EVANS BANCORP INC

FORM 10-K
(Annual Report)

Filed 3/30/1998 For Period Ending 12/31/1997

Address	PO BOX 191 14-16 N MAIN ST
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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

For fiscal year ended: December 31, 1997

[ ] 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)
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Registrant's telephone number (including area code)(716) 549-1000

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

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Title of Each Class                Name of Exchange on Which Registered
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None                                          N/A
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Securities registered pursuant to Section 12(g) of the Act:

Common Stock, Par Value $.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, 1998, the aggregate market value of the registrant's common stock, $.50 par value, (the "Common Stock") held by nonaffiliates of the registrant was approximately $53,152,240 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, 1998, 1,698,950 shares of the registrant's Common Stock were outstanding.

Exhibit Index on Page 34

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-QSB for the period ended March 31, 1995, and the Registrant's Report on Form 10-KSB for the period ended December 31, 1995 and the Registrant's Reports on Form 10-Q for the periods ended June 30, 1996 and March 31, 1997 are incorporated by reference in Part IV of this Form 10-K.

Portions of the Registrant's 1997 Annual Report to Shareholders are incorporated by reference in Part II of this Form 10-K.

TABLE OF CONTENTS

INDEX

PART I

PART II

PART III

PART IV

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, 1997, the Bank had total assets of $158,542,163, total deposits of $138,391,327 and total stockholders' equity of $17,039,300.

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.

	1997			1996		
Assets	Average Balance ($000)	Interest ($000)	Yield/ Rate ($000)	Average Balance	Interest ($000)	Yield/ Rate
Interest-earning assets:						
Loans, Net	$ 96,511	$ 8,633	8.95%	$ 81,591	$ 7,382	9.05%
Taxable securities	21,071	1,373	6.52%	22,837	1,428	6.25%
Tax-exempt securities	20,524	945	4.60%	15,676	765	4.88%
Federal funds sold	2,266	123	5.43%	3,791	202	5.33%
Time deposits in other banks	0	0	0.00%	428	23	5.37%
Total interest-earning assets	140,372	11,074	7.89%	124,323	9,800	7.88%
Noninterest-earning assets						
Cash and due from banks	5,407			5,531		
Premises and equipment, net	3,830			3,362		
Other assets	2,228			1,888		
Total	$151,837			$135,104		
LIABILITIES & SHAREHOLDER'S EQUITY						
Interest-bearing liabilities:						
NOW accounts	$ 6,700	$ 71	1.06%	$ 6,402	$ 80	1.25%
Savings deposits	44,610	1,203	2.70%	45,042	1,250	2.78%
Time deposits	60,257	3,302	5.48%	46,568	2,583	5.55%
Fed Funds Purchased & Securities Sold U/A to Repurchase	425	12	2.82%	0	0	0%
Total interest-bearing liabilities	111,992	4,588	4.10%	98,012	3,913	3.99%
Noninterest-bearing liabilities:						
Demand deposits	21,756			20,360		
Other	1,899			1,805		
	135,647			120,177		
Shareholders' equity	16,190			14,927		
Total	$151,837			$135,104		
Net interest earnings		$ 6,486			$ 5,887	
Net yield on interest earning assets			4.19%			4.67%

In 1997, the Company's interest income increased by $1,273,036 over 1996, compared to an increase of $573,315 in 1996 over 1995. Also, interest expense on deposits increased by $675,295 in 1997 over 1996 compared to an increase of $493,979 in 1996 over 1995. 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.

	1997 Compared to 1996 Increase (Decrease) Due to			1996 Compared to 1995 Increase (Decrease) Due to		
	(thousands)					
	Volume	Rate	Total	Volume	Rate	Total
Interest earned on:						
Loans	$ 1,335	$ (83)	$ 1,251	$ 820	$ (198)	$ 622
Taxable securities	(120)	65	(55)	20	26	46
Tax-exempt securities	219	(40)	179	20	(17)	3
Federal funds sold	(83)	4	(79)	(50)	(25)	(75)
Time deposits in other banks	(23)	0	(23)	(18)	(5)	(23)
Total interest-earning assets	$ 1,328	$ (54)	$ 1,273	$ 792	$ (219)	$ 573
Interest paid on:						
NOW accounts	$ 4	$ (13)	$ (9)	$ (5)	$ (15)	$ (20)
Savings deposits	(12)	(35)	(47)	(59)	7	(52)
Time deposits	750	(31)	719	551	15	566
Federal Funds Purchased & Securities Sold U/A Repurch	12	0	12	0	0	0
Total interest-bearing liabilities	$ 754	$ (79)	$ 675	$ 487	$ 7	$ 494

SECURITIES ACTIVITIES

Income from securities represented approximately 20.9% of total interest income of the Company in 1997 and approximately 22.4% of total interest income of the Company in 1996. At December 31, 1997, the Bank's securities portfolio of $40,400,374 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, 1997 and 1996:

	1997	1996
	($000)	($000)
Available for Sale:		
U.S. Treasury and other U.S. government agencies	$ 13,025	$ 14,570
States and political subdivisions in the U.S.	19,867	14,808
Other	930	823
Total Securities Designated as Available for Sale	$ 33,822	$ 30,201
Held to Maturity:		
U.S. Treasury and other U.S. government agencies	3,483	3,948
States and political subdivisions in the U.S.	3,095	1,905
Total Securities Designated as Held to Maturity	$ 6,578	$ 5,853
Total Securities	$ 40,400	$ 36,054

SECURITIES POLICY. The Bank's asset liability management policy encompasses 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 of the Bank 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 been computed on a tax equivalent basis) as of December 31, 1997:

	Maturing							
	Within One Year		After One But Within Five Years		After Five But Within Ten Years		After Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	($000)		($000)		($000)		($000)	
CLASSIFIED AS AVAILABLE FOR SALE AT FAIR VALUE:								
U.S. Treasury and other U.S. government agencies	$ 0	0%	$ 7,732	6.19%	$ 4,653	6.94%	$ 640	9.74%
States and political subdivisions	1,138	6.79	4,581	6.58	9,741	7.15	4,407	7.38
Other	930	6.37	0	0.00	0	0.00	0	0.00
Total Available for Sale	$ 2,068	6.60	$12,313	6.33	$14,394	7.08	$ 5,047	7.67
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	3,483	6.40
States and political subdivisions	2,606	6.26	216	8.37	63	8.74	210	8.75
Total Held to Maturity	2,606	6.26	216	8.37	63	8.74	3,693	6.53
Total Securities	$ 4,674	6.41	$12,529	6.36	$14,457	7.08	$ 8,740	7.18

At December 31, 1997, approximately $16,508,000 of the Bank's securities portfolio were obligations of the U.S. Treasury and other U.S. government agencies. Additionally, at December 31, 1997, the Bank had $4,515,000 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 78.0% of the total interest income of the Company in 1997 and approximately 75.3% of total interest income in 1996. The Bank's loan portfolio after unearned discounts, loan origination costs and allowances for credit losses totalled $101,627,427 and $92,087,902 at December 31, 1997 and December 31, 1996, respectively. At December 31, 1997, the Bank had established $609,539 as an allowance for credit losses which is approximately 0.59% of total loans. This compares with $546,954 at December 31, 1996 which was also approximately 0.59% of total loans. The net loan portfolio represented approximately 64.1% and 65.4% of the Bank's total assets at December 31, 1997 and December 31, 1996, respectively.

REAL ESTATE LOANS. Approximately 86.2% of the Bank's loan portfolio at December 31, 1997 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 $88,137,842 at December 31, 1997, compared to $80,110,342 at December 31, 1996. The real estate loan portfolio increased approximately 10.0% in 1997 over 1996 compared to an increase of 28.2% in 1996 over 1995.

Commercial real estate loan growth of 15.2% during 1997 reflected a continued strong market resulting partially from low interest rates which encouraged real estate acquisition and expansion. This represented a more normalized growth rate from the 44.4% experienced in 1996. The residential real estate loan portfolio declined by 6.9% as the Bank continued to sell the majority of mortgage originations 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 also earns an annual servicing fee on all mortgages sold.

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 mortgage loans outstanding totalled $19,897,821 at December 31, 1997, which was approximately 19.5% 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 1997, approximately $1,225,475 of mortgages were sold to FNMA under this arrangement compared to $1,316,180 of mortgages sold in 1996. The Bank currently retains the servicing rights on $2.7 million in mortgages sold to FNMA.

In 1993, the Bank began offering adjustable rate residential mortgages with terms of up to thirty years. Rates on these mortgages remain fixed for the first three years and are adjusted annually thereafter. On December 31, 1997, the Bank's outstanding adjustable rate mortgages were $3,977,168 or 3.9% of total loans. This balance did not include any construction mortgages.

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 $44,594,435 at December 31, 1997, which was approximately 43.6% of total loans outstanding. This balance included $6,949,346 in fixed rate and $37,645,089 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 80% loan-to-value ratio. At December 31, 1997, the real estate loan portfolio included $15,817,342 of home equity loans outstanding which represented approximately 15.5% of its total loans outstanding. This balance included $8,388,085 in variable rate and $7,429,257 in fixed rate loans.

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, 1997, fixed rate real estate-construction loans outstanding were $615,808 or 0.61% of the Bank's loan portfolio, and adjustable rate construction loans outstanding were $2,154,910 or 2.1% of the portfolio.

As of December 31, 1997, approximately $1,276,000 or 1.4% of the Bank's real estate loans were 30 to 90 days delinquent, $339,000 or 0.38% of the bank's real estate loans were more than 90 days delinquent and approximately $550,000 or 0.62% 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 $8,938,560 and $6,993,852 at December 31, 1997 and December 31, 1996, respectively. Commercial loans represented approximately 8.7% and 7.6% of the Bank's total loans at December 31, 1997 and December 31, 1996, respectively. The commercial loan portfolio increased $1,944,708 or 27.8% in 1997.

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. Eighty-seven 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 the Currency. The Bank continually monitors its loan portfolio to review compliance with new and existing regulations.

As of December 31, 1997, approximately $75,000 or 0.84% of the Bank's commercial loans were 30 to 90 days past due, none of its commercial loans were more than 90 days past due and $50,000 or 0.56% of its commercial loans were nonaccruing.

INSTALLMENT LOANS. The Bank's installment loan portfolio (which includes commercial and automobile loans, personal loans and revolving credit card balances) totaled $2,517,892 and $2,646,246 at December 31, 1997 and December 31, 1996, respectively, representing approximately 2.5% of the Bank's total loans at December 31, 1997 and 2.9% of the Bank's total loans at December 31, 1996. Traditional installment loans are offered at fixed interest rates with various maturities up to 60 months, on a secured and unsecured basis. On December 31, 1997, the installment loan portfolio included $223,071 in fixed rate card balances at an interest rate of 15.6% and $33,542 in the variable rate option. As of December 31, 1997, approximately $118,000 or 4.7% of the Bank's installment loans were 30-90 days past due and approximately $17,000 or 0.7% of the Bank's installment loans were more than 90 days past due. Approximately $27,000 or 1.07% of the Bank's installment loans were nonaccruing.

STUDENT LOANS. The Bank's student loan portfolio totaled $1,731,492 at December 31, 1997 and $1,692,334 at December 31, 1996. Student loans represented 1.7% of the total loan portfolio in 1997 and 1.8% of the total loan portfolio in 1996. 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 $1,087,051 and $1,242,276 of its student loans to SLMA in 1997 and 1996 respectively. Student loan products have been expanded to include Federal Plus and HEAL loans.

OTHER LOANS. Other loans totaled $509,935 at December 31, 1997 and $769,322 at December 31, 1996. 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, 1997, and 1996:

	December 31,	
	1997	1996
	(in thousands)	
Real Estate	$ 88,138	$ 80,111
Commercial	8,939	6,994
Installment	2,518	2,646
Student Loans	1,731	1,692
All Other	510	769
Net deferred loan origination costs	401	423
Total Loans	$ 102,237	$ 92,635
Allowance for credit losses	(610)	(547)
Net loans	$ 101,627	$ 92,088

LOAN MATURITIES. The following table shows the maturities of commercial and real estate construction loans outstanding as of December 31, 1997 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	$ 2,351	$ 2,321	$ 4,267	$ 8,939
Real estate construction	1,109	1,421	240	2,770
	$ 3,460	$ 3,742	$ 4,507	$11,709
Loans maturing after one year with:				
Fixed rates		$ 641	$ 240	
Variable rates		3,101	4,267	
		$ 3,742	$ 4,507	

CREDIT LOSSES

The following table summarizes the Bank's non-accrual and past due loans as of December 31, 1997 and December 31, 1996. The Bank had no restructured loans as of those dates. 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."

	1997	1996
	(in thousands)	
Nonaccrual loans	$627	$180
Accruing loans past due 90 days or more	360	96
Total	$987	$276

Information with respect to nonaccrual loans at December 31, 1997 and December 31, 1996 is as follows:

	1997	1996
	(in thousands)	
Nonaccrual loans	$627	$180
Interest income that would have been recorded under the original terms	58	19
Interest income recorded during the period	0	0

At December 31, 1997, $627,000 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

	1997	1996
BALANCE AT BEGINNING OF YEAR	$ 546,954	$ 557,961
CHARGE-OFFS		
Commercial, Financial, Agricultural	(394)	(33,741)
Real Estate - Mortgages	(25,000)	0
Installment Loans	(21,464)	(42,863)
Overdrafts	0	0
TOTAL CHARGE-OFFS	(46,858)	(76,604)
RECOVERIES		
Commercial, Financial, Agricultural	7,381	538
Real Estate - Mortgages	32,367	0
Installment Loans	8,495	3,859
Overdrafts	1,200	1,200
TOTAL RECOVERIES	49,443	5,597
NET (CHARGEOFFS) RECOVERIES	2,585	(71,007)
ADDITIONS (REDUCTIONS) CHARGED TO OPERATIONS	60,000	60,000
BALANCE AT END OF YEAR	$ 609,539	$ 546,954

ALLOCATION OF THE ALLOWANCE FOR CREDIT LOSSES

	Balance at 12/31/97 Attributable to:	Balance at 12/31/96 Attributable to:	Percent of Loans in Each Category to Total Loans:	
			1997	1996
Real Estate Loans	$424,257	$259,102	86.6%	86.9%
Commercial Loans	58,306	118,461	8.7	7.6
Installment Loans (Includes Credit Cards)	49,189	45,231	2.5	2.9
Student Loans	0	0	1.7	1.8
All Other Loans	0	0	0.5	0.8
Unallocated	77,787	124,160	n/a	n/a
Total	$609,539	$546,954	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 on the secondary market, interest and dividends from investments, matured investments, and borrowings from the Federal Reserve Bank, Federal Home Loan Bank 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, 1997, the Bank's deposits totalled $138,391,327 consisting of the following:

Demand deposits	$ 21,680,839
NOW and Money Market accounts	7,093,959
Regular savings	44,264,697
Time deposits, $100,000 and over	22,873,379
Other time deposits	42,478,453
	$138,391,327

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

	1997		1996	
	Average Balance (in thousands)	Weighted Average Rate	Average Balance (in thousands)	Weighted Average Rate
Demand Deposits	$ 21,756	---%	$ 20,122	---%
NOW and Money Market Accounts	6,700	1.06%	6,402	1.25%
Regular Savings	44,610	2.66%	45,280	2.76%
Time Deposits	60,256	5.48%	46,568	5.55%
Total	$133,322	3.43%	$118,372	3.30%

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, 1998, the Bank employed 73 persons on a full-time basis. There were also 11 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, and Manufacturers and Traders Trust Company, both headquartered in Buffalo, New York, and also Key Bank, N.A. headquartered in Albany, 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, 1997 for the periods indicated:

	0 to 3 Months	4 to 12 Months	One to Five Years	Over Five Years
	(in millions)			
Interest-earning assets	$ 35.6	$ 22.4	$ 56.9	$ 31.6
Interest-bearing liabilities	44.4	26.1	68.8	0
Interest sensitivity gap	$ (8.8)	$ (3.7)	$ (11.9)	$ 31.6

The primary assets and liabilities in the one year maturity range are securities, commercial loans and time deposits. As of December 31, 1997, the Bank's cumulative one year gap ratio (rate sensitive assets divided by rate sensitive liabilities) was .82 as compared to .83 at December 31, 1996 and .88 as of December 31, 1995. 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, 1997:

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	$ 16.8	$ 2.8	$ 1.7	$ 1.5	$ 22.8
Other time deposits	17.3	6.5	7.6	11.1	42.5
Total time deposits	$ 34.1	$ 9.3	$ 9.3	$ 12.6	$ 65.3

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 may 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 have 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, 1997 and December 31, 1996 with these minimum requirements is presented below:

	Bank		
	1997	1996	Minimum Requirements
Total Risk-based Capital	16.9%	17.7%	8%
Tier 1 Risk-based Capital	16.3%	17.1%	4%
Leverage Ratio	10.8%	11.1%	3-5%

As of December 31, 1997, 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 conducts its business from its main office and five branch offices. The main office is located at 14-16 North Main Street in Angola, New York. The main office facility is 9,344 square feet and is owned by the Bank. This facility is occupied by the Office of the President as well as the Loan and Administration Divisions.

The Bank also owns three of its five branch offices. One is a 3,900 square foot facility located at 8599 Erie Road in the Town of Evans. Another is a 1,530 square foot facility located at 25 Main Street, Forestville, New York and the third is a 3,650 square foot branch located at 6480 Erie Road, Derby, New York.

In 1995, the Bank purchased property adjacent to the Derby 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 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 January 1, 2001, 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.

	1997		1996	
QUARTER	High	Low	High	Low
FIRST	$27.20	$27.20	$23.00	$22.00
SECOND	$32.00	$27.20	$27.00	$23.00
THIRD	$33.00	$32.00	$27.20	$27.00
FOURTH	$38.00	$33.00	$27.20	$27.20

Adjusted for five for one stock split which was effective May 1, 1997.

(b) HOLDERS. As of January 31, 1998, 1,698,950 shares of the Company's Common Stock were outstanding and the number of holders of record of the Common Stock at that date was 1049.

(c) DIVIDENDS.

CASH DIVIDENDS.
The Company paid a cash dividend of $.124 per share (adjusted for the five for one stock split) on October 1, 1996 to holders of record on August 20, 1996.

The Company paid a cash dividend of $.10 per share (adjusted for the five-for-one stock split) on February 1, 1997 to holders of record on November 26, 1996.

The Company paid a cash dividend of $.30 per share (after the five-for-one stock split) on October 21, 1997 to holders of record on October 1, 1997.

The Company has declared a cash dividend of $.17 per share (after the five-for-one stock split) payable on March 26, 1998 to holders of record on March 2, 1998.

The amount, if any, of future dividends will be determined by the Company's Board of Directors and will depend upon the Company's earnings, financial conditions 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 12 to the Financial Statements.

STOCK DIVIDENDS. There was no stock dividend in 1997. For the year ending December 31, 1996 the Company paid a stock dividend of 7.14% on April 1, 1996. This amounted to one share for every 14 shares in 1996. On April 29, 1997, the shareholders approved a five for one stock split which was effective May 1, 1997.

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

	1997	1996	1995
Return on Average Assets	1.19%	1.20%	1.34%
Return on Average Equity	11.06%	10.75%	11.59%
Dividend Payout Ratio	28.30%	23.58%	15.31%
Equity to Assets Ratio	10.95%	11.37%	11.85%

Item 6. SELECTED FINANCIAL DATA

SELECTED FINANCIAL INFORMATION

For the Year Ended December 31 RESULTS OF OPERATIONS	1997	1996	1995	1994	1993
Interest Income	$ 11,072,851	$ 9,799,815	$ 9,226,500	$ 8,206,596	$ 7,989,392
Interest Expense	4,588,056	3,912,761	3,418,782	2,747,297	2,680,003
Net Interest Income	6,484,795	5,887,054	5,807,718	5,459,299	5,309,389
Non-Interest Income	950,662	930,986	763,054	785,551	672,015
Non-Interest Expense	4,849,182	4,555,398	4,228,922	3,981,801	3,581,929
Net Income	1,802,275	1,614,642	1,664,783	1,617,049	1,612,392

BALANCE SHEET DATA					
Total Assets	$158,542,163	$140,898,057	$125,308,204	$114,565,971	$112,465,797
Loans - Net	101,627,427	92,087,902	75,468,504	71,998,929	67,754,002
Allowance for Loan Losses	609,539	546,954	557,961	628,957	612,921
Securities	40,400,374	36,054,324	38,954,494	32,341,350	33,371,944
Total Deposits	138,391,327	123,461,379	109,020,551	100,532,031	99,860,851
Stockholders' Equity	17,039,300	15,510,083	14,485,510	12,723,940	11,489,412

PER SHARE DATA					
Net Income	$ 1.06	$ 0.95	$ 0.97	$ 0.95	$ 0.95
Cash Dividend	$ 0.30	$ 0.22	$ 0.14	$ 0.09	$ 0.07
Book Value at Year End	$ 10.03	$ 9.13	$ 8.53	$ 7.49	$ 6.76
Market Value	$ 38.00	$ 27.20	$ 22.00	$ 14.00	$ 13.10
Shares Outstanding	1,698,950	339,790	317,481	296,613	277,170
Weighted Average Shares	1,698,950	1,698,950	1,698,950	1,698,950	1,698,950

(Retroactively adjusted for stock dividends and stock split)

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion is intended to compare the performance of the Company for the years ended December 31, 1997, 1996 and 1995. 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, Chautauqua and Cattaraugus Counties of Western New York. The Bank serves its 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 1997 of $1,802,275 resulted in earnings per share of $1.06, which compares with net income of $1,614,642, or $.95 per share, in 1996 and $1,664,783, or $.97 per share, in 1995. The increase of 11.6% in net income in 1997 over 1996 illustrates the income benefit of the Bank's increased presence in the Western New York area. Net income had declined 3% from 1995 to 1996 due to increased overhead related to the Bank's $2.2 million expansion plan implemented over those two years. In 1997, new business attributable to the operation of two additional locations, a branch office in Hamburg, NY, which opened in October, 1995, and the Evans, NY branch, which opened in May, 1996, contributed to the Bank's asset growth and improved earnings.

NET INCOME ($ Millions)

1993	1.6
1994	1.6
1995	1.7
1996	1.6
1997	1.8

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 INTEREST INCOME

Net interest income, before the provision for credit losses, increased 10.2% from 1996 to 1997, compared to an increase of 1.4% from 1995 to 1996. Average earning assets increased $15.8 million or 12.7% in 1997. The tax-equivalent yield earned on those assets was 8.31% compared to 8.27% in 1996. The increase in both rate and volume was sufficient to offset an increase of $13.3 million, or 13.6%, in average interest-bearing liabilities in 1997 over 1996 and an increase in the average cost of funds of 12 basis points, from 3.99% in 1996 to 4.11% in 1997. In 1997, the Bank's net interest margin was 4.59% compared to 4.64% in 1996.

The increase of only 1.4% in net interest income in 1996 over 1995 was largely the result of an increase in the average cost of funds versus virtually no change in the tax-equivalent yield on earning assets. The average cost of funds increased 22 basis points from 3.77% in 1995 to 3.99% in 1996. The tax-equivalent yield on earning assets changed only one basis point over that time period, declining from 8.28% in 1995 to 8.27% in 1996. Average earning assets increased 7.7% in 1996 over 1995 versus a volume increase of 8.2% in interest-bearing liabilities. The net interest margin was 4.64% compared to 4.99% in 1995.

The Federal Reserve Board increased the federal funds rate a quarter of a percent at its March 26, 1997 meeting. This was the only move in rates in 1997, and only the second in two years. The Federal Reserve Board had reduced the federal funds rate a quarter of a percent in January of 1996.

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 earnings 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 1997, $60,000 was charged against earnings for credit losses. This amount was also charged against earnings in 1996. 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. The following table summarizes the Bank's actual credit losses, total of non-performing loans and total allowance for credit losses for 1997, 1996 and 1995, both in dollars and as a percentage of total loans outstanding:

	1997		1996		1995	
Actual Credit Losses	$ 47,000	0.05%	$ 77,000	0.08%	$ 11,000	0.014%
Non-Performing Loans	$987,000	0.96%	$230,000	0.20%	$312,000	0.470%
Allowance for Credit Losses	$609,539	0.59%	$546,954	0.59%	$557,961	0.730%

Although, during 1997, nonperforming loans increased over the unusually low level of the prior year, all loans in this category are considered well-collateralized and in the process of collection. As a result, no significant losses are anticipated.

NON-INTEREST INCOME
Total non-interest income increased approximately $20,000 in 1997 from 1996 compared with an increase of approximately $168,000 in 1996 from 1995. In 1997, service charge income was $670,366 compared to $667,839 in 1996. Service charge income had increased approximately $106,000 in 1996 over the prior year as the result of an increase in the Bank's service charges which was implemented in September of 1995.

Other non-interest income decreased approximately $6,000 in 1997 from 1996. In 1996, the Bank received $15,000 in state and federal tax refunds for the 1994 tax year and the Bank's loan activity resulted in a high level of loan-related income. In 1997, the increase in the cash surrender value of life insurance policies carried on certain bank officers was approximately $64,000 versus an increase in value of approximately $45,000 in 1996.

Gains realized on the sale of assets increased $23,000 in 1997 from 1996. Net losses on the sales of securities were $2,000 in 1997 whereas in 1996 net losses totalled $23,000. In 1996, the Bank experienced a loss of $61,000 on a residual bond that was called for redemption in full. This loss was partially offset by net gains on planned sales of securities of $38,000 that year. Premiums received on sales of student loans to the Student Loan Marketing Association ("SLMA") were $28,000 in both 1996 and 1997 and premiums received on sales of mortgages to the Federal National Mortgage Association ("FNMA") were $8,000 in 1997 as compared to $6,000 in 1996. The Bank became affiliated with both SLMA and FNMA in 1995.

NON-INTEREST EXPENSE
In 1997, the ratio of non-interest expense to average assets was 3.18% compared to 3.37% in 1996 and 3.40% in 1995. Non-interest expense categories include salaries, occupancy expenses, repairs and maintenance, advertising and professional services , among others. Occupancy expenses increased 19.5% in 1997 over 1996. This increase included a full year of depreciation on the Town of Evans office and additional depreciation costs resulting from capital expenditures in 1997. A new mainframe computer system, a new telephone system, check imaging hardware and software and additional personal computers and printers were all purchased during the course of the year. Changes in check processing and computer operations which resulted from these purchases have also reduced staffing requirements in these areas, and through staffing reassignments, attrition and the use of part-time employees, the Bank has been able to control salary and benefit expenses. These expenses declined $11,000 from 1996 to 1997. The cost of professional services increased $96,000 in 1997 over 1996. The Bank incurred additional fees due to work done by its accountants and attorneys in reference to the five-for-one stock split in 1997

STOCKHOLDERS' EQUITY ($ Millions)

1993	11.5
1994	12.7
1995	14.5
1996	15.5
1997	17.0

and the implementation of the dividend reinvestment plan for shareholders. The Bank also hired a consultant in 1997 to study the Bank's daily operating procedures to identify areas where efficiencies could be improved. Recommendations resulting from this study are in the process of being implemented. The income benefit is expected to be ongoing and is expected to surpass the cost of the study in the first year.

In 1997, the Bank's FDIC insurance assessment increased from $2,000 to $15,328. In 1996, as a well-capitalized institution, the Bank was assessed the minimum $2,000 premium. This minimum is no longer required by law. However, starting January 2, 1997 as a Bank Insurance Fund ("BIF") member, the Bank is being assessed for FICO interest payments at a rate of 1.28 cents per $100 in deposits annually. In 1996, the Bank's insurance assessment had dropped to $2,000 from $120,231 in 1995 as the FDIC responded to the full funding of the BIF by decreasing premiums. 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, and it remains well above the regulatory minimums for the key measures of capital adequacies as disclosed in note 12 of the financial statements.

TAXES
The provision for taxes in 1997 of $724,000 reflects an effective tax rate of 28%. This compares to $588,000 and 26% in 1996 and $764,000 and 31% in 1995. In 1997, the Bank increased its holdings of tax-advantaged municipal bonds by 38%, benefitting its overall tax position. Additionally, $75,000 in income recorded in 1997 as the result of the increase in the cash surrender value of life insurance policies held on certain bank officers and directors is non-taxable. In 1996, there was a change in the composition of the deferred tax calculation, resulting in an overall decrease in the effective tax rate from 1995. This decrease was over and above that which was expected due to tax-exempt securities income, untaxed CSVLI income and tax refunds received, which are not taxable.

FINANCIAL CONDITION
The Bank had total assets of $158.5 million at December 31, 1997, increasing $17.6 million or 12.5% over December 31, 1996. Net loans increased $9.5 million or 10.3% in 1997 over 1996. Loan growth was funded by an increase of $14.9 million in deposits, or 12.1%. Excess funds were invested in securities resulting in an increase of $4.3 million, or 12.1% in the securities portfolio. Capital increased $1.5 million or 9.7%, basically due to the retention of earnings.

LOANS
Loans comprised 68.7% of the Bank's total average earning assets in 1997. For the first time, the Bank surpassed the $100 million mark in net loans, reaching $101.6 million by year-end. The increase of 10.4% in actual year-end balances in 1997 over 1996 compares to an increase of 22% in 1996 over 1995. The Federal Reserve lowered rates in July and December of 1995 and again in January of 1996 contributing to increased loan demand throughout 1996. The Federal Reserve raised rates 25 basis points in early 1997, but despite this increase, loan demand remained strong through 1997. The expansion of the Bank's trade area since 1995 has also had a positive impact on loan activity.

NET LOANS ($ Millions)

1993 67.8

1994 72.0

1995 75.5

1996 92.1

1997 101.6

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 43.8%. Residential mortgages comprise 23.4% of the portfolio and commercial loans total 12.6%. Home equity loans make up 15.5% of total loans.

The Bank currently retains the servicing rights to $2.7 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. In 1997, student loan balances increased 2.3% over 1996. Student loan balances had decreased 13.4% in 1996 from 1995 and decreased 60% in 1995 from 1994 levels, due to the sale of loans to SLMA.

At December 31, 1997, the Bank had a loan-to-deposit ratio of 73.9%, and estimated its unloaned core deposits at $4.6 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 31.3% of the Bank's earning assets at December 31, 1997.

SECURITIES ($ Millions)

1993 33.4

1994 32.3

1995 39.0

1996 36.1

1997 40.4

Since deposit growth exceeded the volume necessary to fund loan demand, an additional $4.3 million was directed into the securities portfolio in 1997. In 1996, deposit growth was insufficient to support loan growth. Proceeds from matured and sold securities were used to provide the additional funding necessary. As a result, the securities portfolio decreased $2.9 million from 1995 to 1996. The portfolio remains concentrated in US government and government agency securities and tax-exempt municipal bonds of varied maturity. By increasing the percentage of tax-advantaged municipal bonds in the portfolio and reducing the average balance maintained in federal funds sold, the tax-equivalent yield on securities and federal funds sold improved to 6.57% in 1997 from 6.51% in 1996.

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, 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.

DEPOSITS
Total deposits increased $14.9 million in 1997 over 1996. All categories of deposits increased, with the most significant growth occurring in demand deposits and time accounts with balances in excess of $100,000. Actual year-end balances of $21.7 million in demand deposits reflect an increase of 7.6% over 1996 levels. Time accounts over $100,000 increased 62% in 1997 over 1996. Although large time accounts have traditionally been obtained from municipal depositors through the competitive bidding process, new accounts have been attracted from commercial and retail customers over the past two years as a result of the Bank's broadened market.

TOTAL DEPOSITS ($ Millions)

1993 99.9

1994 100.5

1995 109.0

1996 123.5

1997 138.4

The Bank continues to evaluate ways to improve its existing deposit products to meet customer needs, as well as develop new products which will keep the Bank competitive in the marketplace. With both of these goals in mind, the Bank introduced the Premium Savings, a tiered rate retail savings product, in May of 1997. This product is designed to provide an option for high balance customers who prefer the liquidity and safety of an insured savings product, but are looking for a competitive rate. At December 31, 1997, Premium Savings balances totalled $5.5 million. About half of the initial deposits made have been identified as new money, with the remainder transferring into the Premium from other Bank deposit accounts.

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 1997, overnight federal funds balances averaged $2.3 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, 1997, approximately 11.6% of the Bank's securities had contractual maturities of one year or less and 40.1% had maturity dates of five years or less. At December 31, 1997, the Bank had net short-term liquidity of $5.9 million compared to $8.1 million at December 31, 1996. Available assets of $44.4 million less public and purchased liabilities of $29.7 million resulted in a long-term liquidity ratio of 149% compared to 204% at December 31, 1996. 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 purchase up to $4,000,000 in federal funds from one of its correspondents.

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 $7.7 million can be drawn on the FHLB, via the Overnight Line of Credit Agreement, and an amount equal to 25% of the Bank's total assets could be borrowed through the advance programs under certain qualifying circumstances.

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, 1997, the Bank was in a negative gap position, with $12.5 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 +/- $23.8 million at December 31, 1997. Therefore, the Bank's negative gap position was well within its policy limits. The gap ratio (rate sensitive assets/rate sensitive liabilities) at that date was 82%.

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 gain of approximately $214,000. On a quarterly basis, the available for sale portfolio is shocked for immediate rate increases of 100 and 200 basis points. At December 31, 1997, the Bank determined that it would take an immediate increase in excess of 200 basis points to eliminate the current capital cushion. The Bank 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.

The following table provides information about the Bank's on-balance sheet financial instruments that are sensitive to changes in interest rates. Expected maturity date values for interest-earning assets were calculated by adjusting the contractual maturity date for expectations of prepayments. Expected maturity date values for interest-bearing core deposits were calculated based upon estimates of the period over which the deposits would be outstanding.

Off-balance sheet financial instruments at December 31, 1997 included $6,537,000 in undisbursed lines of credit at an average interest rate of 9.48%, $1,030,000 in fixed rate loan origination commitments at 12.23%, $8,383,000 in adjustable rate loan origination commitments at 9.85%, and $551,000 in adjustable rate letters of credit at an average rate of 10.50%.

Expected maturity date- year ended December 31,	1998	1999	2000	2001	2002	Thereafter	Total	Fair Value
INTEREST-EARNING ASSETS ($000S)								
Loans Receivable, Fixed Rate	7,953	4,536	5,115	3,591	3,184	15,514	39,893	39,944
Average Interest Rate	8.87%	9.16%	9.24%	8.88%	8.75%	8.71%		
Loans Receivable, Adj. Rate	13,341	3,642	3,711	4,618	3,422	33,538	62,344	62,425
Average Interest Rate	9.65%	9.28%	9.33%	9.05%	9.12%	8.92%		
Investments	4,938	2,544	5,128	1,182	4,665	21,943	40,400	40,437
Average Interest Rate	6.51%	6.52%	5.99%	6.92%	6.87%	7.04%		
INTEREST-BEARING LIABILITIES ($000S)								
Deposits	64,596	22,431	12,827	12,024	4,822	10	116,710	117,053
Average Interest Rate	4.80%	3.92%	2.67%	2.51%	2.99%	7.75%		
Repurchase Agreement	1,059	0	0	0	0	0	1,059	1,059
Average Interest Rate	3.00%							

CAPITAL EXPENDITURES

Large capital expenditures scheduled for 1998 include the equipment and software necessary to provide our customers with the option of conducting banking transactions by telephone or via a personal home computer. This project is expected to cost approximately $240,000. In 1997, the Bank purchased statement imaging equipment and upgraded its mainframe and archiving systems. This kind of expenditure enable the Bank to continue to provide quality customer service despite increased work volumes. 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.

THE NEW MILLENNIUM

The Year 2000 poses serious challenges to all industries, including banking. An action plan has been formulated and accompanying timetable established for Year 2000 compliance. Representatives from each area of the Bank and the computer systems and programming analyst meet monthly to discuss Year 2000 issues and track the Bank's progress. At present, the Bank is on schedule in completing its Year 2000 initiatives. Since the Bank is continually upgrading and improving its technology, it is not anticipated these initiatives will materially impact normal budgeted software costs.

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

INFORMATION REGARDING DIRECTORS

The following table sets forth the names, ages and positions of the Directors of the Company.

Name	Age	Position	Term Expires
Nominees for Directors:			
Phillip Brothman	59	Director	1998
David M. Taylor	46	Director	1998
Thomas H. Waring, Jr.	40	Director	1998
Directors:			
Robert W. Allen	72	Secretary, Director	1999
William F. Barrett	56	Director	1999
Richard M. Craig	60	Chairman of Board, President, CEO, Director	2000
LaVerne G. Hall	60	Director	2000
David C. Koch	62	Director	1999
Richard C. Stevenson	89	Director	2000

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

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

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

Mr. Waring has been a Director since January 1, 1998. He is the principal of Waring Financial Group, an insurance and financial services firm.

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. Craig joined Evans National Bank (the "Bank") in 1987 and has served as President and Director since 1988. In 1989 he was appointed Chief Executive Officer, and was, in January 1998, also elected Chairman of the Board. Previously, he was the Administrative Vice President of M&T Bank.

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

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

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

Mr. Carl F. Ulmer served as a director (since 1967) and the Chairman of the Board of Directors (since 1975) until his retirement on December 31, 1997. Mr. Ulmer also served as President and CEO of the Bank from 1967 until 1989.

The committees of the Board of Directors, which are nominated by the Chairman of the Board and approved by the Board of Directors, are as follows:

Loan Committee:

William F. Barrett, Chairman	Robert W. Allen	Richard M. Craig
David C. Koch		

The Loan Committee met ten times during 1997. Its purpose is to review and approve loans exceeding $250,000 or loans that are non-conventional.

Investment Committee:

Richard M. Craig, Chairman	David M. Taylor

The Investment Committee met once in 1997. The Investment Committee meets a minimum of once a year to review the liquidity of the investment portfolio and discuss investment strategies.

Planning Committee:

LaVerne G. Hall, Chairman	William F. Barrett	Richard M. Craig
David C. Koch		

The Planning Committee met twice in 1997. 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 1997. Its purpose is to insure the Bank's provision and reserve for credit losses are adequate. The Loan Review Committee meets quarterly with the Bank's Loan Review Officer, who independently conducts the loan review. As a result of her 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.

Audit Committee:

Phillip Brothman, Chairman	Robert W. Allen	Richard M. Craig
David C. Koch	David M. Taylor	

The Audit Committee met three times in 1997. 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

The Insurance Committee met once during 1997. 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	

The Human Resource Committee met twice during 1997. 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 1997. Each incumbent director of the Company, except for Mr. Koch 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.

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 1997 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, except that Mr. Hall and Mr. Brothman each filed one late report for one transaction in 1997.

Item 11. EXECUTIVE COMPENSATION

COMPENSATION OF DIRECTORS

For the year 1997, 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 1997 amounted to $131,450 (including committee fees and $36,915 of deferred 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 1997, 1996 and 1995 of the Chief Executive Officer, the Senior Vice President of Administration, and the Senior Vice President of the Loan Division. No other executive officer earned in excess of $100,000.

SUMMARY COMPENSATION TABLE

		ANNUAL COMPENSATION			LONG-TERM COMPENSATION		
					AWARDS	PAYOUTS	
NAME OF AND PRINCIPAL POSITION	YEAR	SALARY	BONUS	OTHER(1)	STOCK OPTION (SHARES)	LONG-TERM INCENTIVE PAYOUTS	ALL OTHER COMPENSATION
Richard M. Craig	1997	$151,308	$ 14,013	$ 3,026	-0-	-0-	-0-
President & CEO	1996	$142,385	$ 13,840	$ 2,848	-0-	-0-	-0-
	1995	$135,631	$ 12,596	$ 2,692	-0-	-0-	-0-
James Tilley	1997	$103,059	$ 9,991	$ 2,061	-0-	-0-	-0-
Senior Vice	1996	$ 97,095	$ 9,875	$ 1,942	-0-	-0-	-0-
President	1995	$ 93,146	$ 9,464	$ 1,836	-0-	-0-	-0-
William R. Glass	1997	$ 96,630	$ 9,868	$ 1,933	-0-	-0-	-0-
Senior Vice	1996	$ 90,235	$ 9,743	$ 1,805	-0-	-0-	-0-
President	1995	$ 85,300	$ 8,799	$ 1,706	-0-	-0-	-0-

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(1) Includes the Bank's contribution to the Employee Savings Plan made for the benefit of Mr. Craig of $3,026 in 1997, $2,848 in 1996, and $2,692 in 1995, for the benefit of Mr. Tilley of $2,061 in 1997, $1,942 in 1996, and $1,836 in 1995, and for the benefit of Mr. Glass of $1,933 in 1997, $1,805 in 1996, and $1,706 in 1995. See "EMPLOYEE SAVINGS PLAN". Does not include personal benefits which did not exceed 10% of Mr. Craig's, Mr. Tilley's, or Mr. Glass' salary and bonus in any year.

Employment Agreements

Mr. Richard Craig, Mr. James Tilley, and Mr. William Glass have each entered into an Employment Agreement with the Bank which runs through December 31, 2002. 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, Mr. Tilley, and Mr. Glass are participants in the pension plan, and as of December 31, 1997, Mr. Craig had nine years of credited service and $12,450 of average monthly compensation; Mr. Tilley had eight years of credited service and $8,429 of average monthly compensation; and Mr. Glass had four years of credited service and $8,198 of average monthly compensation.

Supplemental Executive Retirement Plans

In 1995, the Bank entered into non-qualified 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, 1997, the annual death benefit amounts for Mr. Craig and Mr. Tilley were $63,577 and $45,335, 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, Mr. Tilley, and Mr. Glass.

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, 1998, the number (rounded to the nearest whole share) 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)	29,775	1.8%
William F. Barrett (2)	161,345	9.5%
Phillip Brothman (3)	23,910	1.4%
Richard M. Craig (4)	8,022	.5%
LaVerne G. Hall (5)	57,782	3.4%
David C. Koch (6)	25,590	1.5%
Richard C. Stevenson (7)	54,880	3.3%
David M. Taylor (8)	6,840	.4%
Thomas H. Waring, Jr.	500	.1%
Directors and Officers as a Group (11 persons) (1)(2)(3)(4)(5)(6)(7)(8)(9)(10)	370,144	21.8%

(1) Includes 2,740 shares owned by Mr. Allen's wife.

(2) Includes 12,850 shares owned by Mr. Barrett's wife, 30,940 shares owned jointly by Mr. Barrett and his wife and 6,345 shares held for Mr. Barrett's son, as to which he disclaims beneficial ownership.

(3) Includes 1,473 shares owned by Mr. Brothman's wife and 2,704 shares held by a pension plan of which Mr. Brothman is a trustee and a participant.

(4) Includes 5,343 shares owned jointly by Mr. Craig and his wife and 161 shares owned by Mr. Craig's daughter, as to which he disclaims beneficial ownership.

(5) Includes 26,349 shares owned by Mr. Hall's wife.

(6) Includes 1,485 shares owned jointly by Mr. Koch and his wife, and 775 shares owned by Mr. Koch's son, as to which he disclaims beneficial ownership.

(7) Includes 3,225 shares owned by Mr. Stevenson's wife, also includes 12,635 shares held by Mr. Stevenson as conservator for Evelyn Simonsen and 1,060 shares held in a trust for F. Evelyn Beardsley as to which he disclaims beneficial ownership.

(8) Includes 300 shares owned by Mr. Taylor and his wife.

(9) Includes 413 shares owned by Mr. James Tilley, Assistant Secretary of Evans Bancorp, Inc., 10 shares held by Mr. Tilley in trust for his grandson, and 75 shares owned jointly by Mr. Tilley and his mother.

(10) Includes 1,000 shares owned by Mr. William Glass, Treasurer of Evans Bancorp, Inc., held jointly with Mr. Glass's wife.

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.

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 1997 Annual Report to Shareholders pages 57 through 87 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	n/a
3.2	Certificate of Amendment to Certificate of Incorporation	n/a
3.3	By-Laws (1)	n/a
3.4	Amended Section 204 of By-Laws (4)	n/a

3.5	Amended Section 203 of By-Laws (6)	37
4.1	Specimen common stock certificate (3)	n/a
10.1	Employment Agreement dated August 19, 1997 between the Bank and Richard M. Craig (6)	39
10.2	Employment Agreement dated August 19, 1997 between the Bank and James Tilley (6)	45
10.3	Employment Agreement dated August 19, 1997 between the Bank and William R. Glass (6)	51
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 (5)	n/a
10.8	Evans National Bank Supplemental Executive Retirement Plan for James Tilley dated March 28, 1995 (5)	n/a
13.1	1997 Annual Report to Shareholders (6)	57
21.1	Subsidiaries of the Registrant (6)	89

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 as an Exhibit to the Company's Form 10-Q for the quarter ended March 31, 1997 (File No. Q-18539) and incorporated herein by reference.

(4) Filed as an Exhibit to the Company's Form 10-Q for the quarter ended June 30, 1996 (File No. Q-18539) and incorporated herein by reference.

(5) Filed as an Exhibit to the Company's Form 10-QSB for the quarter ended March 31, 1995 (File No. QSB-18539) and incorporated herein by reference.

(6) 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,
Chairman

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	Chairman President (Chief Executive Officer), Principal Accounting Officer and Director	March 28, 1998
/s/ James Tilley James Tilley	Assistant Secretary	March 28, 1998
/s/ William R. Glass William R. Glass	Treasurer	March 28, 1998
/s/ Robert W. Allen Robert W. Allen	Director	March 28, 1998
/s/ LaVerne G. Hall LaVerne G. Hall	Director	March 28, 1998
/s/ Richard C. Stevenson Richard C. Stevenson	Director	March 28, 1998
/s/ David M. Taylor David M. Taylor	Director	March 28, 1998
/s/ Thomas H. Waring Thomas H. Waring	Director	March 28, 1998

EXHIBIT 3.5

AMENDED SECTION 203 OF BY-LAWS

On December 16, 1997, Section 203 of the By-Laws of Evans Bancorp, Inc. was amended by changing the words "Par Value" to "Market Value" and increasing the amount to $10,000 so that said section as amended reads as follows:

Section 203
Every director must be a shareholder of the Corporation and shall own in his/her right a minimum of $10,000 aggregate market value of stock in the Corporation in order to qualify as such director. Any director shall forthwith cease to be a director when he/she no longer holds such shares, which fact shall be reported to the Board of Directors by the Secretary, whereupon the Board of Directors shall declare the seat of such director vacated.

EXHIBIT 10.1

EMPLOYMENT AGREEMENT

THIS AGREEMENT, entered into this 19th day of August, 1997, by and between EVANS NATIONAL BANK, a national banking corporation with offices at 14-16 North Main Street, Angola, New York, hereinafter referred to as the "Bank," and RICHARD M. CRAIG referred to as the "Employee," for the employment of Employee by the Bank.

WHEREAS, the parties entered into an Employment Agreement on the 1st day of July, 1987 and

WHEREAS, the parties now wish to update and modify said agreement, the parites hereby agreement to the following terms and conditions:

1.TERM OF EMPLOYMENT: Unless terminated pursuant to the terms of this Agreement, the Bank and Employee agree that the term of employment shall be for a period commencing on January 1, 1997, and terminating December 31, 2002. Such term of employment shall be extended for one (1) additional year on or before June 30, 1998 and annually thereafter so that the term of this Agreement and any extensions thereto shall be for five (5) years unless shortened by mutual agreement. In the event the Bank does not extend by June 30th of each year, this agreement will automatically renew for one (1) additional year.

2.COMPENSATION: Employee shall receive, in exchange for his services, hereunder, compensation as fixed annually by the Bank Board of Directors at its January meeting.

3.DUTIES:

A) During the term of his employment hereunder, Employee agrees to serve as President and Chief Executive Officer of the Bank and be primarily responsible for the direct management of the institution's resources toward the achievement of strategic and financial objectives in a manner which is consistent with Board philosophy and policy, and with various regulatory requirements; communicating with the Board on all decisions affecting the institution that must be made at Board level; may provide direct management to key functions as appropriate; represents the institution in the community and in industry-related activities or in such other executive capacity with duties and responsibilities of a similar nature, as those initially undertaken by him, as the Board of Directors may from time to time determine. Employee also agrees to perform such other services and duties consistent with the office or offices in which he is serving and its responsibilities as may from time to time be prescribed by the Board of Directors.

B) Employee shall also serve as a Director of the Bank, or elected, and as an officer of the Bank.

C) Employee shall devote his full time, energies and attention, during normal business hours (excluding vacation) to the business and affairs of the Bank.

D) Employee agrees to cooperate with the Bank including taking such reasonable medical examinations, as may be necessary, in the event the Bank shall desire or be required to obtain life insurance insuring Employee's life.

E) Employee shall, except as otherwise provided herein, be subject to the Bank's rules, practices and policies applicable to the Bank's Executive Employees.

4.BENEFITS:

A) Employee shall participate in all life, disability and medical insurance plans, pensions and other similar plans which the Bank may have or may establish from time to time, in which Employee is eligible to participate pursuant to the. terms thereof. The foregoing, however, shall not be construed to require the Bank to establish any such plans or to prevent the Bank from modifying or terminating such plans and no such action or failure thereof shall effect this Agreement.

B) Employee shall be entitled to vacation as determined by the Board of Directors for all Bank officers.

C) Employee shall attend such continuing education seminars and obtain membership in such organizations as required by the Board; provided, however, that the Bank shall bear the expenses of such activities.

5.WORKING AND OTHER FACILITIES. During the term of this Agreement, Employee shall be furnished with such working facilities, secretarial help and other services, as are suitable to his position and adequate for the performance of his duties.

6.EXPENSES: The Bank will reimburse Employee for reasonable expenses, including automobile and travelling expenses, incurred by him in connection with his employment in the business of the Bank upon the presentation by Employee of appropriate substantiation for such expenses.

7.CONFIDENTIALITY AND NON-INTERFERENCE: In the course of his employment by the Bank, Employee shall have and has had access to confidential or proprietary data or information of the Bank. Employee shall not at any time, divulge or communicate to any person, nor shall he direct any Bank employee to divulge or communicate to any person (other than to a person bound by confidentiality obligation similar to those contained herein.,and other than is necessary in performing his duties hereunder) or used to the detriment of the Bank or for the benefit of any other person, any of such data or information. The provisions of this section shall survive Employee's employment hereunder, whether by the normal expiration thereof or otherwise. The term "confidential" or "proprietary data or information" as used in this Agreement, shall mean information not generally available to t he public including, without limitation, personnel information, financial information, customer lists, computer programs, marketing and advertising data. Employee acknowledges and agrees that any confidential or proprietary data or information heretofore acquired was received in confidence.

8.EARLY TERMINATION: Employee's employment hereunder shall terminate prior to the expiration of this Agreement or any extensions thereof, on the following terms and conditions:

A) This Agreement shall terminate automatically on the death of Employee. Notwithstanding the foregoing, the Bank shall pay to Employee's estate any compensation and reimbursable expenses accrued to the date of his death which otherwise would have been paid to the Employee.

B) This Agreement shall be terminated, at the Bank's election, if Employee is unable to perform his duties hereunder, for a period of six months

(180) days in any 365 day period (or at such time as the Bank's "salary continuation" insurance becomes effective) by reason of physical or mental disability. For purposes of this Agreement, "physical or mental disability" shall mean Employee's inability, due to health reasons, to discharge properly his duties of employment supported by the opinion of a physician satisfactory to the parties. Should Employee be subsequently able to return to work after termination as provided herein, Bank may in its discretion, employ Employee in the same capacity or in such other capacity as may be mutually agreeable under such terms and conditions as the parties may so agree prior to such return however, Employee shall provide a physicians opinion certifying has ability to return to work.

C) In the event of PERSONAL DISHONESTY, WILLFUL MISCONDUCT, GROSS NEGLIGENCE, INCOMPETENCY on Employee's part, conduct unbecoming a banker, insubordination, or in the event of his deliberate failure to fulfill his obligations under this Agreement, the Board of Directors may terminate this Agreement by giving the Employee two (2) weeks written notice thereof. Such termination shall be effective at the expiration of such two (2) week notice. Thereafter the Bank shall not be obligated under any of the provisions herein, except as required by any statute in effect at that time.

D) Employee may voluntarily terminate his employment upon giving the Bank four (4) weeks written notice of his decision to terminate. Such a termination shall not constitute a breach of this Agreement; provided, however, that Employee shall be obligated after the date of such termination, to continue to be bound by the conditions outlined in Section 7 hereof.

E) The parties may mutually agree to terminate this Agreement in writing on such terms as they may determine.

F) The Bank may terminate Employee's employment without cause and without notice; provided, however, that the Bank shall be obligated to continue to pay Employee's base salary for the longer of three (3) months after the date of such termination or the remainder of the term of the Agreement and provided further that Employee shall be relieved of all further obligations under this Agreement except for provisions pursuant to Paragraph 7.

G) In the event of a change of control of the Bank, as defined herein, Employee may, at his option, upon ninety (90) days written notice, terminate his employment and shall be entitled to all benefits due him pursuant to this agreement, including but not limited to salary, for the remainder of this agreement.

"Change of Control" shall be defined as the acquisition of 25% or more of the Bank's outstanding shares or such lower percent which may constitute a change in control for Bank regulatory purposes, a change in the composition of a majority of the members of the Board of Directors, a merger or reorganization such that the Bank is not a surviving entity, or the sale of substantially all of the Bank's assets.

9.MODIFICATION: This Agreement constitutes the full and complete understanding of the parties and supersedes all prior agreements and understandings oral or written, between the parties, with respect to the subject matter hereof. This Agreement may not be modified or amended except by an instrument in writing, signed by the party against which enforcement thereof may be sought.

10.SEVERABILITY: Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or un-enforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or effecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction.

11. WAIVER OF BREACH: The waiver by either party of a breach of any provision of this Agreement shall not operate as, or be construed as a waiver of any subsequent breach.

12.NOTICE: All notices hereunder shall be in writing and shall be sent by express mail or by certified or registered mail, postage prepaid, return receipt requested, to Employee at his residence as listed in the Bank's records, and to the Bank, c/o Evans National Bank of Angola, 14-16 North Main Street, Angola, New York 14006, Attention: Mr. Carl F. Ulmer, Chairman.

13.ASSIGNABILITY: BINDING EFFECT: This Agreement shall not be assignable by Employee without the written consent of the Board of Directors of the Bank. This Agreement shall be binding upon and inure to the benefit of Employee, his legal representatives, heirs and distributees and shall be binding upon and inure to the benefit of the Bank, its successors and assigns.

14.GOVERNING LAW: All questions pertaining to the validity, construction, execution and performance of this Agreement shall be construed and governed in accordance with the law of the State of New York.

15.HEADINGS: The headings in this Agreement are intended solely for convenience of reference and shall be given no effect in the construction or interpretation of this Agreement.

IN WITNESS WHEREOF, parties hereto have set their hands and seals the day and year above written.

EVANS NATIONAL BANK

By /s/Carl F. Ulmer

Carl F. Ulmer, Chairman

/s/Richard M. Craig

Richard M. Craig

EXHIBIT 10.2

EMPLOYMENT AGREEMENT

THIS AGREEMENT, entered into this 19TH day of August, 1997, by and between EVANS NATIONAL BANK, a national banking corporation with offices at 14-16 North Main Street, Angola, New York, hereinafter referred to as the "Bank," and JAMES TILLEY, residing at 81 Rutland Street, Buffalo, New York 14220, referred to as the "Employee," for the employment of Employee by the Bank.

WHEREAS, the parties entered into an Employment Agreement on the 1st day of April, 1988 and

WHEREAS, the parties now wish to update and modify said agreement, the parties hereby agreement to the following terms and conditions:

1.TERM OF EMPLOYMENT: Unless terminated pursuant to the terms of this Agreement, the Bank and Employee agree that the initial term of employment shall be for a period commencing on January 1, 1997, and terminating December 31, 2002. Such term of employment shall be extended for one (1) additional year on or before December 31, 1998, and annually thereafter so that the term of this Agreement and any extensions thereto shall be for five (5) years unless shortened by mutual agreement. In the event the Bank does not extend by June 30th of each year, this agreement will automatically renew for one (1) additional year.

2.COMPENSATION: Employee shall receive, in exchange for his services, hereunder, the following compensation as fixed annually by the Bank Board of Directors at its January meeting.

3.DUTIES:

A) During the term of his employment hereunder, Employee agrees to serve as Senior Vice President of the Bank and be primarily responsible for the direct management of institution operations, through appropriate department personnel, in order to achieve qualitative and quantitative objections as established by the organization's Chief Executive Officer and Board of Directors; establishing and maintaining effective systems of management and control throughout the organization; providing direction and supervision to key management personnel or in such other executive capacity with duties and responsibilities of a similar nature, as those initially undertaken by him, as the Board of Directors may from time to time determine. Employee also agrees to perform such other services and duties consistent with the office or offices in which he is serving and its responsibilities as may from time to time be prescribed by the Board of Directors.

B) Employee shall devote his full time, energies and attention, during normal business hours (excluding vacation) to the business and affairs of the Bank.

C) Employee agrees to cooperate with the Bank including taking such reasonable medical examinations, as may be necessary, in the event the Bank shall desire or be required to obtain life insurance insuring Employee's life.

D) Employee shall, except as otherwise provided herein, be subject to the Bank's rules, practices and policies applicable to the Bank's Executive Employees.

4.BENEFITS:

A) Employee shall participate in all life, disability and medical insurance plans, pensions and other similar plans which the Bank may have or may establish from time to time, in which Employee is eligible to participate pursuant to the terms thereof. The foregoing, however, shall not be construed to require the Bank to establish any such plans or to prevent the Bank from modifying or terminating such plans and no such action or failure thereof shall effect this Agreement.

B) Employee shall be entitled to vacation as determined by the Board of Directors for all Bank officers.

C) Employee shall attend such continuing education seminars and obtain membership in such organizations as required by the Board; provided, however, that the Bank shall bear the expenses of such activities.

5.WORKING AND OTHER FACILITIES. During the term of this Agreement, Employee shall be furnished with such working facilities, secretarial help and other services, as are suitable to his position and adequate for the performance of his duties.

6.EXPENSES: The Bank will reimburse Employee for reasonable expenses, including automobile and travelling expenses, incurred by him in connection with his employment in the business of the Bank upon the presentation by Employee of appropriate substantiation for such expenses.

7.CONFIDENTIALITY AND NON-INTERFERENCE: In the course of his employment by the Bank, Employee shall have and has had access to confidential or proprietary data or information of the Bank. Employee shall not at any time, divulge or communicate to any person, nor shall he direct any Bank employee to divulge or communicate to any person (other than to a person bound by confidentiality obligation similar to those contained herein and other than is necessary in performing his duties hereunder) or used to the detriment of the Bank or for the benefit of any other person, any of such data or information. The provisions of this section shall survive Employee's employment hereunder, whether by the normal expiration thereof or otherwise. The term "confidential" or "proprietary data or information" as used in this Agreement, shall mean information not generally available to the public including, without limitation, personnel information, financial information, customer lists, computer programs, marketing and advertising data. Employee acknowledges and agrees that any confidential or proprietary data or information heretofore acquired was received in confidence.

8.EARLY TERMINATION: Employee's employment hereunder shall terminate prior to the expiration of this Agreement or any. extensions thereof, on the following terms and conditions:

A) This Agreement shall terminate automatically on the death of Employee. Notwithstanding the foregoing, the Bank shall pay to Employee's estate any compensation and reimbursable expenses accrued to the date of his death which otherwise would have been paid to the Employee.

B) This Agreement shall be terminated, at the Bank's election, if Employee is unable to perform his duties hereunder, for a period of six months

(180) days in any 365 day period (or at such time as the Bank's "salary continuation" insurance becomes effective) by reason of physical or mental disability. For purposes of this Agreement, "physical or mental disability" shall mean Employee's inability, due to health reasons, to discharge properly his duties of employment supported by the opinion of a physician satisfactory to the parties. Should Employee be subsequently able to return to work after termination as provided herein, Bank may in its discretion, employ Employee in the same capacity or in such other capacity as may be mutually agreeable under such terms and conditions as the parties may so agree prior to such return however, Employee shall provide a physicians opinion certifying has ability to return to work.

C) In the event of PERSONAL DISHONESTY, WILLFUL MISCONDUCT, GROSS NEGLIGENCE, INCOMPETENCY on Employee's part, conduct unbecoming a banker, insubordination, or in the event of his deliberate failure to fulfill his obligations under this Agreement, the Board of Directors may terminate this Agreement by giving the Employee two (2) weeks written notice thereof. Such termination shall be effective at the expiration of such two (2) week notice. Thereafter the Bank shall not be obligated under any of the provisions herein, except as required by any statute in effect at that time.

D) Employee may voluntarily terminate his employment upon giving the Bank four (4) weeks written notice of his decision to terminate. Such a termination shall not constitute a breach of this Agreement; provided, however, that Employee shall be obligated after the date of such termination, to continue to be bound by the conditions outlined in Section 7 hereof.

E) The parties may mutually agree to terminate this Agreement in writing on such terms as they may determine.

F) The Bank may terminate Employee's employment without cause and without notice; provided, however, that the Bank shall be obligated to continue to pay Employee's base salary for the longer of three (3) months after the date of such termination or the remainder of the term of the Agreement and provided further that Employee shall be relieved of all further obligations under this Agreement except for provisions pursuant to Paragraph 7.

G) In the event of a change of control of the Bank, as defined herein, Employee may, at his option, upon ninety (90) days written notice, terminate his employment and shall be entitled to all benefits due him pursuant to this agreement, including but not limited to salary, for the remainder of this agreement.

"Change of Control" shall be defined as the acquisition of 25% or more of the Bank's outstanding shares or such lower percent which may constitute a change in control for Bank regulatory purposes, a change in the composition of a majority of the members of the Board of Directors, a merger or reorganization such that the Bank is not a surviving entity, or the sale of substantially all of the Bank's assets.

9.MODIFICATION: This Agreement constitutes the full and complete understanding of the parties and supersedes all prior agreements an understandings oral or written, between the parties, with respect to the subject matter hereof. This Agreement may not be modified or amended except by an instrument in writing, signed by the party against which enforcement thereof may be sought.

10.SEVERABILITY: Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or un-enforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or effecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction.

11. WAIVER OF BREACH: The waiver by either party of a breach of any provision of this Agreement shall not operate as, or be construed as a waiver of any subsequent breach.

12. NOTICE: All notices hereunder shall be in writing and shall be sent by express mail or by certified or registered mail, postage prepaid, return receipt requested, to Employee at his residence as listed in the Bank's records, and to the Bank, c/o Evans National Bank of Angola, 14-16 North Main Street, Angola, New York 14006, Attention: Mr. Richard M. Craig, President and CEO.

13.ASSIGNABILITY: BINDING EFFECT: This Agreement shall not be assignable by Employee without the written consent of the Board of Directors of the Bank. This Agreement shall be binding upon and inure to the benefit of Employee, his legal representatives, heirs and distributees and shall be binding upon and inure to the benefit of the Bank, its successors and assigns.

14.GOVERNING LAW: All questions pertaining to the validity, construction, execution and performance of this Agreement shall be construed and governed in accordance with the law of the State of New York.

15.HEADINGS: The headings in this Agreement are intended solely for convenience of reference and shall be given no effect in the construction or interpretation of this Agreement.

IN WITNESS WHEREOF, parties hereto have set their hands and seals the day and year above written.

EVANS NATIONAL BANK

By /s/Richard M. Craig

Richard M. Craig, President & CEO

/s/James Tilley

James Tilley

EXHIBIT 10.3

EMPLOYMENT AGREEMENT

THIS AGREEMENT, entered into this 19TH day of August, 1997, by and between EVANS NATIONAL BANK, a national banking corporation with offices at 14-16 North Main Street, Angola, New York, hereinafter referred to as the "Bank," and WILLIAM R. GLASS, residing at 31 Braunview Way, Orchard Park, New York 14127, referred to as the "Employee," for the employment of Employee by the Bank.

WHEREAS, the parties now wish to update and modify said agreement, the parties hereby agree to the following terms and conditions:

1.TERM OF EMPLOYMENT: Unless terminated pursuant to the terms of this Agreement, the Bank and Employee agree that the initial term of employment shall be for a period commencing on January 1, 1997, and terminating December 31, 2002. Such term of employment shall be extended for one (1) additional year on or before December 31, 1998, and annually thereafter so that the term of this Agreement and any extensions thereto shall be for five (5) years unless shortened by mutual agreement. In the event the Bank does not extend by June 30th of each year, this agreement will automatically renew for one (1) additional year.

2.COMPENSATION: Employee shall receive, in exchange for his services, hereunder, the base compensation as fixed annually by the Bank Board of Directors at its January meeting.

3.DUTIES:

A) During the term of his employment hereunder, Employee agrees to serve as Senior Vice President of the Bank and be primarily responsible for the management, supervision, and direction of all loan activities, and loan department personnel.

B) Employee shall devote his full time, energies and attention, during normal business hours (excluding vacation) to the business and affairs of the Bank.

C) Employee agrees to cooperate with the Bank including taking such reasonable medical examinations, as may be necessary, in the event the Bank shall desire or be required to obtain life insurance insuring Employee's life.

D) Employee shall, except as otherwise provided herein, be subject to the Bank's rules, practices and policies applicable to the Bank's Executive Employees.

4.BENEFITS:

A) Employee shall participate in all life, disability and medical insurance plans, pensions and other similar plans which the Bank may have or may establish from time to time, in which Employee is eligible to participate pursuant to the terms thereof. The foregoing, however, shall not be construed to require the Bank to establish any such plans or to prevent the Bank from modifying or terminating such plans and no such action or failure thereof shall effect this Agreement.

B) Employee shall be entitled to vacation as determined by the Board of Directors for all Bank officers.

C) Employee shall attend such continuing education seminars and obtain membership in such organizations as required by the Board; provided, however, that the Bank shall bear the expenses of such activities.

5.WORKING AND OTHER FACILITIES. During the term of this Agreement, Employee shall be furnished with such working facilities, secretarial help and other services, as are suitable to his position and adequate for the performance of his duties.

6.EXPENSES: The Bank will reimburse Employee for reasonable expenses, including automobile and travelling expenses, incurred by him in connection with his employment in the business of the Bank upon the presentation by Employee of appropriate substantiation for such expenses.

7.CONFIDENTIALITY AND NON-INTERFERENCE: In the course of his employment by the Bank, Employee shall have and has had access to confidential or proprietary data or information of the Bank. Employee shall not at any time, divulge or communicate to any person, nor shall he direct any Bank employee to divulge or communicate to any person (other than to a person bound by confidentiality obligation similar to those contained herein and other than is necessary in performing his duties hereunder) or used to the detriment of the Bank or for the benefit of any other person, any of such data or information. The provisions of this section shall survive Employee's employment hereunder, whether by the normal expiration thereof or otherwise. The term "confidential" or "proprietary data or information" as used in this Agreement, shall mean information not generally available to the public including, without limitation, personnel information, financial information, customer lists, computer programs, marketing and advertising data. Employee acknowledges and agrees that any confidential or proprietary data or information heretofore acquired was received in confidence.

8.EARLY TERMINATION: Employee's employment hereunder shall terminate prior to the expiration of this Agreement or any. extensions thereof, on the following terms and conditions:

A) This Agreement shall terminate automatically on the death of Employee. Notwithstanding the foregoing, the Bank shall pay to Employee's estate any compensation and reimbursable expenses accrued to the date of his death which otherwise would have been paid to the Employee.

B) This Agreement shall be terminated, at the Bank's election, if Employee is unable to perform his duties hereunder, for a period of six months

(180) days in any 365 day period (or at such time as the Bank's "salary continuation" insurance becomes effective) by reason of physical or mental disability. For purposes of this Agreement, "physical or mental disability" shall mean Employee's inability, due to health reasons, to discharge properly his duties of employment supported by the opinion of a physician satisfactory to the parties. Should Employee be subsequently able to return to work after termination as provided herein, Bank may in its discretion, employ Employee in the same capacity or in such other capacity as may be mutually agreeable under such terms and conditions as the parties may so agree prior to such return however, Employee shall provide a physicians opinion certifying has ability to return to work.

C) In the event of PERSONAL DISHONESTY, WILLFUL MISCONDUCT, GROSS NEGLIGENCE, INCOMPETENCY on Employee's part, conduct unbecoming a banker, insubordination, or in the event of his deliberate failure to fulfill his obligations under this Agreement, the Board of Directors may terminate this Agreement by giving the Employee two (2) weeks written notice thereof. Such termination shall be effective at the expiration of such two (2) week notice. Thereafter the Bank shall not be obligated under any of the provisions herein, except as required by any statute in effect at that time.

D) Employee may voluntarily terminate his employment upon giving the Bank four (4) weeks written notice of his decision to terminate. Such a termination shall not constitute a breach of this Agreement; provided, however, that Employee shall be obligated after the date of such termination, to continue to be bound by the conditions outlined in Section 7 hereof.

E) The parties may mutually agree to terminate this Agreement in writing on such terms as they may determine.

F) The Bank may terminate Employee's employment without cause and without notice; provided, however, that the Bank shall be obligated to continue to pay Employee's base salary for the longer of three (3) months after the date of such termination or the remainder of the term of the Agreement and provided further that Employee shall be relieved of all further obligations under this Agreement except for provisions pursuant to Paragraph 7.

G) In the event of a "change of control of the Bank", resulting in a "substantial change in employee's duties", both as defined herein, Employee may, at his option, upon ninety (90) days written notice, terminate his employment and shall be entitled to all benefits due him pursuant to this agreement, including but not limited to salary, for the remainder of this agreement.

"Change of Control" shall be defined as the acquisition of 25% or more of the Bank's outstanding shares or such lower percent which may constitute a change in control for Bank regulatory purposes, a change in the composition of a majority of the members of the Board of Directors, a merger or reorganization such that the Bank is not a surviving entity, or the sale of substantially all of the Bank's assets.

"Substantial Change in Employee's Duties" shall mean a demotion or diminishment of employees job description and responsibilities such as would result in a constructive firing or resignation of employee.

This paragraph is intended to protect employee in the event of a hostile takeover of the Bank and a reduction of employee's title, position benefits and/or duties in an attempt to force employee to resign.

9.MODIFICATION: This Agreement constitutes the full and complete understanding of the parties and supersedes all prior agreements an understandings oral or written, between the parties, with respect to the subject matter hereof. This Agreement may not be modified or amended except by an instrument in writing, signed by the party against which enforcement thereof may be sought.

10.SEVERABILITY: Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or un-enforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or effecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction.

11.WAIVER OF BREACH: The waiver by either party of a breach of any provision of this Agreement shall not operate as, or be construed as a waiver of any subsequent breach.

12.NOTICE: All notices hereunder shall be in writing and shall be sent by express mail or by certified or registered mail, postage prepaid, return receipt requested, to Employee at his residence as listed in the Bank's records, and to the Bank, c/o Evans National Bank of Angola, 14-16 North Main Street, Angola, New York 14006, Attention: Mr. Richard M. Craig, President and CEO.

13.ASSIGNABILITY: BINDING EFFECT: This Agreement shall not be assignable by Employee without the written consent of the Board of Directors of the Bank. This Agreement shall be binding upon and inure to the benefit of Employee, his legal representatives, heirs and distributees and shall be binding upon and inure to the benefit of the Bank, its successors and assigns.

14.GOVERNING LAW: All questions pertaining to the validity, construction, execution and performance of this Agreement shall be construed and governed in accordance with the law of the State of New York.

15.HEADINGS: The headings in this Agreement are intended solely for convenience of reference and shall be given no effect in the construction or interpretation of this Agreement.

IN WITNESS WHEREOF, parties hereto have set their hands and seals the day and year above written.

EVANS NATIONAL BANK

By /s/Richard M. Craig

Richard M. Craig, President& CEO

/s/William R. Glass

William R. Glass

EXHIBIT 13.1

Annual Report
1997

Evans Bancorp, Inc.

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, 1997 had total assets of $158,542,163, total deposits of $138,391,327 and total stockholders' equity of $17,039,300. 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

It gives me great pleasure to report that 1997 was a year of excellent performance, profitability, and growth for Evans Bancorp, Inc. and its subsidiary, Evans National Bank.

Record earnings of $1.8 million for 1997 resulted in an increase in earnings per share of $.11 to $1.06, for a gain of 11.6%. The increase in net income was $187,633, or 11.6% over 1996. Other key performance indicators were a 1.19% return on average assets as compared to 1.20% in 1996, and an 11.06% return on average equity as compared to 10.72% the previous year. Total capital increased from $15.5 million to $17.0 million, or 9.7%. The Tier I capital ratio of 16.33%, total capital ratio of 16.93%, and leveraged ratio of 10.84% substantially exceeded the regulatory requirements of 8.0%, 4.0%, and 4.0% respectively.

There was excellent news on the common stock front as well. On April 29, 1997, the shareholders approved a common stock split, changing each issued share of common stock, par value $2.50, into five shares of common stock with a par value of $.50 per share. The shareholders also increased the number of shares of common stock the Company is authorized to issue from 1,000,000 shares, par value $2.50 per share, to 10,000,000 shares with a par value of $.50 per share. The market value of the stock was $136.00 per share before the split and $27.20 following the split. On December 31, 1997, the market value was $38.00 per share, an increase of $10.80, or 39.7%. The Board of Directors declared a cash dividend of $.30 per share in August 1997.

A major contributing factor in our gain in net income was a $9.5 million increase, or 10.3% in our loan portfolio. A record year, 1997 saw total loans surpass the $100 million level, increasing from $92.1 million to $101.6 million. In addition, loan charge-offs were down for 1997 as we continue to ensure that appropriate credit standards are consistently maintained. Charge-offs totalled $47,000, or .05% of outstanding loans, compared to $77,000, or .08%, in 1996.

Our strong loan portfolio growth was funded by a $14.9 million increase in deposits, a 12.09% increase, from $123.4 million to $138.3 million. Higher yielding certificates of deposit accounted for the majority of the growth in deposits, with our new premium savings account also playing a role.

Technological enhancements initiated in 1996 and completed in 1997 will, I am confident, help keep the Bank on track and growing as we approach the year 2000. These important and exciting improvements included the replacement of our mainframe computer and upgrading to a Unix-based operating system last February, followed by installation of a state-of-the-art archival system. This system provides the Bank with a highly efficient record storage and retrieval network. In July, the final phase of our new check-processing technology was completed, which provides our customers with laser-printed images of their cancelled checks, allowing improved record keeping and more efficient check storage, as well as reducing the Bank's paper and postage costs.

Providing our customers with the most convenient methods of banking possible in order for the Bank to remain competitive in our marketplace is of prime importance to us. Toward that aim, we have been evaluating systems for banking by telephone or personal computer. Our evaluation is now completed, and we anticipate making these innovative services available to our customers in the

PROVIDING OUR CUSTOMERS WITH THE MOST CONVENIENT METHODS OF BANKING POSSIBLE IN ORDER FOR THE BANK TO REMAIN COMPETITIVE IN OUR MARKETPLACE IS OF PRIME IMPORTANCE TO US.

second quarter of 1998. Shortly thereafter, our ATM network will be upgraded to provide on-line capability at our automated teller machines. Lastly, in order to increase flexibility to our customers for access to their funds at points of sale, introduction of a debit card product is planned.

As we approach the new Millennium, I want to assure you that the Bank is aggressively planning and preparing for the year 2000. We have appointed a project team with senior management and vendor participation that is tasked with ensuring all internal systems and procedures are compliant with year 2000 requirements. Our plan is comprehensive and mission-critical. Testing is scheduled to complete by year-end 1998.

Our heartfelt thanks go to Carl F. Ulmer for his wise advice, constant support, and innumerable contributions during his 32 years of service to the Company and the Bank. Mr. Ulmer's retirement as Chairman of the Board of Directors was effective December 31, 1997. He has been elected a Director Emeritus of the Board. Thomas H. Waring, Jr. was appointed by the Board as a Board member effective January 1, 1998 to fill Mr. Ulmer's unexpired term. At that time, I was also elected Chairman of the Board.

In other personnel matters, I am pleased to report the following officer promotions during 1997: Susan J. Herold, Assistant Vice President; Howard M. Martin, Jr., Assistant Vice President; and Mary K. Nytz, Banking Officer. We recognized the following employees during 1997 for their years of service as noted: Antoinette Pinter, Nancy Ferraro, Cathy Rohrich, Michelle Bress (20 years); Susan Eberhardt, Beverly Iskra (15 years); Paula Kramer, Pamela Marchant, Barbara Page (10 years); Melissa Brooks, Jennifer Warnes (5 years).

In September 1997, I was elected to a one-year term as President of the Independent Bankers Association of New York State. My responsibilities in this position include representing the interests of community banks across the state which support legislation for the betterment of community banking, as well as the communities they serve.

The management and employees of Evans National Bank remain committed to actively support the communities served by the Bank through credit extensions, diverse volunteer work, service to local municipalities and school districts, and association with a wide range of community, charitable, and philanthropic organizations and groups.

I wish to express my sincere appreciation to our Board of Directors and employees, as well as to our shareholders and customers, for their support during the past year. We pledge to continue our efforts to seek out opportunities for further growth, market presence, professional development, and improved technology as we strive to address the challenges that lie ahead.

/s/ Richard M. Craig
Richard M. Craig / Chairman of the Board, President and Chief Executive Officer

SELECTED FINANCIAL INFORMATION

For the Year Ended December 31 RESULTS OF OPERATIONS	1997	1996	1995	1994	1993
Interest Income	$ 11,072,851	$ 9,799,815	$ 9,226,500	$ 8,206,596	$ 7,989,392
Interest Expense	4,588,056	3,912,761	3,418,782	2,747,297	2,680,003
Net Interest Income	6,484,795	5,887,054	5,807,718	5,459,299	5,309,389
Non-Interest Income	950,662	930,986	763,054	785,551	672,015
Non-Interest Expense	4,849,182	4,555,398	4,228,922	3,981,801	3,581,929
Net Income	1,802,275	1,614,642	1,664,783	1,617,049	1,612,392

BALANCE SHEET DATA					
Total Assets	$158,542,163	$140,898,057	$125,308,204	$114,565,971	$112,465,797
Loans - Net	101,627,427	92,087,902	75,468,504	71,998,929	67,754,002
Allowance for Loan Losses	609,539	546,954	557,961	628,957	612,921
Securities	40,400,374	36,054,324	38,954,494	32,341,350	33,371,944
Total Deposits	138,391,327	123,461,379	109,020,551	100,532,031	99,860,851
Stockholders' Equity	17,039,300	15,510,083	14,485,510	12,723,940	11,489,412

PER SHARE DATA					
Net Income	$ 1.06	$ 0.95	$ 0.97	$ 0.95	$ 0.95
Cash Dividend	$ 0.30	$ 0.22	$ 0.14	$ 0.09	$ 0.07
Book Value at Year End	$ 10.03	$ 9.13	$ 8.53	$ 7.49	$ 6.76
Market Value	$ 38.00	$ 27.20	$ 22.00	$ 14.00	$ 13.10
Shares Outstanding	1,698,950	339,790	317,481	296,613	277,170
Weighted Average Shares	1,698,950	1,698,950	1,698,950	1,698,950	1,698,950

(Retroactively adjusted for stock dividends and stock split)

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, Chautauqua and Cattaraugus Counties of Western New York. The Bank serves its 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 1997 of $1,802,275 resulted in earnings per share of $1.06, which compares with net income of $1,614,642, or $.95 per share, in 1996 and $1,664,783, or $.97 per share, in 1995. The increase of 11.6% in net income in 1997 over 1996 illustrates the income benefit of the Bank's increased presence in the Western New York area. Net income had declined 3% from 1995 to 1996 due to increased overhead related to the Bank's $2.2 million expansion plan implemented over those two years. In 1997, new business attributable to the operation of two additional locations, a branch office in Hamburg, NY, which opened in October, 1995, and the Evans, NY branch, which opened in May, 1996, contributed to the Bank's asset growth and improved earnings.

NET INCOME ($ Millions)

1993	1.6
1994	1.6
1995	1.7
1996	1.6
1997	1.8

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 INTEREST INCOME

Net interest income, before the provision for credit losses, increased 10.2% from 1996 to 1997, compared to an increase of 1.4% from 1995 to 1996. Average earning assets increased $15.8 million or 12.7% in 1997. The tax-equivalent yield earned on those assets was 8.31% compared to 8.27% in 1996. The increase in both rate and volume was sufficient to offset an increase of $13.3 million, or 13.6%, in average interest-bearing liabilities in 1997 over 1996 and an increase in the average cost of funds of 12 basis points, from 3.99% in 1996 to 4.11% in 1997. In 1997, the Bank's net interest margin was 4.59% compared to 4.64% in 1996.

The increase of only 1.4% in net interest income in 1996 over 1995 was largely the result of an increase in the average cost of funds versus virtually no change in the tax-equivalent yield on earning assets. The average cost of funds increased 22 basis points from 3.77% in 1995 to 3.99% in 1996. The tax-equivalent yield on earning assets changed only one basis point over that time period, declining from 8.28% in 1995 to 8.27% in 1996. Average earning assets increased 7.7% in 1996 over 1995 versus a volume increase of 8.2% in interest-bearing liabilities. The net interest margin was 4.64% compared to 4.99% in 1995.

The Federal Reserve Board increased the federal funds rate a quarter of a percent at its March 26, 1997 meeting. This was the only move in rates in 1997, and only the second in two years. The Federal Reserve Board had reduced the federal funds rate a quarter of a percent in January of 1996.

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 earnings 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 1997, $60,000 was charged against earnings for credit losses. This amount was also charged against earnings in 1996. 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. The following table summarizes the Bank's actual credit losses, total of non-performing loans and total allowance for credit losses for 1997, 1996 and 1995, both in dollars and as a percentage of total loans outstanding:

	1997		1996		1995	
Actual Credit Losses	$ 47,000	0.05%	$ 77,000	0.08%	$ 11,000	0.014%
Non-Performing Loans	$987,000	0.96%	$230,000	0.20%	$312,000	0.470%
Allowance for Credit Losses	$609,539	0.59%	$546,954	0.59%	$557,961	0.730%

Although, during 1997, nonperforming loans increased over the unusually low level of the prior year, all loans in this category are considered well-collateralized and in the process of collection. As a result, no significant losses are anticipated.

NON-INTEREST INCOME

Total non-interest income increased approximately $20,000 in 1997 from 1996 compared with an increase of approximately $168,000 in 1996 from 1995. In 1997, service charge income was $670,366 compared to $667,839 in 1996. Service charge income had increased approximately $106,000 in 1996 over the prior year as the result of an increase in the Bank's service charges which was implemented in September of 1995.

Other non-interest income decreased approximately $6,000 in 1997 from 1996. In 1996, the Bank received $15,000 in state and federal tax refunds for the 1994 tax year and the Bank's loan activity resulted in a high level of loan-related income. In 1997, the increase in the cash surrender value of life insurance policies carried on certain bank officers was approximately $64,000 versus an increase in value of approximately $45,000 in 1996.

Gains realized on the sale of assets increased $23,000 in 1997 from 1996. Net losses on the sales of securities were $2,000 in 1997 whereas in 1996 net losses totalled $23,000. In 1996, the Bank experienced a loss of $61,000 on a residual bond that was called for redemption in full. This loss was partially offset by net gains on planned sales of securities of $38,000 that year. Premiums received on sales of student loans to the Student Loan Marketing Association ("SLMA") were $28,000 in both 1996 and 1997 and premiums received on sales of mortgages to the Federal National Mortgage Association ("FNMA") were $8,000 in 1997 as compared to $6,000 in 1996. The Bank became affiliated with both SLMA and FNMA in 1995.

NON-INTEREST EXPENSE

In 1997, the ratio of non-interest expense to average assets was 3.18% compared to 3.37% in 1996 and 3.40% in 1995. Non-interest expense categories include salaries, occupancy expenses, repairs and maintenance, advertising and professional services , among others. Occupancy expenses increased 19.5% in 1997 over 1996. This increase included a full year of depreciation on the Town of Evans office and additional depreciation costs resulting from capital expenditures in 1997. A new mainframe computer system, a new telephone system, check imaging hardware and software and additional personal computers and printers were all purchased during the course of the year. Changes in check processing and computer operations which resulted from these purchases have also reduced staffing requirements in these areas, and through staffing reassignments, attrition and the use of part-time employees, the Bank has been able to control salary and benefit expenses. These expenses declined $11,000 from 1996 to 1997. The cost of professional services increased $96,000 in 1997 over 1996. The Bank incurred additional fees due to work done by its accountants and attorneys in reference to the five-for-one stock split in 1997

STOCKHOLDERS' EQUITY ($ Millions)

1993	11.5
1994	12.7
1995	14.5
1996	15.5
1997	17.0

and the implementation of the dividend reinvestment plan for shareholders. The Bank also hired a consultant in 1997 to study the Bank's daily operating procedures to identify areas where efficiencies could be improved. Recommendations resulting from this study are in the process of being implemented. The income benefit is expected to be ongoing and is expected to surpass the cost of the study in the first year.

In 1997, the Bank's FDIC insurance assessment increased from $2,000 to $15,328. In 1996, as a well-capitalized institution, the Bank was assessed the minimum $2,000 premium. This minimum is no longer required by law. However, starting January 2, 1997 as a Bank Insurance Fund ("BIF") member, the Bank is being assessed for FICO interest payments at a rate of 1.28 cents per $100 in deposits annually. In 1996, the Bank's insurance assessment had dropped to $2,000 from $120,231 in 1995 as the FDIC responded to the full funding of the BIF by decreasing premiums. 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, and it remains well above the regulatory minimums for the key measures of capital adequacies as disclosed in note 12 of the financial statements.

TAXES
The provision for taxes in 1997 of $724,000 reflects an effective tax rate of 28%. This compares to $588,000 and 26% in 1996 and $764,000 and 31% in 1995. In 1997, the Bank increased its holdings of tax-advantaged municipal bonds by 38%, benefitting its overall tax position. Additionally, $75,000 in income recorded in 1997 as the result of the increase in the cash surrender value of life insurance policies held on certain bank officers and directors is non-taxable. In 1996, there was a change in the composition of the deferred tax calculation, resulting in an overall decrease in the effective tax rate from 1995. This decrease was over and above that which was expected due to tax-exempt securities income, untaxed CSVLI income and tax refunds received, which are not taxable.

FINANCIAL CONDITION
The Bank had total assets of $158.5 million at December 31, 1997, increasing $17.6 million or 12.5% over December 31, 1996. Net loans increased $9.5 million or 10.3% in 1997 over 1996. Loan growth was funded by an increase of $14.9 million in deposits, or 12.1%. Excess funds were invested in securities resulting in an increase of $4.3 million, or 12.1% in the securities portfolio. Capital increased $1.5 million or 9.7%, basically due to the retention of earnings.

LOANS
Loans comprised 68.7% of the Bank's total average earning assets in 1997. For the first time, the Bank surpassed the $100 million mark in net loans, reaching $101.6 million by year-end. The increase of 10.4% in actual year-end balances in 1997 over 1996 compares to an increase of 22% in 1996 over 1995. The Federal Reserve lowered rates in July and December of 1995 and again in January of 1996 contributing to increased loan demand throughout 1996. The Federal Reserve raised rates 25 basis points in early 1997, but despite this increase, loan demand remained strong through 1997. The expansion of the Bank's trade area since 1995 has also had a positive impact on loan activity.

NET LOANS ($ Millions)

1993 67.8

1994 72.0

1995 75.5

1996 92.1

1997 101.6

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 43.8%. Residential mortgages comprise 23.4% of the portfolio and commercial loans total 12.6%. Home equity loans make up 15.5% of total loans.

The Bank currently retains the servicing rights to $2.7 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. In 1997, student loan balances increased 2.3% over 1996. Student loan balances had decreased 13.4% in 1996 from 1995 and decreased 60% in 1995 from 1994 levels, due to the sale of loans to SLMA.

At December 31, 1997, the Bank had a loan-to-deposit ratio of 73.9%, and estimated its unloaned core deposits at $4.6 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 31.3% of the Bank's earning assets at December 31, 1997.

SECURITIES ($ Millions)

1993 33.4

1994 32.3

1995 39.0

1996 36.1

1997 40.4

Since deposit growth exceeded the volume necessary to fund loan demand, an additional $4.3 million was directed into the securities portfolio in 1997. In 1996, deposit growth was insufficient to support loan growth. Proceeds from matured and sold securities were used to provide the additional funding necessary. As a result, the securities portfolio decreased $2.9 million from 1995 to 1996. The portfolio remains concentrated in US government and government agency securities and tax-exempt municipal bonds of varied maturity. By increasing the percentage of tax-advantaged municipal bonds in the portfolio and reducing the average balance maintained in federal funds sold, the tax-equivalent yield on securities and federal funds sold improved to 6.57% in 1997 from 6.51% in 1996.

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, 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.

DEPOSITS
Total deposits increased $14.9 million in 1997 over 1996. All categories of deposits increased, with the most significant growth occurring in demand deposits and time accounts with balances in excess of $100,000. Actual year-end balances of $21.7 million in demand deposits reflect an increase of 7.6% over 1996 levels. Time accounts over $100,000 increased 62% in 1997 over 1996. Although large time accounts have traditionally been obtained from municipal depositors through the competitive bidding process, new accounts have been attracted from commercial and retail customers over the past two years as a result of the Bank's broadened market.

TOTAL DEPOSITS ($ Millions)

1993 99.9

1994 100.5

1995 109.0

1996 123.5

1997 138.4

The Bank continues to evaluate ways to improve its existing deposit products to meet customer needs, as well as develop new products which will keep the Bank competitive in the marketplace. With both of these goals in mind, the Bank introduced the Premium Savings, a tiered rate retail savings product, in May of 1997. This product is designed to provide an option for high balance customers who prefer the liquidity and safety of an insured savings product, but are looking for a competitive rate. At December 31, 1997, Premium Savings balances totalled $5.5 million. About half of the initial deposits made have been identified as new money, with the remainder transferring into the Premium from other Bank deposit accounts.

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 1997, overnight federal funds balances averaged $2.3 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, 1997, approximately 11.6% of the Bank's securities had contractual maturities of one year or less and 40.1% had maturity dates of five years or less. At December 31, 1997, the Bank had net short-term liquidity of $5.9 million compared to $8.1 million at December 31, 1996. Available assets of $44.4 million less public and purchased liabilities of $29.7 million resulted in a long-term liquidity ratio of 149% compared to 204% at December 31, 1996. 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 purchase up to $4,000,000 in federal funds from one of its correspondents.

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 $7.7 million can be drawn on the FHLB, via the Overnight Line of Credit Agreement, and an amount equal to 25% of the Bank's total assets could be borrowed through the advance programs under certain qualifying circumstances.

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, 1997, the Bank was in a negative gap position, with $12.5 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 +/- $23.8 million at December 31, 1997. Therefore, the Bank's negative gap position was well within its policy limits. The gap ratio (rate sensitive assets/rate sensitive liabilities) at that date was 82%.

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 gain of approximately $214,000. On a quarterly basis, the available for sale portfolio is shocked for immediate rate increases of 100 and 200 basis points. At December 31, 1997, the Bank determined that it would take an immediate increase in excess of 200 basis points to eliminate the current capital cushion. The Bank 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.

The following table provides information about the Bank's on-balance sheet financial instruments that are sensitive to changes in interest rates. Expected maturity date values for interest-earning assets were calculated by adjusting the contractual maturity date for expectations of prepayments. Expected maturity date values for interest-bearing core deposits were calculated based upon estimates of the period over which the deposits would be outstanding.

Off-balance sheet financial instruments at December 31, 1997 included $6,537,000 in undisbursed lines of credit at an average interest rate of 9.48%, $1,030,000 in fixed rate loan origination commitments at 12.23%, $8,383,000 in adjustable rate loan origination commitments at 9.85%, and $551,000 in adjustable rate letters of credit at an average rate of 10.50%.

Expected maturity date-year ended December 31,	1998	1999	2000	2001	2002	Thereafter	Total	Fair Value
INTEREST-EARNING ASSETS ($000S)								
Loans Receivable, Fixed Rate	7,953	4,536	5,115	3,591	3,184	15,514	39,893	39,944
Average Interest Rate	8.87%	9.16%	9.24%	8.88%	8.75%	8.71%		
Loans Receivable, Adj. Rate	13,341	3,642	3,711	4,618	3,422	33,538	62,344	62,425
Average Interest Rate	9.65%	9.28%	9.33%	9.05%	9.12%	8.92%		
Investments	4,938	2,544	5,128	1,182	4,665	21,943	40,400	40,437
Average Interest Rate	6.51%	6.52%	5.99%	6.92%	6.87%	7.04%		
INTEREST-BEARING LIABILITIES ($000S)								
Deposits	64,596	22,431	12,827	12,024	4,822	10	116,710	117,053
Average Interest Rate	4.80%	3.92%	2.67%	2.51%	2.99%	7.75%		
Repurchase Agreement	1,059	0	0	0	0	0	1,059	1,059
Average Interest Rate	3.00%							

CAPITAL EXPENDITURES

Large capital expenditures scheduled for 1998 include the equipment and software necessary to provide our customers with the option of conducting banking transactions by telephone or via a personal home computer. This project is expected to cost approximately $240,000. In 1997, the Bank purchased statement imaging equipment and upgraded its mainframe and archiving systems. This kind of expenditure enable the Bank to continue to provide quality customer service despite increased work volumes. 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.

THE NEW MILLENNIUM

The Year 2000 poses serious challenges to all industries, including banking. An action plan has been formulated and accompanying timetable established for Year 2000 compliance. Representatives from each area of the Bank and the computer systems and programming analyst meet monthly to discuss Year 2000 issues and track the Bank's progress. At present, the Bank is on schedule in completing its Year 2000 initiatives. Since the Bank is continually upgrading and improving its technology, it is not anticipated these initiatives will materially impact normal budgeted software costs.

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, 1997 and 1996, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1997. 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 Evans Bancorp, Inc. and subsidiary as of December 31, 1997 and 1996 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

Buffalo, New York
January 23, 1998

EVANS BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

December 31, 1997 and 1996	1997	1996
ASSETS		
Cash and due from banks	$ 5,821,532	$ 5,662,231
Federal funds sold	4,515,000	1,450,000
Cash and cash equivalents	10,336,532	7,112,231
Securities:		
Available for sale, at fair value	33,822,334	30,201,120
Held to maturity, at amortized cost (fair value of $6,614,369 and $5,868,386, respectively)	6,578,040	5,853,204
Loans receivable, net of allowance for loan losses of $609,539 and $546,954, respectively	101,627,427	92,087,902
Properties and equipment, net	3,827,672	3,748,663
Other assets	2,350,158	1,894,937
TOTAL ASSETS	$158,542,163	$140,898,057
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Deposits:		
Demand	$ 21,680,839	$ 20,149,152
NOW and money market	7,093,959	6,437,613
Regular savings	44,264,697	42,136,290
Time ($100,000 and over)	22,873,379	14,096,821
Other time	42,478,453	40,641,503
Total deposits	138,391,327	123,461,379
Other liabilities	3,111,536	1,926,595
Total liabilities	141,502,863	125,387,974
CONTINGENT LIABILITIES AND COMMITMENTS		
STOCKHOLDERS' EQUITY:		
Common stock, $.50 par value, 10,000,000 shares authorized and $2.50 par value, 1,000,000 shares authorized, respectively; 1,698,950 and 339,790 shares issued and outstanding, respectively	849,475	849,475
Capital surplus	10,990,720	10,990,720
Retained earnings	4,985,249	3,692,659
Unrealized gain (loss) on available for sale securities, net of deferred taxes of $101,000 and $11,000, respectively	213,856	(22,771)
Total stockholders' equity	17,039,300	15,510,083
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$158,542,163	$140,898,057

See notes to consolidated financial statements.

EVANS BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 1997, 1996 and 1995	1997	1996	1995
INTEREST INCOME			
Loans	$ 8,632,716	$ 7,381,871	$ 6,760,511
Federal funds sold	122,516	201,831	276,698
Securities:			
Taxable	1,372,883	1,427,890	1,381,740
Non-taxable	944,736	765,123	761,741
Deposits with banks	0	23,100	45,810
Total interest income	11,072,851	9,799,815	9,226,500
INTEREST EXPENSE ON DEPOSITS AND BORROWINGS	4,588,056	3,912,761	3,418,782
NET INTEREST INCOME	6,484,795	5,887,054	5,807,718
PROVISION FOR LOAN LOSSES	60,000	60,000	(86,933)
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	6,424,795	5,827,054	5,894,651
NON-INTEREST INCOME			
Service charges	670,366	667,839	561,525
Gains on sales of assets, net	33,809	11,103	55,477
Other	246,487	252,044	146,052
Total non-interest income	950,662	930,986	763,054
NON-INTEREST EXPENSE			
Salaries and employee benefits	2,592,120	2,602,752	2,389,838
Occupancy	761,383	637,007	504,648
Supplies	101,534	118,740	109,226
Repairs and maintenance	163,189	147,383	132,620
Advertising and public relations	127,127	131,753	97,116
Professional services	308,617	212,601	224,269
FDIC assessments	15,328	2,000	120,231
Other	779,884	703,162	650,974
Total non-interest expense	4,849,182	4,555,398	4,228,922
INCOME BEFORE PROVISION FOR INCOME TAXES	2,526,275	2,202,642	2,428,783
PROVISION FOR INCOME TAXES	724,000	588,000	764,000
NET INCOME	$ 1,802,275	$ 1,614,642	$ 1,664,783
Net income per common share - basic	$ 1.06	$ 0.95	$ 0.97
Weighted average number of common shares	1,698,950	1,698,950	1,698,950

See notes to consolidated financial statements.

EVANS BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years ended December 31, 1997, 1996 and 1995	Common Stock No. of Shares	Common Stock Amount	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized (Loss) Gain on Available for Sale Securities, Net	Total
Balance, January 1, 1995	296,613	$ 741,533	$ 7,183,912	$ 5,009,467	$ 0	$ (210,972)	$12,723,940
1995 Net Income				1,664,783			1,664,783
Stock dividends, with fractional shares redeemed for cash	20,868	52,170	1,408,590	(1,483,065)			(22,305)
Cash dividends ($.14 per common share)				(238,110)			(238,110)
Change in unrealized gain (loss) on available for sale securities, net of deferred taxes of $266,000						357,202	357,202
Balance, December 31, 1995	317,481	793,703	8,592,502	4,953,075		146,230	14,485,510
1996 Net Income				1,614,642			1,614,642
Stock dividends, with fractional shares redeemed for cash	22,309	55,772	2,398,218	(2,494,493)			(40,503)
Cash dividends ($.22 per common share)				(380,565)			(380,565)
Change in unrealized (loss) gain on available for sale securities, net of deferred taxes of $120,000						(169,001)	(169,001)
Balance, December 31, 1996	339,790	849,475	10,990,720	3,692,659		(22,771)	15,510,083
1997 Net Income				1,802,275			1,802,275
Five-for-one stock split	1,359,160						
Purchase of 3,966 shares for treasury	(3,966)				(130,878)		(130,878)
Cash dividends ($.30 per common share)				(509,685)			(509,685)
Sale of 3,966 shares from treasury	3,966				130,878		130,878
Change in unrealized gain (loss) on available for sale securities, net of deferred taxes of $101,000						236,627	236,627
Balance, December 31, 1997	1,698,950	$ 849,475	$10,990,720	$ 4,985,249	$ 0	$ 213,856	$17,039,300

See notes to consolidated financial statements.

EVANS BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 1997, 1996 and 1995

	1997	1996	1995
OPERATING ACTIVITIES			
Interest received	$ 11,027,381	$ 10,047,637	$ 9,172,841
Fees received	968,072	1,025,437	856,806
Interest paid	(4,543,895)	(3,847,407)	(3,261,153)
Cash paid to employees and suppliers	(4,680,322)	(4,443,431)	(4,207,102)
Income taxes paid	(786,000)	(743,444)	(790,017)
Net cash provided by operating activities	1,985,236	2,038,792	1,771,375
INVESTING ACTIVITIES			
Available for sale securities:			
Purchases	(26,075,499)	(16,562,178)	(15,256,737)
Proceeds from sales	22,306,088	14,414,736	4,019,578
Proceeds from maturities	686,306	4,597,881	3,090,254
Held to maturity securities:			
Purchases	(2,618,319)	(1,177,002)	(4,650,173)
Proceeds from maturities	1,736,862	1,314,873	7,154,605
Additions to properties and equipment	(466,472)	(1,482,935)	(1,344,741)
Increase in loans, net of repayments	(12,236,511)	(19,258,136)	(7,671,007)
Proceeds from sales of loans	2,597,162	2,593,290	4,179,236
Net cash used in investing activities	(14,070,383)	(15,559,471)	(10,478,985)
FINANCING ACTIVITIES			
Proceeds from repurchase agreement	1,059,080	0	0
Increase in deposits	14,929,948	14,440,828	8,488,520
Dividends paid	(679,580)	(251,173)	(260,415)
Net cash provided by financing activities	15,309,448	14,189,655	8,228,105
Net increase (decrease) in cash and cash equivalents	3,224,301	668,976	(479,505)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,112,231	6,443,255	6,922,760
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 10,336,532	$ 7,112,231	$ 6,443,255

(Continued)

EVANS BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 1997, 1996 and 1995	1997	1996	1995
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Net income	$ 1,802,275	$ 1,614,642	$ 1,664,783
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	356,663	344,086	221,359
Provision for loan losses	60,000	60,000	(86,933)
Gains on sales of assets	(33,809)	(11,103)	(55,477)
Changes in assets and liabilities affecting cash flow:			
Other assets	(367,243)	96,609	(177,558)
Other liabilities	167,350	(65,442)	205,201
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,985,236	$ 2,038,792	$ 1,771,375

(Concluded)

See notes to consolidated financial statements.

EVANS BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 1997, 1996 and 1995

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.

Regulatory Requirements - The Bank is subject to the rules, regulations, and reporting requirements of various regulatory bodies, including the New York State Banking Department ("NYSBD") and the Federal Deposit Insurance Corporation ("FDIC").

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 - 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 condition and prospects for the issuer's geographic region and industry, and recoveries in fair 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.

Foreclosed Real Estate - Foreclosed real estate is initially recorded at the lower of book or fair value (net of costs of disposal) at the date of foreclosure. Costs relating to development and improvement of property are capitalized, whereas costs relating to the holding of property are expenses. Valuations are periodically performed by management, and an allowance for potential additional losses is established by a charge to operations if the carrying value of a property exceeds fair value. Foreclosed real estate is classified as other assets on the consolidated balance sheets.

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.

The Bank regularly assesses all of its long-lived assets for impairment and recognizes a loss when the carrying value of an asset exceeds its fair value. The Bank determined that no impairment loss needs to be recognized for applicable assets in 1997 or 1996.

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. The Company adopted Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings per Share," during the fourth quarter of 1997. Only basic earnings per share is disclosed because the Company does not have any dilutive securities or other contracts to issue common stock or convert to common stock.

Dividend Reinvestment Plan - During 1997, the Board of Directors approved a Dividend Reinvestment Plan (the "Plan") which provides each holder of record of the Bank's common stock the opportunity to reinvest automatically the cash dividends they receive on shares of the Bank's common stock. Stockholders who do not wish to participate in the Plan will continue to receive cash dividends, as declared, in the usual manner. American Stock Transfer and Trust Company (the "Agent") is the administrator of the Plan. Shares purchased under the Plan are held in safekeeping by the Agent until the stockholder terminates his/her participation in the Plan. The Agent also acts as transfer agent and registrar for the Bank's common stock.

Employee Benefits and Deferred Compensation Plan - Costs are charged to salaries and employee benefits expense in the periods in which the services are rendered. 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 transactions are 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 $657,000 and $591,000 at December 31, 1997 and 1996, respectively.

New Accounting Standards Pronouncement - In June 1997, the Financial Accounting Standards Board issued SFAS No. 130, "Reporting Comprehensive Income". SFAS No. 130 establishes standards for reporting and disclosure of comprehensive income and its components in financial statement format and is effective for financial statements for fiscal years beginning after December 15, 1997. Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. Items considered comprehensive income include foreign currency items, minimum pension liability adjustments and unrealized gains and losses on certain investments in debt and equity securities.

2. SECURITIES

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

	1997			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available for Sale:				
U.S. Government and Agency Securities	$ 11,618,094	$ 23,843	$ (67,225)	$ 11,574,712
Mortgage Backed Securities	1,419,658	30,799	0	1,450,457
State and Municipal Securities	19,477,751	402,202	(13,238)	19,866,715
Other Securities	930,450	0	0	930,450
Total	$ 33,445,953	$ 456,844	$ (80,463)	$ 33,822,334
Held to Maturity:				
U.S. Government and Agency Securities	$ 3,483,199	$ 36,333	$ 0	$ 3,519,532
State and Municipal Securities	3,094,841	0	(4)	3,094,837
Total	$ 6,578,040	$ 36,333	$ (4)	$ 6,614,369

	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

Assets, principally securities, with an amortized cost of $3,413,142 for held to maturity securities and a fair value of $19,782,680 for available for sale securities at December 31, 1997 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, 1997 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	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 2,063,259	$ 2,068,197	$ 2,606,485	$ 2,606,485
Due after year one through five years	12,307,228	12,312,896	215,718	215,714
Due after five years through ten years	14,105,037	14,393,969	63,330	63,330
Due after ten years	4,970,429	5,047,272	3,692,507	3,728,840
Total	$ 33,445,953	$ 33,822,334	$ 6,578,040	$ 6,614,369

Gains and losses from sales of securities for the years ended December 31, 1997, 1996 and 1995 are summarized as follows:

	1997	1996	1995
Gross gains	$ 65,150	$ 103,865	$ 22,705
Gross losses	(67,145)	(127,595)	(13,266)
Net (loss) gain	$ (1,995)	$ (23,730)	$ 9,439

3. LOANS RECEIVABLE, NET

Major categories of loans at December 31, 1997 and 1996 are summarized as follows:

	1997	1996
Real estate - mortgages	$ 85,367,123	$ 78,706,052
Real estate - construction	2,770,719	1,404,290
Commercial	8,938,560	6,993,852
Installment	2,517,892	2,646,246
Student loans	1,731,492	1,692,334
Other	509,935	769,322
Net deferred loan origination costs	401,245	422,760
	102,236,966	92,634,856
Allowance for loan losses	(609,539)	(546,954)
Loans, net	$101,627,427	$ 92,087,902

Changes in the allowance for loan losses for the years ended December 31, 1997, 1996 and 1995 were as follows:

	1997	1996	1995
Balance, beginning of year	$ 546,954	$ 557,961	$ 628,957
Provision for loan losses	60,000	60,000	(86,933)
Recoveries	49,443	5,597	23,281
Loans charged off	(46,858)	(76,604)	(7,344)
Balance, end of year	$ 609,539	$ 546,954	$ 557,961

Loans evaluated for impairment totaled approximately $627,000 and $180,000 at December 31, 1997 and 1996, respectively. However, an allowance for loan impairment was not required under SFAS No. 114, "Accounting by Creditors for Impairment of a Loan," due to the adequacy of related collateral values. If such loans had been in an accruing status, the Bank would have recorded additional interest income of approximately $58,000, $19,000 and $29,000 in 1997, 1996 and 1995, respectively.

The Bank had no loan commitments to borrowers with impaired loans at December 31, 1997.

As of December 31, 1997 and 1996, the Bank had no other loans which were impaired as defined by SFAS No. 114.

4. PROPERTIES AND EQUIPMENT

Properties and equipment at December 31 were as follows:

	1997	1996
Land	$ 268,485	$ 268,485
Buildings and improvements	3,313,404	3,310,902
Equipment	2,828,996	2,365,026
	6,410,885	5,944,413
Less accumulated depreciation	(2,583,213)	(2,195,750)
Properties and equipment, net	$ 3,827,672	$ 3,748,663

Depreciation expense totaled $423,564 in 1997, $348,671 in 1996 and $271,507 in 1995.

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 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, net of the appropriate portion of the allowance for loan losses. For variable rate loans, the carrying amount is a reasonable estimate of fair value.

Deposits - The fair value 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.

Repurchase Agreement - For these short-term instruments, the carrying amount is a reasonable estimate of fair value.

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, 1997. Such financial instruments consist of commitments to extend permanent financing and letters of credit. If the options are exercised by the propective 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 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, 1997 approximates the recorded amounts of the related fees, which are not material.

At December 31, 1997 and 1996, the estimated fair values of the Company's financial instruments were as follows:

	1997		1996	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash and cash equivalents	$ 10,336,532	$ 10,336,532	$ 7,112,231	$ 7,112,231
Securities	$ 40,400,374	$ 40,436,703	$ 36,054,324	$ 36,069,506
Loans	$102,236,966		$ 92,634,856	
Less: allowance for loan losses	(609,539)		(546,954)	
Loans, net	$101,627,427	$102,368,624	$ 92,087,902	$ 92,056,134
Financial Liabilities:				
Deposits	$138,391,327	$138,734,550	$123,461,379	$123,863,439
Repurchase agreement	$ 1,059,081	$ 1,059,081	$ 0	$ 0

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 $33,699 in 1997, $35,335 in 1996 and $52,201 in 1995. The components of the pension cost charged to expense for 1997, 1996 and 1995 consisted of the following:

	1997	1996	1995
Service cost	$ 51,817	$ 44,615	$ 46,891
Interest cost on projected benefit obligation	104,601	94,565	85,948
Actual return on plan assets	(106,550)	(87,676)	(67,352)
Net amortization and deferral	(16,169)	(16,169)	(13,286)
Total	$ 33,699	$ 35,335	$ 52,201

The following table sets forth the Plan's funded status as of October 1, 1997 and 1996, the end of the Plan's fiscal year, and the amounts recognized in the accompanying consolidated financial statements as of December 31, 1997 and 1996:

	1997	1996
Vested benefits	$ 1,068,423	$ 1,002,977
Accumulated benefit obligation	$ 1,086,205	$ 1,012,721
Projected benefit obligation	$ 1,518,858	$ 1,354,390
Plan assets available for benefits at fair value	1,686,230	1,373,109
Plan assets in excess of projected benefit obligations	167,372	18,719
Unrecognized net (gain) loss	(41,212)	71,556
Unrecognized net obligation	(16,081)	(17,543)
Unrecognized prior service cost	(256,524)	(271,231)
Amount included in other liabilities	$ (146,445)	$ (198,499)

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, 1997 and 1996. 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 $72,000 and $45,000 at December 31, 1997 and 1996, 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 $96,309, $97,633, and $87,058 in 1997, 1996 and 1995, respectively. The components of the pension cost charged to expense consisted of the following:

	1997	1996	1995
Service cost	$ 39,900	$ 50,138	$ 44,562
Interest cost on projected benefit obligation	34,194	25,280	20,281
Net amortization and deferral	22,215	22,215	22,215
Total	$ 96,309	$ 97,633	$ 87,058

The following table sets forth the Plans' funded status as of October 1, 1997 and 1996, and the amount recognized in the accompanying consolidated financial statements as of December 31, 1997 and 1996:

	1997	1996
Vested benefits	$ 468,709	$ 356,685
Accumulated benefit obligation	$ 468,709	$ 356,685
Projected benefit obligation	$ 468,709	$ 356,685
Plan assets available for benefits at fair value	0	0
Projected benefit obligation in excess of plan assets	(468,709)	(356,685)
Unrecognized net loss (gain)	28,499	(9,432)
Unrecognized net obligation	159,211	181,426
Accrued pension cost	(280,999)	(184,691)
Adjustment required to recognize minimum liability	(187,710)	(171,994)
Amount included in other liabilities	$ (468,709)	$ (356,685)

Valuations of the pension plans as shown above were conducted as of October 1, 1997 and 1996. 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 %

The Bank also maintains a non-qualified deferred compensation plan for certain directors. Accrued costs under this plan were approximately $67,000, $64,000 and $64,000 in 1997, 1996 and 1995, respectively. The estimated present value of the benefit obligation, included in other liabilities, was $700,000 and $671,000 at December 31, 1997 and 1996, respectively. This obligation is indirectly funded by life insurance contracts (naming the Bank as beneficiary) with aggregate cash surrender values of approximately $140,000 and $130,000 December 31, 1997 and 1996, 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 $35,395, $34,209 and $47,701 for the years ended December 31, 1997, 1996 and 1995, respectively.

7. Stock Split and Cash Dividends

On April 29, 1997, the stockholders approved a split of the Company's common stock by changing each issued share of common stock, par value $2.50 per share, into five shares of common stock, par value $.50 per share. At that time, the stockholders also approved the increase in the number of shares of common stock which the Company is authorized to issue from 1,000,000 shares, par value $2.50 per share to 10,000,000 shares, par value $.50 per share.

On October 21, 1997, the Company purchased 3,966 of its common shares to fund the Dividend Reinvestment Plan for the cash dividend issued on October 21, 1997. A cash dividend of $.30 per common share was declared on August 19, 1997, and paid on October 21, 1997 to stockholders of record on October 1, 1997. Stockholders elected to fully or partially reinvest their dividend in 3,966 of the Company's common shares at a market value of $33.00 per share on October 21, 1997.

Cash dividends of prior years have been restated to show the effects of the five-for-one stock split that occurred during 1997.

8. Income Taxes

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

	1997	1996	1995
Income taxes currently payable	$ 798,000	$ 728,000	$ 741,000
Deferred (benefit) income taxes	(74,000)	(140,000)	23,000
Net provision	$ 724,000	$ 588,000	$ 764,000

At December 31, 1997 and 1996 the components of the net deferred tax asset were as follows:

	1997	1996
Deferred Tax Assets:		
Allowance for loan losses	$ 173,000	$ 148,000
Pension premiums	171,000	153,000
Deferred compensation	280,000	268,000
SFAS No. 115	0	11,000
Other	32,000	22,000
Gross deferred tax assets	656,000	602,000
Deferred Tax Liabilities:		
Depreciation	25,000	25,000
Prepaid expenses	160,000	169,000
SFAS No. 115	101,000	0
Gross deferred tax liabilities	286,000	194,000
Net deferred tax assets	$ 370,000	$ 408,000

The net deferred tax asset at December 31, 1997 and 1996 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,					
	1997		1996		1995	
	Amount	Percent	Amount	Percent	Amount	Percent
Tax provision at statutory rate	$ 859,000	34 %	$ 749,000	34 %	$ 826,000	34 %
Increase (decrease) in taxes resulting from:						
Tax-exempt income	(321,000)	(13)	(260,000)	(12)	(259,000)	(11)
State taxes, net of federal benefit	136,000	5	110,000	5	154,000	6
Other items, net	50,000	2	(11,000)	(1)	43,000	2
Provision for income taxes	$ 724,000	28 %	$ 588,000	26 %	$ 764,000	31 %

9. 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, 1997 and 1996 was $3,526,206 and $2,247,931, respectively. During 1997 and 1996, new loans to such related parties amounted to $3,366,701 and $746,980, respectively, and repayments amounted to $2,088,427 and $1,867,538.

10. 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, 1997 and 1996 is as follows:

	1997	1996
Commitments to extend credit	$ 15,770,264	$ 15,115,000
Standby letters of credit	551,218	515,000
Total	$ 16,321,482	$ 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.

11. 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.

12. 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, 1997 and 1996, that the Bank met all capital adequacy requirements to which it is subject.

As of December 31, 1997, 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:

	1997					
	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Percent	Amount	Percent	Amount	Percent
Total Capital (to Risk Weighted Assets)	$ 17,422,000	16.9 %	$ 8,234,000	8.0 %	$ 10,292,000	10.0 %
Tier I Capital (to Risk Weighted Assets)	$ 16,812,000	16.3 %	$ 4,117,000	4.0 %	$ 6,175,000	6.0 %
Tier I Capital (to Average Assets)	$ 16,812,000	10.8 %	$ 6,366,080	4.0 %	$ 7,958,000	5.0 %

	1996					
	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Percent	Amount	Percent	Amount	Percent
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 %

13. PARENT COMPANY ONLY FINANCIAL INFORMATION

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

CONDENSED BALANCE SHEETS

Years ended December 31, 1997 and 1996	1997	1996
ASSETS		
Cash	$ 6,648	$ 6,897
Dividends receivable	0	169,895
Investment in subsidiary	17,032,652	15,503,186
Total assets	$ 17,039,300	$ 15,679,978
LIABILITIES AND STOCKHOLDERS' EQUITY		
Dividends payable	$ 0	$ 169,895
Stockholders' Equity:		
Common stock	849,475	849,475
Capital surplus	10,990,720	10,990,720
Retained earnings	4,985,249	3,692,659
Unrealized gain (loss) on available for sale securities, net	213,856	(22,771)
Total stockholders' equity	17,039,300	15,510,083
Total liabilities and stockholders' equity	$ 17,039,300	$ 15,679,978

CONDENSED STATEMENTS OF INCOME

Years ended December 31, 1997, 1996 and 1995	1997	1996	1995
Dividends from subsidiary	$ 509,685	$ 421,068	$ 260,415
Other revenue	50,000	0	0
Expenses	(50,249)	(30,831)	(17,542)
Income before equity in undistributed earnings of subsidiary	509,436	390,237	242,873
Equity in undistributed earnings of subsidiary	1,292,839	1,224,405	1,421,910
Net income	$ 1,802,275	$ 1,614,642	$ 1,664,783

CONDENSED STATEMENTS OF CASH FLOWS

Years ended December 31, 1997, 1996 and 1995	1997	1996	1995
Operating Activities:			
Net income	$ 1,802,275	$ 1,614,642	$ 1,664,783
Adjustments to reconcile net income to net cash provided by operating activities:			
Undistributed earnings of subsidiary	(1,292,839)	(1,224,405)	(1,421,910)
Increase in dividends receivable	0	(169,895)	0
Net cash provided by operating activities	509,436	220,342	242,873
Financing Activities - Cash dividends paid	(509,685)	(251,173)	(260,415)
Net decrease in cash	(249)	(30,831)	(17,542)
Cash, beginning	6,897	37,728	55,270
Cash, ending	$ 6,648	$ 6,897	$ 37,728

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

[photo]
BOARD OF DIRECTORS
(from left to right)

David M. Taylor
President - Concord Nurseries, Inc.

David C. Koch
Chairman and CEO
New Era Cap Co., Inc.

Carl F. Ulmer
Retired

Richard M. Craig
President and CEO
Evans National Bank

LaVerne G. Hall
Former Chairman - L.G. Hall Building
Contractors, Inc.

Richard C. Stevenson
Chairman - Evans Land Corp.

William F. Barrett
Property and Investment Manager

Phillip Brothman
Partner - Hurst, Brothman & Yusick

Robert W. Allen
Secretary
Retired

Thomas H. Waring, Jr.
Principal - Waring Financial Group
(not pictured)

DIRECTORS EMERITUS
Floyd H. Hurst
Carl F. Ulmer

OFFICERS
Evans Bancorp, Inc.
Richard M. Craig,
Chairman of the Board,
President and CEO

Robert W. Allen
Secretary

James Tilley
Assistant Secretary

William R. Glass
Treasurer

ADVISORY BOARDS
Derby
Richard A. Gradl
Raymond S. Hazard

[PHOTO]

MANAGEMENT TEAM

(front center) Richard M. Craig, Chairman of the Board, President and CEO;
(left) William R. Glass, Senior Vice President - Loan Division and
(right) James Tilley, Senior Vice President - Administration

EVANS NATIONAL BANK OFFICERS

CHAIRMAN OF THE BOARD 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
Jeffrey L. White

ASSISTANT VICE PRESIDENT
Katherine M. Allen
Ramon Gallardo, Jr.
Susan J. Herold
Rose Marie Hinckley
Elizabeth A. Mac
Howard M. Martin, Jr.
Cathy E. Rohrich

BANK OFFICER
Rita A. Boyland
Karen M. Blecha
Michelle A. Bress
Nancy A. Ferraro
M. Jane Gonzalez
Nadine G. Houghton
Mary K. Nytz
Mary D. Philbin

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.

QUARTER	1997 High	1997 Low	1996 High	1996 Low
First	$ 27.20	$ 27.20	$ 23.00	$ 22.00
Second	$ 32.00	$ 27.20*	$ 27.00	$ 23.00
Third	$ 33.00	$ 32.00	$ 27.20	$ 27.00
Fourth	$ 38.00	$ 33.00	$ 27.20	$ 27.20

* Adjusted for five for one stock split

As a result of the stock split on May 1, 1997, total shares outstanding were increased to 1,698,950 as of December 31, 1997. There were 1,049 shareholders of record on December 31, 1997.

Upon written request of any shareholder, a copy of the Company's report on Form 10-K for its fiscal year ended December 31, 1997, 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 Michelle A. Baumgarden, 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 Wednesday, April 29, 1998 at 12:30 p.m. at Romanello's South, 5793 South Park Avenue, Hamburg, NY.

INQUIRIES

For information or assistance regarding individual stock records, transactions, dividend reinvestment accounts, dividend checks, or stock certificates, contact:

Corporate Trust Services, Fifth Third Bank, 38 Fountain Square Plaza, Mail Drop 1090F5-4129, Cincinnati, OH 45263.

EXHIBIT 21.1

EXHIBIT 21.1

SUBSIDIARIES OF THE REGISTRANT

Evans National Bank (formerly known as Evans National Bank of Angola).

ARTICLE 9

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM EVANS BANCORP BALANCE SHEET AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL 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 1997
CASH	5,821,533
INT BEARING DEPOSITS	0
FED FUNDS SOLD	4,515,000
TRADING ASSETS	0
INVESTMENTS HELD FOR SALE	33,822,334
INVESTMENTS CARRYING	6,578,040
INVESTMENTS MARKET	0
LOANS	101,627,427
ALLOWANCE	(609,539)
TOTAL ASSETS	158,542,163
DEPOSITS	138,391,327
SHORT TERM	0
LIABILITIES OTHER	3,111,535
LONG TERM	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	849,475
OTHER SE	16,189,825
TOTAL LIABILITIES AND EQUITY	158,542,163
INTEREST LOAN	8,632,716
INTEREST INVEST	2,317,619
INTEREST OTHER	122,516
INTEREST TOTAL	11,072,851
INTEREST DEPOSIT	4,576,397
INTEREST EXPENSE	4,588,055
INTEREST INCOME NET	6,484,795
LOAN LOSSES	60,000
SECURITIES GAINS	(1,995)
EXPENSE OTHER	4,849,182
INCOME PRETAX	2,526,275
INCOME PRE EXTRAORDINARY	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	1,802,275
EPS PRIMARY	1.06
EPS DILUTED	0
YIELD ACTUAL	8.31
LOANS NON	626,899
LOANS PAST	35,725
LOANS TROUBLED	0
LOANS PROBLEM	0
ALLOWANCE OPEN	546,954
CHARGE OFFS	46,858
RECOVERIES	49,443
ALLOWANCE CLOSE	609,539
ALLOWANCE DOMESTIC	60,000
ALLOWANCE FOREIGN	0
ALLOWANCE UNALLOCATED	0

End of Filing