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, 2002

[ ] 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)

New York	16-1332767
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
14-16 North Main Street, Angola, New York	14006
(Address of principal executive offices)	(Zip Code)

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

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

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

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

Common Stock, Par Value $.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. [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of The Act). Yes [ ] No [X]

As of January 31, 2003, the aggregate market value of the registrant's common stock, $.50 par value, (the "Common Stock") held by nonaffiliates of the registrant was approximately $44.2 million based upon the per share price as quoted by the Nasdaq National Market.

As of January 31, 2003, 2,333,862 shares of the registrant's Common Stock were outstanding.

Exhibit Index on Page 44

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, March 31, 1997, September 30, 1999, March 31, 2000 and June 30, 2001 and the Registrant's Reports on Form 10-K for the periods ended December 31, 1997, December 31, 1998 and December 31, 2000 are incorporated by reference in Part IV of this Form 10-K.

Portions of the Registrant's 2002 Annual Report to Shareholders are incorporated by reference in Part II of this Form 10-K.

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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, and conducts its business through its wholly-owned subsidiary, Evans National Bank (the "Bank"), and the Bank's subsidiaries, ENB Associates Inc. ("ENB"), M&W Agency, Inc. ("M&W"), and Evans National Holding Corp. ("ENHC"). The Bank is a nationally chartered bank founded in 1920 as a national banking association and is currently regulated by the Office of 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 North Main Street, Angola, New York 14006. The Bank's principal business is to provide a full range of banking services to consumer and commercial customers in Erie, Chautauqua and Cattaraugus Counties of Western New York.

The Bank serves its market through eight banking offices located in Amherst, Angola, Derby, Evans, Forestville, Hamburg, North Boston and West Seneca, 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. The Bank offers deposit products which include checking and NOW accounts, passbook and statement savings and certificates of deposit. Deposits are insured to the applicable limit by the Bank Insurance Fund ("BIF") of the Federal Deposit Insurance Corporation ("FDIC"). The Bank offers a variety of loan products to its customers including commercial loans, commercial and residential mortgage loans, and consumer loans. The Bank is regulated by the Office of the Comptroller of the Currency.

On March 11, 2000 ENB, a wholly-owned subsidiary of the Bank, began the activity of providing non-deposit investment products, such as annuities and mutual funds, to bank customers.

Effective September 1, 2000, the Company completed the acquisition of the assets, business and certain liabilities of M&W Group, Inc., a retail property and casualty insurance agency headquartered in Silver Creek, New York. The insurance agency acquired is operated as M&W Agency, Inc., a wholly-owned subsidiary of the Bank. M&W Agency, Inc. sells various premium-based insurance policies on a commission basis. M&W has offices located in Angola, Colden, Derby, Eden, North Collins, South Dayton, Cattaraugus, Randolph, and West Seneca, New York.

ENHC was incorporated in February 2002, as a subsidiary of the Bank. EHNC is operated as a real estate investment trust (REIT) which provides additional flexibility and planning opportunities for the business of the Bank.

Commencing in 2000, the Company operates in two reportable segments-banking and insurance.

At December 31, 2002, the Bank had total assets of $288.7 million, total deposits of $239.5 million and total stockholders' equity of $30.9 million.

FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K may contain certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1993, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that involve substantial risks and uncertainties. When used in this report, or in the documents incorporated by reference herein, the words "anticipate", "believe", "estimate", "expect", "intend", "may", and similar expressions identify such forward-looking statements. Actual results, performance or achievements could differ materially from those contemplated, expressed or implied by the forward-looking statements contained herein. These forward-looking statements are based largely on the expectations of the Company or the Company's management and are subject to a number of risks and uncertainties, including but not limited to economic, competitive, regulatory, and other factors affecting the Company's operations, markets, products and services, as well as expansion strategies and other factors discussed elsewhere in this report filed by the Company with the Securities and Exchange Commission. Many of these factors are beyond the Company's control and difficult to predict. Forward-looking statements speak only as of the date they are made. The Company undertakes no obligation, to publicly update or revise forward-looking information, whether as a result of new, updated information, future events or otherwise.

MARKET AREA

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

AVERAGE BALANCE SHEET INFORMATION

The table presents the significant categories of the assets and liabilities of the Bank, interest income and interest expense, and the corresponding yields earned and rates paid in 2002 and 2001. 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.

	2002			2001		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
ASSETS	($000)	($000)		($000)	($000)	
Interest-earning assets:						
Loans, Net	$145,676	$ 10,593	7.27%	$135,436	$ 11,051	8.16%
Taxable securities	48,902	2,554	5.22%	46,001	2,892	6.29%
Tax-exempt securities	43,656	1,987	4.55%	33,040	1,571	4.75%
Time deposits-other banks	146	5	3.34%	0	0	0.00%
Federal funds sold	5,148	73	1.44%	3,214	133	4.14%
Total interest-earning assets	243,528	15,212	6.25%	217,691	15,647	7.19%
Non interest-earning assets						
Cash and due from banks	8,967			7,492		
Premises and equipment, net	4,463			3,779		
Other assets	8,315			8,130		
Total	$265,273			$237,092		
LIABILITIES & SHAREHOLDER'S EQUITY						
Interest-bearing liabilities:						
NOW accounts	$ 9,678	44	0.45%	$ 8,510	76	0.89%
Savings deposits	75,741	841	1.11%	63,953	1,415	2.21%
Time deposits	90,890	3,397	3.74%	86,005	4,516	5.25%
Fed Funds Purchased & Securities Sold U/A to repurchase	3,989	67	1.69%	4,057	125	3.07%
FHLB advances	8,627	447	5.18%	7,386	377	5.11%
M&W note	451	21	4.61%	363	28	7.73%
Total interest-bearing liabilities	189,376	4,817	2.54%	170,274	6,537	3.84%
Noninterest-bearing liabilities:						
Demand deposits	42,165			36,133		
Other	4,889			4,437		
Total liabilities	236,430			210,844		
Shareholders' equity	28,843			26,248		
Total	$265,273			$237,092		
Net interest earnings		$ 10,395			$ 9,110	
Net yield on interest earning assets			4.27%			4.18%

In 2002, the Bank's interest income decreased by $0.4 million from 2001, compared to an increase of $0.6 million in 2001 over 2000. Interest expense decreased by $1.7 million in 2002 from 2001 compared to an increase of $46,000 in 2001 over 2000.

SECURITIES ACTIVITIES

Income from securities represented approximately 29.8% of total interest income of the Company in 2002 as compared to 28.5% in 2001. At December 31, 2002, the Bank's securities portfolio of $106.7 million consisted primarily of United States ("U.S.") and federal agency obligations, state and municipal securities and mortgage-backed securities issued by the Government National Mortgage Association, Federal National Mortgage Association and Federal Home Loan Mortgage Corp.

Statement of Financial Accounting Standard ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities" promulgates accounting treatment for investments in securities. All securities in the Bank's portfolio are either 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, 2002 and 2001:

	2002 ($000)	2001 ($000)
Available for Sale:		
U.S. Treasury and other U.S. government agencies	$54,543	$42,665
States and political subdivisions in the U.S.	47,240	37,817
Other	1,248	1,253
Total Securities Designated as Available for Sale	$103,031	$81,735
Held to Maturity:		
U.S. Treasury and other U.S. government agencies	$37	$40
States and political subdivisions in the U.S.	3,604	2,290
Total Securities Designated as Held to Maturity	$3,641	$2,330
Total Securities	$106,672	$84,065

Investment Policy 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 investment 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. The annual budgets of the issuers of non-rated securities are reviewed by the Bank and 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 contractual 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, 2002:

	Maturing							
	Within One Year		After One But Within Five Years		After Five But Within Ten Years		After Ten Years	
	Amount ($000)	Yield	Amount ($000)	Yield	Amount ($000)	Yield	Amount ($000)	Yield
CLASSIFIED AS AVAILABLE FOR SALE AT FAIR VALUE:								
U.S. Treasury and other U.S. government agencies	$ 254	2.76%	$ 8,313	4.59%	$12,622	5.00%	$33,354	5.91%
States and political subdivisions	2,538	6.11	4,743	6.04	16,647	7.14	23,312	7.13
Other	1,248	5.65	0	0.00	0	0.00	0	0.00
Total Available for Sale	4,040	5.75%	13,056	5.11%	29,269	6.25%	56,666	6.41%
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	37	0.00
States and political subdivisions	2,773	3.94	610	6.43	221	8.41	0	0.00
Total Held to Maturity	2,773	3.94	610	6.43	221	8.41	37	0.00
Total Securities	$ 6,813	5.01%	$13,666	5.17%	$29,490	6.27%	$56,703	6.41%

At December 31, 2002, approximately $54.5 million of the Bank's securities portfolio were obligations of the U.S. Treasury and other U.S. government agencies.

LENDING ACTIVITIES

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

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 69.6% of the total interest income of the Company in 2002 and approximately 70.6% of total interest income in 2001. The Bank's loan portfolio after unearned discounts, loan origination costs and allowances for credit losses totaled $149.0 million and $142.5 million at December 31, 2002 and December 31, 2001, respectively. At December 31, 2002, the Bank had established approximately $2.1 million as an allowance for loan losses which is approximately 1.42% of total loans. This compares with approximately $1.8 million at December 31, 2001 which was approximately 1.24% of total loans. The increase to the provision for loan losses reflects management's assessment of the portfolio composition, of which commercial loans have been an increasing component, and its assessment of the New York State and local economy. The net loan portfolio represented approximately 51.6% and 57.3% of the Bank's total assets at December 31, 2002 and December 31, 2001, respectively.

Real Estate Loans. Approximately 84.4% of the Bank's loan portfolio at December 31, 2002 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 $127.5 million at December 31, 2002, compared to $122.3 million at December 31, 2001. The real estate loan portfolio increased approximately 4.3% in 2002 over 2001 compared to an increase of 12.0% in 2001 over 2000.

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 totaled $16.6 million at December 31, 2002, which was approximately 11.0% 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 2002, approximately $11.6 million of mortgages were sold to FNMA under this arrangement compared to $8.5 million of mortgages sold in 2001. The Bank currently retains the servicing rights on $24.0 million in mortgages sold to FNMA. The Company has recorded no net servicing asset for such loans.

Since 1993 the Bank has offered 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, 2002, the Bank's outstanding adjustable rate mortgages were $3.0 million or 2.0% 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 $80.4 million at December 31, 2002, which was approximately 53.2% of total loans outstanding. This balance included $11.0 million in fixed rate and $69.4 million in variable rate loans, which include rate calls.

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 an 80% loan-to-value ratio. At December 31, 2002, the real estate loan portfolio included $23.1 million of home equity loans outstanding which represented approximately 15.3% of its total loans outstanding. This balance included $13.8 million in variable rate and $9.3 million in fixed rate loans.

The Bank also offers both residential and commercial real estate-construction loans at up to an 80% loan-to-value ratio at fixed interest or adjustable interest rates and multiple maturities. At December 31, 2002, fixed rate real estate-construction loans outstanding were $0.02 million or 0.01% of the Bank's loan portfolio, and adjustable rate construction loans outstanding were $2.2 million or 1.4% of the portfolio.

As of December 31, 2002, approximately $1.1 million or 0.9% of the Bank's real estate loans were 30 to 90 days delinquent, and approximately $1.1 million or 0.9% 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 $20.5 million and $16.3 million at December 31, 2002 and December 31, 2001, respectively. Commercial loans represented approximately 13.5% and 11.3% of the Bank's total loans at December 31, 2002 and December 31, 2001, respectively.

As of December 31, 2002, approximately $0.03 million or 0.1% of the Bank's commercial loans were 30 to 90 days past due and $0.07 million or 0.4% of its commercial loans were nonaccruing.

Commercial lending entails significant additional risk as compared with real estate loans. Collateral, where applicable, may consist of inventory, receivables, equipment and other business assets. Approximately seventy-six percent of the Bank's commercial loans are variable rate which are tied to the prime rate.

Installment Loans. The Bank's installment loan portfolio (which includes commercial and automobile loans, personal loans and revolving credit card balances) totaled $2.4 million and $2.9 million at December 31, 2002 and December 31, 2001, respectively, representing approximately 1.6% of the Bank's total loans at December 31, 2002 and 2.0% of the Bank's total loans at December 31, 2001. 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, 2002, the installment loan portfolio included $0.2 million in fixed rate credit card balances at an interest rate of 15.6% and $0.05 million in the variable rate option. As of December 31, 2002, approximately $0.02 million or 0.8% of the Bank's installment loans were 30-90 days past due.

Student Loans. During 2002, the Bank completed the sale of all direct student loans and entered into an agreement whereby it facilitates the submission of student loan applications to the Student Loan Marketing Association ("SLMA") for a fee. The loans are then originated and subsequently serviced by SLMA. This change was made in order to enhance application response time, as well as Bank profitability.

Other Loans. Other loans totaled $0.5 at December 31, 2002 and $1.3 million at December 31, 2001. 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.

Direct Financing Lease Loans. The Bank participated as a lessor in a leasing agreement that was classified as a direct financing lease. The direct financing lease loan was paid off July 2002 and totaled $0.4 million at December 31, 2001. This loan represented 0.6% of the Bank's total loans at December 31, 2001.

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.

The following table summarizes the major classifications of the Bank's loans (net of deferred origination costs) at December 31, 2002 and 2001:

	December 31, 2002	2001
	($000)	
Mortgage loans on real estate:		
Residential 1-4 family	$26,712	$31,035
Multi-family commercial	77,919	70,858
Construction	2,174	1,520
Second mortgages	6,919	8,188
Equity lines of credit	13,780	10,684
Commercial	$20,460	$16,333
Consumer installment loans:		
Personal	2,054	2,525
Credit cards	298	334
Student Loans	0	234
Other	491	1,293
Direct financing lease	0	898
Net deferred loan origination costs	336	353
Total Loans	151,143	144,255
Allowance for credit losses	(2,146)	(1,786)
Net loans	$148,997	$142,469

Loan Maturities. The following table shows the maturities of commercial and real estate construction loans outstanding as of December 31, 2002 and the classification of loans due after one year according to sensitivity to changes in interest rates:

($000)	0-1 Yr.	1-5 Yrs.	Over 5 Yrs.	Total
Commercial	$3,344	$7,361	$9,755	$20,460
Real estate construction	1,567	607	0	2,174
	$4,911	$7,968	$9,755	$22,634
Loans maturing after one year with:				
Fixed rates		$3,538	$0	
Variable rates		4,430	9,755	
		$7,968	$9,755	

Loan Losses. The following table summarizes the Bank's non-accrual and past due loans as of December 31, 2002 and December 31, 2001. 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 - Allowance for Loan Losses."

	2002		2001
		($000)	
Nonaccrual loans	$1,197		$724
Accruing loans past due 90 days or more	0		443
Total	$1,197		$1,167

Information with respect to nonaccrual loans at December 31, 2002 and December 31, 2001 is as follows:

	2002		2001
		($000)	
Nonaccrual loans	$1,197		$724
Interest income that would have been recorded under the original terms	68		36
Interest income recorded during the period	17		43

At December 31, 2002, $1.2 million of nonaccrual loans are collateralized.

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

ANALYSIS OF CHANGES IN THE ALLOWANCE FOR LOAN LOSSES

	2002	2001	2000	1999	1998
BALANCE AT BEGINNING OF YEAR	$ 1,786	$ 1,428	$ 838	$ 729	$ 609
CHARGE-OFFS					
Commercial, Financial, Agricultural	(14)	(24)	(54)	(26)	0
Real Estate - Mortgages	(42)	(42)	(48)	(25)	(50)
Installment Loans	(20)	(14)	(3)	(19)	(22)
TOTAL CHARGE-OFFS	(76)	(80)	(105)	(70)	(72)
RECOVERIES					
Commercial, Financial, Agricultural	2	11	0	1	7
Real Estate - Mortgages	0	1	1	0	22
Installment Loans	14	6	5	8	12
Overdrafts	0	0	0	0	1
TOTAL RECOVERIES	16	18	6	9	42
NET CHARGE-OFFS	(60)	(62)	(99)	(61)	(30)
ADDITIONS CHARGED TO OPERATIONS	420	420	689	170	150
BALANCE AT END OF YEAR	$ 2,146	$ 1,786	$ 1,428	$ 838	$ 729

Management's provision for loan losses reflects the continued growth trend in commercial loans and the Bank's assessment of the local and New York State economic environment. Both the local and New York State economies have lagged behind national prosperity which is now unsettled. Marginal job growth, in conjunction with a declining population base, has left the Bank's market more susceptible to potential credit problems during an economic downturn. This is particularly true of commercial borrowers. Commercial loans represent a segment of significant past growth as well as concentration in the Company's commercial real estate portfolio. Commercial real estate values may be susceptible to decline in an adverse economy. Management believes that the reserve is also in accordance with the regulations promulgated by the Office of the Comptroller of the Currency, and is reflective of its assessment of the local environment as well as a continued trend in commercial loans.

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, 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, 2002, the Bank's deposits totaled $239.5 million consisting of the following (in thousands):

Demand deposits	$44,665
NOW and Money Market accounts	10,535
Regular savings	94,908
Time deposits, $100,000 and over	28,441
Other time deposits	60,958
Total	$239,507

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

	2002		2001	
	Average Balance ($000)	Weighted Average Rate	Average Balance ($000)	Weighted Average Rate
Demand Deposits	$42,165	---%	$ 36,133	---%
NOW and Money Market Accounts	9,677	0.45%	8,510	0.89%
Regular Savings	75,741	1.11%	63,953	2.21%
Time Deposits	90,890	3.74%	86,005	5.25%
Total	$218,473	1.96%	$194,601	3.09%

Federal Funds Purchased and Other Borrowed Funds. Another source of the Bank's funds for lending at December 31, 2002 consisted of long term borrowings from the Federal Home Loan Bank.

Other borrowed funds consisted of $8.1 million in long-term borrowings. These long-term borrowings consisted of various advances from the Federal Home Loan Bank with interest rates ranging from 4.90% to 5.34%. The maturities of other borrowed funds are as follows (in thousands):

2003	$3,390
2004	2,437
2005	1,467
2006	707
2007	91
Thereafter	19
Total	$8,111

Securities Sold Under Agreements to Repurchase. The Bank enters into agreements with depositors to sell to the depositors securities owned by the Bank and repurchase the identical security, generally within one day. No physical movement of the securities is involved. The depositor is informed the securities are held in safekeeping by the Bank on behalf of the depositor. Securities sold under agreements to repurchase totaled $6.5 million at December 31, 2002 compared to $4.0 million at December 31, 2001.

ASSET AND LIABILITY MANAGEMENT

The Bank's asset/liability management strategy is to maximize earnings and return on capital while limiting exposure to risks associated with a volatile interest rate environment. The Bank's exposure to interest rate risk is managed primarily through the Bank's strategy of selecting the type and terms of interest earning assets and interest bearing liabilities that generate favorable earnings while limiting the potential negative effects of changes in the market interest rates.

Management uses income simulations to quantify the potential impact on earnings and capital with changes in interest rates. The model uses cash flows and repricing information from loans and certificates of deposits, plus repricing assumptions on products without specific repricing dates (eg. Savings and investment bearing demand accounts), to calculate donations of each of the Bank's assets and liabilities. In addition the model uses management assumptions on growth with duration to project income. The model also projects the effect on income with changes in interest rates as well as the value of the Company in each of the theoretical rate environments.

The Bank maintains specific interest rate risk management policy limits. Based on simulation modeling, these guidelines include a +/- 5.25% of net interest income and a 6% of capital threshold on the value of the Company. At December 31, 2002 the effect of an immediate 200 basis point increase in interest rate would increase the Company's net interest income by 2.7%, or $0.3 million. A 200 basis point decrease in interest rate would decrease the net income by 3.8% or approximately $0.4 million.

The following schedule sets forth the maturities of the Bank's time deposits as of December 31, 2002:

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	$11.0	$1.5	$8.9	$7.0	$28.4
Other time deposits	8.4	6.2	28.4	18.0	61.0
Total time deposits	$19.4	$7.7	$37.3	$25.0	$89.4

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.

ENVIRONMENTAL MATTERS

To date, the Bank has not been required to perform any investigation or clean-up activities, nor has it been subject to any environmental claims. There can be no assurance, however, that this will remain the case in the future.

In the course of its business, the Bank has acquired and may acquire in the future, property securing loans that are in default. There is a risk that the Bank could be required to investigate and clean-up hazardous or toxic substances or chemical releases at such properties after acquisition by the Bank, and may be held liable to a governmental entity or third parties for property damage, personal injury and investigation and clean-up costs incurred by such parties in connection with such contamination. In addition, the owner or former owners of contaminated sites may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from such property.

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 Erie County, northern Chautauqua County, and Northwestern Cattaraugus County, New York. The Bank considers its major competition to be HSBC Bank USA (formerly Marine Midland Bank) and Manufacturers and Traders Trust Company, both headquartered in Buffalo, New York. Other major competition consists of Key Bank, N.A., and Fleet National Bank of New York, both headquartered in Albany, New York, First Niagara Bank (formerly Lockport Savings Bank), headquartered in Lockport, New York and also Community Bank, N.A., headquartered in DeWitt, New York.. Additional competition includes Charter One Bank, headquartered in Cleveland, Ohio and Citibank, NA, headquartered in Rochester, New York. The Bank attempts to be 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.

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 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.

The Gramm-Leach-Bliley Act of 1999 modernized the laws regarding the financial services industry by expanding considerably the powers of banks and bank holding companies to sell financial products and services. The Act authorizes operating subsidiaries of national banks to sell financial products without geographic limitation, reforms the Federal Home Loan Bank system to increase access to loan funding, protects banks from certain state insurance regulation considered discriminatory and includes new provision in the area of privacy and customer information. The Bank utilized the provisions of this Act to commence the operations of M&W Agency, Inc. and ENB Associates Inc.

The USA Patriot Act imposes additional obligations on U.S. financial institutions, including banks, to implement policies, procedures and controls which are reasonably designed to detect and report instances of money laundering and the financing of terrorism.

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.

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 expanded 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 or 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. Under guidelines adopted in January 1989, bank holding companies with at least $150 million in assets are required to maintain a ratio of 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. Since December 31, 1992, Federal Reserve member banks have been required to maintain a ratio of qualifying total capital to risk-weighted assets of a minimum of 8%, and Tier 1 Capital to Assets ratio of 4%. A minimum leverage ratio of 3% 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 leverage ratio of 3%.

A comparison of the Bank's capital ratios as of December 31, 2002 and December 31, 2001 with these minimum requirements is presented below:

	Bank		
	2002	2001	Minimum Requirements
Total Risk-based Capital	16.2%	16.4%	8%
Tier 1 Risk-based Capital	14.9%	15.2%	4%
Leverage Ratio	9.3%	9.6%	4%

As of December 31, 2002, 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.

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

	2002	2001	2000
Return on Average Assets	1.36%	1.09%	1.53%
Return on Average Equity	13.3%	10.18%	15.25%
Dividend Payout Ratio	36.1%	42.0%	28.6%
Equity to Assets Ratio	10.69%	10.82%	11.54%

SUBSIDIARIES OF THE BANK

M&W Agency, Inc. Effective September 1, 2000, the Company completed its acquisition of the assets, business and certain liabilities of M&W Group, Inc., a retail property and casualty insurance agency headquartered at Silver Creek, New York, with offices located in Angola, Derby, Eden, North Collins, South Dayton, Cattaraugus, Randolph and West Seneca, New York. The insurance agency acquired is operated through M&W Agency, Inc. ("M&W"), an operating subsidiary of the Bank.

M&W's legal headquarters are located at 265 Central Ave., Silver Creek, New York 14136. M&W is a full-service insurance agency offering personal, commercial and financial services products. It also has a small consulting department. For the year ended December 31, 2002, M&W had a premium volume of $17.9 million and net premium revenue of $2.9 million.

M&W's primary market area is southern Erie, Chautauqua and Cattaraugus counties. M&W maintains offices in Silver Creek, Angola, North Collins, West Seneca, Cattaraugus, South Dayton, Derby, Eden and Randolph, New York. All lines of personal insurance are provided including automobile, homeowners, umbrellas, boats, recreational vehicles and landlord coverages. Commercial insurance products are also provided, consisting of property, liability, automobile, inland marine, workers compensation, umbrellas, bonds and crop insurance. M&W also provides the following financial services products: life and disability insurance, medicare supplements, long term care, annuities, mutual funds, retirement programs and New York State Disability.

M&W has a small consulting division which does work almost exclusively with school districts. The majority of the work is done in preparing specifications for bidding and reviewing existing insurance programs. The majority of the consulting accounts are located in Central and Eastern New York. In the personal insurance area the majority of M&W's competition comes from direct writers as well as some small local agencies located in the same towns and villages in which M&W has offices. In the commercial business segment the majority of the competition comes from larger agencies located in and around Buffalo, New York. By offering the large number of carriers which it has available to its customers, M&W has attempted to remain competitive in all aspects of their business.

M&W is regulated by the New York State Insurance Department. It meets and maintains all licensing and continuing education requirements required by the State of New York.

ENB Associates Inc. ENB Associates Inc., a wholly-owned subsidiary of the Bank, was established during the first quarter of 2000 and provides non-deposit investment products, such as mutual funds and annuities, to bank customers at bank branch locations. ENB Associates Inc. has an investment services agreement with O'Keefe Shaw & Co.,Inc., through which ENB can purchase and sell securities to its customers. Prior to 2000, there was no impact on the Company's financial statements for this subsidiary.

Evans National Holding Corp. Evans National Holding Corp. was incorporated in February, 2002. In March, 2002, the Bank assigned its interests in approximately $65.7 million in real estate mortgages to Evans National Holding Corp. in exchange for 10 shares of common stock, 1,600 shares of preferred stock and 2,400 shares of excess stock, which represented all of the outstanding stock at that time. Evans National Holding Corp. also entered into a Management and Servicing Agreement with the Bank to provide management and other services to it. Evans National Holding Corp. will be operated as a real estate investment trust (REIT) which will provide additional flexibility and planning opportunities for the business of the Bank. Subsequent to December 31, 2002, ENHC accepted the subscription of 119 shares of non-voting preferred stock. These subscriptions raised approximately $60,000 in capital to be used in the business and activities of ENHC.

Commencing in 2000, the Company operates in two reportable segments-banking and insurance. For the years ended December 31, 1999 and prior, the Company determined that its business was comprised of banking activity only. For disclosure of segmented operations, see Item 8." Consolidated Financial Statements and Supplementary Data".

EMPLOYEES

As of December 31, 2002, the Bank employed 95 persons on a full-time basis and 10 part-time employees. In addition, ENB Associates Inc. employed 1 person on a full-time basis. M&W Agency, Inc. also employed 33 persons on a full-time basis and 1 part-time employee.

OTHER INFORMATION

The Company's internet address is www.evansbancorp.com. Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of The Exchange Act, are available through the Company's website as soon as reasonably practical after filing such material with, or furnishing it to, The Securities and Exchange Commission.

ITEM 2. PROPERTIES

The Bank conducts its business from its main office and seven 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 Administration Division.

The Bank also owns six of its eight 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 6840 Erie Road, Derby, New York. A fourth is a 2,880 square foot facility located at 7205 Boston State Rd, Boston, New York. The fifth is a 3,500 square foot facility located on land it is leasing at 3388 Sheridan Drive, Amherst, New York.

The Bank also owns a building adjacent to its Derby branch location which houses its loan division operations.

The Bank currently leases branch offices in Hamburg and West Seneca. The 3,000 square foot branch office at 5999 South Park Avenue, Hamburg, New York, is occupied pursuant to a long-term lease. In September 1999, the Bank relocated its West Seneca branch office to 3864 square feet of space at 938 Union Road, West Seneca, N.Y. 14224, in the Southgate Plaza, which carries a long-term lease. In addition the Bank leases 726 square feet for a drive-thru facility.

The Bank operates an in-school branch banking facility in the West Seneca East High School, 4760 Seneca Street, West Seneca, N.Y. 14224 and the West Seneca West High School, 3330 Seneca Street, West Seneca, N.Y. 14224 in March 2002. The in-school branches each have a cash dispensing style ATM located at the sites. There are no lease payments required.

M&W leases the following offices from Millpine Enterprises, a partnership owned by Mr. Robert Miller and his family: 265 Central Avenue, Silver Creek, New York; 5 Commercial Street, Angola, New York; 11 Main Street, Cattaraugus, New York; 213 Pine Street, South Dayton, New York. Each lease is dated September 1, 2000 and extends for a period of four years with three options to renew for an additional three year term each.

M&W also leases the following offices on a month to month basis: 10510 Main Street, North Collins, New York; 7 Bank Street, Randolph, New York.

In January 2002, M&W entered into a five year lease for the office at the site of the former Eden Agency whose business it acquired on January 1, 2002. This site is located at 8226 North Main Street, Eden, New York 14057.

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 or its subsidiaries by governmental authorities or others.

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

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(a) Market. The Company's common stock began trading on the Nasdaq National Market system on July 9, 2001. Prior to that time, there was no established public trading market for the stock and the price listed represents the highest and lowest per share prices known to management at which the stock of the Company was sold in private transactions during the periods indicated, without retail markup, markdown or commission. Evans Bancorp, Inc. distributed a 5 for 4 split of its common stock on June 12, 2001 and a 1 for 20 stock dividend was declared on November 19, 2002 for shareholders of record on December 2, 2002 which was distributed on January 29,2003. The information listed has been adjusted to reflect this stock split and stock dividend.

	2002		2001	
QUARTER	High	Low	High	Low
FIRST	$18.81	$17.19	$35.81	$35.81
SECOND	$21.09	$17.10	$35.81	$35.81
THIRD	$24.55	$15.48	$28.57	$17.14
FOURTH	$23.38	$19.04	$21.49	$16.57

(b) Holders. As of January 31, 2003, 2,334,162 shares of the Company's Common Stock were outstanding and the number of holders of record of the Common Stock at that date was 1,152.

(c) Dividends.

Cash Dividends.

The Company paid a cash dividend of $0.21 per share on March 27, 2001 to holders of record on February 27, 2001

The Company paid a cash dividend of $0.26 per share on November 5, 2001 to holders of record on October 9, 2001.

The Company paid a cash dividend of $0.26 per share on April 2, 2002 to holders of record on March 12, 2002.

The Company paid a cash dividend of $0.30 per share on October 2, 2002 to holders of record on September 11, 2002.

The Company has declared a cash dividend of $0.32 per share payable on April 1, 2003 to holders of record as of March 11, 2003.

All per share amounts have been adjusted to reflect the 5 for 4 stock split distributed in June 2001 and the 1 for 20 stock dividend payable to shareholders of record on December 2, 2002.

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 18 to the Consolidated Financial Statements.

Stock Dividends and Splits. A 1 for 20 stock dividend was declared on November 19, 2002 for shareholders of record on December 2, 2002. The stock dividend will result in the issuance of 110,589 shares of common stock and fractional shares to be determined and issued on January 29, 2003. The Company valued the dividend stock price on December 31, 2002 at the amount of $23.38 per share, as determined by the Nasdaq National Market December 31, 2002 close price. The appropriate amount of retained earnings was reclassified to common stock and additional paid in capital. A 5 for 4 stock split was distributed on June 12, 2001 to shareholders of record as of May 25, 2001. Fractional shares were redeemed for cash. The stock split resulted in the issuance of 439,441 shares of common stock as well as fractional shares paid in cash totaling $21,597. All share and per share data reflect the split. There were no stock dividends or splits in 2000.

(d) Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth information as of December 31, 2002 with respect to compensation plans under which the Company's equity securities are authorized for issuance, and does not reflect the 2003 proposed amendment to the Company's 1999 Stock Option and Long-Term Incentive Plan and the proposed Evans Bancorp, Inc. Employee Stock Purchase Plan which are being presented to the shareholders for approval at The 2003 Annual Meeting of Shareholders.

Plan Category	Number of Securities To be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans [Excluding Securities Reflected in Column (a)]
	(a)	(b)	(c)
Equity Compensation Plans Approved by Security Holders	None	$ N/A	106,250
Equity Compensation Plans Not Approved by Security Holders	None	$ N/A	N/A
Total	None	$ N/A	106,250

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

For the Year Ended December 31,	2002		2001	2000		1999	1998
RESULTS OF OPERATIONS (IN THOUSANDS)							
Interest Income	$ 15,212		$ 15,647	$ 15,071		$ 12,555	$ 11,852
Interest Expense	4,817		6,537	6,491		5,043	4,947
Net Interest Income	10,395		9,110	8,580		7,512	6,905
Non-Interest Income	5,474	A	4,528	3,648	C	1,343	1,220
Non-Interest Expense	10,650	B	9,531	7,535		6,050	5,197
Net Income	3,606	AB	2,579	3,223	C	2,027	2,043
BALANCE SHEET DATA (IN THOUSANDS)							
Total Assets	$ 288,711		$ 248,722	$ 224,549		$ 198,788	$ 174,120
Loans - Net	148,998		142,469	128,779		116,433	110,526
Allowance for Loan Losses	2,146		1,786	1,428		838	729
Securities	106,672		84,065	73,121		63,000	50,060
Total Deposits	239,507		204,260	186,701		169,949	144,084
Stockholders' Equity	30,862		26,961	25,179		18,285	18,623
PER SHARE DATA *							
Net Income	$ 1.55		$ 1.12	$ 1.40		$ 0.91	$ 0.92
Cash Dividend	0.56		0.47	0.40		0.36	0.28
Book Value at Year End	13.22		11.64	10.90		8.20	8.36
Market Value at Year End	23.38		18.09	35.81		35.81	34.29
Weighted Average Shares	2,325,414		2,310,137	2,305,662		2,229,311	2,229,428

A Includes one-time insurance proceeds of approximately $0.2 million

B Includes adjustment to reduce pension expense of approximately $0.2 million

C Includes one-time insurance proceeds of approximately $1.4 million

*Retroactively adjusted for the June 2001 5-for-4 stock split and the 1-for-20 stock dividend paid to shareholders of record on December 2, 2002.

See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 8."Consolidated Financial Statements and Supplementary Data" for further information and analysis.

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, 2002, 2001 and 2000. The review of the information presented should be read in conjunction with the consolidated financial statements and accompanying notes

Evans Bancorp, Inc. (the "Company") is the holding company for Evans National Bank (the "Bank"), its wholly-owned subsidiary, which is a nationally chartered bank founded in 1920 and headquartered in Angola, New York. The Bank's principal business is to provide a full range of banking services to consumer and commercial customers in Erie, Chautauqua and Cattaraugus Counties of Western New York.

The Bank serves its market through eight banking offices located in Amherst, Angola, Derby, Evans, Forestville, Hamburg, North Boston and West Seneca, 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 ("OCC").

On March 11, 2000, ENB Associates Inc., a wholly-owned subsidiary of the Bank, began the activity of providing non-deposit investment products, such as annuities and mutual funds, to bank customers. Effective September 1, 2000, the Company completed the acquisition of the assets, business and certain liabilities of M&W Group, Inc., a retail property and casualty insurance agency headquartered in Silver Creek, New York. The insurance agency acquired is operated as M&W Agency, Inc., a wholly-owned subsidiary of the Bank. M&W Agency, Inc. sells various premium-based insurance policies on a commission basis. M & W Agency, Inc. operates offices located in Angola, Cattaraugus, Colden, Derby, Eden, North Collins, Silver Creek, South Dayton, Randolph, and West Seneca, New York. Evans National Holding Corp. ("ENHC") was incorporated in February 2002, as a subsidiary of the Bank. ENHC is operated as a real estate investment trust ("REIT"), which will provide additional flexibility and planning opportunities for the business of the Bank.

The Company operates in two reportable segments - banking and insurance.

All share and per share information presented is stated after giving effect to a 5-for-4 stock split distributed on June 12, 2001, to shareholders of record on May 25, 2001, and a 1-for-20 stock dividend payable on January 29, 2003, to shareholders of record on December 2, 2002.

The following discussion of financial condition and results of operations of the Company and the Bank and its wholly-owned subsidiaries should be read in conjunction with the consolidated financial statements and accompanying notes.

Statements included in this Management's Discussion and Analysis may contain certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1993, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that involve substantial risks and uncertainties. When used in this report, the words "anticipate", "believe", "estimate", "expect", "intend", "may" and similar expressions identify such forward-looking statements. Actual results, performance or achievements could differ materially from those contemplated, expressed or implied by the forward-looking statements contained herein. These forward-looking statements are based largely on the expectations of the Company or the Company's management and are subject to a number of risks and uncertainties, including but not limited to economic, competitive, regulatory, and other factors affecting the Company's operations, markets, products and services, as well as expansion strategies and other factors discussed elsewhere in this report filed by the Company with the Securities and Exchange Commission. Many of these factors are beyond the Company's control. Forward-looking statements speak only as of the date they are made. The Company undertakes no obligation to publicly update or revise forward-looking information, whether as a result of new, updated information, future events, or otherwise.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

The Company's consolidated financial statements, are prepared in accordance with accounting principles generally accepted in the United States of America and follow general practices within the industries in which it operates. Application of these principles requires management to make estimates, assumptions, and judgments that affect the amounts reported in the financial statements and accompanying notes. These estimates, assumptions and judgments are based on information available as of the date of the financial statements. Accordingly, as this information changes, the financial statements could reflect different estimates, assumptions and judgments. Certain policies inherently have a greater reliance on the use of estimates, assumptions and judgments, and as such have a greater possibility of producing results that could be materially different than originally reported. Estimates, assumptions and judgments are necessary when assets and liabilities are required to be recorded at fair value, when a decline in the value of an asset not carried on the financial statements at fair value warrants an impairment write-down or valuation reserve to be established, or when an asset or liability needs to be recorded contingent upon a future event. Carrying assets and liabilities at fair value inherently results in more financial statement volatility. The fair values and the information used to record valuation adjustments for certain assets and liabilities are based either on quoted market prices or are provided by other third-party sources, when available. When third-party information is not available, valuation adjustments are estimated in good faith by management primarily through the use of internal cash flow modeling techniques.

The most significant accounting policies followed by the Company are presented in Note 1 to the consolidated financial statements. These policies, along with the disclosures presented in the other financial statement notes and in this financial review, provide information on how significant assets and liabilities are valued in the financial statements and how those values are determined. Based on the valuation techniques used and the sensitivity of financial statement amounts to the methods, assumptions and estimates underlying those amounts, management has identified the determination of the allowance for loan losses and valuation of goodwill to be the accounting areas that require the most subjective or complex judgments and as such could be most subject to revision as new information becomes available.

The allowance for loan losses represents management's estimate of probable credit losses inherent in the loan portfolio. Determining the amount of the allowance for loan losses is considered a critical accounting estimate because it requires significant judgment and the use of estimates related to the amount and timing of expected future cash flows on impaired loans, estimated losses on pools of homogeneous loans based on historical loss experience and consideration of current economic trends and conditions, all of which may be susceptible to significant change. The loan portfolio also represents the largest asset type on the consolidated balance sheets. Note 1 to the consolidated financial statements describes the methodology used to determine the allowance for loan losses.

The amount of goodwill reflected in the Company's consolidated financial statements is required to be tested by management for impairment on at least an annual basis. The test for impairment of goodwill on the identified reporting unit is considered a critical accounting estimate because it requires judgement and the use of estimates related to the growth assumptions and market multiples used in the valuation model.

RECENT ACCOUNTING PRONOUNCEMENTS AND DEVELOPMENTS

Note 1 to the consolidated financial statements discusses new accounting
policies adopted by the Company during 2002 and the expected impact of accounting policies recently issued or proposed but not yet required to be adopted. To the extent management believes the adoption of new accounting standards materially affects the Company's financial condition, results of operations, or liquidity, the impacts are discussed in the applicable section(s) of this financial review and notes to the consolidated financial statements.

RESULTS OF OPERATIONS

Net interest income, the difference between interest income and fee income on earning assets, such as loans and securities, and interest expense on deposits and borrowings, provides the primary basis for the Bank's results of operations. These results are also impacted by non-interest income, the provision for credit losses, non-interest expense and income taxes. Net income of $3.6 million in 2002 consists of $3.1 million related to the Company's banking activities and $0.5 million related to the Bank's insurance activities. The total net income of $3.6 million or $1.55 per share in 2002 compares to $2.6 million or $1.12 per share for 2001. The 2002 earnings reflect a one-time life insurance proceeds receipt of approximately $0.2 million and an adjustment to reduce pension expense by approximately $0.2 million. Both items, combined, resulted in a positive impact on 2002 earnings of approximately $0.4 million or $0.16 per share. Also in 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, under which the Company no longer amortizes goodwill. Adjusting 2001 earnings to exclude the effects of goodwill amortization, net income for such year increases by $0.3 million or $0.14 per share. For 2002, net income rose $0.7 million or 24.4% over 2001 after adjusting 2001 results to exclude goodwill amortization.

Net income in 2000 was $3.2 million or $1.40 per share. However, 2000 net income includes a one-time insurance proceeds benefit of $1.4 million on a life insurance policy on the former chairman, president and CEO. This policy was purchased to indirectly fund a future obligation of the Bank as part of the Supplemental Employee Retirement Plan ("SERP"). Excluding the one-time insurance proceeds, 2001 net income increased by $0.7 million or 40.0% over 2000.

NET INTEREST INCOME

Net interest income is dependent on the amounts and yields on interest earning assets as compared to the amounts of and rates on interest bearing liabilities.

The following table segregates changes in interest earned and paid 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 income and expense due to both volume and rate has been allocated in the table to volume and rate changes in proportion to the relationship of the absolute dollar amounts of the change in each.

	2002 Compared to 2001 Increase (Decrease) Due to			2001 Compared to 2000 Increase (Decrease) Due to		
			($000)			
	Volume	Rate	Total	Volume	Rate	Total
Interest earned on:						
Loans	$ 1,000	($1,458)	($ 458)	$ 982	($ 547)	$ 435
Taxable securities	199	(538)	(339)	263	(117)	146
Tax-exempt securities	481	(65)	416	(16)	37	21
Federal funds sold	150	(209)	(59)	51	(77)	(26)
Time deposits in other banks	5	0	5	0	0	0
Total interest-earning assets	$ 1,835	($2,270)	($ 435)	$ 1,280	($ 704)	$ 576
Interest paid on:						
NOW accounts	$ 12	($ 44)	($ 32)	($ 2)	($ 7)	($ 9)
Savings deposits	319	(893)	(574)	105	(354)	(249)
Time deposits	274	(1,393)	(1,119)	414	(226)	188
Federal Funds Purchased & other borrowings	72	(67)	5	149	(33)	116
Total interest-bearing liabilities	$ 677	($2,397)	($1,720)	$ 666	($ 620)	$ 46

Net interest income, before the provision for credit losses, increased to $10.4 million or 14.1% in 2002, as compared to $9.1 million in 2001, an increase of 6.2% from 2000 to 2001. This increase in 2002 is attributable to the increase in average earning assets of $25.8 million versus an increase of $19.1 million in average interest-bearing liabilities over 2001. This accounts, as indicated in the table above, for a net increase due to volume of approximately $1.2 million in net interest income. The tax-equivalent yield on earning assets decreased 87 basis points from 7.58% in 2001 to 6.71% in 2002, while the cost of funds had a greater decrease of 131 basis points, from 3.85% in 2001 to 2.54% in 2002. This resulted in a greater decrease in rate related changes on interest expense versus interest income, or a net increase in net interest income of approximately $0.1 million. The Bank's net interest margin increased from 4.20% during 2001 to 4.32% during 2002.

The increase in net interest income, before the provision for credit losses, in 2001 was primarily attributable to the increase in average earning assets of $19.1 million versus an increase of $15.9 million in average interest-bearing liabilities over 2000. The tax-equivalent yield on earning assets decreased 49 basis points from 8.07% in 2000 to 7.58% in 2001. The cost of funds decreased only 35 basis points, from 4.20% in 2000 to 3.85% in 2001. The Bank's net interest margin decreased from 4.43% at December 31, 2000, to 4.20% at December 31, 2001.

Management believes the increase in net interest margin from 2001 to 2002 is a result of a more stable interest rate environment during 2002. After the Federal Reserve cut key interest rates eleven times in 2001, 2002 had only one decrease of 50 basis points. The more stable rate environment allowed the Bank to more effectively manage within the current environment.

The Bank believes net interest margin will be challenged in 2003 due to two main factors. Banks are not only competing with each other for available business, but with other providers of loan and investment products, such as credit unions and insurance companies. A wealth of information is easily obtained by consumers via the Internet, from television and through print media. Competitors exist beyond the geographic trade area and banks generally have increased business volumes by offering higher deposit rates and lower loan rates, looking to other potential sources of income, such as fees and service charges, to increase earnings.

Secondly, as the Bank responds to competitive pricing for assets, the current low interest rate environment will make it difficult to competitively adjust the pricing of liabilities much further. The historically low environment provides the Bank a smaller interval to move rates on deposits to offset any decrease on assets.

The Bank regularly 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. The Bank's Asset/Liability Management Committee ("ALCO") meets monthly 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 has adopted an asset/liability policy that specifies minimum limits for liquidity and capital ratios. Ranges have been set for the negative impact acceptable on net interest income and on the market value of equity as a result of a shift in interest rates. The asset/liability policy also includes guidelines for investment activities and funds management. At its monthly meeting, the ALCO reviews the Bank's status and formulates its strategy based on current economic conditions, interest rate forecasts, loan demand, deposit volatility and the Bank's earnings objectives.

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses represents the amount charged against the Bank's earnings to establish a reserve or allowance sufficient to absorb expected loan losses based on management's evaluation of the loan portfolio. Factors considered include current loan concentrations, charge-off history, delinquent loan percentages, input from regulatory agencies and general economic conditions.

On a quarterly basis, management of the Bank meets to review the adequacy of the allowance for loan losses. In making this determination, the Company analyzes the ultimate collectibility of the loans in its portfolio by incorporating feedback provided by internal loan staff, an independent loan review function and information provided by examinations performed by regulatory agencies.

The analysis of the allowance for loan losses is composed of three components:
specific credit allocation, general portfolio allocation and subjectively by determined allocation. The specific credit allocation includes a detailed review of the credit in accordance with SFAS No. 114 and No. 118, and allocation is made based on this analysis. The general portfolio allocation consists of an assigned reserve percentage based on the credit rating of the loan.

The subjective portion of the allowance reflects management's current assessment of the New York State and local economies. Both have lagged behind national prosperity, which has continued to remain unsettled. Marginal job growth, in conjunction with a declining population base, has left the Bank's market more susceptible to potential credit problems. This is particularly true of commercial borrowers. Commercial loans represent a segment of significant past growth as well as concentration in the Company's real estate portfolio. Commercial real estate values may be susceptible to decline in an adverse economy. Management believes that the reserve is also in accordance with regulations promulgated by the OCC, and is reflective of its assessment of the local environment as well as a continued growth trend in commercial loans.

In 2002, the Bank charged $0.4 million against earnings for loan losses as compared to $0.4 million in 2001. In 2000, $0.7 million was charged against earnings for this purpose. Total non-performing loans amounted to $1,197,000 at December 31, 2002, as compared to $1,167,000 at December 31, 2001 and $1,460,000 at December 31, 2000.

The amount charged to loan losses over the past three years has been greater than the Bank's actual loan losses. The following table provides an analysis of the allowance for loan losses, the total of non-performing loans and total allowance for loan losses as a percentage of total loans outstanding for the three years ended December 31:

	2002	2001	2000
Balance, beginning of year	$ 1,786,115	$ 1,428,467	$ 838,167
Provisions for loan losses	420,000	420,000	689,000
Recoveries	15,689	17,250	6,356
Loans charged off	(76,198)	(79,602)	(105,056)
Balance, end of year	$ 2,145,606	$ 1,786,115	$ 1,428,467
Actual loan losses	0.05%	0.06%	0.08%
Non-performing loans	0.79%	0.81%	1.13%
Allowance for loan losses	1.42%	1.24%	1.11%

An allocation of the funding allowance for loan losses by portfolio type over the past five years follows: (all amounts in $000)

	BALANCE AT 12/31/02 ATTRIBUTABLE TO:	BALANCE AT 12/31/01 ATTRIBUTABLE TO:	BALANCE AT 12/31/00 ATTRIBUTABLE TO:	BALANCE AT 12/31/99 ATTRIBUTABLE TO:	BALANCE AT 12/31/98 ATTRIBUTABLE TO:
Real estate loans	$ 844	$ 455	$ 600	$ 716	$ 457
Commercial loans & leases	259	96	96	50	78
Installment loans (including credit cards)	72	74	66	56	53
Student loans	0	0	0	0	0
All other loans	0	0	0	0	0
Unallocated	971	1,161	666	16	141
Total	$ 2,146	$ 1,786	$ 1,428	$ 838	$ 729

Both the total increase in allowance for loan losses and allocation of the allowance to commercial loans and leases are in response to the increase in total commercial loans. Commercial real estate mortgages represent 61.1% or $77.9 million of total real estate mortgages at December 31, 2002, as compared to 57.9% or $70.8 million at December 31, 2001. Commercial real estate contains mortgage loans to developers and owners of commercial real estate. Additionally, commercial loans, which represent loans to a wide variety of businesses, small and moderate across varying industries, has increased to 13.5% of total loans or $20.5 million at December 31, 2002, as compared to 11.3% or $16.3 million at December 31, 2001. The increased allowance and allocation to commercial categories are to provide for the current economic condition deterioration. Commercial loans are more susceptible to decreases in credit quality in cyclical downturns and the larger individual balances of commercial loans expose the Company to larger losses. In addition, growth in the size of the commercial loan portfolio during 2002 required additional allowance to provide for probable losses inherent but undetected in the new loans originated during the year.

The unallocated portion of the allowance reflects estimated probable inherent but undetected losses within the portfolio due to uncertainties in economic conditions, delays in obtaining information, including unfavorable information about a borrower's financial condition, the difficulty in identifying triggering events that correlate perfectly to subsequent loss rates and risk factors that have not yet manifested themselves in loss allocation factors. In addition, the unallocated allowance includes a component that explicitly accounts for the inherent imprecision in loan loss models. The Company has changed its portfolio mix in recent years. As a result, historical loss experience data used to establish allocation estimates might not precisely correspond to the current portfolio. The longer-term consequences of the September 11, 2001 terrorist attacks and the recessionary environment also affect the precision of the allocation model's estimates of loss. Given these recent factors, the losses in the historical testing period may not be representative of the actual losses inherent in the portfolio that have not yet been recognized.

The allowance for loan losses is based on estimates, and ultimate losses will vary from current estimates. The methodology to determine the adequacy of the allowance for loan losses is consistent with prior years.

NON-INTEREST INCOME

Total non-interest income increased approximately $0.9 million or 20.9% in 2002 over 2001. This compares to an increase of approximately $0.9 million from 2000 to 2001. Non-interest income for 2002 included approximately $0.2 million of life insurance proceeds, which the Bank recorded as the beneficiary of a life insurance policy on a director. Excluding this one-time item, non-interest income increased $0.7 million or 16.8% from 2001 to 2002. Income from the M&W Agency, Inc. accounted for a substantial portion of this increase in non-interest income, approximately $0.5 million.

The competitive interest rate environment resulted in prepayment fees collected on refinanced loans totaling an additional $0.1 million. New mortgage volume and refinancings also increased appraisal fees and premiums received on residential mortgages sold to the Federal National Mortgage Association ("FNMA") for approximately $0.1 million. ENB Associates also benefited in the low interest rate environment as customers searched for higher yields in mutual funds and annuities. ENB Associates' revenue increased $0.1 million in 2002 as compared to 2001.

Additionally, the Bank has grown its ATM network with the addition of one at the new Amherst branch and two new offsite locations during 2002. Also, the usage of the Bank's point-of-sale debit cards has increased. Both data services have provided approximately an additional $0.1 million in fees as compared to 2001.

These increases were offset by a decrease of approximately $0.1 million in gains realized on the sale of assets, primarily planned sales of securities, totaling approximately $0.1 million in 2002 versus an approximate $0.2 million gain realized in 2001. During 2002, the Bank also recognized losses on sales and write downs in the carrying value of foreclosed real estate of $0.1 million.

Non-interest income for 2000 included approximately $1.4 million of life insurance proceeds, which the Bank recorded as the beneficiary of a life insurance policy on its former chairman, president and CEO. Excluding this one-time item, non-interest income increased $2.3 million or 99.7% from 2000 to 2001. Income from the M&W Agency, Inc. accounted for a substantial portion of this increase in non-interest income, approximately $1.8 million in 2001, which was the first full year it was operated by the Company. Income on a property foreclosed on in 2001 accounted for approximately $0.1 million in additional income in 2001.

In 2001, the Bank received a six-month benefit from the increase in service charges on deposit accounts instituted in July 2001. Loan-related income also increased in 2001. This included prepayment penalties collected on loans and dividends received as a result of the Bank's participation in the New York State Bankers Group Insurance Trust.

Gains realized on the sale of assets, primarily planned sales of securities, totaled approximately $0.2 million in 2001 versus an approximate $0.1 million loss realized in 2000.

NON-INTEREST EXPENSE
Total non-interest expense increased approximately $1.1 million or 11.7% in 2002 over 2001. In 2002, the ratio of non-interest expense to average assets was 4.01% compared to 4.01% in 2001 and 3.55% in 2000. Non-interest expense categories include those most impacted by branch expansion and the operations of the M&W Agency, Inc. and ENB Associates Inc.: salaries, occupancy, advertising, and supplies, among others. Salary and benefit expense increased 10.1% in 2002. Of the $0.5 million in salary and benefit expense increases in 2002, the Bank's operations contributed approximately $0.3 million of the increase and M&W Agency contributed approximately $0.2 million of the increase from 2001. The addition of the Amherst branch, increased loan staffing, M&W Agency expansion and promotional increases contributed to the increased salary costs. M&W Agency acquired the business, assets and certain liabilities of the Eden Agency in the beginning of 2002, and opened an additional office at the Derby Bank branch location, which led to its increased salary and benefits. The increased costs were offset by an adjustment to reduce pension expense of approximately $0.2 million related to the supplemental executive retirement plan ("SERP").

Occupancy expense increased approximately $0.2 million or 15.7%. The Bank's capital expenditures completed in 2002 included a new branch in Amherst, renovation of an owned building to house the Bank's loan operations, renovations to the Bank's administrative offices in Angola, New York, and M&W Agency's addition of the Eden location. All additions increased related occupancy expenses: utilities, rent, and depreciation, among others. Professional services increased $0.1 million or 29.6%. The Bank engaged outside consulting firms and attorneys for a revenue enhancement project, strategic expansion study and assistance in formation of ENHC.

Miscellaneous other expenses increased $0.2 million or approximately 11.2% in 2002. Expenses associated with Internet banking, ATM expense, telephone and data line costs, postage costs, maintenance on foreclosed properties, director fees and correspondent bank service charges fall under miscellaneous expenses. All of these categories increased in 2002 as compared to 2001, for approximately $0.5 million. Due to the January 1, 2002, SFAS No. 142 adoption by the Company, systematic goodwill amortization ceased and the net goodwill recorded by the Company is evaluated for impairment on an annual basis. The cessation of amortization expense offset the increases mentioned above by approximately $0.3 million, which was the expense recognized in 2001.

Salary and benefit expense increased 27.1% in 2001, over 2000. Of the $1.1 million increase in salary and benefit expenses in 2001, approximately $0.9 million is attributable to the addition of the M&W Agency, Inc. The remainder of the increase included merit/promotional increases, other additional staffing and expenses related to the Bank's retirement plans.

In 2001, occupancy expenses increased about $0.1 million or 12.9%. The cost of the occupancy expense for M&W Agency, Inc. contributed $0.1 million to occupancy expense. Repairs and maintenance increased approximately $0.1 million or 38.2%. This was largely due to M&W Agency, Inc. Professional services increased about $0.2 million or 65.7% due to increased fees related to the listing of the Company's common stock on the Nasdaq National Market. Accounting and legal fees comprised a majority of these expenses. M&W Agency, Inc. professional costs increased as a result of additional audit fees required to perform their annual external audit. The FDIC Assessment expense remained stable in 2001 as compared to 2000. New assessment rates went into effect on January 1, 2000. Other insurance decreased approximately $0.1 million or 22.9% in 2001 due to one-time premiums paid in 2000 for life insurance policies held on certain bank officers and directors.

Miscellaneous other expenses increased 41.7% or approximately $0.5 million in 2001. Expenses associated with Internet banking, ATM expense, telephone costs, postal costs, maintenance on foreclosed properties, director fees and correspondent bank service charges fall under miscellaneous expenses. All of these categories increased in 2001 as compared to 2000. Amortization of goodwill related to the M&W Agency, Inc. acquisition accounted for approximately $0.2 million of the increase.

Evans Bancorp, Inc. parent company expense increased approximately $0.1 million due to costs incurred for initial listing and annual fees for listing of the Company's common stock on the Nasdaq National Market. M&W Agency., Inc. miscellaneous costs increased approximately $0.1 due to a full year of operation as a part of the Company in 2001 versus four months during 2000.

PENSION

The Company maintains a qualified defined benefit pension plan, which covers substantially all employees. Additionally, the Company has entered into individual retirement agreements with certain current executives providing for unfunded supplemental pension benefits. Our pension expense for all pension plans, including the SERP, approximated $215,000 and $458,000 for the years ended December 31, 2002, and December 31, 2001, respectively, and is calculated based upon a number of actuarial assumptions, including an expected long-term rate of return on our plan assets of 6.75%.

In developing our expected long-term rate of return assumption, we evaluated input from our actuary in conjunction with our historical returns based on the asset allocation of our portfolio. We will continue to evaluate our actuarial assumptions, including our expected rate of return, at least annually, and will adjust as necessary.

We base our determination of pension expense or income on a market-related valuation of assets, which reduces year-to-year volatility. This market-related valuation recognizes investment gains or losses over a three-year period from the year in which they occur. Investment gains or losses for this purpose are the difference between the expected return calculated using the market-related value of assets and the actual return based on the market-related value of assets. Since the market-related value of assets recognizes gains or losses over a three-year period, the future value of assets will be impacted as previously deferred gains or losses are recorded.

The discount rate utilized for determining future pension obligations is based on a review of long-term bonds that receive one of the two highest ratings given by a recognized rating agency. The discount rate determined on this basis has decreased from 7.50% at September 30, 2001, for purposes of our deferred benefit pension plan and at December 31, 2001, for purposes of our SERP, both of which are the measurement dates, to 6.75% for both plans at September 30, 2002 and December 31, 2002, respectively.

TAXES

The provision for income taxes in 2002 of $1.2 million reflects an effective tax rate of approximately 24.9%. This compares to $1.1 million or 30.0% in 2001 and $0.8 million or 19.5% in 2000. There were two main factors for the decrease in the effective tax rate in 2002. The first was due to the establishment of ENHC as a REIT. In addition to the flexibility and planning opportunities for the Bank, it also provided state tax benefits. Additionally, the life insurance proceeds recorded in 2002 were tax exempt and contributed to a more favorable tax position. The Bank also continues to maintain a substantial investment in tax-advantaged municipal bonds, which contributes to its favorable tax position.

A significant reason for the increase in the effective tax rate in 2001 over 2000 was a full year of non-tax deductible goodwill amortization expense related to the M&W Agency acquisition. Additionally, the life insurance proceeds recorded in 2000 were tax-exempt income also contributing to the favorable tax position in that year.

FINANCIAL CONDITION

The Bank had total assets of $288.7 million at December 31, 2002, an increase of $40.0 million or 16.1% over $248.7 million at December 31, 2001. Net loans of $149.0 million increased 4.6% or $6.5 million over the previous year. Securities increased $22.6 million or 26.9% and cash and cash equivalents increased $9.1 million or 84.8%. Deposits grew by $35.2 million or 17.3%. Shareholders' equity increased $3.9 million or 14.5%. Net unrealized gains/losses on investment securities held by the Bank increased $1.3 million over 2001.

LOANS

Loans comprised 59.8% of the Bank's total average earning assets in 2002. Actual year-end balances increased 4.6% versus an increase of 10.8% in 2001 and 10.6% in 2000. The Bank continues to focus its lending on commercial and residential mortgages, commercial loans and home equity loans. Commercial mortgages make up the largest segment of the portfolio at 53.2% of total loans. Residential mortgages comprise 12.9% of the portfolio and 15.3% are home equity loans. Other commercial loans account for 16.6% of outstanding loans. Commercial loans total $105.5 million at December 31, 2002, reflecting a 10.6% or $10.1 million increase for the year. Total loan growth was in spite of a decrease in total consumer loans of 6.6% or $3.2 million for the year, primarily due to the refinancings of fixed rate residential mortgages and corresponding sales of such mortgages in the secondary market, as a result of the low interest rate environment and to minimize interest rate risk in the Bank's portfolio. Given the current low interest rate environment, the Bank continues to sell certain fixed rateresidential loans originated under a certain interest rate level, while maintaining the servicing right to such loans.

At December 31, 2002, the Bank had a loan/deposit ratio of 63.1%. This compares to a loan/deposit ratio of 70.6% at December 31, 2001.

At December 31, 2002, the Bank retained the servicing rights to $24.0 million in long-term mortgages sold to the FNMA since becoming a member in 1995. This compares to a loan servicing portfolio principal balance of $16.0 million at December 31, 2001. This arrangement allows the Bank to offer long-term mortgages without exposure to the associated interest rate risks, while retaining customer account relationships. In 2002 and 2001, the Bank sold loans to FNMA totaling approximately $11.6 million and $8.5 million respectively. The Bank did not record any related asset to the servicing portfolio rights as management determined it immaterial.

SECURITIES AND FEDERAL FUNDS SOLD

Securities and federal funds sold made up the remaining 40.2% of the Bank's total average earning assets at December 31, 2002. These categories provide the Bank with additional sources of liquidity and income. The Bank's securities portfolio increased 26.9% over the prior year. It continues to be strongly concentrated in tax-advantaged municipal bonds, which make up 47.7% of the portfolio, US government-guaranteed mortgage-backed securities which make up 41.9% of the portfolio, and US government-sponsored agency bonds of various types which comprise 9.2% of the total. As a member of both the Federal Reserve System and the Federal Home Loan Bank, the Bank is required to hold stock in those entities. These investments made up 1.2% of the portfolio at December 31, 2002. The credit quality of the securities portfolio is strong, with 93.9% of the securities portfolio carrying the equivalent of a Moody's rating of AAA.

Federal funds sold balances are largely maintained for liquidity purposes. The average balance maintained in federal funds sold increased slightly in 2002 to 2.1% of total average earning assets from 1.5% in 2001.

The tax-equivalent yield earned on securities and federal funds sold decreased 79 basis points in 2002 moving from 6.70% in 2001 to 5.91% in 2002. This compares to 7.00% in 2000. Available yields on investments have declined throughout the year. The Bank's investment strategy has been focused on the purchase of seasoned and new production mortgage-backed securities of moderate average lives (3 to 5 years), which have been purchased at discounts, at par, and at premiums, to par. Based on the Company's evaluation, mortgage-backed securities are an appropriate investment vehicle in response to a low interest rate environment. Mortgage-backed securities offer competitive yields, provide monthly cash flows, serve as acceptable collateral, and have most of the liquidity characteristics of US Treasury notes and bonds. Total mortgage-backed securities increased $15.1 million, or 51.0% from 2001.

All fixed and adjustable rate mortgage pools contain a certain amount of risk related to the uncertainty of prepayments of the underlying mortgages. Interest rate changes have a direct impact on prepayment rates. The Company uses a third party's computer simulation model to monitor the average life and yield volatility of mortgage pools under various interest rate assumptions.

The Company manages its securities available for sale portfolio on a total return basis. In this respect, management regularly reviews the performance of its securities and sells specific securities to enhance net interest income and net interest margin. The Bank experienced $0.1 million in net gains on these sales in 2002.

SFAS No. 115 outlines accounting and reporting requirements for investment securities. All securities are designated at the time of purchase as either "held to maturity" or "available for sale". Securities designated as held to maturity are stated on the balance sheet at amortized cost. Those designated as available for sale are reported at fair market value. At December 31, 2002, $3.6 million in securities were designated as held to maturity. These bonds are primarily municipal investments that the Bank has made in its local trade area.

The available for sale portfolio totaled $103.0 million or approximately 96.6% of the Bank's securities portfolio at December 31, 2002. Net unrealized gains and losses on available for sale securities resulted in a net unrealized gain of $3.4 million at December 31, 2002, as compared to $1.1 million at December 31, 2001. Interest rates decreased in 2002 as discussed above, driving market prices up on fixed income bonds held in the portfolio. Unrealized gains and losses on available for sale securities are reported, net of taxes, as a separate component of shareholders' equity. At December 31, 2002, the impact to equity was a net unrealized gain of approximately $1.9 million.

DEPOSITS

Total deposits increased $35.2 million or 17.3% in 2002 over 2001. Core deposit growth has been an area the Bank has focused on and its success is evident in the 12.8% increase in demand deposits, 9.7% increase in NOW accounts, and 47.5% increase in savings accounts. Savings deposit growth is primarily due to the Bank's success in attracting municipal deposits with a revamped money market type product called Muni-Vest. Muni-Vest is geared at paying higher money market equivalent rates of return to municipalities and school districts in markets where the Bank operates. Time deposits of less than $100,000 decreased 1.4% in 2002, as the Bank was less aggressive in 2002 in pursuing these generally more costly deposits.

Certificates of deposit in excess of $100,000 decreased 1.5%. These funds are generally not considered core deposits. Many of these deposits are obtained from municipalities through the competitive bidding process. Others are obtained from commercial and retail customers looking for the safety of an FDIC-insured deposit. Certificates of deposit in excess of $100,000 have increased significantly in 2002 over the past several years prior to 2002 due to the Bank's expansion of its trade area.

LIQUIDITY

The Bank utilizes cash flows from the investment portfolio and federal funds sold balances to manage the liquidity requirements it experiences due to loan demand and deposit fluctuations. The Bank also has many borrowing options. As a member of the Federal Home Loan Bank ("FHLB"), the Bank is able to borrow funds at competitive rates. Advances of up to $13.1 million can be drawn on the FHLB via the Overnight Line of Credit Agreement. An amount equal to 25% of the Bank's total assets could be borrowed through the advance programs under certain qualifying circumstances. The Bank also has the ability to purchase up to $7 million in federal funds from one of its correspondent banks. By placing sufficient collateral in safekeeping at the Federal Reserve Bank, the Bank could also borrow at the discount window. Additionally, the Bank has access to capital markets as a funding source.

The cash flows from the investment portfolio are laddered, so that securities mature at regular intervals, to provide funds from principal and interest payments at various times as liquidity needs may arise. Contractual maturities are also laddered, with consideration as to the volatility of market prices, so that securities are available for sale from time-to-time without the need to incur significant losses. At December 31, 2002, approximately 6.4% of the Bank's securities had maturity dates of one year or less and approximately 19.2% had maturity dates of five years or less. At December 31, 2002, the Bank had net short-term liquidity of $36.9 million as compared to $37.0 million at December 31, 2001. Available assets of $115.1 million, less public and purchased funds of $73.0 million, resulted in a long-term liquidity ratio of 158% at December 31, 2002, versus 177% at December 31, 2001.

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 level of US government and government agency securities and New York State municipal bonds that can be pledged as collateral for these deposits.

CAPITAL

The Bank has consistently maintained regulatory capital ratios at, or above "well capitalized" standards. For further detail on capital and capital ratios, see Note 18 to the Consolidated Financial Statements.

Total stockholders' equity was $30.9 million at December 31, 2002, up from $27.0 million at December 31, 2001. Equity as a percentage of assets was 10.7% at December 31, 2002, compared to 10.8% at December 31, 2001. Book value per common share rose to $13.22 at December 31, 2002, up from $11.64 at December 31, 2001.

In September 2001, the Company's Board of Directors authorized the repurchase of up to 50,000 shares of Evans Bancorp's outstanding common stock over the following two years. In July of 2002, the Board approved an extension of the repurchase plan for two years from the July 2002 date. Shares are held for reissue in connection with the Company's "Stock Dividend Reinvestment Plan" and general corporate purposes. During 2002 and 2001 the Company repurchased under the plan 1,100 shares and 0 shares, respectively. Subject to ongoing capital and investment considerations, management intends to continue to repurchase shares in 2003 on an opportunistic basis.

Evans Bancorp paid dividends per share of common stock of $0.56 in 2002, $0.47 in 2001 and $0.40 in 2000. The dividend payout is continually reviewed by management and the Board of Directors. The dividend payout ratio, which represents dividends per share divided by earnings per share, was 36.1% and 42.0% for the years 2002 and 2001, respectively.

INTEREST RATE RISK

The Company's asset/liability management strategy is to maximize earnings and return on capital while limiting exposure to risks associated with a volatile interest rate environment. The Company's exposure to interest rate risk is managed primarily through the Company's strategy of selecting the type and terms of interest earning assets and interest bearing liabilities that generate favorable earnings, while limiting the potential negative effects of changes in market interest rates.

Management uses income simulation models to quantify the potential impact on earnings and capital with changes in interest rates. The model uses cash flows and repricing information from loans and certificates of deposit, plus repricing assumptions on products without specific repricing dates (e.g. savings and interest bearing demand accounts), to calculate durations of each of the Bank's assets and liabilities. In addition, the model uses management assumptions on growth with duration to project income. The model also projects the effect on income due to changes in interest rates as well as the value of the Company's equity in each of the theoretical rate environments.

The Company maintains specific interest rate risk management policy limits. Based on simulation modeling, these guidelines include a +/- 5.25% of net interest income and a 6% of capital threshold on the value of the Company's economic value of equity. At December 31, 2002, the effect of an immediate 200 basis point increase in interest rate would increase the Company's annual net interest income by 2.7%, or $0.3 million. A 200 basis point decrease in interest rate would decrease annual net interest income by 3.8% or approximately $0.4 million.

The Company and its subsidiary, M&W Agency, Inc., lease certain offices, land and equipment under long-term operating leases. The aggregate minimum annual rental commitments under these leases total approximately $293,000 in 2003, $265,000 in 2004, $175,000 in 2005, $173,000 in 2006, $179,220 in 2007 and $1,727,000 thereafter.

Financial instruments with off balance sheet risk at December 31, 2002 included $10.4 million in undisbursed lines of credit at an average interest rate of 5.1%, $3.9 million in fixed rate loan origination commitments at 8.9%, $25.7 million in adjustable rate loan origination commitments at 5.5% and $1.7 million in adjustable rate letters of credit at an average rate of 5.3%.

The following table represents expected maturities of interest-bearing assets and liabilities and their corresponding average interest rates.

Expected maturity Year ended December 31,	2003	2004	2005	2006	2007	Thereafter	Total	Fair Value
Interest - Assets ($000s)								
Loans receivable, fixed	7,441	5,178	4,434	5,312	4,696	16,246	43,307	56,380
Average interest	7.60%	8.20%	8.03%	7.92%	7.52%	7.58%		
Loans receivable, adj	22,395	6,455	7,585	8,453	6,182	56,766	107,836	107,836
Average interest	5.53%	6.69%	7.28%	6.95%	6.88%	6.63%		
Federal funds	8,450							
Average interest	1.25%							
Time demand other banks	877							
Average interest	2.60%							
Investment securities	17,711	15,431	6,607	3,673	4,529	58,721	106,672	106,672
Average interest	4.44%	5.46%	5.32%	5.58%	5.88%	6.85%		

Interest - Liabilities ($000s)								
Deposits	169,844	15,869	3.320	3.901	1,908	0	194,842	196,095
Average interest	1.75%	2.68%	3.98%	5.30%	4.16%	0%		
Borrowed funds	9,933	2,437	1,467	707	91	19	14,654	14,654
Average interest	2.70%	5.24%	5.43%	5.49%	8.91%	9.00%		

MARKET RISK

When rates rise or fall, the market value of the Bank's rate-sensitive assets and liabilities increases or decreases. As a 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 acceptable. 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 SFAS No. 115. The Bank has established an acceptable range target of negative 25% of total capital, before SFAS No. 115 (after tax), as the maximum impact to equity as a result of marking available for sale securities to market. At year-end, the impact to equity as a result of marking available for sale securities to market was an unrealized gain of $1.9 million. On a quarterly basis, the available for sale portfolio is shocked for immediate rate increases of 100 and 200 basis points. At December 31, 2001, the Bank determined it would take an immediate increase in rates in excess of 200 basis points to eliminate the current capital cushion. The Bank's capital ratios are also reviewed on a quarterly basis. Unrealized gains and losses on available for sale securities are not included in the calculation of these ratios.

CAPITAL EXPENDITURES

The Bank has approved the construction and furnishing of a new branch office in 2003. The cost to the Bank is expected to be approximately $0.9 million. Other planned expenditures include replacing a number of personal computers, replacing/adding automated teller machines (ATMs) and miscellaneous other equipment. The Bank believes it has a sufficient 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 the 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 repricing frequency of assets and liabilities to avoid a significant concentration that could result in a negative impact on earnings.

FOURTH QUARTER RESULTS

Net income for the fourth quarter of 2002 was approximately $0.9 million or $0.37 per share, which reflects an increase of approximately $0.3 million or 57.7% from approximately $0.5 million or $0.24 per share in the fourth quarter 2001. Adjusting fourth quarter 2001 earnings to exclude the effects of goodwill amortization, net income for such quarter increases $80 thousand or $0.03 per share. For the fourth quarter of 2002, net income rose $236 thousand or 37.6%, after adjusting 2001 results to exclude goodwill amortization. All per share results reflect the 5-for-4 stock split distributed in June 2001 and the 5% stock dividend payable to shareholders of record as of December 2, 2002, on January 29, 2003.

During the fourth quarter of 2002, net interest income was $2.5 million, which reflects an increase of $0.3 million or 11.3% over the same time period in 2001. An increase in average earning assets and a widening of the Bank's net interest margin were the most significant factors contributing to the improvement in net interest income.

Non-interest income was $1.4 million in the fourth quarter of 2002, which reflects a $0.4 million or 35.7% increase over the same time period in 2001. Insurance sales and fees comprised $0.2 million of this increase due to growth in the business of M&W Agency, Inc. Also, approximately $0.2 million of the increase was due to an adjustment in the actuarial retirement calculations, which is reflected as a decrease in SERP expense in the consolidated statements of income.

Non-interest expense for the fourth quarter of 2002 was $2.8 million, which reflects a $0.3 million or 13.9% increase over the same time period in 2001. Occupancy expense comprised $0.1 million of the increase due to costs related to Company expansion including the new Bank branch in Amherst, New York, M&W Agency growth and Bank administrative space remodeling. Goodwill amortization expense decreased in the fourth quarter of 2002 by approximately $0.1 million from the same time period in 2001, due to the cessation of goodwill amortization as a result of implementation of SFAS No. 142 on January 1, 2002. Professional services increased in the fourth quarter of 2002 by approximately $0.1 million from the same time period in 2001, due to fees related to two consulting projects related to market expansion strategy and revenue enhancement in 2002. Other non-interest expense increased $0.2 million in the fourth quarter 2002, over the same time period in 2001. This was due to a number of factors including: ATM card fees due to increased off-premise ATM activity, telephone and data line expenses due to Bank branch and M&W Agency expansion, appraisal expense as a result of increased mortgage origination and refinancing activity and greater charitable contributions in funding the Bank's newly created Foundation for charitable giving purposes.

During the fourth quarter 2002, net loans increased by $0.7 million or 0.5% to $149.0 million at December 31, 2002. During the fourth quarter 2002, commercial loans increased by $1.5 million or 1.5% to $105.5 million at December 31, 2002. During the fourth quarter 2002, consumer loans decreased $0.7 million or 1.6% to $45.3 million at December 31, 2002. These changes are primarily due to the Company's strategy to continue emphasizing commercial loan originations, while selling fixed rate residential mortgages originated under a certain interest rate level.

During the fourth quarter, deposits increased $23.5 million or 10.9% to $239.5 million at December 31, 2002, due primarily to growth in municipal savings with the Bank's revamped product called Muni-Vest, which provides municipalities and school districts with a money market type of product.

Segment Information
In accordance with the provisions of SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, the Company's reportable segments have been determined based upon its internal profitability reporting system, which are comprised of banking and insurance activities.

The banking activities segment includes all of the activities of Evans National Bank in its function as a full-service commercial bank. This includes the operations of ENB Associates Inc., which provides non-deposit investment products. Net income from banking activities was $3.1million in 2002, which represents a $0.9 million or 38.2% increase over 2001. The increase in net income from banking activities was driven significantly by an improvement in net interest income as a result of the more stable interest rate environment during 2002 as compared to 2001. Total assets of the banking activities segment increased $39.2 million or 16.0% during 2002 to $284.1 million at December 31, 2002, due primarily to normal banking activities and growth in deposits which were utilized to fund loans and the investment securities portfolio.

The insurance activities segment includes activities of the M&W Agency, Inc., which is a retail property and casualty insurance agency with ten locations in the Western New York area. Net income from insurance activities was $0.5 million in 2002, which represents a $0.2 million or 51.0% increase over 2001. Growth in the overall M&W Agency property and casualty lines of business as well as the acquisition of the business of the Eden Agency on January 1, 2002, contributed to the improvement in net income in 2002 over 2001. Total assets of the insurance activities segment increased $0.8 million or 20.4% during 2002 to $4.6 million at December 31, 2002, due primarily to the acquisition of the business of the Eden Agency and Frontier Claim Services during 2002.

NEW ACCOUNTING STANDARDS
SFAS No. 144 Accounting for the Impairment or Disposal of Long-Lived Assets, was issued August 2001. This statement supercedes SFAS 121, APB No. 30, and amends ARB No. 51. The Statement establishes a single accounting model for long-lived assets to be disposed of by sale and resolve significant implementation issues related to SFAS No. 121. However, this Statement retains fundamental provisions of SFAS No. 121, APB Opinion 30, and ARB No. 51. The Statement was effective for the Company beginning on January 1, 2002 and did not have a material impact on the Company's financial statements.

SFAS No. 147, Acquisitions of Certain Financial Institutions, was issued October 2002. This statement amends SFAS Nos. 72 and 144 and FASB Interpretation No. 9. Except for transactions between two or more mutual enterprises, this Statement removes acquisitions of financial institutions from the scope of both SFAS No. 72 and FASB Interpretation 9 and requires that those transactions be accounted for in accordance with SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. In addition, this Statement amends SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, to include in its scope long-term customer-relationship intangible assets of financial institutions such as depositor and borrower-relationship intangible assets and credit card holder intangible assets. Consequently, those intangible assets are subject to the same undiscounted cash flow recoverability test and impairment loss recognition and measurement provisions that SFAS No. 144 requires for the other long-lived assets that are held and used. The Statement is effective after September 30, 2002 and did not have a material impact on the Company's financial statements.

FASB Interpretation No. 45 (FIN 45), Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, was issued by the FASB in November 2002. This interpretation expands the disclosures to be made by a guarantor in its financial statements about its obligations under certain guarantees and requires the guarantor to recognize a liability for the fair value of an obligation assumed under a guarantee. FIN 45 clarifies the requirements of SFAS No. 5, Accounting for Contingencies, relating to guarantees. In general, FIN 45 applies to contracts or indemnification agreements that contingently require the guarantor to make payments to the guaranteed party based on changes in an underlying that is related to an asset, liability, or equity security of the guaranteed party. Certain guarantee contracts are excluded from both the disclosure and recognition requirements of this interpretation, including, among others, guarantees relating to employee compensation, residual value guarantees under capital lease arrangements, commercial letters of credit, loan commitments, subordination interests in an Special Purpose Entity (SPE), and guarantees of a company's own future performance. Other guarantees are subject to the disclosure requirements of FIN 45, but not to the recognition provisions and include, among others, a guarantee accounted for as a derivative instrument under SFAS No. 133, a parent's guarantee of debt owed to a third party by its subsidiary or vice versa, and guarantee, which is based on performance not price. The disclosure requirements of FIN 45 are effective for the Company as of December 31, 2002, and require disclosure of the nature of the guarantee, the maximum potential amount of future payments that the guarantor could be required to make under the guarantee, and the current amount of the liability, if any, for the guarantor's obligations under the guarantee. The recognition requirements of FIN 45 are to be applied prospectively to guarantees issued or modified after December 31, 2002. The requirements of FIN 45 did not have a material impact on the results of operations, financial position or liquidity.

FASB Interpretation No. 46 (FIN 46), Consolidation of Variable Interest Entities, was issued by FASB in January 2003. The objective of this interpretation is to provide guidance on how to identify a variable interest entity (VIE) and to determine when the assets, liabilities, noncontrolling interests, and results of operations of a VIE need to be included in a company's consolidated financial statements. A company that holds variable interests in a entity will need to consolidate the entity if the company's interests in the VIE is such that the company will absorb a majority of the VIE's expected losses and/or receive a majority of the entity's expected residual returns, if they occur. FIN 46 also requires additional disclosures by primary beneficiaries and other significant variable interest holders. The requirements of FIN 46 did not have a material impact on the results of operations, financial position or liquidity.

SFAS No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure, was issued in December 2002, which provides guidance on how to transition from the intrinsic value method of accounting for stock-based employee compensation under APB No. 25 to SFAS No. 123's fair value method of accounting, if a company so elects. The Company currently has no outstanding stock-based employee compensation.

ITEM 7a. QUANTATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See discussion under Item 7. Management's Discussion And Analysis Of Financial Condition And Results Of Operations - "Interest Rate Risk" and "Market Risk"

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Part IV, Item 15, "Exhibits, Financial Statement Schedules and Reports on Form 8-K"

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS OR ACCOUNTING AND FINANCIAL DISCLOSURES

On or about March 24, 2003, the Company filed a report on Form 8-K to report that it had decided to engage KPMG LLP as its principal accountants for the fiscal year ending December 31, 2003 and chose not to renew the engagement of Deloitte & Touche LLP, which was currently serving as the Company's independent auditor. See Part IV, Item 15, "Exhibits, Financial Statement Schedules, and Reports on Form 8-K".

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth the names, ages, and positions of the Directors and all persons nominated to become Directors at the 2003 Annual Meeting of Shareholders:

NOMINEES FOR DIRECTORS:

NAME	AGE	POSITION	TERM EXPIRES
LaVerne G. Hall	65	Director	2003
Robert G. Miller, Jr.	46	Director	2003
John R. O'Brien	53	Director Nominee	N/A
James Tilley	61	President/CEO, Director	2003
Nancy W. Ware	46	Director Nominee	N/A

DIRECTORS:

NAME	AGE	POSITION	TERM
Robert W. Allen	77	Secretary, Director	2005
William F. Barrett	61	Director	2005
James E. Biddle, Jr.	41	Director	2005
Phillip Brothman	65	Chairman of the Board, Director	2004
David M. Taylor	52	Director	2004
Thomas H. Waring, Jr.	45	Vice Chairman of the Board, Director	2004

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

DIRECTORS:

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 has been a property developer and real estate manager since 1986.

Mr. Biddle has been a Director since 2001 and is the Chairman of Mader Construction Co., Inc.

Mr. Brothman has been a Director since 1976 and is a partner in the law firm of Hurst, Brothman & Yusick. He was elected Chairman of the Board by the Board of Directors in January, 2001.

Mr. Hall has been a Director since 1981. He has been retired since 1997.

Mr. Miller has been a Director since 2001. He is the President of M&W Agency, Inc. and ENB Associates, Inc., subsidiaries of Evans National Bank. From January 1, 1994 to September 1, 2000, he was the President of M&W Group, Inc., an insurance agency.

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

Mr. Tilley has been a Director since 2001 and is the President and Chief Executive Officer of Evans Bancorp, Inc. and Evans National Bank. From January 1988 until January, 2001, he was the Senior Vice President of the Company.

Mr. Waring has been a Director since 1998. He is the principal of Waring Financial Group, an insurance and financial services firm. He was elected Vice Chairman of the Board by the Board of Directors in January 2001.

NOMINEES FOR NEW DIRECTORS:

Mrs. Ware has been nominated by the Board of Directors to be elected as a Director to fill the vacancy resulting from the death of David C. Koch. She is the President of EduKids, Inc. Early Childhood Centers.

Mr. O'Brien has been nominated by the Board of Directors to be elected as a Director. He is the Executive Director of Financial Administration for the Diocese of Buffalo.

EXECUTIVE OFFICERS OF THE REGISTRANT

Information concerning the registrant's executive officers is presented below as of February 20, 2003. The year the officer was first appointed to the indicated position with the registrant or its subsidiary is shown parenthetically. In the case of each corporation noted below, officers' terms run until the first meeting of the Board of Directors after such corporation's annual meeting, and until their successors are elected and qualify.

James Tilley, age 61, is President (2001) and Chief Executive Officer
(2001) of Evans Bancorp, Inc. and Evans National Bank. He is also a Director of Evans Bancorp, Inc. (2001) and Evans National Bank (2001). From January 1988 until January 2001, he was the Senior Vice President of Evans Bancorp, Inc. and Evans National Bank.

William R. Glass, age 56, is Senior Vice President and Treasurer of Evans Bancorp, Inc. (1994) and Senior Vice President at Evans National Bank (1993).

Mark DeBacker, age 33, is Senior Vice President and Chief Financial Officer of Evans Bancorp, Inc. (2001) and Evans National Bank (2001). Prior to 2001, Mr. DeBacker was Chief Financial Officer of Niagara Falls Memorial Medical Center from June 1999 through May 2001. From November 1998 through June 1999, Mr. DeBacker was Director of Financial Reporting and Accounting at Via Health, Inc. From 1991 through November 1998, Mr. DeBacker was with Deloitte & Touche LLP in various capacities, the latest being audit manager.

Robert G. Miller, Jr., age 46, is President of M&W Agency, Inc. (2000) and President of ENB Associates, Inc. (2001). He is also a Director of Evans Bancorp, Inc. (2001) and Evans National Bank (2001). Prior to 2000, he had served as the President of M&W Group, Inc. since 1994.

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 2002 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 filed one late report in 2002.

ITEM 11. EXECUTIVE COMPENSATION

There is shown below information concerning the annual and long-term compensation of the following named executive officers for service in all capacities to the Company for the years 2002, 2001, and 2000: President and Chief Executive Officer; Senior Vice President of the Loan Division; Senior Vice President and Chief Financial Officer; and President of M&W Agency, Inc. 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
James Tilley	2002	$172,692	$23,000	$3,454	-0-	-0-	-0-
President & CEO	2001	$143,301	$15,000	$2,866	-0-	-0-	-0-
	2000	$122,412	$12,500	$2,448	-0-	-0-	-0-
William R. Glass	2002	$132,500	$18,000	$2,650	-0-	-0-	-0-
Senior Vice President	2001	$124,264	$15,000	$2,485	-0-	-0-	-0-
	2000	$115,022	$12,500	$2,300	-0-	-0-	-0-
Mark DeBacker	2002	$99,615	$11,000	$1,077	-0-	-0-	-0-
Senior Vice President & Chief Financial Officer	2001	$53,711	-0-	-0-	-0-	-0-	-0-
Robert G. Miller, Jr.	2002	$170,886	$68,293	$3,908	-0-	-0-	-0-
President	2001	$161,569	$25,000	$3,231	-0-	-0-	-0-
M&W Agency, Inc.	2000	$40,752	-0-	-0-	-0-	-0-	-0-
ENB Associates, Inc.							

(1) Includes the Bank's contribution to the Employee Savings Plan made for the benefit of Mr. Tilley of $3,454 in 2002, $2,866 in 2001, and $2,448 in 2000; for the benefit of Mr. Glass of $2,650 in 2002, $2,485 in 2001, and $2,300 in 2000; for the benefit of Mr. DeBacker of $1,077 in 2002; and for the benefit of Mr. Miller of $3,908 in 2002, and $3,231 in 2001. See "Employee Savings Plan". Does not include personal benefits which did not exceed 10% of Mr. Tilley's, Mr. Glass', Mr. DeBacker's or Mr. Miller's salary and bonus in any year.

Employment Agreements

Mr. James Tilley, Mr. William Glass, and Mr. Mark DeBacker have each entered into an Employment Agreement with the Bank which runs through December 31, 2007. 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.

Mr. Miller has entered into an Employment Agreement with M&W Agency, Inc. which runs through December 31, 2005. The Employment Agreement provides that he receive an annual salary of $150,000, subject to increases as may be approved from time to time by the Board of Directors, plus a bonus based upon the earnings before interest and taxes of M&W Agency, Inc. in excess of specific target amounts, up to $100,000 annually. If M&W Agency, Inc. terminates the Employment Agreement without cause, it is obligated to pay his salary, plus benefits, 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, including employees of its subsidiaries. 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. Tilley, Mr. Glass, and Mr. Miller are participants in the pension plan, and as of December 31, 2002, Mr. Tilley had thirteen years of credited service and his average monthly compensation under the plan was $12,059; Mr. Glass had nine years of credited service and his average monthly compensation under the plan was $10,739; Mr. DeBacker had one year of credited service and his average monthly compensation under the plan was $8,301; and Mr. Miller had two years of credit service and his average monthly compensation under the plan was $14,894.

Supplemental Executive Retirement Plans

The Bank maintains Supplemental Executive Retirement Plans (SERPs) with Mr. Tilley and Mr. Glass. During 2002, the Bank amended its existing SERP with Mr. Glass. Under the SERPs, as amended, Mr. Tilley and Mr. Glass are entitled to additional annual pension payments of $66,943 and $42,517, respectively, for 20 years after retirement at age 65, unless their employment is terminated earlier. The SERPs, as amended, also provide death benefits in the same annual amounts in the event the executive dies prior to age 65, which are payable over 20 years. The Bank has purchased life insurance policies on Mr. Tilley and Mr. Glass to assist in funding its obligations under their SERPs.

Employee Savings Plan

The Bank also maintains a 401(k) salary deferral plan to assist employees, including employees of its subsidiaries, 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 the maximum amount allowable under the Internal Revenue Code ($11,000 in 2002). 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. Tilley, Mr. Glass, Mr. DeBacker, and Mr. Miller.

COMPENSATION OF DIRECTORS

For the year 2002, members of the Board of Directors were compensated at the rate of $950 per meeting, with the Secretary receiving $1,050 per meeting. Total directors' fees during 2002 amounted to $215,560 (including committee fees and $47,810 of deferred compensation). In addition to monthly Director fees, Mr. Brothman received $35,000 in 2002 for serving as the Chairman of the Board of Directors of the Company and the Bank. Effective January 1, 2003, Mr. Brothman will receive $38,500 as an annual fee for serving as the Chairman of the Board of Directors of the Company and the Bank in addition to the monthly Director fees. If the amended Evans Bancorp, Inc. 1999 Stock Option and Long-Term Incentive Plan is approved by the Shareholders at the 2003 Annual Meeting of Shareholders, Mr. Brothman and the other non-employee Directors will also receive the Director Options provided by the amended plan.

HUMAN RESOURCE COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Human Resource Committee of the Board of Directors serves as the Human Resource Committee of the Company. The members of the Human Resource Committee are: Phillip Brothman, LaVerne G. Hall, William F. Barrett, James Tilley, and Thomas H. Waring, Jr. Mr. Tilley is President and Chief Executive Officer of the Company and the Bank, Mr. Brothman is Chairman of the Board, and is a partner of the law firm of Hurst, Brothman & Yusick which served as general counsel to the Company and received legal fees, and Mr. Waring, owner of Waring Financial Group, receives commissions on certain life insurance premiums paid by the Company. See Item 13. Certain Relationships and Related Transactions.

There are no Human Resource Committee Interlocks required to be disclosed in this Annual Report.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth, as of February 20, 2003, 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 (and Address of Beneficial Owner Owning More Than 5%)	Nature and Amount of Beneficial Ownership	Percent of Class
Robert W. Allen (1)	39,984	1.71%
William F. Barrett (2) 8685 Old Mill Run Angola, NY 14006	203,435	8.72%
James E. Biddle, Jr.	840	0.04%
Phillip Brothman (3)	28,637	1.23%
LaVerne G. Hall (4)	68,484	2.93%
Robert G. Miller, Jr. (5)	60,914	2.93%
John R. O'Brien	450	0.02%
David M. Taylor (6)	5,629	0.24%

Name (and Address of Beneficial Owner Owning More Than 5%)	Nature and Amount of Beneficial Ownership	Percent of Class
James Tilley (7)	892	0.04%
Nancy W. Ware	450	0.02%
Thomas H. Waring, Jr.	716	0.03%
Directors and Officers as a Group (13 persons) (1)(2)(3)(4)(5)(6)(7)(8)(9)(10)	412,163	17.66%

(1) Includes 3,725 shares owned by Mr. Allen's wife.

(2) Includes 57,473 shares owned by Mr. Barrett's wife.

(3) Includes 2,081 shares owned by Mr. Brothman's wife and 1,204 shares owned by Merrill Lynch as custodian for Phillip Brothman IRA account.

(4) Includes 26,551 shares owned by Mr. Hall's wife.

(5) Includes 12,098 shares held for Mr. Miller's benefit under an escrow agreement dated September 1, 2000 entered into in connection with the acquisition of the assets and business of M&W Group, Inc. by the Company; 139 shares owned by Mr. Miller's son, as to which he disclaims beneficial ownership; and 280 shares owned by Mr. Miller's daughter, to which he disclaims beneficial ownership.

(6) Includes 393 shares owned jointly by Mr. Taylor and his wife.

(7) Includes 2 shares held by Mr. Tilley's wife, 13 shares held by Mr. Tilley in trust for his grandson, and 106 shares owned jointly by Mr. Tilley and his mother.

(8) Includes 1,312 shares owned by Mr. William Glass, Treasurer of Evans Bancorp, Inc., held jointly with Mr. Glass's wife.

(9) Includes 420 shares owned by Mr. DeBacker, Chief Financial Officer of Evans National Bank.

(10) Excludes 36,078 shares owned by the Estate of David C. Koch, his wife, and his son. Mr. Koch was a director until his death on December 13, 2002.

See Item 5(d) for Equity Compensation Plan Information

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 and collateral on loans) as those prevailing at the time for comparable transactions with others, and do not involve more than a normal risk of collectibility or present other unfavorable features.

Mr. Phillip Brothman is a partner of the law firm of Hurst, Brothman & Yusick which served as general counsel to the Company and received legal fees.

In 2002, the Company paid approximately $190,560 in life insurance premiums to Massachusetts Mutual. Thomas H. Waring, Jr. received renewal commissions on such premium payments.

M&W Agency, Inc., a subsidiary of Evans National Bank, leases certain of its offices from Millpine Enterprises, a partnership of Robert G. Miller, Jr., his father, and his brother.

PART IV

ITEM 14. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

Based upon their evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act rules 13a-14 (c) and 15d-14(c)), James Tilley, President and Chief Executive Officer, and Mark DeBacker, Senior Vice President and Chief Financial Officer, believe that the Company's disclosure controls and procedures were effective as of December 31, 2002.

(b) Changes in internal controls.

There were no significant changes in the Company's internal controls or in other factors that could significantly affect controls subsequent to December 31, 2002 through the date of this Annual Report on Form 10-K, including any corrective actions with regard to significant deficiencies and material weaknesses.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES 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 2002 Annual Report to Shareholders pages 54 through 109 in response to Part II, Item 7.

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

None

(b) Documents Incorporated by Reference:

1. Consolidated 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 Statements

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

3. Exhibits

Exhibit No	Name	Page No.
3.1	Certificate of Incorporation (1)	n/a
3.2	Certificate of Amendment to Certificate of Incorporation (3)	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)	n/a
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)	n/a
10.2	Employment Agreement dated August 19, 1997 between the Bank and James Tilley (6)	n/a
10.3	Employment Agreement dated August 19, 1997 between the Bank and William R. Glass (6)	n/a
10.4	Specimen 1984 Director Deferred Compensation Agreement (2)	n/a
10.5	Specimen 1989 Director Deferred Compensation Agreement (2)	n/a
10.6	Summary of Provisions of Director Deferred Compensation Agreements (2)	n/a
10.7	Evans National Bank Supplemental Executive Retirement Plan for Richard M. Craig dated February 16, 1999 (7)	n/a
10.8	Evans National Bank Supplemental Executive Retirement Plan for James Tilley dated February 16, 1999 (7)	n/a
10.9	Evans National Bank Supplemental Executive Retirement Plan for William R. Glass dated February 16, 1999 (7)	n/a
10.10	Evans National Bank Amended Supplemental Executive Retirement Plan for Richard M. Craig dated October 17, 2000 (10)	n/a
10.11	Employment Agreement dated September 1, 2000 between the Bank and Robert Miller (10)	n/a
10.12	Investment Service Agreement between O'Keefe Shaw & Co.,Inc and ENB Associates Inc. (9)	n/a
10.13	Evans National Bank Supplemental Executive Retirement Plan for James Tilley dated October 17, 2000 (11)	n/a
10.14	Evans National Bank Amended Supplemental Executive Retirement Plan for William R. Glass dated October 17, 2000 (11)	n/a

10.15	Employment Agreement dated May 29, 2001 between the Bank and Mark DeBacker (11)	n/a
10.16	Evans National Bank Amended Supplemental Executive Retirement Plan for William R. Glass dated November 27, 2002 (12)	52
13.1	2002 Annual Report to Shareholders (12)	54
21.1	Subsidiaries of the Registrant (6)	n/a
23.1	Independent Auditors' Consent (12)	111
99.1	Certification of Chief Executive Officer (12)	112
99.2	Certification of Chief Financial Officer (12)	113

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. 0-18539) 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. 0-18539) 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. 0-18539) and incorporated herein by reference.

(6) Filed as an Exhibit to the Company's Form 10-K for the year ended December 31, 1997 (File No.0-18539) and incorporated herein by reference.

(7) Filed as an Exhibit to the Company's Form 10-K for the year ended December 31, 1998 (File No. 0-18539) and incorporated herein by reference.

(8) Filed as an Exhibit to the Company's Form 10-Q for the quarter ended September 30, 1999 (File No. 0-18539) and incorporated herein by reference.

(9) Filed as an Exhibit to the Company's Form 10-Q for the quarter ended March 31, 2000 (File No. 0-18539) and incorporated herein by reference.

(10) Filed as an Exhibit to the Company's Form 10-K for the year ended December 31, 2000 (File No. 0-18539) and incorporated herein by reference.

(11) Filed as an Exhibit to the Company's Form 10-Q for the quarter ended June 30, 2001 (File No. 0-18539) and incorporated herein by reference.

(12) Filed herewith.

(b) Reports on Form 8-K.

The registrant filed a Form 8-K on November 21, 2002 to report under Item 5
- Other Events a special stock dividend to be paid on outstanding Evans Bancorp, Inc. common stock. A press release was filed as an exhibit to the Form 8-K

The registrant filed a Form 8-K on January 28, 2003 to report under Item 5
- Other Events the Company's 2002 and fourth quarter earnings. A press release was filed as an exhibit to the Form 8-K.

The registrant filed a Form 8-K on February 19, 2003 to report under Item 5
- Other Events a semi-annual cash stock dividend to be paid on outstanding Evans Bancorp, Inc. common stock. A press release was filed as an exhibit to the Form 8-K.

The registrant filed a Form 8-K on March 24, 2003 to report under Item 4 - Change in Registrant's Certifying Accountant that it had decided to engage KPMG LLP as its principal accountants for the fiscal year ending December 31, 2003 and chose not to renew the engagement of Deloitte & Touche LLP, which was currently serving as the Company's independent auditor.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(2) 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/James Tilley

James Tilley, President and CEO
Date: March 24, 2003

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/James Tilley James Tilley	President and CEO/Director	March 24, 2003
/s/Mark DeBacker Mark DeBacker	Senior Vice President and Chief Financial Officer	March 24, 2003
/s/Phillip Brothman Phillip Brothman	Chairman of the Board/ Director	March 24, 2003
/s/Thomas H. Waring, Jr. Thomas H. Waring, Jr.	Vice Chairman of the Board/Director	March 24, 2003
/s/Robert W. Allen Robert W. Allen	Secretary/Director	March 24, 2003
/s/LaVerne G. Hall LaVerne G. Hall	Director	March 24, 2003
/s/David M. Taylor David M. Taylor	Director	March 24, 2003
/s/James E. Biddle, Jr James E. Biddle, Jr.	Director	March 24, 2003

CERTIFICATION

I, James Tilley, certify that:

1. I have reviewed this annual report on Form 10-K of Evans Bancorp, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 24, 2003

/s/ James Tilley

James Tilley
President & Chief Executive Officer

CERTIFICATION

I, Mark DeBacker, certify that:

1. I have reviewed this annual report on Form 10-K of Evans Bancorp, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 24, 2003

/s/ Mark DeBacker

Mark DeBacker
Senior Vice President & Chief Financial Officer

EXHIBIT 10.16

SECOND AMENDMENT
AGREEMENT

AGREEMENT made as of this 27th day of November, 2002 by and between EVANS NATIONAL BANK, with offices located at 14-16 North Main Street, Angola, New York 14006, hereinafter referred to as the "Bank", and WILLIAM R. GLASS, an employee of the Bank, hereinafter referred to as the "Participant".

RECITALS

WHEREAS, the parties previously entered into a Supplemental Executive Retirement Plan dated February 16, 1999 (the "SERP"); and

WHEREAS, said Plan was amended by Agreement dated October 17, 2000, and

WHEREAS, the parties now desire to again amend the SERP.

NOW THEREFORE, the parties mutually agree as follows:

2 Section 2.1 of Article II "BENEFIT" is hereby amended to read as follows:

Section 2.1 Excess Benefit

A. The excess benefit has been determined to be the amount of $42,516.00 per year (the "Excess Benefit") payable for a term of twenty (20) years certain. Except as otherwise provided in this Agreement, the Excess Benefit shall be payable monthly under conditions identical as to vesting, condition and terms of payment to the benefit payable by the Evans National Bank Pension Plan, as amended from time to time (the "Bank Pension Plan") (except the benefit from this SERP will not be paid in the form of a lump sum and the Excess Benefit will not commence prior to the first day of the month coincident with or next following the Participant's 65th birthday).

Except as set forth in Section 2.1 (B) or Section 2.3 of the SERP, the Excess Benefit shall only be paid to the Participant if the Participant's employment is terminated on or after his 65th birthday.

B. In the event the Participant dies prior to attaining sixty-five (65) years of age, the Excess Benefit will be paid to the Participant's named beneficiary in the amount of $42,516.00 per year, payable monthly for twenty (20) consecutive years commencing thirty (30) days after the Participant's date of death.

3 Section 2.3 of Article II "BENEFIT" is hereby amended to read as follows:

Section 2.3 Benefit on Termination Before Retirement at Age 65

In the event the Participant's employment is terminated as a result of: (i) the Participant becoming "Totally and Permanently Disabled" as defined in the Bank Pension Plan; (ii) the Board of Directors of the Bank, in its absolute discretion, authorizes and approves the early retirement of the Participant; or (iii) the Bank voluntarily terminates the employment of the Participant other than "for cause", then the Excess Benefit to be paid to the Participant under this SERP shall be the Excess Benefit as set forth in Section 2.1 (A) of $42,516.00 multiplied by a fraction (1) the numerator of which is the actual number of months of service of the Participant in the Evans National Bank Pension Plan and (2) the denominator of which is the number of months of service in the Bank Pension Plan the Participant would have completed if the Participant had continued to be employed until his Normal Retirement Age (as defined in the Bank Pension Plan). The amount as so determined shall be payable monthly for a term of twenty (20) years certain. It will not be paid in a lump sum and the benefit will not commence prior to the first day of the month coincident with or next following the Participant's 65th birthday.

The parties affirm all the terms and conditions of the Original Agreement and Amendment except for those terms specifically amended herein.

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

EVANS NATIONAL BANK

By:/s/Phillip Brothman

Phillip Brothman, Chairman

PARTICIPANT

By:/s/William R. Glass

William R. Glass

EXHIBIT 13

[EVANS NATIONAL BANK LOGO]

insight
diversity
opportunity
service

[EVANS BANCORP, INC. LOGO]

2002 Annual Report

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[COVER PAGE]

ABOUT OUR COVER

The insight, diversity, opportunity and service images shown are reflective of the fundamental strategies demonstrated by Evans Bancorp, Inc. in a year of solid performance.

[EVANS BANCORP, INC. LOGO]

CORPORATE PROFILE

Evans Bancorp, Inc. is the holding company for Evans National Bank, a commercial bank with eight branches located in Western New York with $288.7 million in assets and $239.5 million in deposits at December 31, 2002. The Bank serves its market through offices located in Amherst, Angola, Derby, Evans, Forestville, Hamburg, North Boston and West Seneca, New York. The Bank announced in January 2003, its intent to open a new branch in Erie County in late 2003, further extending its market service area in Erie County.

The M&W Agency, Inc. is a wholly-owned subsidiary of the Bank offering retail property and casualty insurance from ten offices in Western New York. The Bank also provides non-deposit investment products such as mutual funds and annuities to bank customers through its wholly-owned subsidiary ENB Associates Inc. ENB Associates has an agreement with a licensed broker, through which it purchases and sells securities to its customers.

This annual report includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements concerning future business, revenues and earnings. These statements are not historical facts or guarantees of future performance, events or results. There are risks, uncertainties and other factors that could cause the actual results of the Company to differ materially from the results expressed or implied by such statements. Information on factors that could affect the Company's business and results is discussed in the Company's periodic reports filed with the Securities and Exchange Commission. Forward-looking statements speak only as of the date they are made. The Company undertakes no obligation to publicly update or revise forward-looking information, whether as a result of new, updated information, future events or otherwise.

INSIGHT

INVESTMENT HIGHLIGHTS

- Five-year compounded annual growth rate in assets of 12.74 percent and net loans of 7.95 percent

- Management's focus on growth of the commercial loan portfolio, particularly loans secured by real estate

- Diverse financial services and insurance businesses, with 26.5 percent of revenue derived from non-interest income

- A price to book value ratio of 1.76 based on the closing price for Evans Bancorp, Inc. common stock of $23.38 on December 31, 2002

- A dividend yield of approximately 2.40 percent, based on the closing price for Evans Bancorp, Inc. common stock of $23.38 on December 31, 2002

- History of asset strength, with residential mortgage loans at 12.9 percent of the total loan portfolio at December 31, 2002, and history of low loan charge-offs

2002 PERFORMANCE HIGHLIGHTS

- Net income grew to $3.6 million, a 39.8 percent increase over 2001

- Non-interest income increased by 20.9 percent for the year

- Gross loans increased 4.8 percent in 2002, with commercial loans growing by 10.6 percent. The Bank's loan servicing portfolio with FNMA increased 50.2 percent in 2002 to $24.0 million at December 31, 2002

- Total deposits increased by 17.3 percent during 2002

- Continued technology improvements including the implementation of a new state of the art imaging

system and the launch of the Bank's Cash Manager product which offers business customers significant online banking capabilities

- Established Evans National Holding Corporation ("ENHC"), a real estate investment trust subsidiary of the Bank, intended to provide the Bank with additional flexibility and planning opportunities

- Opened a new branch in Amherst, New York, in December 2002, extending the Bank's market service area to the northeast suburbs of Buffalo

TOTAL ASSETS

[BAR CHART]

98	99	00	01	02
		(in millions)		
$174.1	$198.8	$224.5	$248.7	$288.7

5-Year CAGR 12.74%

CAGR: Compound Annual Growth rate

NET EARNINGS PER SHARE*

[BAR CHART]

98	99	00	01	02
$0.92	$0.91	$1.40	$1.12	$1.55

5-Year CAGR 13.86%

* All per share data reflects the June 2001 5-for-4 stock split and the 1-for-20 stock dividend paid to shareholders of record on December 2, 2002.

EVANS NATIONAL BANK DIVERSITY

TO OUR SHAREHOLDERS, CUSTOMERS AND EMPLOYEES

Evans Bancorp, Inc., the holding company for Evans National Bank and its subsidiaries M&W Agency, Inc., ENB Associates Inc. and the Evans National Holding Company, achieved record earnings in 2002. Strong asset and deposit growth that exceeded our plan, solid loan growth and continued success in our financial services and insurance businesses contributed to these exceptional results.

The volatile interest rate environment of 2001 stabilized during 2002. In 2002, mortgage refinancing continued at a rapid pace because of historically low interest rates, equity markets underperformed, global uncertainties prevailed and economic challenges on a national level continued to impact our local economies. In spite of these uncertainties and challenges, our Company was able to grow net income by 39.8%. Total assets of the Company increased to $288.7 million at December 31, 2002 or 16.1% over 2001. While total gross loans increased by 4.8%, our focus on commercial lending resulted in an increase of $10.1 million in the commercial loan portfolio, at December 31, 2002 or 10.6% over 2001. Consumer loans decreased, primarily due to refinancings of fixed rate residential mortgages and subsequent sales of residential mortgages in secondary markets. The Bank continues to sell fixed rate residential loans originated under a certain interest rate level, while maintaining the servicing rights to such loans. At December 31, 2002, the Bank had retained the servicing rights to $24.0 million in residential mortgages sold to the Federal National Mortgage Association (FNMA).

CASH DIVIDENDS PAID PER SHARE*

[BAR CHART]

98	99	00	01	02
$0.28	$0.36	$0.40	$0.47	$0.56

5-Year CAGR 19.48%

* All per share data reflects the June 2001 5-for-4 stock split and the 1-for-20 stock dividend paid to shareholders of record on December 2, 2002.

Deposits exceeded our plan and increased by $35.2 million at December 31, 2002 or 17.3% over December 31, 2001. Two key performance measures for financial institutions, return on equity and return on assets, were 13.3% and 1.36%, respectively, in 2002 as compared to 10.18% and 1.09%, respectively, in 2001. In recognition of the strong performance of the Company in 2002, and coinciding with the opening of the Bank's new branch in Amherst, New York, the Company in December 2002 declared a special 5% stock dividend to shareholders. I refer you to the Investment Highlights and 2002 Performance Highlights described on the previous page and encourage you to review the Management's Discussion and Analysis section of this report. These sections describe further the growth and financial performance of the Company in 2002.

During the year, we achieved a number of key initiatives consistent with our strategic plan in addition to the financial performance results. These initiatives are the result of our focus on the precepts of insight, diversity, opportunity and service.

Evans National Holding Corporation was established as a real estate investment trust. The availability of a real estate investment trust provides the Bank with additional flexibility in managing our mortgage loan portfolio and will provide cost savings to the Company.

Supporting our growth strategy for the M&W Agency, Inc., we acquired the Eden Agency in Eden, New York, in January 2002. This acquisition compliments our current insurance business and provides the opportunity to bring our financial services to a neighboring community. We also redesigned the Derby, New York Bank branch to provide adequate space for a new M&W Agency, Inc. office.

Our Bank's presence in the Derby community grew during the spring of 2002, when we relocated our entire loan division from Angola to a completely renovated building, which is adjacent to our Derby branch. This move allowed us to centralize the Bank's loan functions, create processing efficiencies and relieve the overcrowded state of our Angola headquarters. Later in 2002, we renovated the interior of our headquarters in Angola to provide new office space for our professional staff, an enlarged conference room and additional space to accommodate our technology department.

We also opened our eighth Bank branch office in Amherst, New York in 2002. We believe our Amherst location is well situated to offer our banking, insurance and financial services to retail and commercial customers in that community. Included in our new office is space for an insurance office of the M&W Agency, Inc., as well space for our loan representative to process residential mortgage and home equity loan requests.

OPPORTUNITY

Opening branches is not the only means of bringing our services to a community. In 2002, we placed an ATM on the campus of D'Youville College, on the west side of Buffalo, and in 2003, placed an ATM at Hilbert College in Hamburg, New York. An ATM is now available at West Seneca West High School in conjunction with our second student banking center in the West Seneca School District. These machines are available to students, staff, faculty and others having access to the facility. We will continue to identify appropriate sites throughout Western New York for our ATM services.

We also continued to develop new products and services, as well as delivery channels to service our customers. Our Merchant Credit Card program grew significantly during 2002, and the revenue generated represents an increasing portion of our non-interest income. The Merchant Credit Card program offers efficient, competitively-priced processing for credit card transactions. In an effort to be competitive and better serve our municipal and school district accounts, we restructured our Muni-Vest account to provide improved liquidity and return to these important customers. This effort resulted in approximately $23.1 million in deposits in Muni-Vest accounts at December 31, 2002. Enhancing our web-banking services remains important to us as our traditional customers embrace this technology and we position ourselves for the future. In 2002, we introduced "Cash Manager," a highly functional component of Eas-E Net Banking, to give our commercial customers greater control and access to managing their bank accounts from their place of business.

Another new service to our personal checking account customers was developed in 2002 and introduced in early 2003. This new service was named "Safeguard Overdraft Service" (SOS). It provides our valued retail customers with certain protection against accidental overdrafts. We continue to research ways to ensure that our customer's service experience meets with his or her needs.

A high priority objective in 2002 was improving our communication with you, our shareholders. An "Investor Fact Sheet" was distributed to our shareholders and potential investors in July. We also began distributing "The Quarterly," a newsletter to our shareholders about Company activities and financial results. Our first issue was published following the 3rd quarter of 2002 results and we intend to continue to distribute this report on a quarterly basis. To further support shareholders communications, we introduced our new Evans Bancorp, Inc. website in September 2002. This site features financial highlights, officer and director information, important shareholder relations information and overviews of the Company and its subsidiaries. Access is at www.evansbancorp.com.

The continued development of our electronic banking component with a goal to bring better delivery to our customers with state-of-the-art technology, while being efficient and cost effective, encouraged us to develop a service-bureau approach to the future. Our technology department began this process of transformation in 2002. The first stages were completed this past year when we successfully converted our Item Processing and Check Imaging System to the next-generation technology. Our conversion efforts will continue throughout the coming twelve months.

While these initiatives are important, our people represent the key to continuing our growth plans and managing our strategies. During the year, we added the following persons to our management team:

John B. Connerton, CPA, joined the Bank as controller. John brings significant experience in the field of public accounting with an emphasis on the banking industry. He will be responsible for financial reporting, accounting and the customer service departments.

Ronald J. Kasianowicz joined the Bank as assistant vice president and residential loan officer. He brings over 18 years lending experience in our trade areas. Ron will be focused on the Amherst market.

In addition, Mary Jo Shults, the Bank's manager of residential mortgage originations, was promoted to a vice president. Mary Jo joined the Bank in 1999 with significant experience and knowledge of residential lending in our Western New York market.

BOOK VALUE PER SHARE*

[BAR CHART]

98	99	00	01	02
$ 8.36	$ 8.20	$10.90	$11.64	$13.22

5-Year CAGR 11.59%

* All per share data reflects the June 2001 5-for-4 stock split and the 1-for-20 stock dividend paid to shareholders of record on December 2, 2002.

SERVICE

In preparation for the opening of our Amherst office, we made several appointments and additions to the Bank's branch staff. Douglas V. Carlson was appointed branch manager at the new Amherst office. Suzanne M. Funk was appointed assistant manager in Amherst. Mary K. Hosler was promoted to branch manager and Kim M. Heimburg, was appointed assistant manager of the Evans branch. Julie A. Gornikiewicz was promoted to branch manager and Beverly J. Iskra was promoted to assistant manager of the Forestville branch. Pamela L. Catalano was promoted to assistant manager of the Derby office.

As a community bank, we believe in community involvement. It is one of our stated corporate values. We further believe that our success is built on returning the trust placed in us back to the communities we serve. We established the Evans National Bank Foundation in 2002. Funded through corporate donations, the Foundation will be used to channel our financial support for philanthropic organizations and community projects. Beyond the financial support of the Evans National Bank Foundation, our Company's philosophy of community involvement was very evident in the many volunteer efforts of our staff, managers, directors and advisors. Our Company's total level of volunteerism now stands at 10,500 hours annually, an impressive effort that strengthens Evans Bancorp's reputation as a dedicated and respected corporate citizen. The Company also made a significant commitment this year as the major sponsor of the Briercliff Home Show. While this benefits our mortgage business, the event also produced a major financial contribution to the Buffalo Chapter of the Make-A-Wish Foundation.

The year 2002 ended on a sad note for all of us at Evans Bancorp and the Evans community. The passing of David Koch in early December 2002 ended his many years of service to our Company. David had served on our Board of Directors since 1979, and over this time, served on every standing committee of the Board. His leadership, business knowledge, sense of humor, integrity, and presence in the community will be greatly missed.

OUTLOOK

While 2002 provided exciting opportunities to pursue several of our growth strategies, we believe 2003 will be equally exciting, and perhaps more challenging, as we seek to manage these initiatives.

We have identified our theme for 2003 as "Managing for Value". This theme is intended to encourage and influence employees, at every level, to perform in ways that enhance their own personal value, improve the value of the Company and ultimately enhance shareholder value. We believe this theme will help to enable us to meet the challenges of the future and encourage a real sense of ownership throughout the Company as it grows.

To support this philosophy, our Board of Directors has approved an Employee Stock Purchase Plan. Pending shareholder approval, this plan will provide the opportunity for our employees to purchase shares of Evans Bancorp, Inc. stock at a discounted price through a convenient payroll deduction system. We see this as an efficient and effective way of increasing employee ownership and encouraging improved Company performance.

We will continue to evaluate opportunities to expand our market area and bring our style of banking and financial services to new communities. With assistance from our consultant, Verdi & Company, we have identified additional markets in Erie County and beyond, and are formalizing a five to eight-year strategic expansion plan. Our plan will include improved training and efforts in cross-selling to our current customer base, as well as additional financial services facilities. Efforts to identify another branch location are presently underway in order to close the market gap between our West Seneca and Amherst locations. Our expansion plans call for another full-service branch incorporating office space for insurance and investment services. Expansion plans continue to include identification and pursuit of other acquisition opportunities.

This spring, we plan to announce a new program for Trust and Private Wealth Management services. As part of our strategy to grow non-interest income, this program will fill a significant void in our family of products and services and will enable us to serve a whole new market segment.

As a public company, we expect to focus considerable efforts in 2003 in complying with the new requirements of the Sarbanes-Oxley Act of 2002 and other changes in accounting and securities law disclosure requirements. We view these changes as new opportunities to provide information about our Company to our shareholders and the public and to continue our tradition as a community bank accountable to our shareholders, customers and the communities we serve.

As described in the Proxy Statement for our Meeting of Shareholders to be held on April 22, 2003, our Board of Directors has nominated two new directors for election by the shareholders: Nancy Ware, the president of Edu-Kids, Inc., an early childhood education center, and John O'Brien, the executive director of financial administration for the Catholic Diocese of Buffalo. These individuals bring strong business and financial experience to our Board. Along with these additions to our governing Board of Directors, the Bank plans to increase the size of its Regional Community Advisory Boards.

Our efforts to upgrade technology will continue in 2003, as we complete the final installation phase of a new loan origination system, designed to provide expedited turnaround on loan applications and disbursement. In addition, we will finalize the conversion of our Item Processing and Check Imaging functions to a service bureau-oriented environment in 2003. We anticipate cost savings and efficiencies when these projects are fully completed.

To improve our balance between loans and deposits, we will continue to seek out new opportunities to increase our commercial loan portfolio. We plan to recruit additional, experienced commercial loan officers to focus on new markets and customer relationships.

We greatly appreciate the support and confidence of our shareholders, customers and the communities we serve. We approach 2003 with the same excitement and enthusiasm that has driven past performance. You can remain certain that the entire Evans Bancorp team is dedicated to our goals for 2003, ever mindful of our mission to increase shareholder value. We know that we face an uncertain economy and many critical issues on both national and local levels. However, we believe our plans are well-formulated, our strategies are sound, and we have the capability to carry them out.

Respectfully,

/s/ James Tilley
James Tilley
President and Chief Executive Officer

[PHOTO OF JAMES TILLEY]

EVANS NATIONAL BANK DIVERSITY

BUSINESS SUMMARY

LENDING

In 2002, we focused on increasing our commercial loan portfolio. Of the $10.1 million increase in total commercial loans, $6.5 million represented commercial real estate loans. Our loan portfolio at year end consisted of 69.9% commercial and 30.1% consumer loans. Real estate loans comprised the largest product segment totalling 81.4% of total loans. Some of the products experiencing the largest percentage growth at December 31, 2002, over December 31, 2001 include commercial time/term loans, 34.6%, commercial lines of credit, 16.7%, commercial mortgages, 8.9%, and home equity loans, 6.7%. Our commitment to commercial and consumer relationship-based community banking has resulted in beneficial, consistent long-term growth and, we believe, a high level of credit worthiness of our customers.

Our lending activities include secured and unsecured commercial loans, consumer loans, educational loans, commercial and consumer mortgages, home equity loans and business loans.

FINANCIAL SERVICES

Evans Bancorp has quietly transformed itself into a diversified financial services organization. Non-interest income in 2002 accounted for approximately 26.5% of revenue, allowing for a reduced reliance on net interest margin for financial performance.

The Company's wholly-owned subsidiary, M&W Agency, whose business was acquired September 1, 2000, offers full lines of personal and commercial insurance products through ten locations throughout Western New York. The agency is also a member of Combined Financial Services Inc., expanding product offerings further. The addition of M&W Agency, significantly changed the distribution of Evans Bancorp revenues, generating approximately $2.9 million in commission income or 14.2% of 2002 consolidated revenues.

ENB Associates Inc. ("ENB"), established in the first quarter of 2000, provides non-deposit investment products, such as mutual funds, annuities, 401K and IRA plans and estate planning. ENB has an agreement with a licensed broker, through which ENB purchases and sells securities to Bank customers. We are currently in the process of increasing the ENB presence in our existing branches, creating more cross-selling opportunities with existing customers. ENB enjoyed strong revenue growth of approximately 69.7% in 2002.

GROSS LOAN COMPOSITION (DECEMBER 31, 2002)

[PIE CHART]
Gross Loans = $151.1 Million

Commercial Real Estate	51.5%
Residential 1 - 4 Family Real Estate	17.7%
Second Mortgages	4.6%
Construction Mortgages	1.4%
Home Equity Lines of Credit	9.1%
Commercial Loans	13.5%
Consumer Personal Loans	1.4%
Consumer Credit Cards	.2%
Other Loans	.6%

Revenue Components (2002)

[PIE CHART]
Total Revenue = $20.7 Million

Interest Income - Loans	51.2%
Interest Income - Securities	22.0%
Insurance Activities	14.2%
Other (including federal funds sold interest)	7.3%

Bank Deposit Account Service Charges	5.3%

OPPORTUNITY

DEPOSITS

Evans National Bank's deposit account services include checking, savings, NOW and time deposits. Total deposits were $239.5 million at December 31, 2002, an increase of 17.3% from year end 2001. Our deposits have grown at a compound annual growth rate of 11.59% over the last five years. Core deposits (excluding CD accounts over $100,000) represent 88.1% of this growth.

TECHNOLOGY

During 2002, the Bank introduced Cash Manager, our Internet driven business banking product which provides our business customers access to their accounts, 24 hours a day, 7 days a week. Cash Manager gives our customers the capability to view and print transactions, transfer funds between accounts at our Bank and elsewhere, make tax payments, and process direct deposit payroll, as well as conduct other business, all under the protection of enhanced security. During 2002, the Bank also upgraded to the next generation of Items Processing/Check Imaging Systems which offers additional flexibility, functionality and the potential for cost savings. We also added two off-premise ATM's during 2002, and plan to further expand our off-premise ATM network during 2003. Other electronic banking services include full-service telephone banking, Internet banking, and the Eas-E check card. We have also enhanced our Company website to give customers and potential customers access to information about our Company and products. During 2002, the Bank also launched a separate website for Evans Bancorp, Inc. accessible through www.evansbancorp.com.

MARKET AREA

Evans National Bank conducts its community banking business from eight branch locations in Erie and northern Chautauqua counties in New York State. The Bank plans to add a new branch in Erie County during late 2003.

M&W Agency, offers full lines of personal and commercial insurance products through ten offices located in Erie, Cattaraugus and Chautauqua counties in New York State. M&W's newest office was formerly the Gutekunst Insurance Agency, whose business was acquired in January, 2003. M&W plans to open additional new offices during the coming year.

DEPOSIT COMPOSITION (DECEMBER 31, 2002)

[PIE CHART]
Total Deposits = $239.5 Million

Savings	39.6%
Demand	18.7%
NOW	4.4%
Time	37.3%

[MAP]

SELECTED FINANCIAL INFORMATION

For the Year Ended December 31,	2002	2001	2000	1999	1998
RESULTS OF OPERATIONS (in thousands)					
Interest income	$ 15,212	$ 15,647	$ 15,071	$ 12,555	$ 11,852
Interest expense	4,817	6,537	6,491	5,043	4,947
Net interest income	10,395	9,110	8,580	7,512	6,905
Non-interest income	5,474 A	4,528	3,648 C	1,343	1,220
Non-interest expense	10,650 B	9,531	7,535	6,050	5,197
Net income	3,606 AB	2,579	3,223 C	2,027	2,043
BALANCE SHEET DATA (in thousands)					
Total assets	$ 288,711	$ 248,722	$ 224,549	$ 198,788	$ 174,120
Loans - net	148,998	142,469	128,779	116,433	110,526
Allowance for loan losses	2,146	1,786	1,428	838	729
Securities	106,672	84,065	73,121	63,000	50,060
Total deposits	239,507	204,260	186,701	169,949	144,084
Stockholders' equity	30,862	26,961	25,179	18,285	18,623
PER SHARE DATA*					
Net income	$ 1.55	$ 1.12	$ 1.40	$ 0.91	$ 0.92
Cash dividend	$ 0.56	$ 0.47	$ 0.40	$ 0.36	$ 0.28
Book value at year end	$ 13.22	$ 11.64	$ 10.90	$ 8.20	$ 8.36
Market value at year end	$ 23.38	$ 18.09	$ 35.81	$ 35.81	$ 34.29
Weighted average shares	2,325,414	2,310,137	2,305,662	2,229,311	2,229,428

A Includes one-time insurance proceeds of approximately $0.2 million

B Includes adjustment to reduce pension expense by approximately $0.2 million

C Includes one-time insurance proceeds of approximately $1.4 million

* Retroactively adjusted for the June 2001 5-for-4 stock split and the 1-for-20 stock dividend paid to shareholders of record on December 2, 2002.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Evans Bancorp, Inc. (the "Company") is the holding company for Evans National Bank (the "Bank"), its wholly- owned subsidiary, which is a nationally chartered bank founded in 1920 and headquartered in Angola, New York. The Bank's principal business is to provide a full range of banking services to consumer and commercial customers in Erie, Chautauqua and Cattaraugus Counties of Western New York.

The Bank serves its market through eight banking offices located in Amherst, Angola, Derby, Evans, Forestville, Hamburg, North Boston and West Seneca, 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 ("OCC").

On March 11, 2000, ENB Associates Inc., a wholly-owned subsidiary of the Bank, began the activity of providing non- deposit investment products, such as annuities and mutual funds, to bank customers. Effective September 1, 2000, the Company completed the acquisition of the assets, business and certain liabilities of M&W Group, Inc., a retail property and casualty insurance agency headquartered in Silver Creek, New York. The insurance agency acquired is operated as M&W Agency, Inc., a wholly-owned subsidiary of the Bank. M&W Agency, Inc. sells various premium-based insurance policies on a commission basis. M & W Agency, Inc. operates offices located in Angola, Cattaraugus, Colden, Derby, Eden, North Collins, Silver Creek, South Dayton, Randolph, and West Seneca, New York. Evans National Holding Corp. ("ENHC") was incorporated in February 2002, as a subsidiary of the Bank. ENHC is operated as a real estate investment trust ("REIT"), which will provide additional flexibility and planning opportunities for the business of the Bank.

The Company operates in two reportable segments - banking and insurance.

All share and per share information presented is stated after giving effect to a 5-for-4 stock split distributed on June 12, 2001, to shareholders of record on May 25, 2001, and a 1-for-20 stock dividend payable on January 29, 2003, to shareholders of record on December 2, 2002.

The following discussion of financial condition and results of operations of the Company and the Bank and its wholly- owned subsidiaries should be read in conjunction with the consolidated financial statements and accompanying notes.

Statements included in this Management's Discussion and Analysis may contain certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1993, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that involve substantial risks and uncertainties. When used in this report, the words "anticipate", "believe", "estimate", "expect", "intend", "may" and similar expressions identify such forward-looking statements. Actual results, performance or achievements could differ materially from those contemplated, expressed or implied by the forward-looking statements contained herein. These forward-looking statements are based largely on the expectations of the Company or the Company's management and are subject to a number of risks and uncertainties, including but not limited to economic, competitive, regulatory, and other factors affecting the Company's operations, markets, products and services, as well as expansion strategies and other factors discussed elsewhere in this report filed by the Company with the Securities and Exchange Commission. Many of these factors are beyond the Company's control. Forward-looking statements speak only as of the date they are made. The Company undertakes no obligation to publicly update or revise forward-looking information, whether as a result of new, updated information, future events, or otherwise.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

The Company's consolidated financial statements, are prepared in accordance with accounting principles generally accepted in the United States of America and follow general practices within the industries in which it operates. Application of these principles requires management to make estimates, assumptions, and judgments that affect the amounts reported in the financial statements and accompanying notes. These estimates, assumptions and judgments are based on information available as of the date of the financial statements. Accordingly, as this information changes, the financial statements could reflect different estimates, assumptions and judgments. Certain policies inherently have a greater reliance on the use of estimates, assumptions and judgments, and as such have a greater possibility of producing results that could be materially different than originally reported. Estimates, assumptions and judgments are necessary when assets and liabilities are required to be recorded at fair value, when a decline in the value of an asset not carried on the financial statements at fair value warrants an impairment write-down or valuation reserve to be established, or when an asset or liability needs to be recorded contingent upon a future event. Carrying assets and liabilities at fair value inherently results in more financial statement volatility. The fair values and the information used to record valuation adjustments for certain assets and liabilities are based either on quoted market prices or are provided by other third-party sources, when available. When third-party information is not available, valuation adjustments are estimated in good faith by management primarily through the use of internal cash flow modeling techniques.

EVANS NATIONAL BANK DIVERSITY

The most significant accounting policies followed by the Company are presented in Note 1 to the consolidated financial statements. These policies, along with the disclosures presented in the other financial statement notes and in this financial review, provide information on how significant assets and liabilities are valued in the financial statements and how those values are determined. Based on the valuation techniques used and the sensitivity of financial statement amounts to the methods, assumptions and estimates underlying those amounts, management has identified the determination of the allowance for loan losses and valuation of goodwill to be the accounting areas that require the most subjective or complex judgments and as such could be most subject to revision as new information becomes available.

The allowance for loan losses represents management's estimate of probable credit losses inherent in the loan portfolio. Determining the amount of the allowance for loan losses is considered a critical accounting estimate because it requires significant judgment and the use of estimates related to the amount and timing of expected future cash flows on impaired loans, estimated losses on pools of homogeneous loans based on historical loss experience and consideration of current economic trends and conditions, all of which may be susceptible to significant change. The loan portfolio also represents the largest asset type on the consolidated balance sheets. Note 1 to the consolidated financial statements describes the methodology used to determine the allowance for loan losses.

The amount of goodwill reflected in the Company's consolidated financial statements is required to be tested by management for impairment on at least an annual basis. The test for impairment of goodwill on the identified reporting unit is considered a critical accounting estimate because it requires judgement and the use of estimates related to the growth assumptions and market multiples used in the valuation model.

RECENT ACCOUNTING PRONOUNCEMENTS AND DEVELOPMENTS

Note 1 to the consolidated financial statements discusses new accounting
policies adopted by the Company during 2002 and the expected impact of accounting policies recently issued or proposed but not yet required to be adopted. To the extent management believes the adoption of new accounting standards materially affects the Company's financial condition, results of operations, or liquidity, the impacts are discussed in the applicable section(s) of this financial review and notes to the consolidated financial statements.

RESULTS OF OPERATIONS

Net interest income, the difference between interest income and fee income on earning assets, such as loans and securities, and interest expense on deposits and borrowings, provides the primary basis for the Bank's results of operations. These results are also impacted by non-interest income, the provision for credit losses, non-interest expense and income taxes. Net income of $3.6 million in 2002 consists of $3.1 million related to the Company's banking activities and $0.5 million related to the Bank's insurance activities. The total net income of $3.6 million or $1.55 per share in 2002 compares to $2.6 million or $1.12 per share for 2001. The 2002 earnings reflect a one-time life insurance proceeds receipt of approximately $0.2 million and an adjustment to reduce pension expense by approximately $0.2 million. Both items, combined, resulted in a positive impact on 2002 earnings of approximately $0.4 million or $0.16 per share. Also in 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, under which the Company no longer amortizes goodwill. Adjusting 2001 earnings to exclude the effects of goodwill amortization, net income for such year increases by $0.3 million or $0.14 per share. For 2002, net income rose $0.7 million or 24.4% over 2001 after adjusting 2001 results to exclude goodwill amortization.

Net income in 2000 was $3.2 million or $1.40 per share. However, 2000 net income includes a one-time insurance proceeds benefit of $1.4 million on a life insurance policy on the former chairman, president and CEO. This policy was purchased to indirectly fund a future obligation of the Bank as part of the Supplemental Employee Retirement Plan ("SERP"). Excluding the one-time insurance proceeds, 2001 net income increased by $0.7 million or 40.0% over 2000.

NET INCOME

[BAR CHART]

98	99	00	01	02
(in millions)				
$2.0	$2.0	$3.2	$2.6	$3.6

5-Year CAGR 14.88%

NET INTEREST INCOME

Net interest income is dependent on the amounts and yields on interest earning assets as compared to the amounts of and rates on interest bearing liabilities.

The following table segregates changes in interest earned and paid 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 income and expense due to both volume and rate has been allocated in the table to volume and rate changes in proportion to the relationship of the absolute dollar amounts of the change in each.

	2002 COMPARED TO 2001 INCREASE (DECREASE) DUE TO			2001 COMPARED TO 2000 INCREASE (DECREASE) DUE TO		
	($000)					
	VOLUME	RATE	TOTAL	VOLUME	RATE	TOTAL
Interest earned on:						
Loans	$ 1,000	$(1,458)	$ (458)	$ 982	$ (547)	$ 435
Taxable securities	199	(538)	(339)	263	(117)	146
Tax-exempt securities	481	(65)	416	(16)	37	21
Federal funds sold	150	(209)	(59)	51	(77)	(26)
Time deposits in other banks	5	0	5	0	0	0
Total interest-bearing assets	$ 1,835	$(2,270)	$ (435)	$ 1,280	$ (704)	$ 576
Interest paid on:						
NOW accounts	$ 12	$ (44)	$ (32)	$ (2)	$ (7)	$ (9)
Savings deposits	319	(893)	(574)	105	(354)	(249)
Time deposits	274	(1,393)	(1,119)	414	(226)	188
Federal funds purchased & other borrowings	72	(67)	5	149	(33)	116
Total interest-bearing liabilities	$ 677	$(2,397)	$(1,720)	$ 666	$ (620)	$ 46

Net interest income, before the provision for credit losses, increased to $10.4 million or 14.1% in 2002, as compared to $9.1 million in 2001, an increase of 6.2% from 2000 to 2001. This increase in 2002 is attributable to the increase in average earning assets of $25.8 million versus an increase of $19.1 million in average interest-bearing liabilities over 2001. This accounts, as indicated in the table above, for a net increase due to volume of approximately $1.2 million in net interest income. The tax-equivalent yield on earning assets decreased 87 basis points from 7.58% in 2001 to 6.71% in 2002, while the cost of funds had a greater decrease of 131 basis points, from 3.85% in 2001 to 2.54% in 2002. This resulted in a greater decrease in rate related changes on interest expense versus interest income, or a net increase in net interest income of approximately $0.1 million. The Bank's net interest margin increased from 4.20% during 2001 to 4.32% during 2002.

The increase in net interest income, before the provision for credit losses, in 2001 was primarily attributable to the increase in average earning assets of $19.1 million versus an increase of $15.9 million in average interest-bearing liabilities over 2000. The tax-equivalent yield on earning assets decreased 49 basis points from 8.07% in 2000 to 7.58% in 2001. The cost of funds decreased only 35 basis points, from 4.20% in 2000 to 3.85% in 2001. The Bank's net interest margin decreased from 4.43% at December 31, 2000, to 4.20% at December 31, 2001.

Management believes the increase in net interest margin from 2001 to 2002 is a result of a more stable interest rate environment during 2002. After the Federal Reserve cut key interest rates eleven times in 2001, 2002 had only one decrease of 50 basis points. The more stable rate environment allowed the Bank to more effectively manage within the current environment.

SERVICE

The Bank believes net interest margin will be challenged in 2003 due to two main factors. Banks are not only competing with each other for available business, but with other providers of loan and investment products, such as credit unions and insurance companies. A wealth of information is easily obtained by consumers via the Internet, from television and through print media. Competitors exist beyond the geographic trade area and banks generally have increased business volumes by offering higher deposit rates and lower loan rates, looking to other potential sources of income, such as fees and service charges, to increase earnings.

Secondly, as the Bank responds to competitive pricing for assets, the current low interest rate environment will make it difficult to competitively adjust the pricing of liabilities much further. The historically low environment provides the Bank a smaller interval to move rates on deposits to offset any decrease on assets.

The Bank regularly 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. The Bank's Asset/Liability Management Committee ("ALCO") meets monthly 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 has adopted an asset/liability policy that specifies minimum limits for liquidity and capital ratios. Ranges have been set for the negative impact acceptable on net interest income and on the market value of equity as a result of a shift in interest rates. The asset/ liability policy also includes guidelines for investment activities and funds management. At its monthly meeting, the ALCO reviews the Bank's status and formulates its strategy based on current economic conditions, interest rate forecasts, loan demand, deposit volatility and the Bank's earnings objectives.

NET INTEREST INCOME

[BAR CHART]

98	99	00	01	02
(in millions)				
$6.9	$7.5	$8.6	$9.1	$10.4

5-Year CAGR 9.90%

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses represents the amount charged against the Bank's earnings to establish a reserve or allowance sufficient to absorb expected loan losses based on management's evaluation of the loan portfolio. Factors considered include current loan concentrations, charge-off history, delinquent loan percentages, input from regulatory agencies and general economic conditions.

On a quarterly basis, management of the Bank meets to review the adequacy of the allowance for loan losses. In making this determination, the Company analyzes the ultimate collectibility of the loans in its portfolio by incorporating feedback provided by internal loan staff, an independent loan review function and information provided by examinations performed by regulatory agencies.

The analysis of the allowance for loan losses is composed of three components:
specific credit allocation, general portfolio allocation and subjectively by determined allocation. The specific credit allocation includes a detailed review of the credit in accordance with SFAS No. 114 and No. 118, and allocation is made based on this analysis. The general portfolio allocation consists of an assigned reserve percentage based on the credit rating of the loan.

The subjective portion of the allowance reflects management's current assessment of the New York State and local economies. Both have lagged behind national prosperity, which has continued to remain unsettled. Marginal job growth, in conjunction with a declining population base, has left the Bank's market more susceptible to potential credit problems. This is particularly true of commercial borrowers. Commercial loans represent a segment of significant past growth as well as concentration in the Company's real estate portfolio. Commercial real estate values may be susceptible to decline in an adverse economy. Management believes that the reserve is also in accordance with regulations promulgated by the OCC, and is reflective of its assessment of the local environment as well as a continued growth trend in commercial loans.

In 2002, the Bank charged $0.4 million against earnings for loan losses as compared to $0.4 million in 2001. In 2000, $0.7 million was charged against earnings for this purpose. Total non-performing loans amounted to $1,197,000 at December 31, 2002, as compared to $1,167,000 at December 31, 2001 and $1,460,000 at December 31, 2000.

The amount charged to loan losses over the past three years has been greater than the Bank's actual loan losses. The following table provides an analysis of the allowance for loan losses, the total of non-performing loans and total allowance for loan losses as a percentage of total loans outstanding for the three years ended December 31:

	2002	2001	2000
Balance, beginning of year	$ 1,786,115	$ 1,428,467	$ 838,167
Provisions for loan losses	420,000	420,000	689,000
Recoveries	15,689	17,250	6,356
Loans charged off	(76,198)	(79,602)	(105,056)
Balance, end of year	$ 2,145,606	$ 1,786,115	$ 1,428,467
Actual loan losses	0.05%	0.06%	0.08%
Non-performing loans	0.79%	0.81%	1.13%
Allowance for loan losses	1.42%	1.24%	1.11%

An allocation of the funding allowance for loan losses by portfolio type over the past five years follows:

	(ALL AMOUNTS IN $000)				
	BALANCE AT 12/31/02 ATTRIBUTABLE TO:	BALANCE AT 12/31/01 ATTRIBUTABLE TO:	BALANCE AT 12/31/00 ATTRIBUTABLE TO:	BALANCE AT 12/31/99 ATTRIBUTABLE TO:	BALANCE AT 12/31/98 ATTRIBUTABLE TO:
Real estate loans	$ 844	$ 455	$ 600	$ 716	$ 457
Commercial loans & leases	259	96	96	50	78
Installment loans (including credit cards)	72	74	66	56	53
Student loans	0	0	0	0	0
All other loans	0	0	0	0	0
Unallocated	971	1,161	666	16	141
Total	$ 2,146	$ 1,786	$ 1,428	$ 838	$ 729

Both the total increase in allowance for loan losses and allocation of the allowance to commercial loans and leases are in response to the increase in total commercial loans. Commercial real estate mortgages represent 61.1% or $77.9 million of total real estate mortgages at December 31, 2002, as compared to 57.9% or $70.8 million at December 31, 2001. Commercial real estate contains mortgage loans to developers and owners of commercial real estate. Additionally, commercial loans, which represent loans to a wide variety of businesses, small and moderate across varying industries, has increased to 13.5% of total loans or $20.5 million at December 31, 2002, as compared to 11.3% or $16.3 million at December 31, 2001. The increased allowance and allocation to commercial categories are to provide for the current economic condition deterioration. Commercial loans are more susceptible to decreases in credit quality in cyclical downturns and the larger individual balances of commercial loans expose the Company to larger losses. In addition, growth in the size of the commercial loan portfolio during 2002 required additional allowance to provide for probable losses inherent but undetected in the new loans originated during the year.

The unallocated portion of the allowance reflects estimated probable inherent but undetected losses within the portfolio due to uncertainties in economic conditions, delays in obtaining information, including unfavorable information about a borrower's financial condition, the difficulty in identifying triggering events that correlate perfectly to subsequent loss rates and risk factors that have not yet manifested themselves in loss allocation factors. In addition, the unallocated allowance includes a component that explicitly accounts for the inherent imprecision in loan loss models.

The Company has changed its portfolio mix in recent years. As a result, historical loss experience data used to establish allocation estimates might not precisely correspond to the current portfolio. The longer-term consequences of the September 11, 2001 terrorist attacks and the recessionary environment also affect the precision of the allocation model's estimates of loss. Given these recent factors, the losses in the historical testing period may not be representative of the actual losses inherent in the portfolio that have not yet been recognized.

The allowance for loan losses is based on estimates, and ultimate losses will vary from current estimates. The methodology to determine the adequacy of the allowance for loan losses is consistent with prior years.

EVANS NATIONAL BANK DIVERSITY

NON-INTEREST INCOME

Total non-interest income increased approximately $0.9 million or 20.9% in 2002 over 2001. This compares to an increase of approximately $0.9 million from 2000 to 2001. Non-interest income for 2002 included approximately $0.2 million of life insurance proceeds, which the Bank recorded as the beneficiary of a life insurance policy on a director. Excluding this one-time item, non-interest income increased $0.7 million or 16.8% from 2001 to 2002. Income from the M&W Agency, Inc. accounted for a substantial portion of this increase in non-interest income, approximately $0.5 million. The competitive interest rate environment resulted in prepayment fees collected on refinanced loans totaling an additional $0.1 million. New mortgage volume and refinancings also increased appraisal fees and premiums received on residential mortgages sold to the Federal National Mortgage Association ("FNMA") for approximately $0.1 million. ENB Associates also benefited in the low interest rate environment as customers searched for higher yields in mutual funds and annuities. ENB Associates' revenue increased $0.1 million in 2002 as compared to 2001.

Additionally, the Bank has grown its ATM network with the addition of one at the new Amherst branch and two new offsite locations during 2002. Also, the usage of the Bank's point-of-sale debit cards has increased. Both data services have provided approximately an additional $0.1 million in fees as compared to 2001.

These increases were offset by a decrease of approximately $0.1 million in gains realized on the sale of assets, primarily planned sales of securities, totaling approximately $0.1 million in 2002 versus an approximate $0.2 million gain realized in 2001. During 2002, the Bank also recognized losses on sales and write downs in the carrying value of foreclosed real estate of $0.1 million.

NON-INTEREST INCOME

[BAR CHART]

98	99	00	01	02
		(in millions)		
$1.2	$1.3	$3.6	$4.5	$5.5

5-Year CAGR 41.92%

Non - interest income for 2000 included approximately $1.4 million of life insurance proceeds, which the Bank recorded as the beneficiary of a life insurance policy on its former chairman, president and CEO. Excluding this one-time item, non-interest income increased $2.3 million or 99.7% from 2000 to 2001. Income from the M&W Agency, Inc. accounted for a substantial portion of this increase in non-interest income, approximately $1.8 million in 2001, which was the first full year it was operated by the Company. Income on a property foreclosed on in 2001 accounted for approximately $0.1 million in additional income in 2001.

In 2001, the Bank received a six-month benefit from the increase in service charges on deposit accounts instituted in July 2001. Loan-related income also increased in 2001. This included prepayment penalties collected on loans and dividends received as a result of the Bank's participation in the New York State Bankers Group Insurance Trust.

Gains realized on the sale of assets, primarily planned sales of securities, totaled approximately $0.2 million in 2001 versus an approximate $0.1 million loss realized in 2000.

NON-INTEREST EXPENSE

Total non-interest expense increased approximately $1.1 million or 11.7% in 2002 over 2001. In 2002, the ratio of non-interest expense to average assets was 4.01% compared to 4.01% in 2001 and 3.55% in 2000. Non-interest expense categories include those most impacted by branch expansion and the operations of the M&W Agency, Inc. and ENB Associates Inc.: salaries, occupancy, advertising, and supplies, among others. Salary and benefit expense increased 10.1% in 2002. Of the $0.5 million in salary and benefit expense increases in 2002, the Bank's operations contributed approximately $0.3 million of the increase and M&W Agency contributed approximately $0.2 million of the increase from 2001. The addition of the Amherst branch, increased loan staffing, M&W Agency expansion and promotional increases contributed to the increased salary costs. M&W Agency acquired the business, assets and certain liabilities of the Eden Agency in the beginning of 2002, and opened an additional office at the Derby Bank branch location, which led to its increased salary and benefits. The increased costs were offset by an adjustment to reduce pension expense of approximately $0.2 million related to the supplemental executive retirement plan ("SERP").

Occupancy expense increased approximately $0.2 million or 15.7%. The Bank's capital expenditures completed in 2002 included a new branch in Amherst, renovation of an owned building to house the Bank's loan operations, renovations to the Bank's administrative offices in Angola, New York, and M&W Agency's addition of the Eden location. All additions increased related occupancy expenses: utilities, rent, and depreciation, among others. Professional services increased $0.1 million or 29.6%. The Bank engaged outside consulting firms and attorneys for a revenue enhancement project, strategic expansion study and assistance in formation of ENHC.

Miscellaneous other expenses increased $0.2 million or approximately 11.2% in 2002. Expenses associated with Internet banking, ATM expense, telephone and data line costs, postage costs, maintenance on foreclosed properties, director fees and correspondent bank service charges fall under miscellaneous expenses. All of these categories increased in 2002 as compared to 2001, for approximately $0.5 million. Due to the January 1, 2002, SFAS No. 142 adoption by the Company, systematic goodwill amortization ceased and the net goodwill recorded by the Company is evaluated for impairment on an annual basis. The cessation of amortization expense offsetthe increases mentioned above by approximately $0.3 million, which was the expense recognized in 2001.

Salary and benefit expense increased 27.1% in 2001, over 2000. Of the $1.1 million increase in salary and benefit expenses in 2001, approximately $0.9 million is attributable to the addition of the M&W Agency, Inc. The remainder of the increase included merit/promotional increases, other additional staffing and expenses related to the Bank's retirement plans.

In 2001, occupancy expenses increased about $0.1 million or 12.9%. The cost of the occupancy expense for M&W Agency, Inc. contributed $0.1 million to occupancy expense. Repairs and maintenance increased approximately $0.1 million or 38.2%. This was largely due to M&W Agency, Inc. Professional services increased about $0.2 million or 65.7% due to increased fees related to the listing of the Company's common stock on the Nasdaq National Market. Accounting and legal fees comprised a majority of these expenses. M&W Agency, Inc. professional costs increased as a result of additional audit fees required to perform their annual external audit. The FDIC Assessment expense remained stable in 2001 as compared to 2000. New assessment rates went into effect on January 1, 2000. Other insurance decreased approximately $0.1 million or 22.9% in 2001 due to onetime premiums paid in 2000 for life insurance policies held on certain bank officers and directors.

Miscellaneous other expenses increased 41.7% or approximately $0.5 million in 2001. Expenses associated with Internet banking, ATM expense, telephone costs, postal costs, maintenance on foreclosed properties, director fees and correspondent bank service charges fall under miscellaneous expenses. All of these categories increased in 2001 as compared to 2000. Amortization of goodwill related to the M&W Agency, Inc. acquisition accounted for approximately $0.2 million of the increase.

Evans Bancorp, Inc. parent company expense increased approximately $0.1 million due to costs incurred for initial listing and annual fees for listing of the Company's common stock on the Nasdaq National Market. M&W Agency., Inc. miscellaneous costs increased approximately $0.1 due to a full year of operation as a part of the Company in 2001 versus four months during 2000.

PENSION

The Company maintains a qualified defined benefit pension plan, which covers substantially all employees. Additionally, the Company has entered into individual retirement agreements with certain current executives providing for unfunded supplemental pension benefits. Our pension expense for all pension plans, including the SERP, approximated $215,000 and $458,000 for the years ended December 31, 2002, and December 31, 2001, respectively, and is calculated based upon a number of actuarial assumptions, including an expected long-term rate of return on our plan assets of 6.75%.

In developing our expected long-term rate of return assumption, we evaluated input from our actuary in conjunction with our historical returns based on the asset allocation of our portfolio. We will continue to evaluate our actuarial assumptions, including our expected rate of return, at least annually, and will adjust as necessary.

We base our determination of pension expense or income on a market-related valuation of assets, which reduces year-to-year volatility. This market-related valuation recognizes investment gains or losses over a three-year period from the year in which they occur. Investment gains or losses for this purpose are the difference between the expected return calculated using the market-related value of assets and the actual return based on the market-related value of assets. Since the market-related value of assets recognizes gains or losses over a three-year period, the future value of assets will be impacted as previously deferred gains or losses are recorded.

The discount rate utilized for determining future pension obligations is based on a review of long-term bonds that receive one of the two highest ratings given by a recognized rating agency. The discount rate determined on this basis has decreased from 7.50% at September 30, 2001, for purposes of our deferred benefit pension plan and at December 31, 2001, for purposes of our SERP, both of which are the measurement dates, to 6.75% for both plans at September 30, 2002 and December 31, 2002, respectively.

TAXES

The provision for income taxes in 2002 of $1.2 million reflects an effective tax rate of approximately 24.9%. This compares to $1.1 million or 30.0% in 2001 and $0.8 million or 19.5% in 2000. There were two main factors for the decrease in the effective tax rate in 2002. The first was due to the establishment of ENHC as a REIT. In addition to the flexibility and planning opportunities for the Bank, it also provided state tax benefits. Additionally, the life insurance proceeds recorded in 2002 were tax exempt and contributed to a more favorable tax position. The Bank also continues to maintain a substantial investment in tax-advantaged municipal bonds, which contributes to its favorable tax position.

A significant reason for the increase in the effective tax rate in 2001 over 2000 was a full year of non-tax deductible goodwill amortization expense related to the M&W Agency acquisition. Additionally, the life insurance proceeds recorded in 2000 were tax-exempt income also contributing to the favorable tax position in that year.

FINANCIAL CONDITION

The Bank had total assets of $288.7 million at December 31, 2002, an increase of $40.0 million or 16.1% over $248.7 million at December 31, 2001. Net loans of $149.0 million increased 4.6% or $6.5 million over the previous year. Securities increased $22.6 million or 26.9% and cash and cash equivalents increased $9.1 million or 84.8%. Deposits grew by $35.2 million or 17.3%. Shareholders' equity increased $3.9 million or 14.5%. Net unrealized gains/losses on investment securities held by the Bank increased $1.3 million over 2001.

LOANS

Loans comprised 59.8% of the Bank's total average earning assets in 2002. Actual year-end balances increased 4.6% versus an increase of 10.8% in 2001 and 10.6% in 2000. The Bank continues to focus its lending on commercial and residential mortgages, commercial loans and home equity loans. Commercial mortgages make up the largest segment of the portfolio at 53.2% of total loans. Residential mortgages comprise 12.9% of the portfolio and 15.3% are home equity loans. Other commercial loans account for 16.6% of outstanding loans. Commercial loans total $105.5 million at December 31, 2002, reflecting a 10.6% or $10.1 million increase for the year. Total loan growth was in spite of a decrease in total consumer loans of 6.6% or $3.2 million for the year, primarily due to the refinancings of fixed rate residential mortgages and corresponding sales of such mortgages in the secondary market, as a result of the low interest rate environment and to minimize interest rate risk in the Bank's portfolio. Given the current low interest rate environment, the Bank continues to sell certain fixed rate residential loans originated under a certain interest rate level, while maintaining the servicing right to such loans.

NET LOANS

[BAR CHART]

(in millions)

98	99	00	01	02
$110.5	$116.4	$128.8	$142.5	$149.0

5-Year CAGR 7.95%

At December 31, 2002, the Bank had a loan/deposit ratio of 63.1%. This compares to a loan/deposit ratio of 70.6% at December 31, 2001.

At December 31, 2002, the Bank retained the servicing rights to $24.0 million in long-term mortgages sold to the FNMA since becoming a member in 1995. This compares to a loan servicing portfolio principal balance of $16.0 million at December 31, 2001. This arrangement allows the Bank to offer long-term mortgages without exposure to the associated interest rate risks, while retaining customer account relationships. In 2002 and 2001, the Bank sold loans to FNMA totaling approximately $11.6 million and $8.5 million respectively. The Bank did not record any related asset to the servicing portfolio rights as management determined it immaterial.

SECURITIES AND FEDERAL FUNDS SOLD

Securities and federal funds sold made up the remaining 40.2% of the Bank's total average earning assets at December 31, 2002. These categories provide the Bank with additional sources of liquidity and income. The Bank's securities portfolio increased 26.9% over the prior year. It continues to be strongly concentrated in tax-advantaged municipal bonds, which make up 47.7% of the portfolio, US government-guaranteed mortgage-backed securities which make up 41.9% of the portfolio, and US government-sponsored agency bonds of various types which comprise 9.2% of the total. As a member of both the Federal Reserve System and the Federal Home Loan Bank, the Bank is required to hold stock in those entities. These investments made up 1.2% of the portfolio at December 31, 2002. The credit quality of the securities portfolio is strong, with 93.9% of the securities portfolio carrying the equivalent of a Moody's rating of AAA.

Federal funds sold balances are largely maintained for liquidity purposes. The average balance maintained in federal funds sold increased slightly in 2002 to 2.1% of total average earning assets from 1.5% in 2001.

The tax-equivalent yield earned on securities and federal funds sold decreased 79 basis points in 2002 moving from 6.70% in 2001 to 5.91% in 2002. This compares to 7.00% in 2000. Available yields on investments have declined throughout the year. The Bank's investment strategy has been focused on the purchase of seasoned and new production mortgage-backed securities of moderate average lives (3 to 5 years), which have been purchased at discounts, at par, and at premiums, to par. Based on the Company's evaluation,

mortgage-backed securities are an appropriate investment vehicle in response to a low interest rate environment. Mortgage-backed securities offer competitive yields, provide monthly cash flows, serve as acceptable collateral, and have most of the liquidity characteristics of US Treasury notes and bonds. Total mortgage-backed securities increased $15.1 million, or 51.0% from 2001.

All fixed and adjustable rate mortgage pools contain a certain amount of risk related to the uncertainty of prepayments of the underlying mortgages. Interest rate changes have a direct impact on prepayment rates. The Company uses a third party's computer simulation model to monitor the average life and yield volatility of mortgage pools under various interest rate assumptions.

The Company manages its securities available for sale portfolio on a total return basis. In this respect, management regularly reviews the performance of its securities and sells specific securities to enhance net interest income and net interest margin. The Bank experienced $0.1 million in net gains on these sales in 2002.

SFAS No. 115 outlines accounting and reporting requirements for investment securities. All securities are designated at the time of purchase as either "held to maturity" or "available for sale". Securities designated as held to maturity are stated on the balance sheet at amortized cost. Those designated as available for sale are reported at fair market value. At December 31, 2002, $3.6 million in securities were designated as held to maturity. These bonds are primarily municipal investments that the Bank has made in its local trade area.

TOTAL DEPOSITS

[BAR CHART]

98	99	00	01	02
(in millions)				
$144.1	$169.9	$186.7	$204.3	$239.5

5-Year CAGR 11.59%

The available for sale portfolio totaled $103.0 million or approximately 96.6% of the Bank's securities portfolio at December 31, 2002. Net unrealized gains and losses on available for sale securities resulted in a net unrealized gain of $3.4 million at December 31, 2002, as compared to $1.1 million at December 31, 2001. Interest rates decreased in 2002 as discussed above, driving market prices up on fixed income bonds held in the portfolio. Unrealized gains and losses on available for sale securities are reported, net of taxes, as a separate component of shareholders' equity. At December 31, 2002, the impact to equity was a net unrealized gain of approximately $1.9 million.

DEPOSITS

Total deposits increased $35.2 million or 17.3% in 2002 over 2001. Core deposit growth has been an area the Bank has focused on and its success is evident in the 12.8% increase in demand deposits, 9.7% increase in NOW accounts, and 47.5% increase in savings accounts. Savings deposit growth is primarily due to the Bank's success in attracting municipal deposits with a revamped money market type product called Muni-Vest. Muni-Vest is geared at paying higher money market equivalent rates of return to municipalities and school districts in markets where the Bank operates. Time deposits of less than $100,000 decreased 1.4% in 2002, as the Bank was less aggressive in 2002 in pursuing these generally more costly deposits.

Certificates of deposit in excess of $100,000 decreased 1.5%. These funds are generally not considered core deposits. Many of these deposits are obtained from municipalities through the competitive bidding process. Others are obtained from commercial and retail customers looking for the safety of an FDIC-insured deposit. Certificates of deposit in excess of $100,000 have increased significantly in 2002 over the past several years prior to 2002 due to the Bank's expansion of its trade area.

CORE DEPOSITS*

BAR CHART]

98	99	00	01	02
(in millions)				
$119.9	$141.1	$156.0	$175.4	$211.1

5-Year CAGR 12.81%

*All Bank deposits excluding CD's over
$100,000

LIQUIDITY

The Bank utilizes cash flows from the investment portfolio and federal funds sold balances to manage the liquidity requirements it experiences due to loan demand and deposit fluctuations. The Bank also has many borrowing options. As a member of the Federal Home Loan Bank ("FHLB"), the Bank is able to borrow funds at competitive rates. Advances of up to $13.1 million can be drawn on the FHLB via the Overnight Line of Credit Agreement. An amount equal to 25% of the Bank's total assets could be borrowed through the advance programs under certain qualifying circumstances. The Bank also has the ability to purchase up to $7 million in federal funds from one of its correspondent banks. By placing sufficient collateral in safekeeping at the Federal Reserve Bank, the Bank could also borrow at the discount window. Additionally, the Bank has access to capital markets as a funding source.

The cash flows from the investment portfolio are laddered, so that securities mature at regular intervals, to provide funds from principal and interest payments at various times as liquidity needs may arise. Contractual maturities are also laddered, with consideration as to the volatility of market prices, so that securities are available for sale from time-to-time without the need to incur significant losses. At December 31, 2002, approximately 6.4% of the Bank's securities had maturity dates of one year or less and approximately 19.2% had maturity dates of five years or less. At December 31, 2002, the Bank had net short-term liquidity of $36.9 million as compared to $37.0 million at December 31, 2001. Available assets of $115.1 million, less public and purchased funds of $73.0 million, resulted in a long-term liquidity ratio of 158% at December 31, 2002, versus 177% at December 31, 2001.

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 level of US government and government agency securities and New York State municipal bonds that can be pledged as collateral for these deposits.

CAPITAL

The Bank has consistently maintained regulatory capital ratios at, or above "well capitalized" standards. For further detail on capital and capital ratios, see Note 18 to the Consolidated Financial Statements.

Total stockholders' equity was $30.9 million at December 31, 2002, up from $27.0 million at December 31, 2001. Equity as a percentage of assets was 10.7% at December 31, 2002, compared to 10.8% at December 31, 2001. Book value per common share rose to $13.22 at December 31, 2002, up from $11.64 at December 31, 2001.

In September 2001, the Company's Board of Directors authorized the repurchase of up to 50,000 shares of Evans Bancorp's outstanding common stock over the following two years. In July of 2002, the Board approved an extension of the repurchase plan for two years from the July 2002 date.

Shares are held for reissue in connection with the Company's "Stock Dividend Reinvestment Plan" and general corporate purposes. During 2002 and 2001 the Company repurchased under the plan 1,100 shares and 0 shares, respectively. Subject to ongoing capital and investment considerations, management intends to continue to repurchase shares in 2003 on an opportunistic basis.

Evans Bancorp paid dividends per share of common stock of $0.56 in 2002, $0.47 in 2001 and $0.40 in 2000. The dividend payout is continually reviewed by management and the Board of Directors. The dividend payout ratio, which represents dividends per share divided by earnings per share, was 36.1%, 42.0% and 28.6% for the years 2002, 2001 and 2000, respectively.

INTEREST RATE RISK

The Company's asset/liability management strategy is to maximize earnings and return on capital while limiting exposure to risks associated with a volatile interest rate environment. The Company's exposure to interest rate risk is managed primarily through the Company's strategy of selecting the type and terms of interest earning assets and interest bearing liabilities that generate favorable earnings, while limiting the potential negative effects of changes in market interest rates.

Management uses income simulation models to quantify the potential impact on earnings and capital with changes in interest rates. The model uses cash flows and repricing information from loans and certificates of deposit, plus repricing assumptions on products without specific repricing dates (e.g. savings and interest bearing demand accounts), to calculate durations of each of the Bank's assets and liabilities. In addition, the model uses management assumptions on growth with duration to project income. The model also projects the effect on income due to changes in interest rates as well as the value of the Company's equity in each of the theoretical rate environments.

The Company maintains specific interest rate risk management policy limits. Based on simulation modeling, these guidelines include a +/- 5.25% of net interest income and a 6% of capital threshold on the value of the Company's economic value of equity. At December 31, 2002, the effect of an immediate 200 basis point increase in interest rate would increase the Company's annual net interest income by 2.7%, or $0.3 million. A 200 basis point decrease in interest rate would decrease annual net interest income by 3.8% or approximately $0.4 million.

OPPORTUNITY

The Company and its subsidiary, M&W Agency, Inc., lease certain offices, land and equipment under long-term operating leases. The aggregate minimum annual rental commitments under these leases total approximately $293,000 in 2003, $265,000 in 2004, $175,000 in 2005, $173,000 in 2006, $179,220 in 2007 and $1,727,000 thereafter.

Financial instruments with off balance sheet risk at December 31, 2002 included $10.4 million in undisbursed lines of credit at an average interest rate of 5.1%, $3.9 million in fixed rate loan origination commitments at 8.9%, $25.7 million in adjustable rate loan origination commitments at 5.5% and $1.7 million in adjustable rate letters of credit at an average rate of 5.3%.

The following table represents expected maturities of interest-bearing assets and liabilities and their corresponding average interest rates.

For the Year Ended December 31,	2003	2004	2005	2006	2007	THEREAFTER	TOTAL	FAIR VALUE
INTEREST - ASSETS								
Loans receivable, fixed	7,441	5,178	4,434	5.312	4,696	16,246	43,307	56,380
Average interest	7.60%	8.20%	8.03%	7.92%	7.52%	7.58%		
Loans receivable, adjustable	22,395	6,455	7,585	8,453	6,182	56,766	107,836	107,836
Average interest	5.53%	6.69%	7.28%	6.95%	6.88%	6.63%		
Federal funds	8,450							
Average interest	1.25%							
Time demand other banks	877							
Average interest	2.60%							
Investment securities	17,711	15,431	6,607	3,673	4,529	58,721	106,672	106,672
Average interest	4.44%	5.46%	5.32%	5.58%	5.88%	6.85%		
INTEREST - LIABILITIES								
Deposits	169,844	15,869	3,320	3,901	1,908	0	194,842	196,095
Average interest	1.75%	2.68%	3.98%	5.30%	4.16%	0%		
Borrowed funds	9,933	2,437	1,467	707	91	19	14,654	14,654
Average interest	2.70%	5.24%	5.43%	5.49%	8.91%	9.00%		

MARKET RISK

When rates rise or fall, the market value of the Bank's rate-sensitive assets and liabilities increases or decreases. As a 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 acceptable. 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 SFAS No. 115. The Bank has established an acceptable range target of negative 25% of total capital, before SFAS No. 115 (after tax), as the maximum impact to equity as a result of marking available for sale securities to market. At year-end, the impact to equity as a result of marking available for sale securities to market was an unrealized gain of $1.9 million. On a quarterly basis, the available for sale portfolio is shocked for immediate rate increases of 100 and 200 basis points. At December 31, 2001, the Bank determined it would take an immediate increase in rates in excess of 200 basis points to eliminate the current capital cushion. The Bank's capital ratios are also reviewed on a quarterly basis. Unrealized gains and losses on available for sale securities are not included in the calculation of these ratios.

CAPITAL EXPENDITURES

The Bank has approved the construction and furnishing of a new branch office in 2003. The cost to the Bank is expected to be approximately $0.9 million. Other planned expenditures include replacing a number of personal computers, replacing/adding automated teller machines (ATMs) and miscellaneous other equipment. The Bank believes it has a sufficient 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 the 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 repricing frequency of assets and liabilities to avoid a significant concentration that could result in a negative impact on earnings.

FOURTH QUARTER RESULTS

Net income for the fourth quarter of 2002 was approximately $0.9 million or $0.37 per share, which reflects an increase of approximately $0.3 million or 57.7% from approximately $0.5 million or $0.24 per share in the fourth quarter 2001. Adjusting fourth quarter 2001 earnings to exclude the effects of goodwill amortization, net income for such quarter increases $80 thousand or $0.03 per share. For the fourth quarter of 2002, net income rose $236 thousand or 37.6%, after adjusting 2001 results to exclude goodwill amortization. All per share results reflect the 5-for-4 stock split distributed in June 2001 and the 5% stock dividend payable to shareholders of record as of December 2, 2002, on January 29, 2003.

During the fourth quarter of 2002, net interest income was $2.5 million, which reflects an increase of $0.3 million or 11.3% over the same time period in 2001. An increase in average earning assets and a widening of the Bank's net interest margin were the most significant factors contributing to the improvement in net interest income.

Non-interest income was $1.4 million in the fourth quarter of 2002, which reflects a $0.4 million or 35.7% increase over the same time period in 2001. Insurance sales and fees comprised $0.2 million of this increase due to growth in the business of M&W Agency, Inc. Also, approximately $0.2 million of the increase was due to an adjustment in the actuarial retirement calculations, which is reflected as a decrease in SERP expense in the consolidated statements of income.

Non-interest expense for the fourth quarter of 2002 was $2.8 million, which reflects a $0.3 million or 13.9% increase over the same time period in 2001. Occupancy expense comprised $0.1 million of the increase due to costs related to Company expansion including the new Bank branch in Amherst, New York, M&W Agency growth and Bank administrative space remodeling. Goodwill amortization expense decreased in the fourth quarter of 2002 by approximately $0.1 million from the same time period in 2001, due to the cessation of goodwill amortization as a result of implementation of SFAS No. 142 on January 1, 2002. Professional services increased in the fourth quarter of 2002 by approximately $0.1 million from the same time period in 2001, due to fees related to two consulting projects related to market expansion strategy and revenue enhancement in 2002. Other non-interest expense increased $0.2 million in the fourth quarter 2002, over the same time period in 2001. This was due to a number of factors including: ATM card fees due to increased off-premise ATM activity, telephone and data line expenses due to Bank branch and M&W Agency expansion, appraisal expense as a result of increased mortgage origination and refinancing activity and greater charitable contributions in funding the Bank's newly created Foundation for charitable giving purposes.

During the fourth quarter 2002, net loans increased by $0.7 million or 0.5% to $149.0 million at December 31, 2002. During the fourth quarter 2002, commercial loans increased by $1.5 million or 1.5% to $105.5 million at December 31, 2002. During the fourth quarter 2002, consumer loans decreased $0.7 million or 1.6% to $45.3 million at December 31, 2002. These changes are primarily due to the Company's strategy to continue emphasizing commercial loan originations, while selling fixed rate residential mortgages originated under a certain interest rate level.

During the fourth quarter, deposits increased $23.5 million or 10.9% to $239.5 million at December 31, 2002, due primarily to growth in municipal savings with the Bank's revamped product called Muni-Vest, which provides municipalities and school districts with a money market type of product.

SEGMENT INFORMATION

In accordance with the provisions of SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information, the Company's reportable segments have been determined based upon its internal profitability reporting system, which are comprised of banking and insurance activities.

The banking activities segment includes all of the activities of Evans National Bank in its function as a full-service commercial bank. This includes the operations of ENB Associates Inc., which provides non-deposit investment products. Net income from banking activities was $3.1 million in 2002, which represents a $0.9 million or 38.2% increase over 2001. The increase in net income from banking activities was driven significantly by an improvement in net interest income as a result of the more stable interest rate environment during 2002 as compared to 2001. Total assets of the banking activities segment increased $39.2 million or 16.0% during 2002 to $284.1 million at December 31, 2002, due primarily to normal banking activities and growth in deposits which were utilized to fund loans and the investment securities portfolio.

The insurance activities segment includes activities of the M&W Agency, Inc., which is a retail property and casualty insurance agency with ten locations in the Western New York area. Net income from insurance activities was $0.5 million in 2002, which represents a $0.2 million or 51.0% increase over 2001. Growth in the overall M&W Agency property and casualty lines of business as well as the acquisition of the business of the Eden Agency on January 1, 2002, contributed to the improvement in net income in 2002 over 2001. Total assets of the insurance activities segment increased $0.8 million or 20.4% during 2002 to $4.6 million at December 31, 2002, due primarily to the acquisition of the business of the Eden Agency and Frontier Claim Services during 2002.

NEW ACCOUNTING STANDARDS

SFAS No. 144 Accounting for the Impairment or Disposal of Long-Lived Assets, was issued August 2001. This statement supercedes SFAS 121, APB No. 30, and amends ARB No. 51. The Statement establishes a single accounting model for long-lived assets to be disposed of by sale and resolve significant implementation issues related to SFAS No. 121. However, this Statement retains fundamental provisions of SFAS No. 121, APB Opinion 30, and ARB No. 51. The Statement was effective for the Company beginning on January 1, 2002 and did not have a material impact on the Company's financial statements.

SFAS No. 147, Acquisitions of Certain Financial Institutions, was issued October 2002. This statement amends SFAS Nos. 72 and 144 and FASB Interpretation No. 9. Except for transactions between two or more mutual enterprises, this Statement removes acquisitions of financial institutions from the scope of both SFAS No. 72 and FASB Interpretation 9 and requires that those transactions be accounted for in accordance with SFAS No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets. In addition, this Statement amends SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, to include in its scope long-term customer-relationship intangible assets of financial institutions such as depositor and borrower-relationship intangible assets and credit card holder intangible assets. Consequently, those intangible assets are subject to the same undiscounted cash flow recoverability test and impairment loss recognition and measurement provisions that SFAS No. 144 requires for the other long-lived assets that are held and used. The Statement is effective after September 30, 2002 and did not have a material impact on the Company's financial statements.

FASB Interpretation No. 45 (FIN 45), Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, was issued by the FASB in November 2002. This interpretation expands the disclosures to be made by a guarantor in its financial statements about its obligations under certain guarantees and requires the guarantor to recognize a liability for the fair value of an obligation assumed under a guarantee. FIN 45 clarifies the requirements of SFAS No. 5, Accounting for Contingencies, relating to guarantees. In general, FIN 45 applies to contracts or indemnification agreements that contingently require the guarantor to make payments to the guaranteed party based on changes in an underlying that is related to an asset, liability, or equity security of the guaranteed party. Certain guarantee contracts are excluded from both the disclosure and recognition requirements of this interpretation, including, among others, guarantees relating to employee compensation, residual value guarantees under capital lease arrangements, commercial letters of credit, loan commitments, subordination interests in an Special Purpose Entity (SPE), and guarantees of a company's own future performance. Other guarantees are subject to the disclosure requirements of FIN 45, but not to the recognition provisions and include, among others, a guarantee accounted for as a derivative instrument under SFAS No. 133, a parent's guarantee of debt owed to a third party by its subsidiary or vice versa, and guarantee, which is based on performance not price. The disclosure requirements of FIN 45 are effective for the Company as of December 31, 2002, and require disclosure of the nature of the guarantee, the maximum potential amount of future payments that the guarantor could be required to make under the guarantee, and the current amount of the liability, if any, for the guarantor's obligations under the guarantee. The recognition requirements of FIN 45 are to be applied prospectively to guarantees issued or modified after December 31, 2002. The requirements of FIN 45 did not have a material impact on the results of operations, financial position or liquidity.

FASB Interpretation No. 46 (FIN 46), Consolidation of Variable Interest Entities, was issued by FASB in January 2003. The objective of this interpretation is to provide guidance on how to identify a variable interest entity (VIE) and to determine when the assets, liabilities, noncontrolling interests, and results of operations of a VIE need to be included in a company's consolidated financial statements. A company that holds variable interests in a entity will need to consolidate the entity if the company's interests in the VIE is such that the company will absorb a majority of the VIE's expected losses and/or receive a majority of the entity's expected residual returns, if they occur. FIN 46 also requires additional disclosures by primary beneficiaries and other significant variable interest holders. The requirements of FIN 46 did not have a material impact on the results of operations, financial position or liquidity.

SFAS No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure, was issued in December 2002, which provides guidance on how to transition from the intrinsic value method of accounting for stock-based employee compensation under APB No. 25 to SFAS No. 123's fair value method of accounting, if a company so elects. The Company currently has no outstanding stock-based employee compensation.

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 (the "Company") as of December 31, 2002 and 2001, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2002. 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 auditing standards generally accepted in the United States of America. 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2002 and 2001 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 5 to the consolidated financial statements, in 2002 the Company changed its method of accounting for goodwill and other intangible assets to adopt Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets."

DELOITTE & TOUCHE LLP

BUFFALO, NEW YORK
JANUARY 28, 2003

EVANS BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2002 AND 2001	2002	2001
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	$ 11,308,727	$ 7,894,087
Federal funds sold	8,450,000	2,800,000
Total cash and cash equivalents	19,758,727	10,694,087
Interest bearing accounts in other banks	877,230	0
Securities:		
Available for sale, at fair value	103,031,200	81,735,376
Held to maturity, at cost	3,640,714	2,329,855
Loans, net of allowance for loan losses of $2,145,606 in 2002 and $1,786,115 in 2001	148,997,646	142,469,032
Properties and equipment, net	5,348,994	4,122,733
Goodwill assets	2,944,913	2,760,113
Intangible assets	787,115	368,729
Other assets	3,324,321	4,242,533
TOTAL ASSETS	$ 288,710,860	$ 248,722,458
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Deposits:		
Demand	$ 44,664,537	$ 39,597,700
NOW and money market	10,535,456	9,604,537
Regular savings	94,907,508	64,351,240
Time	89,399,334	90,706,585
Total deposits	239,506,835	204,260,062
Other borrowed funds	8,110,964	9,660,748
Securities sold under agreements to repurchase	6,543,456	4,006,669
Other liabilities	3,687,604	3,834,210
Total liabilities	257,848,859	221,761,689
CONTINGENT LIABILITIES AND COMMITMENTS		
STOCKHOLDERS' EQUITY:		
Common stock, $.50 par value, 10,000,000 shares authorized; 2,334,162 and 2,316,790 shares issued and outstanding, respectively	1,167,081	1,103,234
Capital surplus	16,578,868	13,727,084
Retained earnings	11,179,871	11,464,273
Accumulated other comprehensive income, net of tax	1,942,295	666,178
Less: Treasury stock, at cost (300 shares)	(6,114)	0
Total stockholders' equity	30,862,001	26,960,769
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 288,710,860	$ 248,722,458

See notes to consolidated financial statements.

EVANS BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000	2002	2001	2000
INTEREST INCOME:			
Loans	$ 10,592,702	$ 11,051,419	$ 10,616,225
Federal funds sold & interest on deposits in other banks	78,824	133,130	158,635
Securities:			
Taxable	2,553,604	2,891,901	2,746,273
Non-taxable	1,987,285	1,570,725	1,549,636
Total interest income	15,212,415	15,647,175	15,070,769
INTEREST EXPENSE ON DEPOSITS AND BORROWINGS	4,816,722	6,537,154	6,490,680
NET INTEREST INCOME	10,395,693	9,110,021	8,580,089
PROVISION FOR LOAN LOSSES	420,000	420,000	689,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	9,975,693	8,690,021	7,891,089
NON-INTEREST INCOME:			
Service charges	1,095,611	1,046,615	862,207
Insurance service and fees	2,947,381	2,412,900	646,484
Commission fees	227,666	134,134	57,767
Net gain (loss) on sales of securities	111,302	183,681	(52,825)
Loss on other real estate owned	(138,992)	(17,402)	(35,289)
Premium on loans sold	59,017	28,791	7,818
Life insurance proceeds	184,745	0	1,380,318
Other	987,011	739,193	781,701
Total non-interest income	5,473,741	4,527,912	3,648,181
NON-INTEREST EXPENSE:			
Salaries and employee benefits	5,532,613	5,023,449	3,951,446
Occupancy	1,337,469	1,156,215	1,024,465
Supplies	231,521	229,031	197,614
Repairs and maintenance	411,696	366,609	265,296
Advertising and public relations	205,662	171,248	147,460
Professional services	615,613	474,905	286,607
FDIC assessments	35,002	34,416	34,481
Other Insurance	280,695	276,815	359,206
Other	1,999,858	1,797,918	1,268,459
Total non-interest expense	10,650,129	9,530,606	7,535,034
INCOME BEFORE INCOME TAXES	4,799,305	3,687,327	4,004,236
INCOME TAXES	1,193,258	1,108,000	781,250
NET INCOME	$ 3,606,047	$ 2,579,327	$ 3,222,986
Net income per common share - basic	$ 1.55	$ 1.12	$ 1.40
Weighted average number of common shares	2,325,414	2,310,137	2,305,662

See notes to consolidated financial statements.

EVANS BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000	COMMON STOCK	CAPITAL SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TREASURY STOCK	TOTAL
BALANCE - JANUARY 1, 2000	$ 849,475	$10,990,720	$ 7,629,839	$ (1,185,096)	$ 0	$18,284,938
Comprehensive income: 2000 net income			3,222,986			3,222,986
Unrealized gain on available for sale securities, net of reclassification adjustment and tax effect of $550,271				1,719,596		1,719,596
Total comprehensive income						4,942,582
Cash dividends ($.40 per common share)			(899,045)			(899,045)
Purchase of 6,116 shares for treasury					(273,775)	(273,775)
Reissuance of 6,116 shares of treasury stock under dividend reinvestment plan					273,775	273,775
Issuance of 79,604 shares for M&W acquisition	30,326	2,820,271				2,850,597
BALANCE - DECEMBER 31, 2000	879,801	13,810,991	9,953,780	534,500	0	25,179,072
Comprehensive income: 2001 net income			2,579,327			2,579,327
Unrealized gain on available for sale securities, net of reclassification adjustment and tax effect of $42,137				131,678		131,678
Total comprehensive income						2,711,005
Cash dividends ($.47 per common share)			(1,068,834)			(1,068,834)
Five for four stock split with 481 fractional shares paid in cash	219,720	(241,317)				(21,597)
Issuance of 7,796 shares under dividend reinvestment plan	3,713	157,410				161,123
Purchase of 3,240 shares for treasury					(145,042)	(145,042)
Reissuance of 3,240 shares of treasury stock under dividend reinvestment plan					145,042	145,042
BALANCE - DECEMBER 31, 2001	1,103,234	13,727,084	11,464,273	666,178	0	26,960,769
Comprehensive income: 2002 net income			3,606,047			3,606,047
Unrealized gain on available for sale securities, net of reclassification adjustment and tax effect of $910,633				1,436,616		1,436,616
Additional minimum pension liability, net of tax effect - $102,393				(160,499)		(160,499)
Total comprehensive income						4,882,164
Cash dividends ($.56 per common share)			(1,304,585)			(1,304,585)
Issued 9,423 shares under dividend reinvestment plan	4,487	158,481				162,968
Purchases of 1,100 shares for treasury					(22,831)	(22,831)
Issued 8,546 shares under dividend reinvestment plan	4,068	163,024				167,092
Reissuance of 800 shares of treasury stock under dividend reinvestment plan			(293)		16,717	16,424
Stock dividend 1-for-20 with 598 fractional shares to be paid in cash	55,292	2,530,279	(2,585,571)			0
BALANCE - DECEMBER 31, 2002	$ 1,167,081	$16,578,868	$11,179,871	$ 1,942,295	$ (6,114)	$30,862,001

See notes to consolidated financial statements.

EVANS BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000	2002	2001	2000
OPERATING ACTIVITIES:			
Interest received	$ 15,733,836	$ 16,054,390	$ 14,908,370
Fees received	5,140,994	4,211,410	2,202,389
Interest paid	(4,951,700)	(6,523,176)	(6,314,332)
Cash paid to employees and suppliers	(10,188,956)	(6,685,194)	(7,665,183)
Income taxes paid	(1,314,877)	(1,558,000)	(992,235)
Net cash provided by operating activities	4,419,297	5,499,430	2,139,009
INVESTING ACTIVITIES:			
Available for sale securities:			
Purchases	(70,218,780)	(47,716,648)	(27,931,442)
Proceeds from sales	7,554,063	15,547,047	15,544,257
Proceeds from maturities	43,580,011	21,390,184	4,786,927
Held to maturity securities:			
Purchases	(4,113,680)	(2,453,558)	(2,962,044)
Proceeds from maturities	1,925,595	2,595,887	2,935,536
Additions to properties and equipment	(1,891,860)	(1,119,597)	(359,547)
Investment in joint venture	0	0	(10,500)
Increase in loans, net of repayments	(18,954,336)	(23,594,878)	(14,415,746)
Proceeds from sales of loans	11,989,008	9,156,096	1,513,153
Proceeds from sale of other real estate owned	69,420	12,598	411,971
Acquisition of agencies	(62,000)	0	0
Net cash used in investing activities	(30,122,559)	(26,182,869)	(20,487,435)
FINANCING ACTIVITIES:			
Proceeds (repayments) from borrowing	502,002	5,389,179	(503,340)
Increase in deposits	35,246,773	17,558,743	17,130,945
Dividends paid	(974,759)	(907,711)	(899,045)
Fractional shares paid in cash in stock split	0	(21,597)	0
Purchase of treasury stock	(22,831)	(145,042)	(273,775)
Sale of treasury stock	16,717	145,042	273,775
Net cash provided by financing activities	34,767,902	22,018,614	15,728,560
Net increase (decrease) in cash and cash equivalents	9,064,640	1,335,175	(2,619,866)
CASH AND CASH EQUIVALENTS:			
Beginning of year	10,694,087	9,358,912	11,978,778
End of year	$ 19,758,727	$ 10,694,087	$ 9,358,912
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Net income	$ 3,606,047	$ 2,579,327	$ 3,222,986
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,062,390	1,316,806	663,346
Provision for loan losses	420,000	420,000	689,000
(Gain) loss on sales of assets	(31,328)	(195,070)	80,296
Proceeds from life insurance	(184,745)	0	(1,380,318)
Changes in assets and liabilities affecting cash flow:			
Other assets	(111,954)	1,808,095	(981,869)
Other liabilities	(341,113)	(429,728)	(154,432)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 4,419,297	$ 5,499,430	$ 2,139,009
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCIAL ACTIVITIES			
Acquisition of insurance agencies			
Debt incurred	$ 472,800	$ 0	$ 87,500

See notes to consolidated financial statements.

EVANS BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000

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. The accompanying consolidated financial statements include the accounts of Evans Bancorp, Inc. and its wholly owned subsidiary, Evans National Bank (the "Bank"), and its wholly owned subsidiaries, M&W Agency, Inc. ("M&W"), ENB Associates Inc. ("ENB"), and Evans National Holding Corp. ("ENHC").

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 Amherst, Derby, Evans, Forestville, Hamburg, North Boston, and West Seneca, New York.

M&W is a retail property and casualty insurance agency headquartered at Silver Creek, New York. Through its several branch offices, M&W sells, for commissions, various premium-based insurance policies. M&W commenced operations during the third quarter of 2000.

ENB was established during the first quarter of 2000 and provides non-deposit investment products, such as mutual funds and annuities, to bank customers at bank branch locations. ENB has an agreement with a licensed broker whereby ENB purchases and sells securities to bank customers. ENB commission revenue is reflected as commission fees in the Consolidated Statements of Income.

ENHC was incorporated in February, 2002, as a subsidiary of the Bank. In March 2002, the Bank assigned its interests in approximately $65.7 million in real estate mortgages to Evans National Holding Corp. in exchange for 10 shares of common stock, 1,600 shares of preferred stock and 2,400 shares of excess stock, which represented all of the outstanding stock at that time. ENHC also entered into a Management and Servicing Agreement with the Bank to provide management and other services to it. ENHC is operated as a real estate investment trust ("REIT"), which will provide additional flexibility and planning opportunities for the business of the Bank.

The Company operates in two reportable segments - banking and insurance.

REGULATORY REQUIREMENTS - The Bank is subject to the rules, regulations, and reporting requirements of various regulatory bodies, including the Federal Reserve Board ("FRB"), the Federal Deposit Insurance Corporation ("FDIC"), and the Office of the Comptroller of the Currency ("OCC").

PRINCIPLES OF CONSOLIDATION - The consolidated financial statements include the accounts of the Company and the Bank and subsidiaries. All material intercompany accounts and transactions are eliminated in consolidation.

ACCOUNTING ESTIMATES - The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, 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 in accumulated other comprehensive income. 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.

DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES - Effective October 1, 1998 the Company early adopted the Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities" as amended. SFAS No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities, which require that an entity recognize all derivatives as either assets or liabilities on a balance sheet and measure those instruments at fair value. Changes in the fair value of derivatives must be recognized in earnings when they occur, unless the derivative qualifies as a hedge. If a derivative qualifies as a hedge, a company can elect to use hedge accounting to eliminate or reduce income statement volatility that would arise from reporting changes in a derivative's fair value in income. SFAS No. 133 was amended by SFAS No. 137, which delayed the effective date of SFAS No. 133 to the first quarter of fiscal years beginning after June 15, 2000. SFAS No. 133 was also amended by SFAS No.

138, which addresses and clarifies issues causing implementation difficulties for numerous entities applying SFAS No. 133. SFAS No. 138 includes amendments to SFAS No. 133, which resulted from decisions made by the Financial Accounting Standards Board ("FASB") related to the Derivatives Implementation Group ("DIG") process. The DIG was created by the FASB to facilitate implementation by identifying issues that arise from applying the requirements of SFAS No. 133 and to advise the FASB on how to resolve those issues. Management reviewed contracts from various functional areas of the Company to identify potential derivatives embedded within selected contracts. In accordance with the guidance provided by DIG Issue C13, management identified embedded derivatives in some loan commitments for residential mortgages where the Company has intent to sell to an investor such as the Federal National Mortgage Association ("FNMA"). Due to the short-term nature of these loan commitments (30 days or less) and the historical dollar amount of commitments outstanding at period end, the adoption of SFAS No. 133 did not have a material impact on the Company's financial condition or results of operations.

LOANS - The Bank grants mortgage, commercial and consumer loans to customers. A substantial portion of the loan portfolio is represented by mortgage loans throughout Erie and Chautauqua counties. The ability of the Bank's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method.

The Bank considers a loan to be impaired when, based on current information and events, it is probable that a creditor will be unable to collect principal or interest due according to the contractual terms of the loan. Loan impairment is measured based on the present value of expected cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent.

Payments received on impaired loans are applied against the recorded investment in the loan. For loans other than those that the Bank expects repayment through liquidation of the collateral, when the remaining recorded investment in the impaired loan is less than or equal to the present value of the expected cash flows, income is recorded on a cash basis.

The accrual of interest on mortgage and commercial loans is discontinued at the time the loan is 90-days delinquent, unless the credit is well secured and in process of collection. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

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 is adequate to absorb losses on existing loans that will ultimately be 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.

Management's provision for loan losses reflects its current assessment of the New York State and local economy. Both have lagged behind national prosperity, which is now unsettled. Marginal job growth, in conjunction with a declining population base, has left the Bank's market more susceptible to potential credit problems. This is particularly true of commercial borrowers, which is a segment of significant past growth as well as a concentration in the Company's commercial real estate portfolio. Commercial real estate values may be susceptible to decline in an adverse economy. Management believes that the reserve is also in accordance with regulations promulgated by the OCC, and is reflective of management's assessment of the local environment as well as a continued growth trend in commercial loans.

FORECLOSED REAL ESTATE - Foreclosed real estate is initially recorded at the lower of book value 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 expensed. 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.

GOODWILL - Goodwill primarily represents the excess of the purchase price over the fair value of the net assets acquired in connection with the Company's acquisition of the M&W Agency, Inc. Through December 31, 2001, goodwill was amortized on a straight-line basis over ten years. The Company periodically assesses whether events or changes in circumstances indicate that the carrying amount of goodwill may be impaired. Effective January 1, 2002, the Company adopted the provisions of SFAS No. 142, Goodwill and Other Intangible Assets. This statement addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. See Note 5 for further information.

BUSINESS COMBINATIONS - Since the issuance of SFAS No. 141, Business Combinations by the FASB, business combinations initiated after June 30, 2001, are required to be accounted for by the purchase method. Under the purchase method, net assets of the business acquired are recorded at their estimated fair values as of the date of acquisition, with any excess of the cost of the acquisition over the fair value of the net tangible and intangible assets acquired recorded as goodwill. Results of operations of the acquired business are included in the income statement from the date of acquisition.

BANK-OWNED LIFE INSURANCE - The Company has purchased insurance on the lives of a certain group of employees. The policies accumulate asset values to meet future liabilities including the payment of employee benefits such as retirement benefits. Increases in the cash surrender value are recorded as other income in the Consolidated Statements of Income.

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 39 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 needed to be recognized for applicable assets in 2002, 2001 or 2000.

LOAN SERVICING - The Company, in its normal course of business, sells certain residential mortgages which it originates to FNMA. The Company maintains servicing rights on the loans that it sells to FNMA and earns a fee thereon. At December 31, 2002, and 2001, the Company had approximately $24,026,000 and $15,997,000, respectively, in unpaid principal balances of loans serviced for FNMA. The Company has recorded no net servicing asset for such loans, as such amount is considered immaterial by management. For the years ended December 31, 2002, and 2001, the Company sold $11,617,000 and $8,500,000, respectively, in loans to FNMA.

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 splits and stock dividends. Only basic earnings per share is disclosed because the Company does not have any outstanding dilutive securities or other contracts to issue common stock or, which convert to common stock. All share and per share information presented is stated after giving effect to stock splits and stock dividends.

STOCK SPLIT - A 5-for-4 stock split was distributed on June 12, 2001 to shareholders of record as of May 25, 2001. Fractional shares were redeemed for cash. The stock split resulted in the issuance of 439,441 shares of common stock as well as fractional shares paid in cash totaling $21,597. All share and per share data reflect the split.

STOCK DIVIDEND - A 1-for-20 stock dividend was declared on November 19, 2002, for shareholders of record on December 2, 2002. The stock dividend will result in the issuance of 110,589 shares of common stock on January 29, 2003. The Company valued the dividend stock price on December 31, 2002, at the amount of $23.38 per share, as determined by the Nasdaq National Market December 31, 2002 close price. The appropriate amount of retained earnings was reclassified to common stock and capital surplus. All share and per share data reflect the stock dividend.

COMPREHENSIVE INCOME - Comprehensive income includes both net income and other comprehensive income, including the change in unrealized gains and losses on securities available for sale and the change in additional minimum liability related to pension costs, net of tax.

DIVIDEND REINVESTMENT PLAN - The Company has a Dividend Reinvestment Plan (the "Plan"), which provides each holder of record of the Bank's common stock the opportunity to automatically reinvest the cash dividends they receive on shares of the Bank's common stock. Stockholders who do not wish to participate in the Plan continue to receive cash dividends, as declared, in the usual manner. Fifth Third Bank Corporate Services (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 Company'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. 132, Employers' Accounting for Pensions.

FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISK - 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 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 $1,221,000 and $1,290,000, at December 31, 2002 and 2001, respectively.

RECLASSIFICATIONS - Certain reclassifications have been made to the 2001 and 2000 financial statements to conform with the presentation used in 2002.

ACCOUNTING STANDARDS PRONOUNCEMENTS - SFAS No. 144 Accounting for the Impairment or Disposal of Long-Lived Assets, was issued August 2001. This Statement supercedes SFAS No. 121, Accounting Principle Board Opinion (APB) No. 30, and amends Accounting Research Bulletin (ARB) No. 51. The Statement establishes a single accounting model for long-lived assets to be disposed of by sale and resolve significant implementation issues related to SFAS No. 121. However, this Statement retains fundamental provisions of SFAS No. 121, APB 30, and ARB No.
51. The Statement was effective for the Company beginning on January 1, 2002 and did not have a material impact on the Company's financial statements.

SFAS No. 147, Acquisitions of Certain Financial Institutions, was issued October 2002. This Statement amends SFAS Nos. 72 and 144 and FASB Interpretation No. 9. Except for transactions between two or more mutual enterprises, this Statement removes acquisitions of financial institutions from the scope of both SFAS No. 72 and FASB Interpretation No. 9 and requires that those transactions be accounted for in accordance with SFAS No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets. In addition, this Statement amends SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, to include in its scope long-term customer-relationship intangible assets of financial institutions such as depositor and borrower-relationship intangible assets and credit card holder intangible assets. Consequently, those intangible assets are subject to the same undiscounted cash flow recoverability test and impairment loss recognition and measurement provisions that SFAS No. 144 requires for the other long-lived assets that are held and used. The Statement was effective for the Company beginning October 1, 2002 and did not have a material impact on the Company's financial statements.

FASB Interpretation No. 45 (FIN 45), Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, was issued by the FASB in November 2002. This interpretation expands the disclosures to be made by a guarantor in its financial statements about its obligations under certain guarantees and requires the guarantor to recognize a liability for the fair value of an obligation assumed under a guarantee. FIN 45 clarifies the requirements of SFAS No. 5, Accounting for Contingencies, relating to guarantees. In general, FIN 45 applies to contracts or indemnification agreements that contingently require the guarantor to make payments to the guaranteed party based on changes in an underlying that is related to an asset, liability, or equity security of the guaranteed party. Certain guarantee contracts are excluded from both the disclosure and recognition requirements of this interpretation, including, among others, guarantees relating to employee compensation, residual value guarantees under capital lease arrangements, commercial letters of credit, loan commitments, subordination interests in Special Purpose Entity (SPE), and guarantees of a company's own future performance. Other guarantees are subject to the disclosure requirements of FIN 45, but not to the recognition provisions and include, among others, a guarantee accounted for as a derivative instrument under SFAS No. 133, a parent's guarantee of debt owed to a third party by its subsidiary or vice versa, and guarantee, which is based on performance not price. The disclosure requirements of FIN 45 are effective for the Company as of December 31, 2002, and require disclosure of the nature of the guarantee, the maximum potential amount of future payments that the guarantor could be required to make under the guarantee, and the current amount of the liability, if any, for the guarantor's obligations under the guarantee. The recognition requirements of FIN 45 are to be applied prospectively to guarantees issued or modified after December 31, 2002. The requirements of FIN 45 did not have a material impact on the results of operations, financial position or liquidity.

FASB Interpretation No. ("FIN") 46, Consolidation of Variable Interest Entities, was issued by the FASB in January 2003. The objective of this interpretation is to provide guidance on how to identify a variable interest entity (VIE) and to determine when the assets, liabilities, noncontrolling interests, and results of operations of a VIE need to be included in a company's consolidated financial statements. A company that holds variable interests in a entity will need to consolidate the entity if the company's interests in the VIE is such that the company will absorb a majority of the VIE's expected losses and/or receive a majority of the entity's expected residual returns, if they occur. FIN 46 also requires additional disclosures by primary beneficiaries and other significant variable interest holders. The provisions of this interpretation became effective upon issuance. The requirements of FIN 46 did not have a material impact on the results of operations, financial position or liquidity.

SFAS No. 148, Accounting for Stock-Based Compensation - Transition and Disclosure, was issued in December 2002, which provides guidance on how to transition from the intrinsic value method of accounting for stock-based employee compensation under APB No. 25 to SFAS No. 123's fair value method of accounting, if a company so elects. The Company currently has no outstanding stock-based employee compensation.

2. SECURITIES

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

2002	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
Available for sale:				
U.S. government and agency securities	$ 9,477,460	$ 369,503	$ 0	$ 9,846,963
Mortgage backed securities	44,282,736	481,778	(68,351)	44,696,163
State and municipal securities	44,578,271	2,688,872	(27,419)	47,239,724
Other securities	1,248,350	0	0	1,248,350
Total	$ 99,586,817	$ 3,540,153	$ (95,770)	$ 103,031,200
Held to maturity:				
U.S. government and agency securities	$ 37,201	$ 0	$ 0	$ 37,201
State and municipal securities	3,603,513	0	0	3,603,513
Total	$ 3,640,714	$ 0	$ 0	$ 3,640,714

2001	AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	FAIR VALUE
Available for sale:				
U.S. government and agency securities	$ 12,553,896	$ 531,045	$ (19,249)	$ 13,065,692
Mortgage backed securities	29,421,483	215,508	(37,432)	29,599,559
State and municipal securities	37,409,765	723,580	(316,320)	37,817,025
Other securities	1,253,100	0	0	1,253,100
Total	$ 80,638,244	$ 1,470,133	$ (373,001)	$ 81,735,376
Held to maturity:				
U.S. government and agency securities	$ 39,610	$ 0	$ 0	$ 39,610
State and municipal securities	2,290,245	0	0	2,290,245
Total	$ 2,329,855	$ 0	$ 0	$ 2,329,855

Other securities contain both Federal Reserve and Federal Home Loan Bank stock, which are restricted and carried at cost.

Available for sale securities with a total fair value of $50,623,651 at December 31, 2002, were pledged as collateral to secure public deposits and for other purposes required or permitted by law.

Mortgage backed securities include mortgage backed obligations of U.S. Government agencies and corporations, mortgage backed securities issued by other organizations and other asset backed securities. These obligations have contractual maturities ranging from less than one year to 30 years and have an anticipated average life to maturity ranging from less than one year to 17 years. All mortgage backed securities contain a certain amount of risk related to the uncertainty of prepayments of the underlying mortgages. Interest rate changes have a direct impact upon prepayment speeds, therefore, the Company uses a third party's computer simulation model to test the average life and yield volatility of all mortgage backed securities under various interest rate scenarios to insure that volatility falls within acceptable limits. At December 31, 2002 and 2001, the Company owned no high risk mortgage backed securities as defined by the Federal Financial Institutions Examination Council's Supervisory Policy Statement on Securities Activities.

The scheduled maturities of debt securities at December 31, 2002, 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	$ 4,003,286	$ 4,040,160	$ 2,773,438	$ 2,773,438
Due after year one through five years	12,675,305	13,056,320	609,359	609,359
Due after five years through ten years	27,876,311	29,268,414	220,716	220,716
Due after ten years	55,031,915	56,666,306	37,201	37,201
Total	$ 99,586,817	$ 103,031,200	$ 3,640,714	$ 3,640,714

Realized gains and losses from sales of securities for the years ended December 31, 2002, 2001 and 2000 are summarized as follows:

	2002	2001	2000
Gross gains	$ 127,284	$ 184,204	$ 41,629
Gross losses	(15,982)	(523)	(94,454)
Net gain (loss)	$ 111,302	$ 183,681	$ (52,825)

3. LOANS, NET

Major categories of loans at December 31, 2002 and 2001 are summarized as follows:

	2002	2001
Mortgage loans on real estate:		
Residential 1 - 4 family	$ 26,712,205	$ 31,034,992
Multi-family commercial	77,918,498	70,858,450
Construction	2,174,277	1,520,153
Second mortgages	6,919,081	8,188,040
Equity lines of credit	13,779,526	10,684,118
Commercial loans	20,460,244	16,332,735
Consumer installment loans:		
Personal	2,054,117	2,525,272
Credit cards	297,964	333,671
Student loans	0	233,678
Other	491,175	1,293,279
Direct financing lease	0	897,878
Net deferred loan origination costs	336,165	352,881
	151,143,252	144,255,147
Allowance for loan losses	(2,145,606)	(1,786,115)
Loans, net	$ 148,997,646	$ 142,469,032

Changes in the allowance for loan losses for the years ended December 31, 2002, 2001 and 2000 were as follows:

	2002	2001	2000
Balance, beginning of year	$ 1,786,115	$ 1,428,467	$ 838,167
Provision for loan losses	420,000	420,000	689,000
Recoveries	15,689	17,250	6,356
Loans charged off	(76,198)	(79,602)	(105,056)
Balance, end of year	$ 2,145,606	$ 1,786,115	$ 1,428,467

Loans evaluated for impairment, for which an allowance for loan impairment was not required under SFAS No. 114 due to the adequacy of related collateral values, totaled approximately $1,197,000 and $724,000 at December 31, 2002 and 2001, respectively. The average recorded investment in these loans during 2002, 2001, and 2000 was approximately $637,500, $601,600 and $1,166,500, respectively. If such loans had been in an accruing status, the Bank would have recorded additional interest income of approximately $68,000, $36,000 and $78,000 in 2002, 2001 and 2000, respectively.

The Bank had no loan commitments to borrowers in non-accrual status at December 31, 2002.

As of December 31, 2002 and 2001, the Bank had no other loans which were impaired as defined by SFAS No. 114.

4. OTHER ASSETS

Other assets at December 31, were as follows:

	2002	2001
Bank owned life insurance	$ 662,733	$ 547,276
Deferred tax asset	55,941	1,008,218
Accrued interest receivable	1,405,887	1,469,607
Life insurance proceeds receivable	184,744	0
Prepaid expenses	374,081	394,354
Other real estate owned	275,000	483,412
Other	365,935	339,666
Total	$ 3,324,321	$ 4,242,533

5. GOODWILL AND INTANGIBLE ASSETS

As of January 1, 2002, the Company adopted SFAS No. 142, Goodwill and Other Intangible Assets, which addresses the financial accounting and reporting standards for the acquisition of intangible assets outside of a business combination and for goodwill and other intangible assets subsequent to their acquisition. This accounting standard requires that goodwill be separately disclosed from other intangible assets in the balance sheet, and no longer be amortized but tested for impairment on a periodic basis. The provisions of this accounting standard also require the completion of a transitional impairment test within six months of adoption, which was performed during 2002 and no impairment was identified.

In accordance with SFAS No. 142, the Company discontinued the amortization of goodwill effective January 1, 2002, which decreased non-interest expense and increased net income in 2002 as compared to 2001 and 2000. A reconciliation of previously reported net income and earnings per share to the pro forma amounts adjusted for the exclusion of goodwill amortization net of the related income tax effect follows:

	2002	2001	2000
Reported net income	$ 3,606,047	$ 2,579,327	$ 3,222,986
Goodwill amortization	0	318,480	106,158
Pro forma adjusted net income	$ 3,606,047	$ 2,897,807	$ 3,329,144
Reported earnings per share	$ 1.55	$ 1.12	$ 1.40
Goodwill amortization per share	0.00	0.14	0.04
Pro forma adjusted earnings per share	$ 1.55	$ 1.26	$ 1.44

Changes in the carrying amount of goodwill for the twelve-month period ended December 31, 2002, by operating segment, are as follows:

	BANKING ACTIVITIES	INSURANCE ACTIVITIES	TOTAL
Balance as of January 1, 2002	$ 0	$ 2,760,113	$ 2,760,113
Goodwill acquired during the period	0	184,800	184,800
Balance as of December 31, 2002	$ 0	$ 2,944,913	$ 2,944,913

As required by the statement, intangible assets that do not meet the criteria for recognition apart from goodwill must be reclassified. As a result of the Company's analysis, no reclassifications were required as of December 31, 2002.

Information regarding the Company's other intangible assets follows:

	CARRYING AMOUNT	ACCUMULATED AMORTIZATION	NET
Noncompete agreements	$ 459,000	$ (44,050)	$ 414,950
Capitalized pension costs	247,665	0	247,665
Insurance expirations	185,000	(60,500)	124,500
Total	$ 891,665	$ (104,550)	$ 787,115

Amortization expense related to intangibles for the years ended December 31, 2002, 2001 and 2000 was $78,800, $21,800 and $3,950, respectively. Estimated amortization expense for each of the five succeeding fiscal years is as follows:

YEAR ENDING DECEMBER 31	AMOUNT
2003	$ 111,800
2004	111,800
2005	106,350
2006	107,000
2007	50,000

6. PROPERTIES AND EQUIPMENT

Properties and equipment at December 31 were as follows:

	2002	2001
Land	$ 268,485	$ 268,485
Buildings and improvements	5,557,263	4,468,428
Equipment	4,773,451	3,931,185
	10,599,199	8,668,098
Less accumulated depreciation	(5,250,205)	(4,545,365)
Properties and equipment, net	$ 5,348,994	$ 4,122,733

Depreciation expense totaled $665,530 in 2002, $613,117 in 2001, and $578,407 in 2000.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

CASH AND CASH EQUIVALENTS - For these short-term instruments, the carrying amount is a reasonable estimate of fair value.

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

LOANS RECEIVABLE - The fair value of fixed rate loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities, 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 of demand deposits, NOW and money market accounts and regular savings accounts is the amount payable on demand at the reporting date. The fair value of time deposits is estimated using the rates currently offered for deposits of similar remaining maturities.

FEDERAL FUNDS PURCHASED - The carrying amount of federal funds purchased approximate their fair values due to their short-term nature.

OTHER BORROWED FUNDS - The fair value of the short-term portion of other borrowed funds approximates its carrying value. The fair value of the long-term portion of other borrowed funds is estimated using a discounted cash flow analysis based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

COMMITMENTS TO EXTEND CREDIT AND STANDBY LETTERS OF CREDIT - As described in Note 15, the Company was a party to financial instruments with off-balance sheet
risk at December 31, 2002 and 2001. Such financial instruments consist of commitments to extend permanent financing and letters of credit. If the options are exercised by the prospective borrowers, these financial instruments will become interest-earning assets of the Company. If the options expire, the Company retains any fees paid by the counterparty in order to obtain the commitment or guarantee. The fair value of commitments is estimated based upon fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate commitments, the fair value estimation takes into consideration an interest rate risk factor. The fair value of guarantees and letters of credit is based on fees currently charged for similar agreements. The fair value of these off-balance sheet items at December 31, 2002 and 2001 approximates the recorded amounts of the related fees, which are not considered material.

At December 31, 2002 and 2001, the estimated fair values of the Company's financial instruments were as follows:

	2002		2001	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial assets:				
Cash and cash equivalents	$ 19,758,727	$ 19,758,727	$ 10,694,087	$ 10,694,087
Interest bearing accounts in other banks	877,230	877,230	0	0
Securities	$106,671,914	$106,733,021	$ 84,065,231	$ 84,065,231
Loans	$151,143,252		144,255,147	
Less: allowance for loan losses	2,145,606		1,786,115	
Loans, net	$148,997,646	$162,071,427	$142,469,032	$148,103,833
Financial liabilities:				
Deposits	$239,506,835	$240,759,785	$204,260,062	$206,592,532
Other borrowed funds	$ 8,110,964	$ 8,110,964	$ 9,660,748	$ 9,660,748

8. DEPOSITS

Time deposits, with minimum denominations of $100,000 each, totaled $28,440,994 and $28,864,608 at December 31, 2002 and 2001, respectively. Additionally, the interest expense related to these deposits for the years ended December 31, 2002, 2001 and 2000 was $981,000, $1,544,000 and $1,747,000 respectively.

At December 31, 2002, the scheduled maturities of time deposits are as follows:

2003	$ 64,400,671
2004	17,869,442
2005	1,320,451
2006	3,901,056
2007	1,907,714
	$ 89,399,334

9. OTHER BORROWED FUNDS

Other borrowed funds include $8,110,964 of long-term borrowing at December 31, 2002. The long-term borrowing consisted of various advances from the Federal Home Loan Bank with interest rates ranging from 4.90% to 5.34%. These advances are collateralized by certain qualifying assets. The maturities of other borrowed funds are as follows:

2003	$ 3,389,551
2004	2,437,042
2005	1,467,368
2006	706,971
2007	90,899
Thereafter	19,133
Total	$ 8,110,964

10. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

The Bank enters into agreements with depositors to sell to the depositors securities owned by the Bank and repurchase the identical security, generally within one day. No physical movement of the securities is involved. The depositor is informed the securities are held in safekeeping by the Bank on behalf of the depositor.

11. 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 following are reconciliations of the benefit obligation and the fair value of plan assets, the funded status of the plan, the amounts not recognized in the statements of financial position, and the amounts recognized in the statement of financial position.

	2002	2001
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 1,958,392	$ 1,912,951
Service cost	168,533	170,990
Interest cost	160,857	155,046
Actuarial loss (gain)	266,140	(184,340)
Benefits paid	(39,728)	(96,255)
Benefit obligations at end of year	$ 2,514,194	$ 1,958,392
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 1,735,117	$ 1,897,429
Actual return on plan assets	(19,647)	(151,892)
Employer contributions	335,306	85,835
Benefits paid	(39,728)	(96,255)
Fair value of plan assets at end of year	$ 2,011,048	$ 1,735,117
Funded status	$ (503,146)	$ (223,275)
Unrecognized net actuarial loss	585,429	177,041
Unrecognized prior service cost	(182,989)	(197,696)
Net amount recognized	$ (100,706)	$ (243,930)
Amount recognized in the statement of financial position consists of:		
Accrued benefit liability	(100,706)	(243,930)
Net amount recognized	$ (100,706)	$ (243,930)

The Plan's assets are primarily invested in equity and fixed income mutual funds. Valuations of the pension plan as shown above were conducted as of October 1, 2002 and 2001. Assumptions used by the Bank in the determination of pension plan information consisted of the following:

	2002	2001
Weighted-average discount rate	6.75%	7.50%
Rate of increase in compensation levels	4.75%	4.75%
Expected long-term rate of return on plan assets	6.75%	7.50%

The components of net periodic cost consisted of the following:

	2002	2001	2000
Service cost	$ 168,533	$ 170,990	$ 110,067
Interest cost	160,857	155,046	145,860
Expected return on plan assets	(121,139)	(148,392)	(149,085)
Net amortization and deferral	(16,169)	(16,169)	(16,169)
Net periodic cost	$ 192,082	$ 161,475	$ 90,673

The Bank also maintains a non-qualified supplemental executive retirement plan ("SERP") covering certain members of senior management. The plan provides a fixed benefit, which is specific to the participant. The obligations related to the plan are indirectly funded by life insurance contracts (naming the Bank as beneficiary) with aggregate cash surrender values of approximately $225,986 and $166,000 at December 31, 2002 and 2001, respectively. The face values of these policies were approximately $1,750,000 at December 31, 2002 and 2001. 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. During 2002, the Bank reduced pension expense by approximately $180,000 to correct a prior over accrual.

The following are reconciliations of the benefit obligation and the fair value of plan assets, the funded status of the plan, the amounts not recognized in the statement of financial position and the amounts recognized in the Statements of Financial Position.

	2002	2001
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 1,410,936	$ 1,384,729
Service cost	49,147	130,879
Interest cost	109,084	109,902
Actuarial loss (gain)	112,715	(121,798)
Benefits paid	(92,776)	(92,776)
Benefit obligation at end of year	$ 1,589,106	$ 1,410,936
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 0	$ 0
Actual return on plan assets	0	0
Contributions to the plan	92,776	92,776
Benefits paid	(92,776)	(92,776)
Fair value of plan assets at end of year	$ 0	$ 0
Funded status	$(1,589,106)	$(1,410,936)
Unrecognized actuarial loss	262,892	0
Unrecognized prior service cost	247,665	276,052
Net amount recognized	$(1,078,549)	$(1,134,884)
Amounts recognized in the statement of financial position consists of:		
Accrued benefit liability	$(1,589,106)	$(1,410,936)
Intangible asset	247,665	276,052
Accumulated other comprehensive income	262,892	0
Net amount recognized	$(1,078,549)	$(1,134,884)

Valuations of the non-qualified supplemental executive retirement plan as shown above were conducted as of January 1, 2002 and 2001. Assumptions used by the Bank in both years in the determination of pension plan information consisted of the following:

	2002	2001
Weighted-average discount rate	6.75%	7.50%
Expected long-term rate of return on plan assets	6.75%	7.50%

The components of net periodic cost consisted of the following:

	2002	2001	2000
Service cost	$ 49,147	$130,879	$194,792
Interest cost	109,084	109,902	73,633
Net amortization and deferral	61,824	55,669	51,602
Net periodic cost	$220,055	$296,450	$320,027

The Bank also maintains a non-qualified deferred compensation plan for certain directors. Accrued costs under this plan were approximately $71,000, $71,000 and $212,000 in 2002, 2001 and 2000, respectively. The estimated present value of the benefit obligation, included in other liabilities, was $1,006,000 and $983,000 at December 31, 2002 and 2001, respectively. This obligation is indirectly funded by life insurance contracts (naming the Bank as beneficiary) with aggregate cash surrender values of approximately $436,000 and $381,000 at December 31, 2002 and 2001, respectively. The face values of these policies at December 31, 2002 and 2001 was approximately $3,000,000, and $3,200,000, respectively. The increase in cash surrender value is included in the "Other" financial statement line on the Consolidated Statements of Income. Premiums on the aforementioned life insurance contracts were paid by the Bank in lieu of payment of directors' fees.

The Bank also has a defined contribution Retirement and Thrift 401(k) Plan for employees, who meet certain length of service and age requirements. The provisions of the 401(k) Plan allow eligible employees to contribute up to the maximum IRS allowance with a base contribution by the Bank equal to 1% of the employees' base compensation plus a 25% match 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 approximately $50,000, $44,000 and $43,000 for the years ended December 31, 2002, 2001 and 2000, respectively.

12. STOCK OPTION PLAN

The Company maintains a Stock Option Plan (the "Plan"). Under the provisions of the Plan, awards, up to an aggregate of 106,250 shares of common stock, may be granted for employees and consultants under the Plan. Awards may consist of stock options, stock appreciation rights (SARs) and Restricted Stock awards. With respect to stock options, the Human Resources Committee of the Company's Board of Directors ("The Committee") determines the option price (not to be less than fair market value) at the date of grant. The Committee will determine the applicable vesting periods, for all awards, as well as expiration dates, which will not generally be more than ten years. The Committee is authorized to determine all terms, restrictions, and conditions for all types of awards under the Plan. As of December 31, 2002, no awards have been granted. Refer to Note 1 for information regarding a new accounting pronouncement, which provides guidance on valuing stock options.

13. INCOME TAXES

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

	2002	2001	2000
Income taxes currently payable	$ 1,045,000	$ 1,293,000	$ 1,250,000
Deferred tax expense (benefit)	148,258	(185,000)	(468,750)
Total provision	$ 1,193,258	$ 1,108,000	$ 781,250

At December 31, 2002 and 2001, the components of the net deferred tax assets were as follows:

	2002	2001
Deferred tax assets:		
Allowance for loan losses	$ 767,000	$ 651,000
Pension premiums	556,000	654,000
Deferred compensation	392,000	386,000
Additional minimum liability	102,000	0
Gross deferred tax assets	$1,817,000	$1,691,000
Deferred tax liabilities:		
Depreciation	$ 193,000	$ 0
SERP premiums	96,000	113,000
Prepaid expenses	131,000	139,000
Net unrestricted gains on securities available for sale	1,341,000	431,000
Gross deferred tax liabilities	$1,761,000	$ 683,000
Net deferred tax asset	$ 56,000	$1,008,000

The net deferred tax asset at December 31, 2002 and 2001 is included in "Other" assets in the accompanying consolidated balance sheets.

In assessing the realizability of the deferred tax assets and the need for a valuation allowance, the Company believes it is more likely than not that the net deferred assets will be recognized.

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					
	2002		2001		2000	
	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT
Tax provision at statutory rate	$ 1,632,000	34%	$ 1,254,000	34%	$ 1,361,000	34%
(Decrease) increase in taxes resulting from:						
Tax-exempt income	(628,000)	(13)	(534,000)	(15)	(527,000)	(13)
Tax exempt insurance proceeds	(63,000)	(1)	0	0	(469,000)	(12)
State taxes, net of federal benefit	132,000	3	240,000	7	210,000	5
Non-deductible goodwill	0	0	108,000	3	36,000	1
Other items, net	120,258	2	40,000	1	170,250	4
Provision for income taxes	$ 1,193,258	25%	$ 1,108,000	30%	$ 781,250	19%

14. RELATED PARTY TRANSACTIONS

The Bank has entered into loan transactions with certain directors, significant shareholders and their affiliates (related parties). The Company extends credit under substantially the same terms as comparable third-party arrangements, and is in compliance with applicable banking regulations. The aggregate amount of loans to such related parties at December 31, 2002 and 2001 was $3,997,786 and $4,993,555, respectively. During 2002 and 2001, new loans to such related parties amounted to $886,090 and $15,613,495, respectively, and repayments amounted to $1,881,860 and $15,304,528.

15. 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, 2002 and 2001 is as follows:

	2002	2001
Commitments to extend credit	$40,094,000	$26,457,000
Standby letters of credit	1,739,000	1,843,000
Total	$41,833,000	$28,300,000

Commitments to extend credit and standby letters of credit 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.

Certain lending commitments for conforming residential mortgage loans to be sold into the secondary market are considered derivative instruments under the guidelines of SFAS No. 133. The changes in the fair value of these commitments due to interest rate risk are not recorded on the balance sheet as these derivatives are not considered material. Further discussion on derivative instruments is included in Note 1.

The Company has entered into contracts with third parties which have indemnification clauses included. Examples of such contracts include third party service providers, agreements with brokers and dealers, correspondent banks, purchasers of residential mortgages and certain directors and officers. Due to the nature of these indemnification provisions, it is not possible to quantify the aggregate exposure to the Company resulting from them.

The Company and its subsidiary, M&W Agency, Inc., lease certain offices, land and equipment under long-term operating leases. The aggregate minimum annual rental commitments under these leases total approximately $293,000 in 2003, $265,000 in 2004, $175,000 in 2005, $173,000 in 2006, $179,220 in 2007 and $1,727,000 thereafter.

The Company is subject to possible litigation proceedings in the normal course of business. As of December 31, 2002, the Company did not have any asserted claims pending against the Company.

16. 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, which is Western New York. 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.

17. SEGMENT INFORMATION

The Company is comprised of two primary business segments - banking and insurance activities. The reportable segments are separately managed and their performance is evaluated based on net income. All sources of segment specific revenues and expenses are attributed to management's definition of net income. Revenues from transactions between the two segments are not significant. The accounting policies of the segments are the same as those described in Note 1. The following table sets forth information regarding these segments for the years ended December 31, 2002 and 2001.

	2002		
	BANKING ACTIVITIES	INSURANCE ACTIVITIES	TOTAL
Net interest income (loss)	$ 10,416,225	$ (20,532)	$ 10,395,693
Provision for credit losses	420,000	0	420,000
Net interest income (loss) after provision for credit losses	9,996,225	(20,532)	9,975,693
Non-interest income	2,554,050	0	2,554,050
Insurance commissions and fees	0	2,947,381	2,947,381
Net loss on sales of assets	(27,690)	0	(27,690)
Non-interest expense	8,513,837	2,136,292	10,650,129
Income before income taxes	4,008,748	790,557	4,799,305
Income tax expense	878,815	314,443	1,193,258
	$ 3,129,933	$ 476,114	$ 3,606,047

	2001		
	BANKING ACTIVITIES	INSURANCE ACTIVITIES	TOTAL
Net interest income (loss)	$ 9,138,090	$ (28,069)	$ 9,110,021
Provision for credit losses	420,000	0	420,000
Net interest income (loss) after provision for credit losses	8,718,090	(28,069)	8,690,021
Non-interest income	1,948,733	0	1,948,733
Insurance commissions and fees	0	2,412,900	2,412,900
Net gain on sales of assets	166,279	0	166,279
Non-interest expense	7,671,705	1,858,901	9,530,606
Income before income taxes	3,161,397	525,930	3,687,327
Income tax expense	897,400	210,600	1,108,000
	$ 2,263,997	$ 315,330	$ 2,579,327

	2000		
	BANKING ACTIVITIES	INSURANCE ACTIVITIES	TOTAL
Net interest income (loss)	$ 8,596,869	$ (16,780)	$ 8,580,089
Provision for credit losses	689,000	0	689,000
Net interest income (loss) after provision for credit losses	7,907,869	(16,870)	7,891,089
Non-interest income	3,054,523	0	3,054,523
Insurance commissions and fees	0	646,484	646,484
Net loss on sales of assets	(52,826)	0	(52,826)
Non-interest expense	6,979,923	555,111	7,535,034
Income before income taxes	3,929,643	74,593	4,004,236
Income tax expense	751,350	29,900	781,250
	$ 3,178,293	$ 44,693	$ 3,222,986

IDENTIFIABLE ASSETS, NET	DECEMBER 31, 2002	DECEMBER 31, 2001
Banking activities	$284,120,833	$244,911,420
Insurance activities	4,590,027	3,811,038
Consolidated Total Assets	$288,710,860	$248,722,458

The majority of the insurance segment assets are related to net goodwill of approximately $2.9 million. The related amortization of goodwill for 2001 was reported as an expense on the banking segment.

18. 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, 2002 and 2001, that the Bank met all capital adequacy requirements to which it is subject.

As of June 30, 2002, 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:

2002	ACTUAL		MINIMUM FOR CAPITAL ADEQUACY PURPOSES		MINIMUM TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION PROVISIONS	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
Total capital (to risk weighted assets)	$27,554,000	16.2%	$13,635,000	8.0%	$17,044,000	10.0%
Tier I capital (to risk weighted assets)	$25,434,000	14.9%	$ 6,818,000	4.0%	$10,226,000	6.0%
Tier I capital (to average assets)	$25,434,000	9.3%	$10,901,000	4.0%	$13,626,000	5.0%

2001	ACTUAL		MINIMUM FOR CAPITAL ADEQUACY PURPOSES		MINIMUM TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION PROVISIONS	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
Total capital (to risk weighted assets)	$25,226,000	16.4%	$12,333,000	8.0%	$15,417,000	10.0%
Tier I capital (to risk weighted assets)	$23,451,000	15.2%	$ 6,167,000	4.0%	$ 9,250,000	6.0%
Tier I capital (to average assets)	$23,451,000	9.6%	$ 9,763,000	4.0%	$12,204,000	5.0%

19. PARENT COMPANY ONLY FINANCIAL INFORMATION

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

CONDENSED BALANCE SHEETS
DECEMBER 31, 2002 AND 2001

	2002	2001	2000
ASSETS			
Cash	$ 48,171	$ 36,779	
Investment in subsidiary	30,813,830	26,923,990	
Total assets	$ 30,862,001	$ 26,960,769	
STOCKHOLDERS' EQUITY			
Stockholders' equity:			
Common stock	$ 1,167,081	$ 1,103,234	
Capital surplus	16,578,868	13,727,084	
Retained earnings	11,179,871	11,464,273	
Accumulated other comprehensive income, net of tax	1,942,295	666,178	
Treasury stock	(6,114)	0	
Total stockholders' equity	$ 30,862,001	$ 26,960,769	

CONDENSED STATEMENTS OF INCOME
DECEMBER 31, 2002, 2001 AND 2000

	2002	2001	2000
Dividends from subsidiary	$ 1,304,585	$ 1,068,834	$ 899,046
Other revenue	163,213	185,000	50,000
Expenses	(151,821)	(189,426)	(47,813)
Income before equity in undistributed earnings of subsidiary	1,315,977	1,064,408	901,233
Equity in undistributed earnings of subsidiary	2,290,070	1,514,919	2,321,753
Net income	$ 3,606,047	$ 2,579,327	$ 3,222,986

CONDENSED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000

	2002	2001	2000
Operating activities:			
Net income	$ 3,606,047	$ 2,579,327	$ 3,222,986
Adjustments to reconcile net income to net cash provided by operating activities:			
Undistributed earnings of subsidiary	(2,290,070)	(1,514,919)	(2,321,753)
Net cash provided by operating activities	1,315,977	1,064,408	901,233
Financing activities - cash dividends paid	(1,304,585)	(1,068,834)	(899,046)
Net increase (decrease) in cash	11,392	(4,426)	2,187
Cash, beginning of year	36,779	41,205	39,018
Cash, ending of year	$ 48,171	$ 36,779	$ 41,205

20. ACQUISITION

On January 1, 2002, M&W Agency, Inc. completed its acquisition of assets, business and certain liabilities of Eden Agency, Inc., a retail property and insurance company located in Eden, New York. The purchase price of $764,800 included $50,000 in cash, $250,000 of notes payable, and $172,800 of liabilities assumed. The assets and liabilities assumed included certain fixed assets, goodwill, intangible assets and notes payable.

On December 30, 2002, M&W Agency, Inc., completed its acquisition of the assets, business and certain liabilities of Frontier Claim Services, Inc., an insurance adjusting business, located in Buffalo, New York. The pro forma impact of this acquisition is not material to the revenue, net income or net income per share assuming the acquisition had taken place at January 1, 2002. The acquisition cost of $292,000 included $42,000 in cash and $250,000 in notes payable. The assets purchased included certain fixed assets and an intangible asset.

21. SUBSEQUENT EVENTS

Subsequent to December 31, 2002, M&W Agency, Inc, completed its acquisition of the assets, business and certain liabilities of the Gutekunst Insurance Agency, a retail property and casualty insurance company, located in Colden, New York. The pro forma impact of this acquisition is not material to the net sales, net income or basic earnings per share assuming the acquisition had taken place at January 1, 2002.

Subsequent to December 31, 2002, ENHC accepted the subscription of 119 shares of non-voting preferred stock. These subscriptions raised approximately $60,000 in capital to be used in the business and activities of ENHC.

22. QUARTERLY FINANCIAL DATA - UNAUDITED

(IN THOUSANDS, EXCEPT PER SHARE DATA)	4TH QUARTER	3RD QUARTER	2ND QUARTER	1ST QUARTER
2002				
Interest income	$3,571	$3,794	$3,903	$3,944
Interest expense	1,046	1,168	1,275	1,327
Net interest income	2,525	2,626	2,628	2,617
Net income	865	935	927	879
Earnings per share *	0.37	0.40	0.40	0.38
2001				
Interest income	$3,701	$3,947	$3,998	$4,001
Interest expense	1,434	1,611	1,699	1,793
Net interest income	2,267	2,336	2,299	2,208
Net income	548	725	650	655
Earnings per share *	0.24	0.32	0.28	0.28

* All share and per share information is stated after giving effect to the June 2001 5-for-4 stock split, and the 1-for-20 stock dividend, payable on January 29, 2003 to shareholders of record as of December 2, 2002.

SHAREHOLDER AND CORPORATE INFORMATION

GENERAL SHAREHOLDER INFORMATION

As of December 31, 2002, there were 1,152 shareholders of record of the Company's common stock. Total shares outstanding were 2,334,162.

ANNUAL MEETING

Tuesday, April 22, 2003 at 9:00 a.m.
Romanello's South Restaurant
5793 South Park Avenue
Hamburg, NY 14075

INVESTOR INFORMATION

UPON WRITTEN REQUEST OF ANY SHAREHOLDER, A COPY OF THE COMPANY'S REPORT ON FORM 10-K FOR ITS FISCAL YEAR ENDED DECEMBER 31, 2002, 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, NY 14006.

Investor and shareholder information regarding Evans Bancorp, Inc., including all filings with the Securities and Exchange Commission, is available through the Company's website at www.evansbancorp.com.

STOCK TRANSFER AGENCY AND REGISTRAR

Shareholders requiring a change of name, address or ownership of stock, as well as information about shareholders records, lost or stolen certificates, dividend checks, dividend direct deposit, and dividend reinvestment plan should contact:

Fifth Third Bank
Corporate Trust Services
38 Fountain Square Plaza
Mail Drop # 10AT66
Cincinnati, OH 45202
1-800-837-2755 or (513) 579-5320
Monday through Friday 8 a.m. to 5 p.m. EST

CORPORATE HEADQUARTERS

14 - 16 North Main Street
Angola, New York 14006
(716) 549-1000

AUDITORS

Deloitte & Touche LLP
50 Fountain Plaza
Buffalo, New York 14202
(716) 843-7200

QUARTERLY STOCK PRICES* AND CASH DIVIDENDS PAID**

	3/31/01	6/30/01	9/30/01	12/31/01
HIGH	$35.81	$35.81	$28.57	$21.49
LOW	$35.81	$35.81	$17.14	$16.57
CASH DIVIDENDS PER SHARE**	$ 0.21	$ 0.00	$ 0.00	$ 0.26

	3/31/02	6/30/02	9/30/02	12/31/02
HIGH	$18.81	$21.09	$24.55	$23.38

LOW	$17.19	$17.10	$15.48	$19.04
CASH DIVIDENDS PER SHARE**	$ 0.00	$ 0.26	$ 0.00	$ 0.30

* Evans Bancorp, Inc. distributed a 5-for-4 split of its common stock on June 12, 2001, and a 1-for-20 stock dividend payable on January 29, 2003, to sharehold- ers of record on December 2, 2002. This information listed has been adjusted to reflect the stock split and stock dividend. The common stock began trading on the Nasdaq National Market system on July 9, 2001. Prior to that time, there was no established public trading market for the stock and the price information listed rep- resents the highest and lowest prices known to management at which the stock of the Company was sold in private transactions during the periods indicated, with- out retail markup, markdown or commission.

** Cash dividends are paid by Evans Bancorp, Inc. on a semi-annual basis. The amounts listed are stated in the quarter paid and are adjusted to reflect the stock split and stock dividend noted in * above.

CORPORATE OFFICERS

EVANS NATIONAL BANK

PRESIDENT AND CHIEF EXECUTIVE OFFICER
James Tilley

SENIOR VICE PRESIDENT
William R. Glass

SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER
Mark DeBacker

VICE PRESIDENTS
Katherine M. Allen
George L. Catalano
Susan J. Herold
Timothy F. Jachlewski
Howard M. Martin, Jr.
Michael R. Noville
Michael C. Schafer
Mary Jo Shults
Jeffrey M. Werdein
Jeffrey L. White

CONTROLLER
John B. Connerton

ASSISTANT VICE PRESIDENTS
Michelle A. Bress
Rose Marie Hinckley
Mary K. Hosler
Nadine G. Houghton
Ronald J. Kasianowicz
Lori L. Kuczka
Linda C. Noecker
Cathy E. Rohrich

BANK OFFICERS
Douglas V. Carlson
Julie Gornikiewicz
Cindy A. Gracon
Kim M. Heimburg
Mary D. Philbin
Robin L. Roseman

M&W AGENCY, INC.

PRESIDENT
Robert G. Miller, Jr.

VICE PRESIDENTS
Louis Atti
Frederick E. Gould
Ronald E. Miller

ENB ASSOCIATES INC.

PRESIDENT
Robert G. Miller, Jr.

VICE PRESIDENT
Emily S. Hazlett

EVANS NATIONAL BANK COMMUNITY ADVISORY BOARD MEMBERSHIP

NORTH REGION:

Timothy F. Jachlewski
Chairperson (Evans National Bank)
Roy Emerling
Emerling Chevrolet, Inc.
William J. Gray
retired Evans National Bank commercial loan officer Kenneth Kirst
Kirst Construction, Inc.
David Paulus
Paulus & Co.
Dr. Barbara Radolinski
Private practice
Charles Spinner
Attorney

SOUTH REGION:

George L. Catalano
Chairperson (Evans National Bank)
Mary Addison
Heimburg-Addison Funeral Home
Dr. Maria Rita P. Andaya
Private practice
Anthony Borrello
Pro Oil, Inc.
Robert Drago, Jr.
Entrepreneur
Michael Gacioch
National Property Management, Inc.
Richard Gradl
Gradl Landscaping
David Mackowiak
Johnson Mackowiak Moore & Myott LLP
Thomas Syroczynski
Jubilee

BOARD OF DIRECTORS

Phillip Brothman
Chairman of the Board
Partner - Hurst, Brothman & Yusick

Thomas H. Waring, Jr.
Vice Chairman of the Board
Principal, Waring Financial Group

Robert W. Allen, Secretary
Retired

William F. Barrett
Property Developer and Real Estate Manager

James Biddle, Jr.
Chairman, Mader Construction Company, Inc. and related companies

Laverne G. Hall
Retired

Robert G. Miller, Jr.
President,
M&W Agency, Inc.

David M. Taylor
President,
Concord Nurseries, Inc.

James Tilley
President and Chief Executive Officer,
Evans National Bank

DIRECTORS EMERITUS

Floyd H. Hurst
Richard C. Stevenson
Carl F. Ulmer

OFFICERS

EVANS BANCORP, INC.

James Tilley
President and Chief Executive Officer

Robert W. Allen
Secretary

William R. Glass
Treasurer

[PHOTO OF DAVID KOCH]

In memory of David Koch, who served on the Board of Directors from 1979 through 2002, for his many years of service, leadership, knowledge and integrity.

BOARD OF DIRECTORS

STANDING:

Robert G. Miller, Jr., James Biddle, Jr., William F. Barrett, Laverne G. Hall, David M. Taylor

SEATED:

Robert W. Allen, James Tilley, Phillip Brothman, Thomas H. Waring, Jr.

[PHOTO OF BOARD OF DIRECTORS]

EXECUTIVE COMMITTEE

STANDING:

Mark DeBacker, Senior Vice President and Chief Financial Officer; William R. Glass, Senior Vice President

SEATED:

James Tilley, President and Chief Executive Officer; Phillip Brothman, Chairman of the Board; Thomas H. Waring, Jr., Vice Chairman of the Board

[PHOTO OF EXECUTIVE COMMITTEE]

OPERATING COMMITTEE

STANDING:

George L. Catalano, Vice President; Mark DeBacker, Senior Vice President

SEATED:

James Tilley, President and Chief Executive Officer; William R. Glass, Senior Vice President

[PHOTO OF OPERATING COMMITTEE]

[EVANS BANCORP, INC. LOGO]
EVANS BANCORP, INC.
14 - 16 North Main Street
Angola, New York 14006
www.evansbancorp.com

EXHIBIT 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 333-34347 of Evans Bancorp, Inc. and subsidiary on Form S-3 of our report dated January 28, 2003, (which report expresses an unqualified opinion and includes an explanatory paragraph regarding an accounting change for goodwill) appearing in and incorporated by reference in the Annual Report on Form 10-K of Evans Bancorp, Inc. and subsidiary for the year ended December 31, 2002.

DELOITTE & TOUCHE LLP

Buffalo, New York
March 24, 2003

EXHIBIT 99.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, James Tilley, the chief executive officer of Evans Bancorp, Inc (the "Company") certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge:
that the Annual Report of Evans Bancorp, Inc. on Form 10-K for the fiscal year ended December 31, 2002 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of Evans Bancorp, Inc.. This certification is made to comply with the provisions of Section 906 of the Sarbanes-Oxley Act and is not intended to be used for any other purpose.

Date: March 24, 2003

By: /s/ James Tilley

Name: James Tilley
Title: President and Chief Executive Officer

EXHIBIT 99.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark DeBacker, the chief financial officer of Evans Bancorp, Inc (the "Company") certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge:
that the Annual Report of Evans Bancorp, Inc. on Form 10-K for the fiscal year ended December 31, 2002 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Annual Report on Form 10-K fairly presents in all material respects the financial condition and results of operations of Evans Bancorp, Inc.. This certification is made to comply with the provisions of Section 906 of the Sarbanes-Oxley Act and is not intended to be used for any other purpose.

Date: March 24, 2003

By: /s/ Mark DeBacker

Name: Mark DeBacker
Title: Senior Vice President and Chief Financial Officer