net interest margin increased from 4.60% in 1994 to 4.99% in 1995.

Rates remained fairly stable throughout most of 1996. The federal funds rate and the discount rate were reduced a quarter of a percent at the January 31, 1996 meeting of the Federal Reserve Board. Despite indications of strong economic growth, the Federal Reserve Bank failed to raise rates at later meetings. This was a marked contrast to the

NET INTEREST INCOME
($ MILLIONS)

'92 '93 `94 `95 `96

? ? ? ? ?

volatility experienced over the period from February 1994 through February 1995 when the Federal Reserve Board raised short-term rates seven times in its efforts to control inflation.

The Bank constantly monitors its exposure to interest rate risk. The proper management of interest-sensitive funds will help protect the Bank's earnings against extreme changes in interest rates. In 1995, the Bank established an Asset/ Liability Management Committee ("ALCO") for the purpose of evaluating the Bank's short-range and long-range liquidity position and the potential impact on capital and earnings as a result of sudden changes in interest rates. The Bank adopted an asset/liability policy which specifies minimum limits for liquidity and capital ratios. Maximum limits have been set for the negative impact acceptable on net interest income and the market value of assets as a result of a shift in interest rates. The asset/liability policy also includes guidelines for investment activities and funds management. The ALCO meets monthly to review the Bank's status and formulate its strategy based on current economic conditions, interest rate forecasts, loan demand, deposit volatility, and the Bank's earning objectives.

PROVISION FOR CREDIT LOSSES

Credit losses represent the amount charged against earnings to establish a reserve of allowance sufficient to absorb expected loan losses based on management's evaluation of the loan portfolio. In 1996, $60,000 was charged against earnings for credit losses. In 1995, the Bank updated the methodology it uses to calculate the reserve amount for credit losses. After considering loan concentrations, charge-off history, delinquent loan percentages and general economic conditions, the Bank reversed $86,933 of its provision for credit losses in 1995. In 1994, $16,000 was charged against earnings for credit losses. The following table summarizes the Bank's actual credit losses, total of non-performing loans and total allowance for credit losses for 1996, 1995 and 1994, both in dollars and as a percentage of total loans outstanding:

NON-PERFORMING LOANS TO TOTAL LOANS
[PERCENTAGE]

'92 '93 '94 '95 '96
? ? ? ? ?

	1996		1995		1994	
Actual Credit Losses	$ 77,000	0.08%	$ 11,000	0.014%	$ 13,000	0.020%
Non-Performing Loans	$230,000	0.20%	$312,000	0.470%	$854,000	0.700%
Allowance for Credit Losses	$546,954	0.59%	$557,961	0.730%	$628,957	0.870%

NON-INTEREST INCOME

Total non-interest income increased approximately $168,000 in 1996 from 1995 compared with a decrease of approximately $22,000 in 1995 from 1994. In 1996, service charge income of $668,000 increased approximately $106,000 over 1995, and approximately $167,000 over 1994. The additional income reflects the impact of increases in service charges implemented in September of 1995 as well as increased account activity and deposit volume.

Other non-interest income increased nearly $106,000 in 1996. This was attributable, in part, to an increase of $45,000 in the cash surrender value of life insurance policies carried on certain bank officers. Other contributing factors included an overall increase in loan-related income as a result of a high level of loan activity in 1996, and the receipt of $15,000 in state and federal tax refunds for the 1994 tax year. Non-interest income had declined approximately $84,000 from 1994 to 1995. In 1994, the Bank received a life insurance payment of $97,128 that resulted in an unusually high level of non-interest income that particular year.

Gains realized on the sale of assets decreased $44,000 in 1996 from 1995. In 1996, the Bank experienced a loss of $61,000 on a residual bond that was called for redemption in full. This loss was offset by net gains on planned sales of securities of $38,000, premiums on sales of student loans to the Student Loan Marketing Association ("SLMA") of $28,000 and premiums of $6,000 received on sales of mortgages to the Federal National Mortgage Association ("FNMA"). The Bank became affiliated with SLMA in 1995, and the initial sales volume in student loans resulted in $48,000 in premiums received in 1995. The Bank did not anticipate that the volume of future sales would repeat 1995 levels. The Bank became a member of the Federal National Mortgage Association in late 1995, realizing only about $1,000 in premiums that year.

NON-INTEREST EXPENSE

In 1996, the ratio of non-interest expense to average assets was 3.37% compared to 3.40% in 1995 and 3.34% in 1994. The non-interest expense category includes salaries, occupancy expenses, repairs and maintenance, advertising and professional services. All of these categories have been affected by the Town of Evans office expansion and the Angola office renovation. Additional staffing requirements have contributed to increases in salary and benefit expenses of 8.9% from 1995 to 1996 and 13.5% from 1994 to 1995. Another factor was the funding of a supplemental employee retirement plan for certain bank officers. Occupancy expenses have grown due to the operation of the additional branch locations, costs associated with the tenant-occupied property adjacent to the Derby, NY office, and additional depreciation costs resulting from the purchases of additional automated teller machines (ATMs) and newly upgraded check processing equipment. An increase of 36% in advertising expense in 1996 over 1995 was due to the expansion of the Bank's trade area as well as the continuing promotion of the home equity product and the marketing of a 15-month certificate of deposit special in the last quarter of 1996.

In 1996, the Bank's FDIC insurance assessment dropped to $2,000 from $120,231 in 1995 and $232,840 in 1994. The reductions over the past two years occurred when the FDIC decreased premiums as a result of the full funding of the Bank Insurance Fund. In 1995, the premium was reduced from $.23 per $100 of deposits to $.04 per $100 of deposits. In 1996, the rate was reduced to zero with a minimum charge of $500 per quarter for well capitalized banks. The Bank was assessed at the minimum rate, as it remains well above the regulatory minimums for the key measures of capital adequacies as disclosed in note 11 of the financial statements.

STOCKHOLDERS' EQUITY
($ MILLIONS)

'92 '93 '94 '95 '96
? ? ? ? ?

TAXES

The provision for taxes in 1996 of $588,000 reflects an effective tax rate of 27%. This compares to $764,000 and 32% in 1995 and $630,000 and 28% in 1994. In 1996, there was a change in the composition of the deferred tax calculation, resulting in an overall decrease in the effective tax rate. In addition to income on tax-exempt securities, other non-taxable income items included tax refunds and income resulting from the increase in the cash surrender value of life insurance policies. Life insurance proceeds received in 1994 were also exempt from taxation, resulting in a lower effective tax rate in that year.

FINANCIAL CONDITION

The Bank had total assets of $140.9 million at December 31, 1996, increasing $15.6 million or 12.4% over December 31, 1995. Loan balances increased $16.6 million or 22% in 1996 over 1995. This loan growth was funded by an increase in deposits of 13.3% and by a reduction in the securities portfolio of 7.5%. Capital increased 7.1%, basically due to the retention of earnings.

LOANS

Loans comprised 66% of the Bank's total average earning assets in 1996. The increase of 22% in actual year-end balances in 1996 over 1995 compares to an increase of 4.8% in 1995 over 1994. Loan demand was soft throughout 1994 and the first three quarters of 1995. The Federal Reserve Board lowered rates in July and December of 1995, and loan activity increased as a result. This increase in loan activity was bolstered by a 25 basis point decrease in rates on January 31, 1996. The Bank continues to focus its lending on commercial and residential mortgages, small commercial loans and home equity loans. Commercial mortgages make up the largest segment of the portfolio at 42.0%. Residential mortgages comprise 27.8% of the portfolio and commercial loans total 11.2%. Home equity loans make up 13.9% of total loans.

The Bank currently retains the servicing rights to $1.7 million in long-term mortgages sold to the Federal National Mortgage Association ("FNMA"), since becoming a member in 1995. This arrangement allows the Bank to offer long-term mortgages without exposure to the associated risks, while retaining customer account relationships.

The Bank continues its contractual arrangement with the Student Loan Marketing Association ("SLMA") whereby SLMA services the Bank's loans to students who are still in school and subsequently purchases those loans when the student goes into repayment. As a result of this arrange-

NET LOANS
($ MILLIONS)

'92 '93 `94 `95 `96
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ment, student loan balances decreased 13.4% in 1996 from 1995 levels and decreased 60% in 1995 from 1994 levels.

At December 31, 1996, the Bank had a loan-to-deposit ratio of 74.6%, and estimated its unloaned core deposits at $9.5 million. The Bank monitors the level of its unloaned core deposits to ensure that it is sufficient to fund anticipated loan growth as it expands its market area and develops new products.

SECURITIES

Securities and federal funds sold made up the remaining 34% of the Bank's earning assets at December 31, 1996. Since deposit growth was insufficient to fund the high level of loan demand experienced in 1996, securities that matured or were sold were utilized as an additional funding source, thereby reducing investment balances by $2.9 million from 1995. In 1995, when deposit growth exceeded loan growth, $6 million in excess funds had been directed into the securities portfolio. The portfolio remains concentrated in US government and government agency securities and tax-exempt municipal bonds of varied maturity.

In 1994, the Bank adopted Financial Accounting Standard No. 115 which outlines accounting and reporting procedures for investment securities. At that time, all securities in the Bank's portfolio were designated as either "held to maturity" or "available for sale", as were all subsequent purchases. Securities which the Bank designates as held to maturity are stated on the balance sheet at amortized cost, and those designated as available for sale are reported at fair market value. The unrealized gains and losses on available for sale securities are recorded, net of taxes, as a separate component of shareholders' equity. Transferring a security from one category to another results in certain accounting consequences. In 1995, the Financial Accounting Standards Board allowed a one-time reclassification of securities without penalty. As a result of this one-time window of opportunity, the Bank reclassified the majority of its bonds in the held to maturity category as available for sale. This reclassification was made after careful consideration of the Bank's anticipated liquidity needs and the present and future impact of such a transfer on the Bank's earnings and capital.

SECURITIES
($ MILLIONS)

'92 '93 `94 `95 `96
? ? ? ? ?

DEPOSITS

Total deposits increased $14.4 million in 1996 over 1995. Slight decreases occurred in NOW and regular savings balances, while significant increases occurred in demand deposit and time account balances. The actual 1996 year-end balances of $20.1 million in demand deposits reflect an increase of 13.3% over 1995. Much of this growth can be attributed to the Bank's new presence in the Hamburg, NY market. In addition to the expansion of the Bank's trade area, municipal deposit activity contributed to growth of $7.7 million or 119% in time accounts of $100,000 or more. Other time deposits increased $5.7 million or 16.2% in 1996 over 1995. Most of this increase occurred in the fourth quarter when the Bank promoted a special 15 month certificate of deposit.

The Bank continues to evaluate ways to improve its existing deposit products to meet customer needs, as well as to develop new products which will keep the Bank competitive in the marketplace.

TOTAL DEPOSITS
($ MILLIONS)

'92 '93 '94 '95 '96
? ? ? ? ?

LIQUIDITY

The Bank seeks to manage its liquidity so that it is able to meet day to day loan demand and deposit fluctuations, while attempting to maximize the amount of net interest income on earning assets. Traditionally, the Bank has utilized its federal funds balances and cash flows from the investment portfolio to fulfill its liquidity requirements. In 1996, overnight federal funds sold balances averaged $3.8 million. The maturities of the Bank's investments are laddered in such a way as to provide runoff at times that a liquidity need may arise. At December 31, 1996, approximately 9.1% of the Bank's securities had contractual maturities of one year or less and 42.0% had maturity dates of five years or less. At December 31, 1996, the Bank had net short-term liquidity of $8.1 million compared to $8.6 million at December 31, 1995. Available assets of $38.3 million less public and purchased liabilities of $18.8 million resulted in a long-term liquidity ratio of 204%, compared to 298% at December 31, 1995. Although the Bank believes it has sufficient resources in its securities portfolio to meet its short-term and long-term liquidity needs, the Bank also has the option to borrow $1 million each from two different correspondent banks.

The Bank is a member and shareholder of the Federal Home Loan Bank ("FHLB"), which will make cash advances of various terms at competitive rates to its members. Advances of up to $10 million can be drawn on the FHLB, via the Overnight Line of Credit Agreement, and another $5 million could be borrowed based on the collateral provided by the Bank's FHLB capital stock holdings.

Liquidity needs can also be met by aggressively pursuing municipal deposits, which are normally awarded on the basis of competitive bidding. The Bank maintains a sufficient amount of US government and US government agency securities and New York State municipal bonds that can be pledged as collateral for these deposits.

INTEREST RATE RISK

Interest rate risk occurs when interest-earning assets and interest-bearing liabilities mature or reprice at different times or on a different basis. The Bank's ALCO analyzes the gap position on a monthly basis to determine the Bank's exposure to interest rate risk. The gap position is the difference between the total of the Bank's rate sensitive assets and rate sensitive liabilities maturing or repricing during a given time frame. A "positive" gap results when more assets than liabilities reprice and a "negative" gap results when more liabilities than assets reprice in a given time period. Because assets historically reprice faster than liabilities, a slightly negative gap position is considered preferable. At December 31, 1996, the Bank was in a negative gap position, with $9.2 million more in rate sensitive liabilities repricing over the next year than in rate sensitive assets. The Bank's asset liability limit, as defined in its asset liability policy, is a difference of +/-15% of the Bank's total assets which amounted to +/-$21.1 million at December 31, 1996. Therefore, the Bank's negative gap position at December 31, 1996 was well within its own policy limit. The gap ratio (rate sensitive assets/rate sensitive liabilities) at that date was 83%.

MARKET RISK

When rates rise or fall, the market value of the Bank's assets and liabilities will increase or decrease. As part of the Bank's asset/liability policy, the Bank has set limitations on the negative impact to the market value of its balance sheet that would be accepted. The Bank's securities portfolio is priced monthly and adjustments are made on the balance sheet to reflect the market value of the available for sale portfolio per Financial Accounting Standard No. 115. A limitation of a negative ten percent of total capital before FAS 115 (after tax) has been set forth in the asset liability policy as the maximum impact to equity that would be acceptable. At year end, the impact to equity as a result of marking available for sale securities to market was an unrealized loss of $23,000. On a quarterly basis, the available for sale portfolio is shocked for immediate increases of 100 and 200 basis points. At December 31, 1996, the Bank determined that it would take an immediate increase in excess of 200 basis points to eliminate the current capital cushion. The Asset/Liability Committee also reviews the Bank's capital ratios on a quarterly basis. Unrealized gains or losses on available for sale securities are not included in the calculation of these ratios.

CAPITAL EXPENDITURES

In order to keep pace with check and statement processing volume, and to provide the continual high level of customer service, the Bank plans to purchase statement imaging equipment and upgraded mainframe computer operating and archiving systems in 1997. The cost of the statement imaging equipment is estimated at $200,000 and the mainframe upgrades will total approximately $150,000. The Bank believes that it has a sufficiently strong capital base to support these capital expenditures with current assets and retained earnings.

IMPACT OF INFLATION AND CHANGING PRICES

There will always be economic events, such as changes in the economic policies of the Federal Reserve Board, that will have an impact on the profitability of the Company. Inflation may result in impaired asset growth, reduced earnings and substandard capital ratios. The net interest margin can be adversely impacted by the volatility of interest rates throughout the year. Since these factors are unknown, management attempts to structure the balance sheet and the repricing frequency of its interest-sensitive assets and liabilities to avoid a significant concentration that could result in a material negative impact on earnings.

ITEM 8. FINANCIAL STATEMENTS See Part IV, Item 14, "Exhibits, Financial Statements Schedules and Reports on Form 8-K"

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND

FINANCIAL DISCLOSURES

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT The following table sets forth the names, ages and positions of the Directors and Executive Officers of the Company.

Name	Age	Position	Term Expires
Nominees for Directors:			
Richard M. Craig	59	President, CEO, Director	1997
LaVerne G. Hall	59	Director	1997
Richard C. Stevenson	88	Director	1997
Directors:			
Robert W. Allen	70	Secretary, Director	1999
William F. Barrett	55	Director	1999
Philip Brothman	58	Director	1998
David C. Koch	61	Director	1999
David M. Taylor	46	Director	1998
Carl F. Ulmer	70	Chairman of Board, Director	1998

Each Director is elected to hold office for a three year term and until his successor is elected and qualified.

Mr. Craig joined the Bank in 1987 and has served as President and Director since 1988. In 1989 he was also appointed Chief Executive Officer. Previously, he was the Administrative Vice President of M&T Bank.

Mr. Hall has been a Director since 1981 and is Chairman of the Board of L. G. Hall Building Contractors, Inc.

Mr. Stevenson has been a Director since 1958 and is President of Metro-Stevenson Realtors and Chairman of the Board of Evans Land Corp.

Mr. Allen has been a Director since 1960. He was the Executive Vice President of the Bank until his retirement in 1988.

Mr. Barrett has been a Director since 1971. He is currently self employed as a property and investment manager and the former President of Carl E. Barrett, Ltd., an insurance agency.

Mr. Brothman has been a Director since 1976 and is a partner in the law firm of Hurst, Brothman & Yusick.

Mr. Koch has been a Director since 1979 and is Chairman and Chief Executive Officer of New Era Cap Co., Inc..

Mr. Taylor has been a Director since 1986 and is President of Concord Nurseries, Inc.

Mr. Ulmer has been a Director since 1967. He was President of the Bank from 1967 to 1988 and also Chief Executive Officer from 1967 until his retirement in 1989. He has been Chairman of the Board of Directors since 1975.

The committees of the Board of Directors are appointed by the members of the Board of Directors and are as follows:

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Loan Committee:
---------------

William F. Barrett, Chairman       Robert W. Allen    Richard M. Craig
David C. Koch                      Carl F. Ulmer
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The Loan Committee met eleven times during 1996. Its purpose is to review and approve loans exceeding $250,000 or loans that are non-conventional.

Investment Committee:

Carl F. Ulmer, Chairman Richard M. Craig David M. Taylor

The Investment Committee met once in 1996. The Investment Committee meets a minimum of once a year to review the liquidity of the investment portfolio and discuss investment strategies.

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Planning Committee:
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LaVerne G. Hall, Chairman          William F. Barrett  Richard M. Craig
David C. Koch                      Carl F. Ulmer
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The Planning Committee met once in 1996. The Planning Committee is responsible for reviewing the strategic plan of the Bank and actions taken to obtain those objectives.

Loan Review Committee:

Phillip Brothman, Chairman Richard M. Craig LaVerne G. Hall David M. Taylor

The Loan Review Committee met four times during 1996. Its purpose is to insure the Bank's provision and reserve for credit losses are adequate. The Loan Review Committee meets quarterly with a retired bank examiner, who independently conducts the Bank's Loan Review. As a result of his recommendations, loans are graded based upon payment history, credit strength of borrower and other factors. This information is then aggregated to determine the overall adequacy of the credit loss reserve.

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Audit Committee:
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Phillip Brothman, Chairman         Robert W. Allen    Richard M. Craig
David C. Koch                      David M. Taylor
```

The Audit Committee met four times in 1996. The members of the Audit Committee receive from the internal auditor a quarterly report which describes findings for the prior quarter. The function of the Audit Committee is to insure that the Bank's activities are being conducted in accordance with law, banking rules and regulations, other regulatory and supervisory authorities, and the Bank's internal policies. In addition, the Audit Committee recommends to the Board of Directors the services of a reputable certified public accounting firm. The Committee receives and reviews the reports of the certified public accounting firm and presents them to the Board of Directors with comments and recommendations.

Insurance Committee:

William F. Barrett, Chairman Robert W. Allen Richard M. Craig Carl F. Ulmer

The Insurance Committee met once during 1996. This committee reviews the coverage of insurance policies of the Bank and monitors costs.

```
Human Resource Committee:

Richard C. Stevenson, Chairman    William F. Barrett  Richard M. Craig
LaVerne G. Hall                   David C. Koch       Carl F. Ulmer
```

The Human Resource Committee met once during 1996. Its purpose is to review management's recommendation as it relates to job classification, salary ranges and annual merit increases. The committee also reviews fringe benefits. The Human Resource Committee also establishes the compensation of the Executive Officers of the Company. See "Human Resource Committee Report on Executive Compensation".

The Board of Directors of the Company met twelve times during 1996. Each incumbent director of the Company, except for Mr. Koch, Mr. Taylor and Mr. Ulmer, attended at least 75% of the aggregate of all the meetings of the Board of Directors and the Committees of which they were members.

COMPENSATION OF DIRECTORS

For the year 1996, members of the Board of Directors were compensated at the rate of $700 per meeting, with the Secretary receiving $750 per meeting. Total directors' fees during 1996 amounted to $133,941 (including committee fees and $36,915 of deferred compensation).

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's executive officers and directors, and persons who beneficially own more than ten percent of the Company's stock, to file initial reports of ownership and reports of changes in ownership with the Securities and Exchange Commission. Executive officers, directors and greater than ten percent beneficial owners are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on a review of the copies of such forms furnished to the Company and written representations from the Company's executive officers and directors, the Company believes that during 1996 all Section 16(a) filing requirements applicable to its executive officers, directors and greater than ten percent beneficial owners were complied with by such persons.

ITEM 11. EXECUTIVE COMPENSATION

EXECUTIVE COMPENSATION

There is shown below information concerning the annual and long-term compensation for service in all capacities to the Company for the years 1996, 1995 and 1994 of the Chief Executive Officer and the Senior Vice President. No other executive officer earned in excess of $100,000.

SUMMARY COMPENSATION TABLE

	ANNUAL COMPENSATION				LONG-TERM COMPENSATION		
NAME OF AND PRINCIPAL POSITION	YEAR	SALARY	BONUS	OTHER(1)	AWARDS STOCK OPTION (SHARES)	PAYOUTS LONG-TERM INCENTIVE PAYOUTS	ALL OTHER COMPENSATION
Richard M. Craig	1996	$142,385	$13,840	$2,848	-0-	-0-	-0-
President & CEO	1995	$135,631	$12,596	$2,692	-0-	-0-	-0-
	1994	$124,962	$13,412	$2,499			
James Tilley	1996	$97,095	$ 9,875	$1,942			
Senior Vice	1995	$93,146	$ 9,464	$1,836	-0-	-0-	-0-
President	1994	$86,557	$10,708	$1,732	-0-	-0-	-0-

(1) Includes the Bank's contribution to the Employee Savings Plan made for the benefit of Mr. Craig of $2,848 in 1996, $2,692 in 1995 and $2,499 in 1994 and for the benefit of Mr. Tilley of $1,942 in 1996, $1,836 in 1995 and $1,732 in 1994. See "EMPLOYEE SAVINGS PLAN". Does not include personal benefits which did not exceed 10% of Mr. Craig's or Mr. Tilley's salary and bonus in any year.

Employment Agreements

Mr. Richard Craig and Mr. James Tilley have each entered into an Employment Agreement with the Bank which runs through June 30, 2001 and January 31, 2001 respectively. Each Employment Agreement provides that salary will be set annually by the Board of Directors. If the Bank terminates the Employment Agreement without cause, the Bank is obligated to continue to pay base salary for the longer of three months or the remainder of the term of the Employment Agreement.

Pension Plan

The Bank maintains a defined benefit pension plan for all eligible employees. An employee becomes vested in a pension benefit after five years of service. Upon retirement at age 65, vested participants are entitled to receive a monthly benefit. Prior to a May 1, 1994 amendment to the plan, the monthly benefit under the pension plan was 3% of average monthly compensation multiplied by years of service up to a maximum of fifteen years of service. In 1994, the pension plan was amended to change the benefit to 1% of average monthly compensation multiplied by years of service up to a maximum of thirty years of service. However, the benefits already accrued by employees prior to this amendment were not reduced by the amendment. Mr. Craig and Mr. Tilley are both participants in the pension plan and as of December 31, 1996, Mr. Craig had nine years of credited service and $11,512 of average monthly compensation; and Mr. Tilley had eight years of credited service and $7,813 of average monthly compensation.

Supplemental Executive Retirement Plans

In 1995, the Bank entered into nonqualified Supplemental Executive Retirement Plans ("SERP's") with both Mr. Craig and Mr. Tilley to provide retirement benefits to supplement their benefits under the Bank's Pension Plan and replace the benefits reduced by the 1994 amendment to the Pension Plan. See "PENSION PLAN". Under the SERP's Mr. Craig and Mr. Tilley are entitled to additional annual pension payments of $63,882 and $60,319, respectively, for 20 years after retirement at age 65, unless their employment is terminated earlier. The SERP's also provide death benefits in the event the executive dies prior to age 65 which are payable over 10 years. As of December 31, 1996, the annual death benefit amounts for Mr. Craig and Mr. Tilley were $62,454 and $43,176, respectively. The Bank has purchased a life insurance policy on both Mr. Craig and Mr. Tilley to assist in funding its obligations under the SERP's.

Employee Savings Plan

The Bank also maintains a 401(k) salary deferral plan to assist employees in saving for retirement.

All employees are eligible to participate on the first of the month following one year of service, provided they have completed 1,000 hours of service. Eligible employees can contribute up to a maximum of 15% of their base pay. An automatic 1% of base pay contribution is made by the Bank and in addition, the Bank makes a matching contribution at a rate of 25% of the first 4% contributed by a participant. Participants are always 100% vested in their own contributions and the Bank's matching contribution is also 100% vested.

Individual account earnings will depend on the performance of the investment funds in which the participant invests. Specific guidelines govern adjustments to contribution levels, investment decisions and withdrawals from the plan. The benefit is paid as an annuity unless the employee elects one of the optional forms of payment available under the plan. See "Summary Compensation Table" for a summary of the amounts contributed by the Bank to this Plan for the benefit of Mr. Craig and Mr. Tilley.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Human Resources Committee of the Board of Directors serves as the Compensation Committee of the Company. The members of the Human Resource Committee are: Richard C. Stevenson, William F. Barrett, Richard M. Craig, LaVerne G. Hall, David C. Koch and Carl F. Ulmer. Mr. Craig is the President and CEO of the Company and the Bank. Mr. Ulmer is the Chairman of the Board of Directors of the Company and served as a past President and CEO of the Bank. Mr. Hall is Chairman of the Board of L.G. Hall Building Contractors, Inc. which has performed construction work for the Company. See "Certain Transactions".

There are no Compensation Committee Interlocks required to be disclosed in this Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

The following table sets forth, as of January 31, 1997, the number of outstanding shares of Common Stock beneficially owned by (i) each shareholder known by the Company to beneficially own more than 5% of the Company's Common Stock, (ii) all directors and nominees of the Company individually, and (iii) by all executive officers and directors as a group:

Name	Nature and Amount of Beneficial Ownership	Percent of Class
Robert W. Allen (1)	5,915	1.7%
William F. Barrett (2)	31,193	9.2%
Phillip Brothman (3)	4,512	1.3%
Richard M. Craig (4)	1,545	0.5%
LaVerne G. Hall (5)	10,376	3.1%
David C. Koch (6)	5,076	1.5%
Richard C. Stevenson (7)	10,951	3.2%
David M. Taylor (8)	1,368	0.4%
Carl F. Ulmer (9)	3,104	0.9%
Directors and Officers as a Group (11 persons) (1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)	74,318	21.8%

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS The Bank has had, and in the future, expects to have banking and fiduciary transactions with Directors and Executive Officers of the Company and some of their affiliates. All such transactions have been in the ordinary course of business and on substantially the same terms (including interest rates on loans) as those prevailing at the time for comparable transactions with others.

(1) Includes 538 shares owned by Mr. Allen's wife.

(2) Includes 1,494 shares owned by Mr. Barrett's wife, 6,188 shares owned jointly by Mr. Barrett and his wife and 1,269 shares held for Mr. Barrett's son, as to which he disclaims beneficial ownership.

(3) Includes 292 shares owned by Mr. Brothman's wife and 309 shares held by a pension plan of which Mr. Brothman is a trustee and a participant.

(4) Includes 1,014 shares owned jointly by Mr. Craig and his wife and 32 shares owned by Mr. Craig's daughter, as to which he disclaims beneficial ownership.

(5) Includes 4,646 shares owned by Mr. Hall's wife.

(6) Includes 297 shares owned jointly by Mr. Koch and his wife, and 155 shares owned by Mr. Koch's son, as to which he disclaims beneficial ownership.

(7) Includes 620 shares owned by Mr. Stevenson's wife, also includes 2,527 shares held by Mr. Stevenson as conservator for Evelyn Simonsen and 212 shares held in a trust for F. Evelyn Beardsley as to which he disclaims beneficial ownership.

(8) Includes 60 shares owned by Mr. Taylor and his wife.

(9) Includes 1,552 shares owned by Mr. Ulmer's wife.

(10) Includes 76 shares owned by Mr. James Tilley, Assistant Secretary of Evans Bancorp, Inc., and 2 shares held by Mr. Tilley in trust for his grandson.

(11) Includes 200 shares owned by Mr. William Glass, Treasurer of Evans Bancorp, Inc., held jointly with Mr. Glass's wife.

PART IV

ITEM 14. EXHIBITS, LIST AND REPORTS ON FORM 8-K The following financial statements and independent auditors' report thereon are included herein or are incorporated by reference are included from 1996 Annual Report to Shareholders pages 39 through 67 in response to Part II, Item 7.

(a) Documents filed as a part of this Report:

None

(b) Documents Incorporated by Reference:

1. Financial Statements.

Independent Auditors' Report of Deloitte & Touche LLP

Consolidated Balance Sheets

Consolidated Statements of Income

Consolidated Statements of Stockholders' Equity

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statement

2. All other schedules are omitted because they are not applicable, or not required, or because the required information is included in the consolidated financial statements or notes thereto.

3. Exhibits

Exhibit No	Name	Page No.
3.1	Certificate of Incorporation (1)	n/a
3.2	By-Laws (1)	n/a
4.1	Specimen common stock certificate (2)	n/a
10.1	Employment Agreement dated July 1, 1987 between the Bank and Richard M. Craig (1)	n/a
10.3	Employment Agreement dated April 1, 1988 between the Bank and James Tilley (1)	n/a
10.4	Specimen 1984 Director Deferred Compensation Agreement (2)	n/a
10.5	Specimen 1989 Director Deferred Compensation Agreement (2)	n/a
10.6	Summary of Provisions of Director Deferred Compensation Agreements (2)	n/a

10.7	Evans National Bank Supplemental Executive Retirement Plan for Richard M. Craig dated March 29, 1995 (3)	n/a
10.8	Evans National Bank Supplemental Executive Retirement Plan for James Tilley dated March 28, 1995 (3)	n/a
13.1	1996 Annual Report to Shareholders (3)	32
21.1	Subsidiaries of the Registrant (3)	69

Footnotes

(1) Filed as Exhibits to the Company's Registration Statement on Form S-4 (Registration No. 33-25321) and incorporated herein by reference.

(2) Filed as Exhibits to the original Form 10 (Registration No. 0-18539) and incorporated herein by reference.

(3) Filed herewith.

(b) Reports on Form 8-K.

None.

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, EVANS BANCORP, INC. has duly caused this Annual Report to be signed on its behalf by the undersigned thereunto duly authorized:

EVANS BANCORP, INC.

By: s/Richard M. Craig

Richard M. Craig,
President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated:

Signature	Title	Date
s/Richard M. Craig - ------------------ Richard M. Craig	President (Chief Executive Officer), Principal Accounting Officer and Director	March 28, 1997
s/James Tilley - -------------- James Tilley	Assistant Secretary	March 28, 1997
s/William R. Glass - ------------------ William R. Glass	Treasurer	March 28, 1997
s/Robert W. Allen - ----------------- Robert W. Allen	Director	March 28, 1997
s/LaVerne G. Hall - ----------------- LaVerne G. Hall	Director	March 28, 1997
s/Richard C. Stevenson - --------------------- Richard C. Stevenson	Director	March 28, 1997
s/David M. Taylor - ----------------- David M. Taylor	Director	March 28, 1997
s/Carl F. Ulmer - --------------- Carl F. Ulmer	Director	March 28, 1997

EXHIBIT 13.1

CONTENTS

PROFILE

EVANS BANCORP, INC.

is a bank holding company headquartered in Angola, New York and conducts its business through its wholly-owned subsidiary, Evans National Bank. The Bank is a FDIC full-service commercial bank and as of December 31, 1996 had total assets of $140,898,057, total deposits of $123,461,379 and total stockholders' equity of $15,510,083. The Bank's primary market area is located in Western New York State and specifically in southern Erie County, northern Chautauqua County and northwestern Cattaraugus County.

The principal business of the Bank is commercial banking and consists of, among other things, attracting deposits from the general public and using these funds to extend credit and to invest in securities. The Bank offers a variety of loan products to its customers including commercial loans, commercial and residential mortgage loans, and consumer loans. In addition, the Bank offers deposit products to include checking and NOW accounts, passbook and statement savings, and certificates of deposits.

PRESIDENT'S MESSAGE

[Graphic "The Key Factor in the Growth of Assets was the Significant increase in Loans."]

I am pleased to announce that 1996 was a year of record growth at Evans National Bank. Total assets increased by 12.44%, to $140.9 million from $125.3 million, the largest one-year increase in the history of the Bank. I believe that this unprecedented growth in the balance sheet sets the framework for future improvement in other key performance measures such as net income, return on assets and return on equity. In order to sustain our philosophy of controlled growth and dedication to customer service, the Bank in 1996 undertook several strategic initiatives, which included significant investments in technology and in the branch system. These strategic initiatives, among others, will enable Evans National Bank to continue to provide quality products and quality services to our customers.

In order to achieve our long term objectives of growth, continued dedication to our customers, the community, and our shareholders, it is necessary to incur and absorb the costs that are associated with such a plan. As a result, our current year performance measures were down slightly from those of a year ago. Net income for the year was $1.61 million, down slightly from prior year net income of $1.66 million, and accordingly, net income per share was down as well, from $4.90 in 1995 to $4.75 in 1996. Return on average assets was 1.20% in 1996 compared to 1.34% in 1995, while return on average equity was 10.75% in 1996 compared to 11.59% in 1995. However, given the various initiatives undertaken in 1996, as well as their associated costs, our performance was above our projections for 1996 due to a large increase in the loan portfolio, related interest income and effective cost management strategies.

The key factor in the growth of assets was the significant increase in loans. Loans increased from $75.5 million to $92.1 million. This increase of $16.6 million represents growth of 22% over the prior year. Total deposits increased to $123.5 million from $109.0 million, an increase of $14.5 million, or 13%. The majority of the growth in deposits was comprised of higher yielding certificates of deposit, with a slight increase in our core deposit base.

As previously mentioned, the Bank concluded various strategic initiatives during 1996, which had both balance sheet and income statement implications. The Evans Office was opened in May of 1996, allowing for increased customer service capabilities. The newly renovated Angola Office subsequently became our Operations Center and the site of the majority of our technological investments. During 1996, we replaced our check processing equipment with a modern item processing system which will include check imaging. Early in 1997, we plan to replace our mainframe computer and upgrade to a Unix-based operating system. In conjunction with this effort, a state-of-the-art optical disk archival system will be installed providing a highly efficient record storage and retrieval network.

During the second quarter of 1997, we plan to complete the final installation phase of our new check processing technology, at which time our customers will begin receiving laser-printed images of their cancelled checks. This improvement will provide our customers with easier record keeping and check storage capabilities, while allowing the Bank to reduce paper work, postage costs, and improve our record storage and research methods. Although this strategy represents a significant investment for the Bank, the projected savings will enable the Bank to recoup its investment in approximately three years, while improving our service and communication to customers. In addition, the bank is investigating a new service allowing customers to access account information through automated voice response or by a personal computer.

Although expansion of operating and retail delivery capacity has increased our fixed cost structure in the short term, we feel that we have implemented a strategy to enhance customer service and commitment to the community, while simultaneously increasing shareholder value.

In February 1996, the Board of Directors declared a stock dividend of 7.14%, and in October 1996, paid a sixty-two cent per share cash dividend. A special cash dividend of fifty cents per share was also declared in November 1996, payable February 1, 1997. At December 31, 1996, shares of stock were selling at $136 per share, which represents an increase of $26 per share, or 23.6% over the December 31, 1995 price of $110 per share. The Board of Directors has recommended a five for one stock split, which will be submitted to the shareholders for approval at the annual meeting.

Evans National Bank has recently appointed American Stock Transfer and Trust Company as its stock transfer agent and registrar. American Stock Transfer and Trust Company will assume the responsibility for maintaining shareholder records, processing, dividend distributions and similar functions. As the number of shareholders of Evans Bancorp Inc. has increased over the past years, the work required to maintain our shareholder records has also increased. We believe this change will provide better service to you, our shareholders, at less cost to the Company. We will be evaluating a dividend reinvestment program through our transfer agent and will report the status to you at our annual meeting.

During 1996, Evans National Bank continued its long-standing commitment to the community by participating in various educational, charitable, and community service functions. Additionally, employees and directors continue to be involved in numerous organizations in an effort to assist the Bank in identifying the needs of the community.

During the year, we recognized the following personnel for significant years of service: Susan Herold and Elizabeth Mac with 20 years of service, Ramon Gallardo and Mary Nytz with 10 years of service, and Julie Clark and Delana Gage with 5 years of service. Additionally, the following promotions were appointed by the Board of Directors: Mary Doeing, Thomas McDonnell, and Jeffrey White to Vice President, and Michelle Bress, Mary Jane Gonzalez and Howard Martin to Banking Officer.

In conclusion, I would like to thank our employees, the Board of Directors, our shareholders, and customers for their support during 1996. We look forward to the future with its challenges and opportunities.

/s/ Richard M. Craig

Richard M. Craig / President and Chief Executive Officer

SELECTED FINANCIAL INFORMATION

For the year ended December 31	1996	1995	1994	1993	1992
RESULTS OF OPERATIONS					
Interest Income	$9,799,815	$9,226,500	$8,206,596	$7,989,392	$8,282,555
Interest Expense	3,912,761	3,418,782	2,747,297	2,680,003	3,366,960
Net Interest Income	5,887,054	5,807,718	5,459,299	5,309,389	4,915,595
Non-Interest Income	930,986	763,054	785,551	672,015	588,206
Non-Interest Expense	4,555,398	4,228,922	3,981,801	3,581,929	3,395,906
Net Income	1,614,642	1,664,783	1,617,049	1,612,392	1,432,489
BALANCE SHEET DATA					
Total Assets	$140,898,057	$125,308,204	$114,565,971	$112,465,797	$108,158,334
Loans - Net	92,087,902	75,468,504	71,998,929	67,754,002	59,466,817
Allowance for Loan Losses	546,954	557,961	628,957	612,921	478,775
Securities	36,054,324	38,954,494	32,341,350	33,371,944	38,013,829
Total Deposits	123,461,379	109,020,551	100,532,031	99,860,851	96,859,418
Stockholders' Equity	15,510,083	14,485,510	12,723,940	11,489,412	10,018,622
PER SHARE DATA					
Net Income	$4.75	$4.90	$4.76	$4.75	$4.22
Cash Dividend	$0.62	$0.75	$0.50	$0.45	$0.40
Stock Dividend	7.14%	7.14%	7.14%	7.14%	7.14%
Book Value at Year End	$45.65	$45.63	$42.90	$41.45	$38.68
Market Value	$136.00	$110.00	$70.00	$65.50	$50.00
Shares Outstanding	339,790	317,481	296,613	277,170	258,992
Weighted Average Shares	339,790	339,790	339,790	339,790	339,790

(Retroactively adjusted for stock dividends)

MANAGEMENT DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Evans National Bank (the "Bank"), a wholly-owned subsidiary of Evans Bancorp, Inc. (the "Company"), is a nationally chartered bank founded in 1920 which is headquartered in Angola, New York. The Bank's principal business is to provide full banking services to consumer and commercial customers in Erie and Chautauqua Counties of Western New York. The Bank serves it market through six banking offices located in Angola, Derby, Evans, Forestville, Hamburg and North Boston, New York. The Bank's principal source of funding is through deposits which it reinvests in the community in the form of loans and investments. Deposits are insured to the applicable limit by the Bank Insurance Fund ("BIF") of the Federal Deposit Insurance Corporation ("FDIC"). The Bank is regulated by the Office of the Comptroller of the Currency.

The following discussion of financial conditions and results of operations of the Company and the Bank should be read in conjunction with the consolidated financial statements and accompanying notes.

RESULTS OF OPERATIONS

Net income in 1996 of $1,614,642 resulted in earnings per share of $4.75, which compares with net income of $1,664,783, or $4.90 per share, in 1995 and $1,617,049, or $4.76 per share, in 1994. The decrease in net income of 3% in 1996 from 1995 reflects the impact on annual earnings of the $2.2 million expansion plan implemented over the last two years. Non-interest expense increased 7.7% in 1996 over 1995, largely due to increases in salary expense, occupancy expense and advertising expense. These costs have risen as a result of the opening of the newly-constructed branch office in Evans, NY in May, 1996, the operation of a branch office in Hamburg, NY, which opened for business in October, 1995, and the recently completed renovation of the Angola office in Angola, NY, which currently serves as the Bank's operations center, in addition to housing the Bank's loan department and a small retail facility.

Net interest income, the difference between interest income and fees on earning assets, such as loans and securities, and interest expense on deposits, provides the basis for the Bank's results of operations. These results are also affected by non-interest income, the provision for credit losses, non-interest expense, and income taxes.

NET INCOME
($ MILLIONS)

'92 '93 '94 '95 '96
? ? ? ? ?

NET INTEREST INCOME

Net interest income, before the provision for credit losses, increased 1.4% from 1995 to 1996, compared to an increase of 6.4% from 1994 to 1995. Although average earning assets increased 7.7% in 1996, the tax-equivalent yield on those assets was 8.27%, compared to 8.28% in 1995. The increase in income on earning assets was largely offset by a volume increase in average interest-bearing liabilities of 8.22% and an increase in the average cost of funds from 3.77% in 1995 to 3.99% in 1996. In 1996, the Bank's net interest margin was 4.64% compared to 4.99% in 1995.

The increase of 6.4% in net interest income in 1995 over 1994 was the combined result of a volume increase of 3.2% in average earning assets in 1995 and an increase in the tax-equivalent yield on those assets to 8.28% from 7.68% in 1994. This increase was offset in part by a volume increase in interest-bearing liabilities of 1.6% and an increase in the average cost of funds from 3.08% in 1994 to 3.77% in 1995. The net interest margin increased from 4.60% in 1994 to 4.99% in 1995.

Rates remained fairly stable throughout most of 1996. The federal funds rate and the discount rate were reduced a quarter of a percent at the January 31, 1996 meeting of the Federal Reserve Board. Despite indications of strong economic growth, the Federal Reserve Bank failed to raise rates at later meetings. This was a marked contrast to the

NET INTEREST INCOME
($ MILLIONS)

'92 '93 `94 `95 `96
? ? ? ? ?

volatility experienced over the period from February 1994 through February 1995 when the Federal Reserve Board raised short-term rates seven times in its efforts to control inflation.

The Bank constantly monitors its exposure to interest rate risk. The proper management of interest-sensitive funds will help protect the Bank's earnings against extreme changes in interest rates. In 1995, the Bank established an Asset/ Liability Management Committee ("ALCO") for the purpose of evaluating the Bank's short-range and long-range liquidity position and the potential impact on capital and earnings as a result of sudden changes in interest rates. The Bank adopted an asset/liability policy which specifies minimum limits for liquidity and capital ratios. Maximum limits have been set for the negative impact acceptable on net interest income and the market value of assets as a result of a shift in interest rates. The asset/liability policy also includes guidelines for investment activities and funds management. The ALCO meets monthly to review the Bank's status and formulate its strategy based on current economic conditions, interest rate forecasts, loan demand, deposit volatility, and the Bank's earning objectives.

PROVISION FOR CREDIT LOSSES

Credit losses represent the amount charged against earnings to establish a reserve of allowance sufficient to absorb expected loan losses based on management's evaluation of the loan portfolio. In 1996, $60,000 was charged against earnings for credit losses. In 1995, the Bank updated the methodology it uses to calculate the reserve amount for credit losses. After considering loan concentrations, charge-off history, delinquent loan percentages and general economic conditions, the Bank reversed $86,933 of its provision for credit losses in 1995. In 1994, $16,000 was charged against earnings for credit losses. The following table summarizes the Bank's actual credit losses, total of non-performing loans and total allowance for credit losses for 1996, 1995 and 1994, both in dollars and as a percentage of total loans outstanding:

NON-PERFORMING LOANS TO TOTAL LOANS
[PERCENTAGE]

'92 '93 '94 '95 '96
? ? ? ? ?

	1996		1995		1994	
Actual Credit Losses	$ 77,000	0.08%	$ 11,000	0.014%	$ 13,000	0.020%
Non-Performing Loans	$230,000	0.20%	$312,000	0.470%	$854,000	0.700%
Allowance for Credit Losses	$546,954	0.59%	$557,961	0.730%	$628,957	0.870%

NON-INTEREST INCOME

Total non-interest income increased approximately $168,000 in 1996 from 1995 compared with a decrease of approximately $22,000 in 1995 from 1994. In 1996, service charge income of $668,000 increased approximately $106,000 over 1995, and approximately $167,000 over 1994. The additional income reflects the impact of increases in service charges implemented in September of 1995 as well as increased account activity and deposit volume.

Other non-interest income increased nearly $106,000 in 1996. This was attributable, in part, to an increase of $45,000 in the cash surrender value of life insurance policies carried on certain bank officers. Other contributing factors included an overall increase in loan-related income as a result of a high level of loan activity in 1996, and the receipt of $15,000 in state and federal tax refunds for the 1994 tax year. Non-interest income had declined approximately $84,000 from 1994 to 1995. In 1994, the Bank received a life insurance payment of $97,128 that resulted in an unusually high level of non-interest income that particular year.

Gains realized on the sale of assets decreased $44,000 in 1996 from 1995. In 1996, the Bank experienced a loss of $61,000 on a residual bond that was called for redemption in full. This loss was offset by net gains on planned sales of securities of $38,000, premiums on sales of student loans to the Student Loan Marketing Association ("SLMA") of $28,000 and premiums of $6,000 received on sales of mortgages to the Federal National Mortgage Association ("FNMA"). The Bank became affiliated with SLMA in 1995, and the initial sales volume in student loans resulted in $48,000 in premiums received in 1995. The Bank did not anticipate that the volume of future sales would repeat 1995 levels. The Bank became a member of the Federal National Mortgage Association in late 1995, realizing only about $1,000 in premiums that year.

NON-INTEREST EXPENSE

In 1996, the ratio of non-interest expense to average assets was 3.37% compared to 3.40% in 1995 and 3.34% in 1994. The non-interest expense category includes salaries, occupancy expenses, repairs and maintenance, advertising and professional services. All of these categories have been affected by the Town of Evans office expansion and the Angola office renovation. Additional staffing requirements have contributed to increases in salary and benefit expenses of 8.9% from 1995 to 1996 and 13.5% from 1994 to 1995. Another factor was the funding of a supplemental employee retirement plan for certain bank officers. Occupancy expenses have grown due to the operation of the additional branch locations, costs associated with the tenant-occupied property adjacent to the Derby, NY office, and additional depreciation costs resulting from the purchases of additional automated teller machines (ATMs) and newly upgraded check processing equipment. An increase of 36% in advertising expense in 1996 over 1995 was due to the expansion of the Bank's trade area as well as the continuing promotion of the home equity product and the marketing of a 15-month certificate of deposit special in the last quarter of 1996.

In 1996, the Bank's FDIC insurance assessment dropped to $2,000 from $120,231 in 1995 and $232,840 in 1994. The reductions over the past two years occurred when the FDIC decreased premiums as a result of the full funding of the Bank Insurance Fund. In 1995, the premium was reduced from $.23 per $100 of deposits to $.04 per $100 of deposits. In 1996, the rate was reduced to zero with a minimum charge of $500 per quarter for well capitalized banks. The Bank was assessed at the minimum rate, as it remains well above the regulatory minimums for the key measures of capital adequacies as disclosed in note 11 of the financial statements.

STOCKHOLDERS' EQUITY
($ MILLIONS)

'92 '93 '94 '95 '96
? ? ? ? ?

TAXES

The provision for taxes in 1996 of $588,000 reflects an effective tax rate of 27%. This compares to $764,000 and 32% in 1995 and $630,000 and 28% in 1994. In 1996, there was a change in the composition of the deferred tax calculation, resulting in an overall decrease in the effective tax rate. In addition to income on tax-exempt securities, other non-taxable income items included tax refunds and income resulting from the increase in the cash surrender value of life insurance policies. Life insurance proceeds received in 1994 were also exempt from taxation, resulting in a lower effective tax rate in that year.

FINANCIAL CONDITION

The Bank had total assets of $140.9 million at December 31, 1996, increasing $15.6 million or 12.4% over December 31, 1995. Loan balances increased $16.6 million or 22% in 1996 over 1995. This loan growth was funded by an increase in deposits of 13.3% and by a reduction in the securities portfolio of 7.5%. Capital increased 7.1%, basically due to the retention of earnings.

LOANS

Loans comprised 66% of the Bank's total average earning assets in 1996. The increase of 22% in actual year-end balances in 1996 over 1995 compares to an increase of 4.8% in 1995 over 1994. Loan demand was soft throughout 1994 and the first three quarters of 1995. The Federal Reserve Board lowered rates in July and December of 1995, and loan activity increased as a result. This increase in loan activity was bolstered by a 25 basis point decrease in rates on January 31, 1996. The Bank continues to focus its lending on commercial and residential mortgages, small commercial loans and home equity loans. Commercial mortgages make up the largest segment of the portfolio at 42.0%. Residential mortgages comprise 27.8% of the portfolio and commercial loans total 11.2%. Home equity loans make up 13.9% of total loans.

The Bank currently retains the servicing rights to $1.7 million in long-term mortgages sold to the Federal National Mortgage Association ("FNMA"), since becoming a member in 1995. This arrangement allows the Bank to offer long-term mortgages without exposure to the associated risks, while retaining customer account relationships.

The Bank continues its contractual arrangement with the Student Loan Marketing Association ("SLMA") whereby SLMA services the Bank's loans to students who are still in school and subsequently purchases those loans when the student goes into repayment. As a result of this arrange-

NET LOANS
($ MILLIONS)

'92 '93 \`94 \`95 \`96
? ? ? ? ?

ment, student loan balances decreased 13.4% in 1996 from 1995 levels and decreased 60% in 1995 from 1994 levels.

At December 31, 1996, the Bank had a loan-to-deposit ratio of 74.6%, and estimated its unloaned core deposits at $9.5 million. The Bank monitors the level of its unloaned core deposits to ensure that it is sufficient to fund anticipated loan growth as it expands its market area and develops new products.

SECURITIES

Securities and federal funds sold made up the remaining 34% of the Bank's earning assets at December 31, 1996. Since deposit growth was insufficient to fund the high level of loan demand experienced in 1996, securities that matured or were sold were utilized as an additional funding source, thereby reducing investment balances by $2.9 million from 1995. In 1995, when deposit growth exceeded loan growth, $6 million in excess funds had been directed into the securities portfolio. The portfolio remains concentrated in US government and government agency securities and tax-exempt municipal bonds of varied maturity.

In 1994, the Bank adopted Financial Accounting Standard No. 115 which outlines accounting and reporting procedures for investment securities. At that time, all securities in the Bank's portfolio were designated as either "held to maturity" or "available for sale", as were all subsequent purchases. Securities which the Bank designates as held to maturity are stated on the balance sheet at amortized cost, and those designated as available for sale are reported at fair market value. The unrealized gains and losses on available for sale securities are recorded, net of taxes, as a separate component of shareholders' equity. Transferring a security from one category to another results in certain accounting consequences. In 1995, the Financial Accounting Standards Board allowed a one-time reclassification of securities without penalty. As a result of this one-time window of opportunity, the Bank reclassified the majority of its bonds in the held to maturity category as available for sale. This reclassification was made after careful consideration of the Bank's anticipated liquidity needs and the present and future impact of such a transfer on the Bank's earnings and capital.

SECURITIES
($ MILLIONS)

'92 '93 `94 `95 `96
? ? ? ? ?

DEPOSITS

Total deposits increased $14.4 million in 1996 over 1995. Slight decreases occurred in NOW and regular savings balances, while significant increases occurred in demand deposit and time account balances. The actual 1996 year-end balances of $20.1 million in demand deposits reflect an increase of 13.3% over 1995. Much of this growth can be attributed to the Bank's new presence in the Hamburg, NY market. In addition to the expansion of the Bank's trade area, municipal deposit activity contributed to growth of $7.7 million or 119% in time accounts of $100,000 or more. Other time deposits increased $5.7 million or 16.2% in 1996 over 1995. Most of this increase occurred in the fourth quarter when the Bank promoted a special 15 month certificate of deposit.

The Bank continues to evaluate ways to improve its existing deposit products to meet customer needs, as well as to develop new products which will keep the Bank competitive in the marketplace.

TOTAL DEPOSITS
($ MILLIONS)

'92 '93 '94 '95 '96
? ? ? ? ?

LIQUIDITY

The Bank seeks to manage its liquidity so that it is able to meet day to day loan demand and deposit fluctuations, while attempting to maximize the amount of net interest income on earning assets. Traditionally, the Bank has utilized its federal funds balances and cash flows from the investment portfolio to fulfill its liquidity requirements. In 1996, overnight federal funds sold balances averaged $3.8 million. The maturities of the Bank's investments are laddered in such a way as to provide runoff at times that a liquidity need may arise. At December 31, 1996, approximately 9.1% of the Bank's securities had contractual maturities of one year or less and 42.0% had maturity dates of five years or less. At December 31, 1996, the Bank had net short-term liquidity of $8.1 million compared to $8.6 million at December 31, 1995. Available assets of $38.3 million less public and purchased liabilities of $18.8 million resulted in a long-term liquidity ratio of 204%, compared to 298% at December 31, 1995. Although the Bank believes it has sufficient resources in its securities portfolio to meet its short-term and long-term liquidity needs, the Bank also has the option to borrow $1 million each from two different correspondent banks.

The Bank is a member and shareholder of the Federal Home Loan Bank ("FHLB"), which will make cash advances of various terms at competitive rates to its members. Advances of up to $10 million can be drawn on the FHLB, via the Overnight Line of Credit Agreement, and another $5 million could be borrowed based on the collateral provided by the Bank's FHLB capital stock holdings.

Liquidity needs can also be met by aggressively pursuing municipal deposits, which are normally awarded on the basis of competitive bidding. The Bank maintains a sufficient amount of US government and US government agency securities and New York State municipal bonds that can be pledged as collateral for these deposits.

INTEREST RATE RISK

Interest rate risk occurs when interest-earning assets and interest-bearing liabilities mature or reprice at different times or on a different basis. The Bank's ALCO analyzes the gap position on a monthly basis to determine the Bank's exposure to interest rate risk. The gap position is the difference between the total of the Bank's rate sensitive assets and rate sensitive liabilities maturing or repricing during a given time frame. A "positive" gap results when more assets than liabilities reprice and a "negative" gap results when more liabilities than assets reprice in a given time period. Because assets historically reprice faster than liabilities, a slightly negative gap position is considered preferable. At December 31, 1996, the Bank was in a negative gap position, with $9.2 million more in rate sensitive liabilities repricing over the next year than in rate sensitive assets. The Bank's asset liability limit, as defined in its asset liability policy, is a difference of +/-15% of the Bank's total assets which amounted to +/-$21.1 million at December 31, 1996. Therefore, the Bank's negative gap position at December 31, 1996 was well within its own policy limit. The gap ratio (rate sensitive assets/rate sensitive liabilities) at that date was 83%.

MARKET RISK

When rates rise or fall, the market value of the Bank's assets and liabilities will increase or decrease. As part of the Bank's asset/liability policy, the Bank has set limitations on the negative impact to the market value of its balance sheet that would be accepted. The Bank's securities portfolio is priced monthly and adjustments are made on the balance sheet to reflect the market value of the available for sale portfolio per Financial Accounting Standard No. 115. A limitation of a negative ten percent of total capital before FAS 115 (after tax) has been set forth in the asset liability policy as the maximum impact to equity that would be acceptable. At year end, the impact to equity as a result of marking available for sale securities to market was an unrealized loss of $23,000. On a quarterly basis, the available for sale portfolio is shocked for immediate increases of 100 and 200 basis points. At December 31, 1996, the Bank determined that it would take an immediate increase in excess of 200 basis points to eliminate the current capital cushion. The Asset/Liability Committee also reviews the Bank's capital ratios on a quarterly basis. Unrealized gains or losses on available for sale securities are not included in the calculation of these ratios.

CAPITAL EXPENDITURES

In order to keep pace with check and statement processing volume, and to provide the continual high level of customer service, the Bank plans to purchase statement imaging equipment and upgraded mainframe computer operating and archiving systems in 1997. The cost of the statement imaging equipment is estimated at $200,000 and the mainframe upgrades will total approximately $150,000. The Bank believes that it has a sufficiently strong capital base to support these capital expenditures with current assets and retained earnings.

IMPACT OF INFLATION AND CHANGING PRICES

There will always be economic events, such as changes in the economic policies of the Federal Reserve Board, that will have an impact on the profitability of the Company. Inflation may result in impaired asset growth, reduced earnings and substandard capital ratios. The net interest margin can be adversely impacted by the volatility of interest rates throughout the year. Since these factors are unknown, management attempts to structure the balance sheet and the repricing frequency of its interest-sensitive assets and liabilities to avoid a significant concentration that could result in a material negative impact on earnings.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
EVANS BANCORP, INC.

We have audited the accompanying consolidated balance sheets of Evans Bancorp, Inc. and subsidiary as of December 31, 1996 and 1995, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 1996 and 1995 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

Buffalo, New York
January 24, 1997

EVANS BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

December 31, 1996 and 1995	1996	1995
ASSETS		
Cash and due from banks	$ 5,662,231	$ 5,693,255
Interest bearing deposits with banks	0	250,000
Federal funds sold	1,450,000	500,000
Cash and cash equivalents	7,112,231	6,443,255
Securities:		
Available for sale, at fair value	30,201,120	32,813,099
Held to maturity, at amortized cost	5,853,204	6,141,395
Loans, net of allowance for loan losses of $546,954 and $557,961, respectively	92,087,902	75,468,504
Properties and equipment, net	3,748,663	2,614,399
Other assets	1,894,937	1,827,552
TOTAL ASSETS	$140,898,057	$125,308,204
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Deposits:		
Demand	$ 20,149,152	$ 17,790,113
NOW and money market	6,437,613	6,777,826
Regular savings	42,136,290	43,033,338
Time ($100,000 and over)	14,096,821	6,432,749
Other time	40,641,503	34,986,525
Total Deposits	123,461,379	109,020,551
Other liabilities	1,926,595	1,802,143
Total Liabilities	125,387,974	110,822,694
CONTINGENT LIABILITIES AND COMMITMENTS		
STOCKHOLDERS' EQUITY:		
Common stock, $2.50 par value, 1,000,000 shares authorized; 339,790 and 317,481 shares issued and outstanding, respectively	849,475	793,703
Capital surplus	10,990,720	8,592,502
Retained earnings	3,692,659	4,953,075
Unrealized (loss) gain on available for sale securities, net of deferred taxes of $11,000 and $109,000, respectively	(22,771)	146,230
Total	15,510,083	14,485,510
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$140,898,057	$125,308,204

See notes to consolidated financial statements.

EVANS BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31, 1996, 1995 and 1994	1996	1995	1994
INTEREST INCOME			
Loans	$7,381,871	$6,760,511	$6,061,650
Federal funds sold	201,831	276,698	132,087
Securities:			
Taxable	1,427,890	1,381,740	1,189,244
Non-taxable	765,123	761,741	743,985
Deposits with banks	23,100	45,810	79,630
TOTAL INTEREST INCOME	9,799,815	9,226,500	8,206,596
INTEREST EXPENSE ON DEPOSITS AND BORROWINGS	3,912,761	3,418,782	2,747,297
NET INTEREST INCOME	5,887,054	5,807,718	5,459,299
PROVISION FOR LOAN LOSSES	60,000	(86,933)	16,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	5,827,054	5,894,651	5,443,299
NON-INTEREST INCOME			
Service charges	667,839	561,525	501,025
Gains on sales of assets	11,103	55,477	8,422
Other	252,044	146,052	276,104
TOTAL NON-INTEREST INCOME	930,986	763,054	785,551
NON-INTEREST EXPENSE			
Salaries and employee benefits	2,602,752	2,389,838	2,105,828
Occupancy	637,007	504,648	474,724
Supplies	118,740	109,226	96,351
Repairs and maintenance	147,383	132,620	107,030
Advertising and public relations	131,753	97,116	74,712
Professional services	212,601	224,269	204,431
FDIC assessments	2,000	120,231	232,840
Other	703,162	650,974	685,885
TOTAL NON-INTEREST EXPENSE	4,555,398	4,228,922	3,981,801
Income before provision for income taxes	2,202,642	2,428,783	2,247,049
PROVISION FOR INCOME TAXES	588,000	764,000	630,000
NET INCOME	$1,614,642	$1,664,783	$1,617,049
Net income per common share	$ 4.75	$ 4.90	$ 4.76
Weighted average number of common shares	339,790	339,790	339,790

See notes to consolidated financial statements.

EVANS BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years Ended December 31, 1996, 1995 and 1994	COMMON STOCK NO. OF SHARES	COMMON STOCK AMOUNT	CAPITAL SURPLUS	RETAINED EARNINGS	UNREALIZED (LOSS) GAIN ON AVAILABLE FOR SALE SECURITIES, NET	TOTAL
Balance, January 1, 1994	277,170	$692,925	$ 5,959,003	$4,837,484	$ 0	$11,489,412
1994 Net Income				1,617,049		1,617,049
Stock dividends, with fractional shares redeemed for cash	19,443	48,608	1,224,909	(1,296,760)		(23,243)
Cash dividends ($.50 per common share)				(148,306)		(148,306)
Unrealized gain on available for sale securities upon adoption of SFAS No. 115, net of deferred taxes of $332,000					440,694	440,694
Change in unrealized (loss) gain on available for sale securities, net of deferred taxes of $489,000					(651,666)	(651,666)
Balance, December 31, 1994	296,613	741,533	7,183,912	5,009,467	(210,972)	12,723,940
1995 Net Income				1,664,783		1,664,783
Stock dividends, with fractional shares redeemed for cash	20,868	52,170	1,408,590	(1,483,065)		(22,305)
Cash dividends ($.75 per common share)				(238,110)		(238,110)
Change in unrealized (loss) gain on available for sale securities, net of deferred taxes of $266,000					357,202	357,202
Balance, December 31, 1995	317,481	793,703	8,592,502	4,953,075	146,230	14,485,510
1996 Net Income				1,614,642		1,614,642
Stock dividends, with fractional shares redeemed for cash	22,309	55,772	2,398,218	(2,494,493)		(40,503)
Cash dividends ($1.12 per common share)				(380,565)		(380,565)
Change in unrealized (loss) gain on available for sale securities, net of deferred taxes of $120,000					(169,001)	(169,001)
Balance, December 31, 1996	339,790	$849,475	$10,990,720	$3,692,659	$(22,771)	$15,510,083

See notes to consolidated financial statements.

EVANS BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 1996, 1995 and 1994	1996	1995	1994
OPERATING ACTIVITIES			
Interest received	$10,047,637	$9,172,841	$8,308,463
Fees received	1,025,437	856,806	803,611
Interest paid	(3,847,407)	(3,261,153)	(2,718,104)
Cash paid to employees and suppliers	(4,443,431)	(4,207,102)	(3,668,794)
Income taxes paid	(743,444)	(790,017)	(549,602)
Net cash provided by operating activities	2,038,792	1,771,375	2,175,574
INVESTING ACTIVITIES			
Available for sale securities:			
Purchases	(16,562,178)	(15,256,737)	(2,157,309)
Proceeds from sales	14,414,736	4,019,578	7,271,211
Proceeds from maturities	4,597,881	3,090,254	1,659,330
Held to maturity securities:			
Purchases	(1,177,002)	(4,650,173)	(7,837,501)
Proceeds from maturities	1,314,873	7,154,605	1,794,335
Additions to properties and equipment	(1,482,935)	(1,344,741)	(380,790)
Increase in loans, net of repayments	(19,258,136)	(7,671,007)	(4,326,106)
Proceeds from sales of loans	2,593,290	4,179,236	0
Net cash used in investing activities	(15,559,471)	(10,478,985)	(3,976,830)
FINANCING ACTIVITIES			
Increase in deposits	14,440,828	8,488,520	671,179
Dividends paid	(251,173)	(260,415)	(171,551)
Net cash provided by financing activities	14,189,655	8,228,105	499,628
Net increase (decrease) in cash and cash equivalents	668,976	(479,505)	(1,301,628)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,443,255	6,922,760	8,224,388
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 7,112,231	$6,443,255	$6,922,760

(Continued)

EVANS BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 1996, 1995 and 1994	1996	1995	1994
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Net income	$1,614,642	$1,664,783	$1,617,049
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	344,086	221,359	283,153
Provision for credit losses	60,000	(86,933)	16,000
Gains on sales of assets	(11,103)	(55,477)	(8,422)
Changes in assets and liabilities affecting cash flow:			
Other assets	96,609	(177,558)	(230,286)
Other liabilities	(65,442)	205,201	498,080
NET CASH PROVIDED BY OPERATING ACTIVITIES	$2,038,792	$1,771,375	$2,175,574

(Concluded)

See notes to consolidated financial statements.

EVANS BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 1996, 1995 and 1994

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and General - Evans Bancorp, Inc. (the "Company"), was organized in October 1988, under the Business Corporation Law of the State of New York, as a bank holding company. In January 1989, the shareholders of the Evans National Bank (the "Bank") approved an Agreement and Plan of Reorganization (the "Reorganization") whereby the Bank effectively became a wholly-owned subsidiary of the Company. The Bank is in the commercial banking business, attracting deposits from and making loans to the general public in its immediate geographical area. The Bank's main office is located in Angola, New York and it has branches in Derby, Evans, Forestville, Hamburg and North Boston.

Principles of Consolidation - The consolidated financial statements include the accounts of the Company and the Bank. All material intercompany accounts and transactions are eliminated in consolidation.

Accounting Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Securities - In January 1994, the Bank adopted Statement of Financial Accounting Standard ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities". SFAS No. 115 addresses the accounting and reporting for investments in equity securities that have readily determinable fair values and for all investments in debt securities. Financial statements for prior years have not been restated. The unrealized gain on available for sale securities, net of deferred income taxes, upon adoption of SFAS No. 115 was $440,694. Securities for which the Bank has the positive intent and ability to hold to maturity are stated at cost, adjusted for discounts and premiums that are recognized in interest income over the period to the earlier of call date or maturity using a method that approximates level yield. Securities held to maturity have been designated as unavailable to be sold as part of the Bank's asset-liability management activities.

Securities classified as available for sale are stated at fair value, with unrealized gains and losses excluded from earnings and reported, net of deferred income taxes, in stockholders' equity. Gains and losses on sales of securities are computed using the specific identification method.

Securities which have experienced an other than temporary decline in fair value are written down to a new cost basis with the amount of the writedown included in earnings as a realized loss. The new cost basis is not changed for subsequent recoveries in fair value. Factors which management considers in determining whether an impairment in value of an investment is other than temporary include the issuer's financial performance and near term prospects, the financial conditions and prospects of the issuer's geographic region and industry, and recoveries in market value subsequent to the balance sheet date.

The Bank does not engage in securities trading activities.

Allowance for Loan Losses - The allowance for loan losses is established through a provision for loan losses. Recoveries on loans previously charged off are credited directly to the allowance for loan losses. The allowance is an amount that management believes adequate to absorb losses on existing loans that may become uncollectible. Management's periodic evaluation of the adequacy of the allowance is based on the Bank's past loan-loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrowers' ability to repay, estimated value of any underlying collateral, and current economic conditions.

In addition, various regulatory agencies, as part of their examination process, periodically review the Bank's allowance for loan losses. Such agencies may require the Bank to recognize additions to the allowance based on their judgments of information available to them at the time of their examination.

Effective January 1, 1995, the Bank adopted SFAS No. 114, "Accounting By Creditors for Impairment of a Loan", as amended by SFAS No. 118, "Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosure". Under the provisions of SFAS No. 114, a loan is defined as impaired when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. SFAS No. 114 does not apply to large groups of homogenous loans which are collectively evaluated for impairment. For the Bank, these loans consist of residential real estate mortgages, installment loans and student loans. As required, the Bank has applied SFAS No. 114 and SFAS No. 118 prospectively. No previously issued financial statements have been restated.

Properties and Equipment - Properties and equipment are stated at cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets which range from 3 to 31 years.

Effective January 1, 1996, the Bank adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of". Under the provisions of SFAS No. 121, long-lived assets to be held and used by the Bank must be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and long-lived assets to be disposed of must be reported at the lesser of their carrying amount or fair value less cost to sell. As required, the Bank has applied SFAS No. 121 prospectively. No previously issued financial statements have been restated.

Interest Income on Loans - Interest on loans is accrued and credited to income based on the principal amount outstanding. The accrual of interest on loans is discontinued when, in the opinion of management, there is an indication that the borrower may be unable to meet payments as they become due. Upon such discontinuance, all unpaid accrued interest is reversed and any cash received is credited to the outstanding principal balance. Such loans are returned to accrual status when they are made current and, in the opinion of management, the borrower has the ability to continue making timely payments. Loan origination and commitment fees and certain direct loan origination costs are deferred and recognized over the lives of the related assets as an adjustment of the loans' yields using the level yield method.

Income Taxes - Deferred tax assets and liabilities are recorded for temporary differences between the financial statement and tax bases of assets and liabilities using the tax rate expected to be in effect when the taxes are actually paid or recovered.

Net Income per Common Share - Net income per common share is based on the weighted average number of shares outstanding during each year, retroactively adjusted for stock dividends.

Employee Benefits and Deferred Compensation Plan - Costs are charged to salaries and employee benefits expense. Pension costs are funded on a current basis in compliance with the Employee Retirement Income Security Act and are accounted for in compliance with SFAS No. 87, "Employers' Accounting for Pensions".

Off Balance Sheet Financial Instruments - In the ordinary course of business the Bank has entered into off balance sheet financial instruments consisting of commitments to extend credit and standby letters of credit. Such financial instruments are recorded in the financial statements when the transaction is executed.

Cash and Cash Equivalents - For purposes of reporting cash flows, cash and cash equivalents include cash and due from banks, interest bearing deposits in other banks and federal funds sold. Generally, federal funds sold are purchased for one-day periods.

Cash and due from banks includes reserve balances that the Bank is required to maintain with Federal Reserve Banks. The required reserves are based upon deposits outstanding and were approximately $681,000 and $1,148,000 at December 31, 1996 and 1995, respectively.

2. SECURITIES

The amortized cost of securities and their approximate fair value at December 31 were as follows:

1996	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
Available for Sale:				
U.S. Government and Agency Securities	$12,976,948	$ 25,450	$(167,765)	$12,834,633
Mortgage Backed Securities	1,694,066	41,553	0	1,735,619
State and Municipal Securities	14,638,658	183,826	(14,466)	14,808,018
Other Securities	822,850	0	0	822,850
Total	$30,132,522	$250,829	$(182,231)	$30,201,120
Held to Maturity:				
U.S. Government and Agency Securities	$ 3,948,322	$ 15,194	$ 0	$ 3,963,516
State and Municipal Securities	1,904,882	0	(12)	1,904,870
Total	$ 5,853,204	$ 15,194	$ (12)	$ 5,868,386

1995	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
Available for Sale:				
U.S. Government and Agency Securities	$16,229,297	$137,218	$(130,653)	$16,235,862
Mortgage Backed Securities	1,215,332	46,365	0	1,261,697
State and Municipal Securities	14,243,934	357,089	(16,583)	14,584,440
Other Securities	731,100	0	0	731,100
Total	$32,419,663	$540,672	$(147,236)	$32,813,099
Held to Maturity:				
U.S. Government and Agency Securities	$ 4,072,567	$ 60,170	$ 0	$ 4,132,737
State and Municipal Securities	2,068,828	0	(24)	2,068,804
Total	$ 6,141,395	$ 60,170	$ (24)	$ 6,201,541

On November 30, 1995, in conjunction with adopting the implementation guidance contained in "A Guide to Implementation of Statement No. 115 on Accounting For Certain Investments in Debt and Equity Securities", issued by the Financial Accounting Standards Board, the Company reclassified a portion of its held-to-maturity securities as available-for-sale. The market value and amortized cost of these securities at that date totalled $12,192,578 and $12,365,907, respectively.

During 1994, the Bank transferred certain securities classified as available for sale when acquired to the held to maturity portfolio. The securities were transferred at fair value. The unrealized holding loss at the date of transfer is being amortized over the period to maturity. The unrealized loss, net of deferred income taxes, remaining in stockholders' equity, for such transferred securities, at December 31, 1996 was $69,418.

Assets, principally securities, with an amortized cost of $3,473,969 for held to maturity securities and a fair value of $16,389,064 for available for sale securities at December 31, 1996 were pledged as collateral to secure public deposits and for other purposes required or permitted by law.

The scheduled maturities of debt securities at December 31, 1996 are summarized below. Actual maturities may differ from contractual maturities because certain issuers have the right to call or prepay obligations with or without call premiums.

	AVAILABLE FOR SALE SECURITIES		HELD TO MATURITY SECURITIES	
	COST	FAIR VALUE	COST	FAIR VALUE
Due in one year or less	$ 1,991,036	$ 2,001,939	$1,267,202	$1,267,202
Due after year one through five years	11,457,720	11,416,229	427,676	427,664
Due after five years through ten years	14,227,070	14,289,482	63,330	63,330
Due after ten years	2,456,696	2,493,470	4,094,996	4,110,190
Total	$30,132,522	$30,201,120	$5,853,204	$5,868,386

Gains and losses from sales of securities for the years ended December 31, 1996, 1995 and 1994 are summarized as follows:

	1996	1995	1994
Gross gains	$ 103,865	$ 22,705	$ 31,226
Gross losses	(127,595)	(13,266)	(22,804)
Net (loss) gain	$ (23,730)	$ 9,439	$ 8,422

3. LOANS, NET

Major categories of loans at December 31, 1996 and 1995 are summarized as follows:

	1996	1995
Real estate - mortgages	$78,706,052	$61,009,095
Real estate - construction	1,404,290	1,501,871
Commercial	6,993,852	7,709,115
Installment	2,646,246	2,731,891
Student loans	1,692,334	1,919,549
Other	769,322	711,902
Net deferred loan origination costs	422,760	443,042
	92,634,856	76,026,465
Allowance for loan losses	(546,954)	(557,961)
Loans, net	$92,087,902	$75,468,504

Changes in the allowance for loan losses for the years ended December 31, 1996, 1995 and 1994 were as follows:

	1996	1995	1994
Balance, beginning of year	$ 557,961	$ 628,957	$ 612,921
Provision for loan losses	60,000	(86,933)	16,000
Recoveries	5,597	23,281	15,067
Loans charged off	(76,604)	(7,344)	(15,031)
Balance, end of year	$ 546,954	$ 557,961	$ 628,957

Non-accrual loans for which interest has been reduced totaled approximately $180,000 and $220,000 at December 31, 1996 and 1995 respectfully. If such loans had been in an accruing status, the Bank would have recorded additional interest income of approximately $19,000, $29,000 and $14,000 in 1996, 1995 and 1994, respectively.

The Bank had no loan commitments to borrowers in non-accrual status at December 31, 1996.

As of December 31, 1996 and 1995, the Bank had no loans which were impaired as defined by SFAS No. 114.

4. PROPERTIES AND EQUIPMENT

Properties and equipment at December 31 were as follows:

	1996	1995
Land	$ 268,485	$ 268,485
Buildings and improvements	3,310,902	2,095,704
Equipment	2,365,026	1,756,060
Construction in progress	0	341,229
	5,944,413	4,461,478
Less accumulated depreciation	(2,195,750)	(1,847,079)
Properties and equipment, net	$ 3,748,663	$ 2,614,399

At December 31, 1995, construction in progress consisted of costs accumulated in connection with the Bank's new branch in Evans. This project was completed and placed in service in 1996.

Depreciation expense totalled $348,671 in 1996, $271,507 in 1995 and $285,464 in 1994.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

Cash and Cash Equivalents - For these short-term instruments, the carrying amount is a reasonable estimate of fair value.

Securities - For securities, fair value equals quoted market price, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Loans Receivable - The fair value of fixed rate loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. For variable rate loans, the carrying amount is a reasonable estimate of fair value.

Deposits - The fair value of demand deposits, NOW and money market accounts and regular savings accounts is the amount payable on demand at the reporting date. The fair value of time deposits is estimated using the rates currently offered for deposits of similar remaining maturities.

Commitments to extend credit and standby letters of credit - As described in Note 9, the Company was a party to financial instruments with off-balance sheet risk at December 31, 1996. Such financial instruments consist of commitments to extend permanent financing and letters of credit. If the options are exercised by the prospective borrowers, these financial instruments will become interest-earning assets of the Company. If the options expire, the Company retains any fees paid by the counterparty in order to obtain the commitment or guarantee. The fair value of commitments is estimated based upon fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate commitments, the fair value estimation takes into consideration an interest rate risk factor. The fair value of guarantees and letters of credit is based on fees currently charged for similar agreements. The fair value of these off-balance sheet items at December 31, 1996 approximates the recorded amounts of the related fees, which are not material.

At December 31, 1996, the estimated fair values of the Company's financial instruments were as follows:

	CARRYING AMOUNT	FAIR VALUE
Financial Assets:		
Cash and cash equivalents	$ 7,112,231	$ 7,112,231
Securities	$ 36,054,324	$ 36,069,506
Loans	$ 92,634,856	
Less: allowance for loan losses	(546,954)	
Loans, net	$ 92,087,902	$ 92,056,134
Financial Liabilities:		
Deposits	$ 123,461,379	$ 123,863,439

6. EMPLOYEE BENEFITS AND DEFERRED COMPENSATION PLAN

The Bank has a defined benefit pension plan covering substantially all employees. The plan provides benefits that are based on the employees' compensation and years of service. The Bank uses an actuarial method of amortizing prior service cost and unrecognized net gains or losses which result from actual experience and assumptions being different than those that are projected. The amortization method the Bank is using recognizes the prior service cost and net gains or losses over the average remaining service period of active employees which exceeds the required amortization. The amount charged to expense for this plan totaled $35,335 in 1996, $52,201 in 1995 and $169,776 in 1994. The components of the pension cost charged to expense for 1996, 1995 and 1994 consisted of the following:

	1996	1995	1994
Service cost	$ 44,615	$ 46,891	$ 149,752
Interest cost on projected benefit obligation	94,565	85,948	96,325
Actual return on plan assets	(87,676)	(67,352)	(60,132)
Net amortization and deferral	(16,169)	(13,286)	(16,169)
Total	$ 35,335	$ 52,201	$ 169,776

The following table sets forth the Plan's funded status as of October 1, 1996 and 1995, and the amounts recognized in the accompanying consolidated financial statements as of December 31, 1996 and 1995:

	1996	1995
Vested benefits	$ 1,002,977	$ 897,290
Accumulated benefit obligation	$ 1,012,721	$ 910,228
Projected benefit obligation	$ 1,354,390	$ 1,217,964
Plan assets available for benefits at fair value	1,373,109	1,114,459
Plan assets in excess (deficient) of projected benefit obligations	18,719	(103,505)
Unrecognized net loss	71,556	110,260
Unrecognized net obligation	(17,543)	(19,005)
Unrecognized prior service cost	(271,231)	(285,938)
Amount included in other liabilities	$ (198,499)	$ (298,188)

The Plan's assets are primarily invested in a money market fund, stocks, and bonds. Valuations of the pension plan as shown above were conducted as of October 1, 1996 and 1995. Assumptions used by the Bank in both years in the determination of pension plan information consisted of the following:

Weighted-average discount rate	7.50 %
Rate of increase in compensation levels	4.75 %
Expected long-term rate of return on plan assets	7.50 %

During the year ended December 31, 1995, the Bank adopted nonqualified supplemental executive retirement plans covering certain members of senior management. The plans provide a fixed benefit which is specific to the participant. The obligations related to these plans are indirectly funded by life insurance contracts (naming the Bank as beneficiary) with aggregate cash surrender values of approximately $45,000 and $0 at December 31, 1996 and 1995, respectively. The face values of these policies at both dates was approximately $1,650,000. The Bank uses an actuarial method of amortizing unrecognized net gains or losses which result from actual experience and assumptions being different than those that are projected. The amortization method the Bank is using recognizes the net gains or losses over the average remaining service period of active employees which exceeds the required amortization. The amount charged to expense for these plans totaled $97,633 and $87,058 in 1996 and 1995, respectively. The components of the pension cost charged to expense consisted of the following:

	1996	1995
Service cost	$50,138	44,562
Interest cost on projected benefit obligation	25,280	20,281
Net amortization and deferral	22,215	22,215
Total	$97,633	$87,058

The following table sets forth the Plans' funded status as of October 1, 1996 and 1995, and the amount recognized in the accompanying consolidated financial statements as of December 31, 1996 and 1995:

	1996	1995
Vested benefits	$ 356,685	$ 286,925
Accumulated benefit obligation	$ 356,685	$ 286,925
Projected benefit obligation	$ 356,685	$ 286,925
Plan assets available for benefits at fair value	0	0
Projected benefit obligation in excess of plan assets	(356,685)	(286,925)
Unrecognized net gain	(9,432)	(3,774)
Unrecognized net obligation	181,426	203,641
Accrued pension cost	(184,691)	(87,058)
Adjustment required to recognize minimum liability	(171,994)	(199,867)
Amount included in other liabilities	$(356,685)	$(286,925)

Valuations of the pension plans as shown above were conducted as of October 1, 1996 and 1995. Assumptions used by the Bank in both years in the determination of pension plan information consisted of the following:

Weighted-average discount rate	7.50 %
Expected long-term rate of return on plan assets	7.50 %

The Bank also maintains a non-qualified deferred compensation plan for certain directors. Accrued costs under this plan were approximately $64,000, $64,000 and $123,000 in 1996, 1995 and 1994, respectively. The estimated present value of the benefit obligation, included in other liabilities, was $671,000 and $643,000 at December 31, 1996 and 1995, respectively. This obligation is indirectly funded by life insurance contracts (naming the Bank as beneficiary) with aggregate cash surrender values of approximately $130,000 and $116,000 at December 31, 1996 and 1995, respectively. The face values of these policies at both dates was approximately $1,036,000. Premiums on the aforementioned life insurance contracts were paid by the Bank in lieu of payment of directors' fees.

The Bank also has a deferred contribution Retirement and Thrift 401(k) Plan for its employees who meet certain length of service and age requirements. The provisions of the 401(k) Plan allow eligible employees to contribute between 1% and 15% of their annual salary, with a matching contribution by the Bank equal to 25% of the employees contribution up to 4% of their annual salary. The Bank can also make discretionary contributions to the Plan. The Bank's expense under this Plan was $34,209, $47,701 and $42,026 for the years ended December 31, 1996, 1995 and 1994, respectively.

7. INCOME TAXES

The components of the provision for income taxes were as follows:

	1996	1995	1994
Income taxes currently payable	$ 728,000	$ 741,000	$ 745,000
Deferred (benefit) income taxes	(140,000)	23,000	(115,000)
Net provision	$ 588,000	$ 764,000	$ 630,000

At December 31, 1996 and 1995 the components of the net deferred tax asset were as follows:

	1996	1995
Deferred Tax Assets:		
Allowance for credit losses	$148,000	$128,000
Pension premiums	153,000	128,000
Deferred compensation	268,000	260,000
SFAS No. 115	11,000	0
Other	22,000	26,000
Gross deferred tax assets	602,000	542,000
Deferred Tax Liabilities:		
Depreciation	25,000	25,000
Prepaid expenses	169,000	260,000
SFAS No. 115	0	109,000
Gross deferred tax liabilities	194,000	394,000
Net deferred tax assets	$408,000	$148,000

The net deferred tax asset at December 31, 1996 and 1995 was included in other assets in the accompanying consolidated financial statements.

The Company's provision for income taxes differs from the amounts computed by applying the Federal income tax statutory rates to income before income taxes. A reconciliation of the differences is as follows:

	DECEMBER 31,					
	1996		1995		1994	
	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT
Tax provision at statutory rate	$ 749,000	34 %	$ 826,000	34 %	$ 764,000	34 %
Increase (decrease) in taxes resulting from:						
Tax-exempt income	(260,000)	(12)	(259,000)	(11)	(299,000)	(13)
State taxes, net of federal benefit	110,000	5	154,000	6	129,000	6
Other items, net	(11,000)	(1)	43,000	2	36,000	1
Provision for income taxes	$ 588,000	26 %	$ 764,000	31 %	$ 630,000	28 %

8. RELATED PARTY TRANSACTIONS

The Bank has entered into loan transactions with its directors, significant shareholders and their affiliates (related parties). The aggregate amount of loans to such related parties at December 31, 1996 was $2,247,931. During 1996, new loans to such related parties amounted to $746,980 and repayments amounted to $1,867,538.

9. CONTINGENT LIABILITIES AND COMMITMENTS

The consolidated financial statements do not reflect various commitments and contingent liabilities which arise in the normal course of business and which involve elements of credit risk, interest rate risk and liquidity risk. These commitments and contingent liabilities are commitments to extend credit and standby letters of credit. A summary of the Bank's commitments and contingent liabilities at December 31, 1996 is as follows:

Commitments to extend credit	$15,115,000
Standby letters of credit	515,000
Total	$15,630,000

Commitments to extend credit and standby letters of credit all include exposure to some credit loss in the event of nonperformance of the customer. The Bank's credit policies and procedures for credit commitments and financial guarantees are the same as those for extensions of credit that are recorded on the consolidated balance sheets. Because these instruments have fixed maturity dates, and because they may expire without being drawn upon, they do not necessarily represent cash requirements to the Bank. The Bank has not incurred any losses on its commitments during the past three years.

10. CONCENTRATIONS OF CREDIT

All of the Bank's loans, commitments and standby letters of credit have been granted to customers in the Bank's market area. Investments in state and municipal securities also involve governmental entities within the Bank's market area. The concentrations of credit by type of loan are set forth in Note 3. The distribution of commitments to extend credit approximates the distribution of loans outstanding. Standby letters of credit were granted primarily to commercial borrowers. The Bank, as a matter of policy, does not extend credit to any single borrower or group in excess of 15% of capital.

11. REGULATORY MATTERS

The Bank is subject to the dividend restrictions set forth by the Comptroller of the Currency. Under such restrictions, the Bank may not, without the prior approval of the Comptroller of the Currency, declare dividends in excess of the sum of the current year's earnings (as defined) plus the retained earnings (as defined) from the prior two years.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 1996, that the Bank met all capital adequacy requirements to which it is subject.

As of December 31, 1996, the most recent notification from its regulators categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized the Bank must maintain minimum total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

The Bank's actual capital amounts and ratios were as follows:

	1996					
	ACTUAL		FOR CAPITAL ADEQUACY PURPOSES		TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION PROVISIONS	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
Total Capital (to Risk Weighted Assets)	$16,063,000	17.7 %	$7,250,000	8.0 %	$9,065,000	10.0 %
Tier I Capital (to Risk Weighted Assets)	$15,516,000	17.1 %	$3,625,000	4.0 %	$5,438,000	6.0 %
Tier I Capital (to Average Assets)	$15,516,000	11.1 %	$5,581,000	4.0 %	$6,976,000	5.0 %

	1995					
	ACTUAL		FOR CAPITAL ADEQUACY PURPOSES		TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION PROVISIONS	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
Total Capital (to Risk Weighted Assets)	$14,919,000	19.6 %	$6,078,000	8.0 %	$7,598,000	10.0 %
Tier I Capital (to Risk Weighted Assets)	$14,361,000	18.9 %	$3,039,000	4.0 %	$4,559,000	6.0 %
Tier I Capital (to Average Assets)	$14,361,000	11.4 %	$5,027,000	4.0 %	$6,283,000	5.0 %

12. PARENT COMPANY ONLY FINANCIAL INFORMATION

Parent company (Evans Bancorp, Inc.) only condensed financial information is as follows:

CONDENSED BALANCE SHEETS

December 31, 1996 and 1995	1996	1995
ASSETS		
Cash	$ 6,897	$ 37,728
Dividends receivable	169,895	0
Investment in subsidiary	15,503,186	14,447,782
Total assets	$ 15,679,978	$ 14,485,510
LIABILITIES AND STOCKHOLDERS' EQUITY		
Dividends payable	$ 169,895	$ 0
Stockholders' Equity:		
Common stock	849,475	793,703
Capital Surplus	10,990,720	8,592,502
Retained earnings	3,692,659	4,953,075
Unrealized (loss) gain on available for sale securities, net	(22,771)	146,230
Total stockholders' equity	15,510,083	14,485,510
Total liabilities and stockholders' equity	$ 15,679,978	$ 14,485,510

CONDENSED STATEMENTS OF INCOME

Years Ended December 31, 1996, 1995, and 1994	1996	1995	1994
Dividends from subsidiary	$ 421,068	$ 260,415	$ 171,549
Expenses	(30,831)	(17,542)	(18,103)
Income before equity in undistributed earnings of subsidiary	390,237	242,873	153,446
Equity in undistributed earnings of subsidiary	1,224,405	1,421,910	1,463,603
Net income	$ 1,614,642	$ 1,664,783	$ 1,617,049

CONDENSED STATEMENTS OF CASH FLOWS

Years Ended December 31, 1996, 1995, and 1994	1996	1995	1994
Operating Activities:			
Net income	$ 1,614,642	$ 1,664,783	$ 1,617,049
Adjustments to reconcile net income to net cash provided by operating activities:			
Undistributed earnings of subsidiary	(1,224,405)	(1,421,910)	(1,463,603)
Increase in dividends receivable	(169,895)	0	0
Net cash provided by operating activities	220,342	242,873	153,446
Financing Activities - Cash dividends paid	(251,173)	(260,415)	(171,549)
Net decrease in cash	(30,831)	(17,542)	(18,103)
Cash, beginning	37,728	55,270	73,373
Cash, ending	$ 6,897	$ 37,728	$ 55,270

BOARD OF DIRECTORS
EVANS BANCORP, INC. AND EVANS NATIONAL BANK

[PHOTO]	[PHOTO]	[PHOTO]
Carl F. Ulmer Chairman Retired	Phillip Brothman Partner - Hurst, Brothman & Yusick	David C. Koch Chairman and CEO New Era Cap Co., Inc.
[PHOTO]	[PHOTO]	[PHOTO]
Robert W. Allen Secretary Retired	Richard M. Craig President and CEO Evans National Bank	Richard C. Stevenson President - Metro Stevenson Realty
[PHOTO]	[PHOTO]	[PHOTO]
William F. Barrett Property and Investment Manager	LaVerne G. Hall Chairman - L.G. Hall Building Contractors, Inc.	David M. Taylor President - Concord Nurseries, Inc.

DIRECTORS EMERTI

Floyd H. Hurst
Joseph LaClair

OFFICERS

EVANS BANCORP, INC.

Carl F. Ulmer
Chairman

Richard M. Craig
President and CEO

Robert W. Allen
Secretary

James Tilley
Assistant Secretary

William R. Glass
Treasurer

ADVISORY BOARDS

DERBY
Richard A. Gradl
Raymond S. Hazard

FORESTVILLE
Homer Bowker, Jr.

EVANS NATIONAL BANK OFFICERS

PRESIDENT AND CHIEF EXECUTIVE OFFICER
Richard M. Craig

SENIOR VICE PRESIDENT
William R. Glass
James Tilley

VICE PRESIDENT
George L. Catalano
Mary E. Doeing
John S. Eagleton
William J. Gray
Thomas Q. McDonnell
Jeffrey L. White

ASSISTANT VICE PRESIDENT

Katherine M. Allen
Ramon Gallardo, Jr.
Rose Marie Hinckley
Elizabeth A. Mac
Cathy E. Rohrich

BANK OFFICER
Rita A. Boyland
Karen M. Blecha
Michelle A. Bress
Nancy A. Ferraro
M. Jane Gonzalez
Susan J. Herold
Nadine G. Houghton
Howard M. Martin, Jr.

CORPORATE INFORMATION

There has never been an organized public trading market for the Company's outstanding common stock. The following table represents the highest and lowest per share prices known to management at which the Company's stock has actually been transferred in private transactions during the periods indicated. In each period for which prices are shown, management has price information for the transaction. The prices do not include any retail markup, markdown or commission.

	1996		1995	
QUARTER	HIGH	LOW	HIGH	LOW
First	$ 115.00	$ 110.00	$ 80.00	$ 70.00
Second	$ 135.00	$ 115.00	$ 83.00	$ 80.00
Third	$ 136.00	$ 135.00	$ 100.00	$ 83.00
Fourth	$ 136.00	$ 136.00	$ 110.00	$ 100.00

As a result of the stock dividend in April, 1996, 22,309 additional shares were issued which increased total shares outstanding to 339,790 as of December 31, 1996. There were 785 shareholders of record on December 31, 1996.

Upon written request of any shareholder, a copy of the Company's report on Form 10-K for its fiscal year ended December 31, 1996, including the financial statements and the schedules thereto, required to be filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, may be obtained, without charge, from Richard M. Craig, President and Chief Executive Officer, Evans Bancorp, Inc., 14-16 N. Main Street, Angola, N.Y. 14006.

THE ANNUAL MEETING

The Annual Meeting of the Shareholders of the Company will be held on Tuesday, April 29, 1997 at 6:30 p.m. at Romanello's South, 5793 South Park Avenue, Hamburg, NY.

INQUIRIES

Communications regarding transfer requests, lost certificates, and change of address should be directed to: AMERICAN STOCK TRANSFER AND TRUST CO., 40 Wall Street, New York, NY. 10005

ARTICLE 9

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM EVANS BANCORP INC. BALANCE SHEET AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANICAL STATEMENTS.

CIK: 0000842518

NAME: EVANS BANCORP INC.

PERIOD TYPE	YEAR
FISCAL YEAR END	DEC 31 1996
PERIOD START	JAN 01 1996
PERIOD END	DEC 31 1996
CASH	5,662,231
INT BEARING DEPOSITS	0
FED FUNDS SOLD	1,450,000
TRADING ASSETS	0
INVESTMENTS HELD FOR SALE	30,201,120
INVESTMENTS CARRYING	5,853,204
INVESTMENTS MARKET	0
LOANS	92,087,902
ALLOWANCE	(546,954)
TOTAL ASSETS	140,898,057
DEPOSITS	123,461,379
SHORT TERM	0
LIABILITIES OTHER	1,926,595
LONG TERM	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	849,475
OTHER SE	14,660,608
TOTAL LIABILITIES AND EQUITY	140,898,057
INTEREST LOAN	7,381,871
INTEREST INVEST	2,216,113
INTEREST OTHER	201,831
INTEREST TOTAL	9,799,815
INTEREST DEPOSIT	3,911,311
INTEREST EXPENSE	3,912,761
INTEREST INCOME NET	5,887,054
LOAN LOSSES	60,000
SECURITIES GAINS	(23,731)
EXPENSE OTHER	4,555,398
INCOME PRETAX	2,202,642
INCOME PRE EXTRAORDINARY	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	1,614,642
EPS PRIMARY	4.75
EPS DILUTED	0
YIELD ACTUAL	8.27
LOANS NON	164,084
LOANS PAST	96,199
LOANS TROUBLED	0
LOANS PROBLEM	0
ALLOWANCE OPEN	557,961
CHARGE OFFS	76,604
RECOVERIES	5,597
ALLOWANCE CLOSE	549,844
ALLOWANCE DOMESTIC	60,000
ALLOWANCE FOREIGN	0
ALLOWANCE UNALLOCATED	0

End of Filing