

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

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For fiscal year ended: December 31, 2003

☐ 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)

(716) 549-1000

Registrant's telephone number (including area code)

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

TITLE OF EACH CLASS

None

NAME OF EXCHANGE ON WHICH REGISTERED

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 ☒ 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 ☒

On June 30, 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 \$42.4 million, based upon the closing price of a share of the registrant's common stock as quoted by the Nasdaq National Market.

As of February 27, 2004, 2,476,227 shares of the registrant's Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement relating to the registrant's 2004 Annual Meeting of Shareholders, to be held on April 20, 2004, are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated.

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PART I

ITEM 1. BUSINESS

EVANS BANCORP, INC.

Evans Bancorp, Inc. (the "Company") was organized as a New York business corporation and incorporated under the laws of the State of New York on October 28, 1988 for the purpose of becoming a bank holding company. The Company is registered with the Federal Reserve Board as a bank holding company under the Bank Holding Company Act of 1956, as amended. The Company 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"). Unless the context otherwise requires, the term "Company" refers to Evans Bancorp, Inc. and its subsidiary. The Company's principal office is located at 14-16 North Main Street, Angola, New York 14006 and its telephone number is (716)549-1000. The Company's common stock is quoted on the Nasdaq National Market system under the symbol "EVBN."

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 nine banking offices located in Amherst, Angola, Derby, Evans, Forestville, Hamburg, Lancaster (as of January 2004), 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.

ENB, a wholly-owned subsidiary of the Bank, offers non-deposit investment products, such as annuities and mutual funds, to the Bank's customers.

M&W Agency, Inc., a wholly-owned subsidiary of the Bank, is an insurance agency, which sells various premium-based insurance policies on a commission basis. M&W has offices located in Angola, Cattaraugus, Derby, Eden, Gowanda, Hamburg, North Boston, Randolph, Silver Creek, South Dayton, and West Seneca, New York.

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

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

At December 31, 2003, the Bank had total assets of \$334.7 million, total deposits of \$266.3 million and total stockholders' equity of \$33.3 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'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 on Form 10-K, as well as in the Company's periodic reports filed 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 Company's primary market area is located in Erie County, northern Chautauqua County and northwestern Cattaraugus County, New York, which includes the towns of Amherst, New York, Boston, New York, Cheektowaga, New York, Depew, New York, Derby, New York, Evans, New York, Forestville, New York, Hamburg, New York, Hanover, New York, Lancaster, New York, and West Seneca, New York. This market area is the primary area where the Bank receives deposits and makes loans and the M&W Agency sells insurance.

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 2003, 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.

	2003			2002			2001		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
	(\$000)	(\$000)		(\$000)	(\$000)		(\$000)	(\$000)	
ASSETS									
Interest-earning assets:									
Loans, Net	\$167,145	\$ 10,737	6.42%	\$145,676	\$ 10,593	7.27%	\$135,436	\$ 11,051	8.16%
Taxable securities	72,464	2,226	3.07%	48,902	2,554	5.22%	46,001	2,892	6.29%
Tax-exempt securities	52,658	2,288	4.35%	43,656	1,987	4.55%	33,040	1,571	4.75%
Time deposits-other banks	721	18	2.55%	146	5	3.34%	--	--	--
Federal funds sold	5,017	61	1.21%	5,148	73	1.44%	3,214	133	4.14%
Total interest-earning assets	298,005	15,330	5.14%	243,528	15,212	6.25%	217,691	15,647	7.19%
Non interest-earning assets									
Cash and due from banks	9,118			8,967			7,492		
Premises and equipment, net	5,483			4,463			3,779		
Other assets	13,743			8,315			8,130		
Total Assets	\$326,349			\$265,273			\$237,092		
	=====			=====			=====		
LIABILITIES & STOCKHOLDERS' EQUITY									
Interest-bearing liabilities:									
NOW accounts	\$ 10,753	23	0.22%	\$ 9,678	44	0.45%	\$ 8,510	76	0.89%
Regular savings deposits	110,001	1,022	0.93%	75,741	841	1.11%	63,953	1,415	2.21%
Time deposits	99,775	2,819	2.83%	90,890	3,397	3.74%	86,005	4,516	5.25%
Fed funds purchased	933	29	3.08%	--	--	--	--	--	--
Securities sold U/A to repurchase	5,971	57	0.95%	3,989	67	1.69%	4,057	125	3.07%
FHLB advances	13,072	510	3.90%	8,627	447	5.18%	7,386	377	5.11%
M&W notes	827	24	2.89%	451	21	4.61%	363	28	7.73%
Total interest-bearing liabilities	241,332	4,484	1.86%	189,376	4,817	2.54%	170,274	6,537	3.84%
Noninterest-bearing liabilities:									
Demand deposits	48,853			42,165			36,133		
Other	4,299			4,889			4,437		
Total liabilities	294,484			236,430			210,844		
Stockholders' equity	31,865			28,843			26,248		
Total Liabilities & Equity	\$326,349			\$265,273			\$237,092		
	=====			=====			=====		
Net interest earnings		\$ 10,846			\$ 10,395			\$ 9,110	
		=====			=====			=====	
Net yield on interest earning assets			3.64%			4.27%			4.18%

In 2003, the Bank's interest income increased by \$0.1 million from 2002, compared to a decrease of \$0.4 million in 2002 as compared to 2001. Interest expense decreased by \$0.3 million in 2003 from 2002 compared to a decrease of \$1.7 million in 2002 as compared to 2001.

SECURITIES ACTIVITIES

The primary objective of the Bank's 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 Bank's Board of Directors is responsible for establishing overall policy and reviewing performance.

The Bank's policy provides that acceptable portfolio investments include: U.S. Government obligations, obligations of federal agencies, municipal obligations (general obligations, revenue obligations, school districts and non-rated issues from the 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), 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 are 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 financial statements 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 on a monthly basis.

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."

Income from securities represented approximately 29.4% of total interest income of the Company in 2003 as compared to 29.8% in 2002. At December 31, 2003, the Bank's securities portfolio of \$120.6 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.

The following table summarizes the Bank's securities with those designated as available for sale valued at fair value and securities designated as held to maturity valued at amortized costs as of December 31, 2003 and 2002:

	2003	2002
	-----	-----
	(\$000)	(\$000)
Available for Sale:		
U.S. Treasury and other U.S. government agencies	\$ 62,426	\$ 54,543
States and political subdivisions in the U.S.	52,527	47,240
FRB and FHLB Stock	1,854	1,248
	-----	-----
Total Securities Designated as Available for Sale	\$116,807	\$103,031
	-----	-----
Held to Maturity:		
U.S. Treasury and other U.S. government agencies	\$ 36	\$ 37
States and political subdivisions in the U.S.	3,713	3,604
	-----	-----
Total Securities Designated as Held to Maturity	\$ 3,749	\$ 3,641
	-----	-----
Total Securities	\$120,556	\$106,672
	=====	=====

The following table sets forth the contractual maturities and weighted average interest yields of the Bank's securities portfolio (yields on tax-exempt obligations are not presented on a tax-equivalent basis) as of December 31, 2003:

	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	\$ --	--	\$ 12,058	3.35%	\$ 27,986	4.75%	\$ 22,382	4.95%
States and political subdivisions	1,927	4.90	5,046	4.68	26,053	4.58	19,501	4.77
	-----		-----		-----		-----	
Total Available for Sale	\$ 1,927	4.90%	\$ 17,104	3.75%	\$ 54,039	4.67%	\$ 41,883	4.87%
	=====		=====		=====		=====	
CLASSIFIED AS HELD TO MATURITY AT AMORTIZED COST:								
U.S. Treasury and other U.S. government agencies	\$ --	--	\$ --	--	\$ --	--	\$ 36	--
States and political subdivisions	1,382	1.34	575	4.07	859	3.18	897	3.74
	-----		-----		-----		-----	
Total Held to Maturity	1,382	1.34	575	4.07	859	3.18	933	3.74
	=====		=====		=====		=====	
Total Securities	\$ 3,309	3.37%	\$ 17,679	3.76%	\$ 54,898	4.65%	\$ 42,816	4.84%
	=====		=====		=====		=====	

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, and installment loans. The Bank primarily extends loans to customers located within the Western New York area. Income on loans represented approximately 70.0% of the total interest income of the Company in 2003 and approximately 69.6% of total interest income in 2002. The Bank's loan portfolio after unearned discounts, loan origination costs and allowances for credit losses totaled \$185.5 million and \$149.0 million at December 31, 2003 and December 31, 2002, respectively. At December 31, 2003, the Bank had \$2.5 million as an allowance for loan losses which is approximately 1.35% of total loans. This compares with approximately \$2.1 million at December 31, 2002 which was approximately 1.42% of total loans. The increase to the provision for loan losses to \$0.5 million in 2003 from \$0.4 million in 2002 reflects management's assessment of the portfolio composition, of which higher risk commercial real estate loans have been an increasing component, and its assessment of the New York State and local economy. The net loan portfolio represented approximately 55.4% and 51.6% of the Bank's total assets at December 31, 2003 and December 31, 2002, respectively.

REAL ESTATE LOANS. Approximately 84.8% of the Bank's loan portfolio at December 31, 2003 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 \$159.5 million at December 31, 2003, compared to \$127.5 million at December 31, 2002. The real estate loan portfolio increased approximately 25.1% in 2003 over 2002 compared to an increase of 4.3% in 2002 over 2001.

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 \$18.4 million at December 31, 2003, which was approximately 9.8% 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 2003, approximately \$15.7 million of mortgages were sold to FNMA under this arrangement compared to \$11.6 million of mortgages sold in 2002. The Bank currently retains the servicing rights on \$30.9 million in mortgages sold to FNMA. The Company has recorded no net servicing asset for such loans as it is considered immaterial.

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, 2003, the Bank's outstanding adjustable rate mortgages were \$2.2 million or 1.2% 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 \$104.0 million at December 31, 2003, which was approximately 55.3% of total loans outstanding. This balance included \$13.5 million in fixed rate and \$90.4 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, 2003, the real estate loan portfolio included \$26.9 million of home equity loans outstanding which represented approximately 14.3% of its total loans outstanding. This balance included \$18.3 million in variable rate and \$8.6 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, 2003, fixed rate real estate-construction loans outstanding were \$0.4 million or 0.2% of the Bank's loan portfolio, and adjustable rate construction loans outstanding were \$4.7 million or 2.5% of the portfolio.

As of December 31, 2003, approximately \$1.4 million or 0.9% of the Bank's real estate loans were 30 to 90 days delinquent, and approximately \$0.2 million or 0.1% 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 \$24.3 million and \$20.5 million at December 31, 2003 and December 31, 2002, respectively. Commercial loans represented approximately 12.9% and 13.5% of the Bank's total loans at December 31, 2003 and December 31, 2002, respectively.

As of December 31, 2003, none of the Bank's commercial loans were 30 to 90 days past due and \$0.04 million or 0.2% 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-three 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 personal loans and revolving credit card balances) totaled \$2.6 million and \$2.4 million at December 31, 2003 and December 31, 2002, respectively, representing approximately 1.4% of the Bank's total loans at December 31, 2003 and 1.6% of the Bank's total loans at December 31, 2002. Traditional installment loans are offered at fixed interest rates with various maturities up to 60 months, on a secured and unsecured basis. At December 31, 2003, the installment loan portfolio included \$0.2 million in fixed rate credit card balances at an interest rate of 15.6% and \$0.08 million in the variable rate option. As of December 31, 2003, approximately \$0.06 million or 2.2% 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 \$1.2 at December 31, 2003 and \$0.5 million at December 31, 2002. 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, which totaled \$0.8 million and \$0.1 million December 31, 2003 and 2002, respectively.

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) as of the dates indicated.

	December 31,				
	2003	2002	2001	2000	1999
	(Dollars in thousands)				
Mortgage loans on real estate:					
Residential 1-4 family	\$ 30,160	\$ 26,712	\$ 31,035	\$ 33,375	\$ 31,683
Commercial and multi-family	99,684	77,919	70,853	57,219	47,265
Construction	5,090	2,174	1,520	1,966	3,538
Second mortgages	6,274	6,919	8,188	7,648	7,851
Equity lines of credit	18,262	13,780	10,684	8,976	8,517
Total mortgage loans	159,470	127,504	122,280	109,184	98,854
Commercial loans	24,282	20,460	16,338	14,783	14,186
Consumer installment loans:					
Personal	2,277	2,054	2,759	2,994	2,365
Credit cards	292	298	334	483	364
Other	1,209	492	2,191	2,391	1,101
Total consumer installment loans:	3,778	2,844	5,284	5,868	3,830
Net deferred loan origination costs	537	336	353	372	401
Total Loans	188,067	151,144	144,255	130,207	117,271
Allowance for loan losses	(2,539)	(2,146)	(1,786)	(1,428)	(838)
Net loans	\$ 185,528	\$ 148,998	\$ 142,469	\$ 128,779	\$ 116,433

LOAN MATURITIES AND SENSITIVITIES OF LOANS IN INTEREST RATES. The following table shows the maturities of commercial and real estate construction loans outstanding as of December 31, 2003 and the classification of loans due after one year According to sensitivity to changes in interest rates.

	(\$000)			
	0-1 Year	1-5 Years	Over 5 Years	Total
Commercial	\$ 3,474	\$ 10,406	\$ 10,402	\$24,282
Real estate construction	3,346	1,744	--	5,090
	\$ 6,820	\$ 12,150	\$ 10,402	\$29,372
	=====	=====	=====	=====

Loans maturing after one year with:

Fixed Rates	\$ 4,890	\$ 132
Variable Rates	7,260	10,270
	-----	-----
	\$12,150	\$10,402
	=====	=====

NON-ACCRUAL, PAST DUE AND RESTRUCTURED LOANS. The following table summarizes the Bank's non-accrual and accruing loans 90 days or more past due as of December 31, for the dates listed below. 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."

	At December 31,				
	2003	2002	2001	2000	1999
	-----	-----	-----	-----	-----
	(\$000)				
Non-accruing loans:					
One-to-four family	\$ -	\$ -	\$ -	\$ -	\$ -
Home equity	-	-	-	-	-
Commercial real estate & multi family	256	1,104	545	1,071	1,532
Consumer	-	-	-	-	-
Commercial business	40	93	179	124	193
	-----	-----	-----	-----	-----
Total	\$ 296	\$1,197	\$ 724	\$1,195	\$1,725
	=====	=====	=====	=====	=====
Accruing loans 90+ days past due	627	-	443	263	-
	-----	-----	-----	-----	-----
Total non-performing loans	923	1,197	1,167	1,458	1,725
	=====	=====	=====	=====	=====
Total non-performing loans to total assets	0.27%	0.36%	0.35%	0.44%	0.52%
	=====	=====	=====	=====	=====
Total non-performing loans to total loans	0.49%	0.79%	0.81%	1.13%	1.52%
	=====	=====	=====	=====	=====

The following table summarizes the Bank's allowance for loan losses and changes in the allowance for loan losses by loan categories:

ANALYSIS OF CHANGES IN THE ALLOWANCE FOR LOAN LOSSES

	2003	2002	2001	2000	1999
	-----	-----	-----	-----	-----
	(\$000)				
BALANCE AT THE BEGINNING OF THE YEAR	\$ 2,146	\$ 1,786	\$ 1,428	\$ 838	\$ 729
CHARGE-OFFS					
Commercial	(54)	(14)	(24)	(54)	(26)
Real estate-mortgages	(30)	(42)	(42)	(48)	(25)
Installment loans	(11)	(20)	(14)	(3)	(19)
	-----	-----	-----	-----	-----
TOTAL CHARGE-OFFS	(95)	(76)	(80)	(105)	(70)
RECOVERIES					
Commercial	7	2	11	-	1
Real estate-mortgages	-	-	1	1	-
Installment loans	1	14	6	5	8
	-----	-----	-----	-----	-----
TOTAL RECOVERIES	8	16	18	6	9
	-----	-----	-----	-----	-----
NET CHARGE-OFFS	(87)	(60)	(62)	(99)	(61)
PROVISION FOR LOAN LOSSES	480	420	420	689	170
	-----	-----	-----	-----	-----
BALANCE AT END OF YEAR	\$ 2,539	\$ 2,146	\$ 1,786	\$ 1,428	\$ 838
	=====	=====	=====	=====	=====

Management's provision for loan losses reflects the continued growth trend in higher risk 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 remains 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 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 and the Federal Home Loan Bank, and from the First Tennessee Bank, which is a correspondent 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, 2003, the Bank's deposits totaled \$266.3 million consisting of the following (in thousands):

Demand deposits	\$ 51,885
NOW accounts	11,464
Regular savings	105,599
Time deposits, \$100,000 and over	35,648
Other time deposits	61,729

Total	\$266,325
	=====

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

	2003		2002		2001	
	Average Balance (\$000)	Weighted Average Rate	Average Balance (\$000)	Weighted Average Rate	Average Balance (\$000)	Weighted Average Rate
Demand deposits	\$ 48,853	0.00%	\$ 42,165	0.00%	\$ 36,133	0.00%
NOW accounts	10,753	0.22%	9,678	0.45%	8,510	0.89%
Regular savings	110,001	0.93%	75,741	1.11%	63,953	2.21%
Time deposits	99,775	2.83%	90,890	3.74%	86,005	5.25%
	-----		-----		-----	
Total	\$269,382	1.43%	\$218,474	1.96%	\$194,601	3.09%
	=====		=====		=====	

FEDERAL FUNDS PURCHASED AND OTHER BORROWED FUNDS. Another source of the Bank's funds for lending and investing activities at December 31, 2003 consisted of short and long term borrowings from the Federal Home Loan Bank.

Other borrowed funds consisted of various advances from the Federal Home Loan Bank with both fixed and variable interest rate terms ranging from 1.10% to 5.34%. The maturities of other borrowed funds are as follows (in thousands):

2004	\$15,936
2005	1,518
2006	760
2007	145
2008	28
Thereafter	7,000

Total	\$25,387
	=====

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 \$5.5 million at December 31, 2003 compared to \$6.5 million at December 31, 2002.

MARKET RISK

Market risk is the risk of loss from adverse changes in market prices and/or interest rates of the Bank's financial instruments. The primary market risk the Company is exposed to is interest rate risk. The core banking activities of lending and deposit-taking expose the Bank to interest rate risk, which occurs when assets and liabilities reprice at different times and by different amounts as interest rates change. As a result, net interest income earned by the Bank is subject to the effects of changing interest rates. The Bank measures interest rate risk by calculating the variability of net interest income in the future periods under various interest rate scenarios using projected balances for earning assets and interest-bearing liabilities. Management's philosophy toward interest rate risk management is to limit the variability of net interest income. The balances of financial instruments used in the projections are based on expected growth from forecasted business opportunities, anticipated prepayments of loans and investment securities and expected maturities of investment securities, loans and deposits. Management supplements the modeling technique described above with analysis of market values of the Company's financial instruments and changes to such market values given changes in the interest rates.

The Bank's Asset-Liability Committee, which includes members of senior management, monitors the Bank's interest rate sensitivity with the aid of a computer model that considers the impact of ongoing lending and deposit gathering activities, as well as interrelationships in the magnitude and timing of the repricing of financial instruments, including the effect of changing interest rates on expected prepayments and maturities. When deemed prudent, management has taken actions, and intends to do so in the future, to mitigate exposure to interest rate risk through the use of on- or off-balance sheet financial instruments. Possible actions include, but are not limited to, changes in the pricing of loan and deposit products, modifying the composition of interest-earning assets and interest-bearing liabilities, and other financial instruments used for interest rate risk management purposes.

SENSITIVITY OF NET INTEREST INCOME TO CHANGES IN INTEREST RATES

Changes in interest rates -----	Calculated increase (decrease) in projected annual net interest income	
	December 31, 2003 -----	December 31, 2002 -----
	(\$000)	(\$000)
+200 basis points	\$ 515	\$ 311
-200 basis points	(1,390)	(435)

Many assumptions were utilized by the Bank to calculate the impact that changes in interest rates may have on net interest income. The more significant assumptions related to the rate of prepayments of mortgage-related assets, loan and deposit volumes and pricing, and deposit maturities. The Bank also assumed immediate changes in rates including 100 and 200 basis point rate changes. In the event that a 100 or 200 basis point rate change cannot be achieved, the applicable rate changes are limited to lesser amounts such that interest rates cannot be less than zero. These assumptions are inherently uncertain and, as a result, the Bank cannot precisely predict the impact of changes in interest rates on net interest income. Actual results may differ significantly due to the timing, magnitude, and frequency of interest rate changes in market conditions and interest rate differentials (spreads) between maturity/repricing categories, as well as any actions, such as those previously described, which management may take to counter such changes. In light of the uncertainties and assumptions associated with the process, the amounts presented in the table above and changes in such amounts are not considered significant to the Bank's projected net interest income.

The following schedule sets forth the maturities of the Bank's time deposits as of December 31, 2003:

	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	\$10.4	\$ 2.2	\$ 4.8	\$ 18.3	\$35.7
Other time deposits	7.6	6.8	16.2	31.1	61.7
Total time deposits	\$18.0	\$ 9.0	\$21.0	\$ 49.4	\$97.4
	=====	=====	=====	=====	=====

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 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, 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 communities (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 risk weighted 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 weighting 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, 2003 and December 31, 2002 with these minimum requirements is presented below:

	Bank		Minimum Requirements
	2003	2002	
Total Risk-based Capital	13.9%	16.2%	8%
Tier 1 Risk-based Capital	12.7%	14.9%	4%
Tier 1 Capital	8.3%	9.3%	3%

As of December 31, 2003 and 2002, the Bank met all three capital requirements.

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

	2003 -----	2002 -----	2001 -----
Return on Average Assets	1.25%	1.36%	1.09%
Return on Average Equity	12.77%	12.51%	9.82%
Dividend Payout Ratio	37.71%	36.18%	41.44%
Equity to Assets Ratio	9.96%	10.69%	10.84%

Sarbanes-Oxley Act. On July 30, 2002, the Sarbanes-Oxley Act for 2002 ("SOA") was signed into law. The stated goals of the SOA are to increase corporate responsibility, to provide for enhanced penalties for accounting and auditing improprieties at publicly traded companies and to protect investors by improving the accuracy and reliability of corporate disclosures pursuant to the securities laws.

The SOA includes very specific additional disclosure requirements and new corporate governance rules, requires the SEC, the national securities exchanges and the national securities associations to adopt and implement disclosure and corporate governance standards, and mandates further studies of certain issues by the SEC and the Comptroller General. The SOA represents significant federal involvement in matters traditionally left to state regulatory systems, such as the regulation of the accounting profession, and to state corporate law, such as the relationship between a board of directors and management and between a board of directors and its committees.

The SOA addresses, among other matters: audit committees; required reporting on internal controls over financial reporting by management and auditors; certification of financial statements by the Chief Executive Officer and the Chief Financial Officer; the forfeiture of bonuses or other incentive-based compensation and profits from the sale of an issuer's securities by directors and senior officers in the twelve month period following initial publication of any financial statements that later require restatement; a prohibition on insider trading during pension plan black out periods; disclosure of off-balance sheet transactions; a prohibition on certain loans to directors and officers; expedited filing requirements for Forms 4; the adoption of a code of ethics for the issuer's principal executive officer and principal financial and accounting officers, and disclosure of any change or waiver of such code; "real time" filing of periodic reports; the formation of a public company accounting oversight board; auditor independence; and various increased civil and criminal penalties for violations of securities laws.

Some provisions of the SOA went into effect immediately (July 30, 2002), while others required the SEC to adopt implementing rules within specified periods. Nearly all of the implementing rules have been finalized by the SEC.

SUBSIDIARIES OF THE BANK

M&W AGENCY, INC. On 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 in Silver Creek, New York, with offices located in Angola, New York, Derby, New York, Eden, New York, Gowanda, New York, Hamburg, New York, North Boston, New York, South Dayton, New York, Cattaraugus Counties, New York, Randolph, New York 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. In 2003, M&W acquired Frontier Claim Services, an insurance adjusting business, located in Buffalo, New York. For the year ended December 31, 2003, M&W had a premium volume of \$23.2 million and net premium revenue of \$3.5 million.

M&W's primary market area is Erie, Chautauqua and Cattaraugus counties. 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.

EVANS NATIONAL HOLDING CORP. ENHC holds certain real estate loans and provides management services. ENHC 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. 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", of this Report on Form 10-K.

EMPLOYEES

As of December 31, 2003, the Company had no direct employees. As of December 31, 2003, the Bank employed 96 persons on a full-time basis and 9 on a part-time basis. In addition, ENB Associates Inc. employed 1 person on a full-time basis. M&W Agency, Inc. also employed 38 persons on a full-time basis and 1 on a part-time basis.

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. We are providing the address of the Company's internet site solely for the information of investors. We do not intend the address to be an active link or to otherwise incorporate the contents of the website into this Report on Form 10-K.

ITEM 2. PROPERTIES

The Company conducts its business from its main office and nine 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 and Chief Executive Officer as well as the Administration Division.

The Bank owns seven of its nine branch offices. The main office mentioned above is owned by the Bank. A 3,900 square foot facility is 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 fourth is a 3,650 square foot branch located at 6840 Erie Road, Derby, New York. A fifth is a 2,880 square foot facility located at 7205 Boston State Rd, Boston, New York. The sixth is a 3,500 square foot facility located on land it is leasing at 3388 Sheridan Drive, Amherst, New York. The seventh is a 3,500 square foot facility located on land the Bank is leasing at 4979 Transit Road, Lancaster, 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 3,864 square feet of space at 938 Union Road, West Seneca, N.Y. 14224, which carries a long-term lease. In addition, the Bank leases 726 square feet for a drive-thru facility.

The Bank operates in-school branch banking facilities 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. 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 each for an additional three year term.

M&W also leases an office located at 7 Bank Street, Randolph, New York on a month to month basis.

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. In January 2003, M&W entered into a three year lease for the office at the site for Frontier Claims Services. This site is located at 1481 Harlem Road, Buffalo, New York 14216. In October 2003, M&W entered into a month to month lease for the an office located at 25 Buffalo Street, Gowanda, New York, 14070.

ITEM 3. LEGAL PROCEEDINGS

There are no material 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

No matters were submitted to a vote of shareholders during the fourth quarter of the fiscal year covered by this report.

PART II

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

(a) MARKET. The Company's common stock is quoted on the Nasdaq National Market system under the symbol: EVBN and has been traded on Nasdaq since July 9, 2001. The Company distributed a 5 percent stock dividend declared on November 19, 2002 for shareholders of record on December 2, 2002 which was distributed on January 29, 2003 and a 5 percent stock dividend declared on September 16, 2003 for shareholders of record on October 14, 2003 which was distributed on December 1, 2003. All share and per share data contained in this Report on Form 10-K have been adjusted to reflect the stock dividends.

The following quotations reflect inter-dealer quotations that do not include retail markups, markdowns or commissions and may not represent actual transactions. The following table shows, for the periods indicated, the high and low bid prices per share of the Company's common stock as reported on Nasdaq.

QUARTER	2003		2002	
	High	Low	High	Low
FIRST	\$22.87	\$ 19.48	\$17.91	\$ 16.37
SECOND	\$22.81	\$ 19.68	\$20.09	\$ 16.28
THIRD	\$22.61	\$ 20.00	\$23.38	\$ 14.74
FOURTH	\$24.30	\$ 21.75	\$22.27	\$ 18.13

(b) HOLDERS. The approximate number of holders of record of the Company's common stock at December 31, 2003 was 1,413.

(c) DIVIDENDS.

CASH DIVIDENDS.

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 \$0.28 per share on October 2, 2002 to holders of record on September 11, 2002.

The Company paid a cash dividend of \$0.30 per share on April 1, 2003 to holders of record on March 11, 2003.

The Company paid a cash dividend of \$0.32 per share on October 1, 2003 to holders of record on September 10, 2003.

The Company has declared a cash dividend of \$0.33 per share payable on April 6, 2004 to holders of record as of March 16, 2004.

All per share amounts have been adjusted to reflect the 5 percent stock dividend paid on January 29, 2003 and the 5 percent stock dividend paid on December 1, 2003.

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 19 to the Consolidated Financial Statements.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

(DOLLARS IN THOUSANDS EXCEPT PER SHARE AND RATIO DATA)

	AS OF AND FOR THE YEAR ENDED DECEMBER 31,				
	2003	2002	2001	2000	1999
<hr/>					
BALANCE SHEET DATA					
Assets	\$ 334,677	\$ 288,711	\$ 248,722	\$ 224,549	\$ 198,788
Interest-earning assets	308,722	267,142	231,120	204,579	183,721
Investment securities	120,556	106,672	84,065	73,121	63,000
Loans, net	185,528	148,998	142,469	128,779	116,433
Deposits	266,325	239,507	204,260	186,701	169,949
Borrowings	25,388	8,111	9,661	4,409	5,000
Stockholders' equity	33,323	30,862	26,961	25,179	18,285
INCOME STATEMENT DATA					
Net interest income	\$ 10,847	\$ 10,396	\$ 9,110	\$ 8,580	\$ 7,512
Non-interest income	7,666	5,474	4,528	3,648	1,343
Non-interest expense	12,740	10,650	9,531	7,535	6,050
Net income	4,069	3,606	2,579	3,223	2,027
PER SHARE DATA					
Earnings per share - basic	\$ 1.66	\$ 1.48	\$ 1.06	\$ 1.33	\$ 0.87
Earnings per share - diluted	1.66	1.48	1.06	1.33	0.87
Cash dividends	0.62	0.54	0.44	0.38	0.34
Book value	13.63	12.59	11.08	10.38	7.81
PERFORMANCE RATIOS					
Return on average assets	1.25%	1.36%	1.09%	1.53%	1.10%
Return on average equity	12.77	12.51	9.82	15.96	10.81
Net interest margin	3.64	4.27	4.18	4.39	4.40
Efficiency ratio	64.70	63.04	65.98	57.79	63.42
Dividend payout ratio	37.71	36.18	41.44	27.89	39.37
CAPITAL RATIOS					
Tier I capital to average assets	8.30%	9.30%	9.60%	9.90%	10.10%
Equity to assets	9.96	10.69	10.84	11.21	9.20
ASSET QUALITY RATIOS					
Total non-performing assets to total assets	0.27%	0.51%	0.66%	0.67%	1.11%
Total non-performing loans to total loans	0.49	0.79	0.81	1.13	1.52
Net charge-offs to average loans	0.05	0.04	0.04	0.08	0.05
Allowance for loan losses to total loans	1.35	1.42	1.24	1.10	0.71
Allowance for loan losses to non-performing loans	276.47	179.27	153.04	97.96	47.31

See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 8 "Consolidated Financial Statements and Supplementary Data" of this Report on Form 10-K for further information and analysis.

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

OVERVIEW

This discussion is intended to compare the performance of the Company for the years ended December 31, 2003, 2002 and 2001. The review of the information presented should be read in conjunction with the Consolidated Financial Statements and Notes included in this Report on Form 10-K.

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 has three subsidiaries - ENB Associates Inc. and M&W Agency, Inc., both wholly-owned subsidiaries, and Evans National Holding Corp. (which the Bank owns 100% of the outstanding voting common shares). The Company conducts its business through Evans National Bank and its subsidiaries. It does not engage in any other substantial business activities.

The Company's financial objectives are focused on earnings growth and return on average equity. Over the last five years, the Company's compounded annual net income growth has been 14.77%, while return on average equity improved from 10.81% in 1999 to 12.77% in 2003. The compounded annual growth rate for gross loans and deposits for the last five years were 11.07% and 13.07%, respectively. To sustain future growth and to meet the Company's financial objectives, the Company has defined a number of strategies. Five of the more important strategies include:

- Expanding Bank market reach and penetration through de-novo branching and potential acquisition;
- Continuing growth of non-interest income through insurance agency internal growth and potential acquisition;
- Focusing on profitable customer segments;
- Leveraging technology to improve efficiency and customer service; and
- Maintaining a community based approach.

The Company's strategies are designed to direct tactical investment decisions supporting its financial objectives. The Company's most significant revenue source continues to be net interest income, defined as total interest income less interest expense, which in 2003 accounted for approximately 67% of total revenue. To produce net interest income and consistent earnings growth over the long-term, the Company must generate loan and deposit growth at acceptable economic spreads within its market of operation. To generate and grow loans and deposits, the Company must focus on a number of areas including, but not limited to, the economy, branch expansion, sales practices, customer and employee satisfaction and retention, competition, evolving customer behavior, technology, product innovation, interest rates, credit performance of its customers, and vendor relationships.

The Company also considers non-interest income important to its continued financial success. Fee income generation is partly related to the loan and deposit operations, such as deposit service charges, as well as selling financial products, such as: commercial and personal insurance through M&W Agency, non-deposit investment products through ENB Associates Inc., and private wealth management services through a strategic alliance with Mellon Financial Services.

While the Company reviews and manages all customer segments, it has focused increased efforts on four targeted segments: 1) high value consumers, 2) smaller businesses with credit needs under \$250,000, 3) medium-sized commercial businesses with credit needs over \$250,000 up to \$4 million, and 4) commercial real estate and construction-related businesses. These efforts have resulted in material growth in the commercial and home equity loan portfolios as well as core deposits over the last two years.

To support growth in targeted customer segments, the Bank has opened two branches over the last two years with a third planned in mid 2004. With all new and existing branches, totaling nine in January 2004, the Bank has strived to maintain a local community based philosophy. The Bank has emphasized hiring local branch and lending personnel with strong ties to the specific local communities it enters and serves.

The Bank serves its market through nine banking offices located in Amherst, New York, Angola, New York, Derby, New York, Evans, New York, Forestville, New York, Hamburg, New York, Lancaster, New York, North Boston, New York 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, New York, Cattaraugus, New York, Derby, New York, Eden, New York, Gowanda, New York, Hamburg, New York, North Boston, New York, Silver Creek, New York, South Dayton, New York, Randolph, New York, 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 activities and insurance agency activities.

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, a 5 percent stock dividend paid on January 29, 2003, to shareholders of record on December 2, 2002, and a 5 percent stock dividend paid on December 1, 2003 to shareholders of record on October 14, 2003.

APPLICATION OF CRITICAL ACCOUNTING ESTIMATES 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 Company's Financial Statements and Notes. These estimates, assumptions and judgments are based on information available as of the date of the Consolidated Financial Statements. Accordingly, as this information changes, the Consolidated 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 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 judgment 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 fiscal 2003 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 FOR YEARS ENDED DECEMBER 31, 2003 AND DECEMBER 31, 2002

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 loan losses, non-interest expense and income taxes. Net income of \$4.1 million in 2003 consists of \$3.7 million related to the Company's banking activities and \$0.4 million related to the Bank's insurance agency activities. The total net income of \$4.1 million or \$1.66 per share, basic and diluted in 2003 compares to \$3.6 million or \$1.48 per share, basic and diluted for 2002. All per share data reflect the special 5 percent stock dividend paid on January 29, 2003 and the special 5 percent stock dividend paid on December 1, 2003.

NET INTEREST INCOME

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

	2003 Compared to 2002			2002 Compared to 2001		
	Increase (Decrease) Due to			Increase (Decrease) Due to		

	All amounts in 000's					
	Volume	Rate	Total	Volume	Rate	Total
	-----	-----	-----	-----	-----	-----
Interest earned on:						
Loans	\$ 1,460	\$(1,316)	\$ 144	\$ 1,000	\$(1,458)	\$ (458)
Taxable securities	956	(1,284)	(328)	199	(538)	(339)
Tax-exempt securities	394	(93)	301	481	(65)	416
Federal funds sold	(1)	(11)	(12)	150	(209)	(59)
Time deposits in other banks	15	(2)	13	5	--	5
	-----	-----	-----	-----	-----	-----
Total interest-earning assets	\$ 2,824	\$(2,706)	\$ 118	\$ 1,835	\$(2,270)	\$ (435)
	=====	=====	=====	=====	=====	=====
Interest paid on:						
NOW accounts	\$ 2	\$ (23)	\$ (21)	\$ 12	\$ (44)	\$ (32)
Savings deposits	338	(157)	181	319	(893)	(574)
Time deposits	258	(836)	(578)	274	(1,393)	(1,119)
Federal funds purchased & other borrowings	245	(160)	85	72	(67)	5
	-----	-----	-----	-----	-----	-----
Total interest-bearing liabilities	\$ 843	\$(1,176)	\$ (333)	\$ 677	\$(2,397)	\$(1,720)
	=====	=====	=====	=====	=====	=====

Net interest income, before the provision for loan losses, increased \$0.5 million or 4.3% to \$10.8 million in 2003, as compared to \$10.4 million in 2002, an increase of 14.1% from 2002 over 2001. This increase in 2003 is attributable to the increase in average interest-earning assets of \$54.5 million versus an increase of \$52.0 million in average interest-bearing liabilities over 2002. This accounts, as indicated in the table above, for a net increase due to volume of approximately \$2.0 million in net interest income. The yield on interest-earning assets decreased 111 basis points from 6.25% in 2002 to 5.14% in 2003, while the cost of interest-bearing liabilities decreased 68 basis points, from 2.54% in 2002 to 1.86% in 2003. These rate changes resulted in less of a decrease in rate related changes on interest expense versus interest income, or a net decrease in net interest income of approximately \$1.5 million. The Bank's net interest margin decreased from 4.27% during 2002 to 3.64% during 2003.

The decrease in net interest margin is due primarily to three factors: increased competition from both a loan and deposit pricing perspective, a decrease in the potential to adjust deposit rates significantly lower as a result of the historically low interest rate environment, and a large amount of activity in mortgage refinancing which led to an acceleration of amortization on investment securities purchased at a premium that were backed by mortgages.

The Bank believes net interest margin will continue to be challenged in 2004 due to two main factors. Banks, generally, 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.

In addition, 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 down. The historically low environment provides the Bank a smaller interval to move rates on deposits to offset any decrease in asset yield.

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 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 fair 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 probable loan losses based on management's evaluation of the loan portfolio. Factors considered include the collectibility of individual loans, 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 Bank 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 internal credit rating of the loan, using the Company's historical loss experience.

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 Bank's real estate portfolio. Commercial real estate values may be susceptible to decline in an adverse economy. Management believes that the Bank's loan loss reserve is 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 2003, the Company's provision for loan loss was \$0.5 million as compared to \$0.4 million in 2002. Total non-performing loans amounted to \$923,000 at December 31, 2003, as compared to \$1,197,000 at December 31, 2002.

The following table provides an analysis of the allowance for loan losses, the total of charge-offs, non-performing loans and total allowance for loan losses as a percentage of total loans outstanding for the three years ended December 31:

	2003	2002	2001	2000	1999
	----- (\$000)	----- (\$000)	----- (\$000)	----- (\$000)	----- (\$000)
Balance, beginning of year	\$ 2,146	\$ 1,786	\$ 1,428	\$ 838	\$ 729
Provisions for loan losses	480	420	420	689	170
Recoveries	8	16	18	6	9
Loans charged off	(95)	(76)	(80)	(105)	(70)
Balance, end of year	----- \$ 2,539 =====	----- \$ 2,146 =====	----- \$ 1,786 =====	----- \$ 1,428 =====	----- \$ 838 =====
Net Charge-offs to total loans	0.05%	0.05%	0.06%	0.08%	0.05%
Non-performing loans to total loans	0.49%	0.79%	0.81%	1.13%	1.52%
Allowance for loan losses to total loans	1.35%	1.42%	1.24%	1.10%	0.71%

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

	Balance at 12/31/2003 Attributable to: (\$000)	Percent of loans in each category to total loans:	Balance at 12/31/2002 Attributable to: (\$000)	Percent of loans in each category to total loans:	Balance at 12/31/2001 Attributable to: (\$000)	Percent of loans in each category to total loans:
	-----	-----	-----	-----	-----	-----
Real Estate Loans	\$ 1,619	85.1%	\$ 844	84.6%	\$ 455	85.0%
Commercial Loans	384	12.9	259	13.5	96	11.3
Consumer Loans	147	1.4	72	1.6	74	2.2
All other loans	-	0.6	-	0.3	-	1.5
Unallocated	389	-	971	-	1,161	-
Total	----- \$ 2,539 =====	----- 100.0%	----- \$ 2,146 =====	----- 100.0%	----- \$ 1,786 =====	----- 100.0%

	Balance at 12/31/2000 Attributable to: (\$000)	Percent of loans in each category to total loans:	Balance at 12/31/1999 Attributable to: (\$000)	Percent of loans in each category to total loans:
	-----	-----	-----	-----
Real Estate Loans	\$ 600	84.1%	\$ 716	84.7%
Commercial Loans	96	11.4	50	12.1
Consumer Loans	66	2.7	56	2.3
All other loans	-	1.8	-	0.9
Unallocated	666	-	16	-
Total	----- \$ 1,428 =====	----- 100.0%	----- \$ 838 =====	----- 100.0%

Both the total increase in allowance for loan losses and allocation of the allowance to commercial loans are in response to the increase in total higher risk commercial loans. Commercial real estate mortgages represent 62.5% or \$99.7 million of total real estate mortgages at December 31, 2003, as compared to 61.1% or \$77.9 million at December 31, 2002. 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, comprises 12.9% of total loans or \$24.3 million at December 31, 2003, as compared to 13.5% or \$20.5 million at December 31, 2002. The increased allowance and allocation to commercial categories addresses the Bank's strategic decision to continue growing this segment, as well as the local economy, which has lagged the national economy. Commercial loans are more susceptible to decreases in credit quality in cyclical downturns and the larger individual balances of commercial loans expose the Bank to larger losses. In addition, growth in the size of the commercial loan portfolio during 2003 required additional allowance to provide for probable losses in these loans.

The allowance for loan losses is based on management's estimate, and ultimate losses will vary from current estimates. Factors underlying the determination of the allowance for loan losses are continually evaluated by management based on changing market conditions and other known factors. Some factors underlying the allocation of loan losses have changed in 2003 as a result of the evaluation of underlying risk factors within each loan category. The underlying 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 \$2.2 million or 40.1% in 2003 over 2002. This compares to an increase of approximately \$0.9 million from 2001 to 2002. Bank service charge income in 2003 increased approximately \$0.7 million over 2002 due to a concentrated effort on increasing fee income in late 2002 and early 2003 and the rollout of the Bank's Safeguard Overdraft Service in early 2003. Income from the M&W Agency, Inc. in 2003 accounted for approximately \$0.5 million of the increase in non-interest income. Income earned on bank-owned life insurance increased approximately \$0.4 million over 2002 as a result of a \$6.2 million bank-owned life insurance purchase in February 2003.

The competitive interest rate environment resulted in prepayment fees collected on refinanced loans totaling an additional \$0.3 million in 2003. 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 in 2003. ENB Associates also benefited from the low interest rate environment as customers searched for higher yields in mutual funds and annuities. ENB Associates' revenue increased \$0.04 million in 2003 as compared to 2002.

Additionally, the Bank grew its ATM network with the addition of six new offsite locations during 2003. Also, the usage of the Bank's point-of-sale debit cards has increased. Both data services have provided approximately an additional \$0.2 million in fees in 2003 as compared to 2002.

Gains realized on the sale of assets, primarily sales of securities, totaled approximately \$0.3 million in 2003 versus an approximate \$0.1 million gain realized in 2002. During 2003, the Bank recognized losses on sales and write downs in the carrying value of foreclosed real estate of \$0.03 million versus losses of \$0.1 million in 2002.

NON-INTEREST EXPENSE

Total non-interest expense increased approximately \$2.1 million or 19.6% in 2003 over 2002. In 2003, the ratio of non-interest expense to average assets was 3.90% compared to 4.01% in 2002 and 4.02% in 2001. 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 and benefits, occupancy, advertising, and supplies, among others. Salary and benefit expense increased 23.1% in 2003. Of the \$1.3 million increase in salary and benefit expense in 2003 over 2002, the Bank's operations contributed approximately \$1.0 million and M&W Agency contributed approximately \$0.3 million. The addition of the Lancaster branch, full operating year of the Amherst branch, increased loan staffing, M&W Agency expansion and merit increases contributed to the increased salary costs. M&W Agency acquired the business, assets and certain liabilities of the Gutekunst Agency in the beginning of 2003, and completed a full year of operations of Frontier Claim Services, Inc. which was acquired on January 1, 2003, which contributed to its increased salary and benefits.

Occupancy expense increased approximately \$0.1 million or 8.7% from 2002 to 2003. M&W Agency's addition of the Frontier Claim Services, Inc. and a full year operation of the Amherst branch location increased related occupancy expenses: utilities, rent, and depreciation, among others. Professional services increased \$0.1 million or 15.4%. The Bank engaged an outside consulting firm for a revenue enhancement project and attorneys to prepare and review new employee benefit plans in 2003.

Miscellaneous other expenses increased \$0.5 million or approximately 25.1% in 2003. 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. Other expenses have increased approximately \$0.3 million due to a number of items including costs associated with the Bank's conversion to a next generation item processing data center environment, which have resulted in increased capacity, capability and opportunity for future efficiencies.

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. The Company's pension expense for all pension plans, including the SERP, approximated \$491,000 and \$215,000 for the years ended December 31, 2003, and December 31, 2002, 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% and compensation rate increases of 4.75% in both 2003 and 2002. The increase is primarily due to a change in benefit formula related to the SERP, which was changed in 2003 to provide a benefit payment based on a percentage of final average earnings as opposed to a fixed benefit under the superceded plan. Also, one additional participant was added to the plan during 2003.

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. In evaluating compensation rate increases we evaluated historical salary data as well as expected future increases. We will continue to evaluate our actuarial assumptions, including our expected rate of return and compensation rate increases 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 6.75% at September 30, 2002, for purposes of our defined benefit pension plan and at December 31, 2002, for purposes of our SERP, both of which are the measurement dates, to 6.25% for both plans at September 30, 2003 and December 31, 2003, respectively.

TAXES

The provision for income taxes in 2003 of \$1.2 million reflects an effective tax rate of approximately 23.1%. This compares to \$1.2 million or 24.9% in 2002 and \$1.1 million or 30.0% in 2001. There were three main factors for the decrease in the effective tax rate in 2003 and 2002. The first was due to the establishment of ENHC as a REIT. In addition to providing the flexibility and planning opportunities for the Bank, it also provided state tax benefits. Life insurance proceeds recorded in 2002 were tax exempt and contributed to a more favorable tax position. Also, the additional bank-owned life insurance income earned in 2003 improved the Bank's effective tax rate. The Bank continues to maintain a substantial investment in tax-advantaged municipal bonds, which contributes to its favorable tax position.

RESULTS OF OPERATIONS FOR YEARS ENDED DECEMBER 31, 2002 AND DECEMBER 31, 2001

NET INCOME

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 \$1.48 per share in 2002 compares to \$2.6 million or \$1.06 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 \$0.15 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 \$0.13 per share. For 2002, net income rose \$0.7 million or 24.4% over 2001 after adjusting 2001 results to exclude goodwill amortization.

NET INTEREST INCOME

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. This increase in 2002 is attributable to the increase in average interest-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 yield on interest-earning assets decreased 94 basis points from 7.19% in 2001 to 6.25% in 2002, while the cost of funds had a greater decrease of 130 basis points, from 3.84% 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 4.18% during 2001 to 4.27% during 2002.

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 2002 rate environment.

ALLOWANCE FOR LOAN LOSSES

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

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 represented 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, 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 provided for the 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.

NON-INTEREST INCOME

Total non-interest income increased approximately \$0.9 million or 20.9% in 2002 over 2001. This compared 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 which totaled 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 grew its ATM network with the addition of one at the Amherst branch and two offsite locations during 2002. Also, the usage of the Bank's point-of-sale debit cards has increased. Both data services 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 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. 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 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.

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. 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.

FINANCIAL CONDITION

The Bank had total assets of \$334.7 million at December 31, 2003, an increase of \$46.0 million or 15.9% over \$288.7 million at December 31, 2002. Net loans of \$185.5 million increased 24.5% or \$36.5 million over 2002. Securities increased \$13.9 million or 13.0% and cash and cash equivalents decreased \$11.3 million or 56.9%. Deposits grew by \$26.8 million or 11.2%. Stockholders' equity increased \$2.5 million or 8.0%. Net unrealized gains/losses on investment securities held by the Bank decreased \$0.3 million over 2002.

LOANS

Loans comprised 56.1% of the Bank's total average earning assets in 2003. Actual year-end balances increased 24.5% versus an increase of 4.6% in 2002 and 10.8% in 2001. 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 55.3% of total loans. Residential mortgages comprise 11.0% of the portfolio and 14.3% are home equity loans. Other commercial loans account for 15.5% of outstanding loans. Commercial loans total \$133.1 million at December 31, 2003, reflecting a 26.2% or \$27.6 million increase for the year. Consumer loans total \$54.4 million at December 31, 2003, reflecting a \$9.1 million or 20.1% increase for the year. Total consumer loan growth was primarily attributed to home equity loans and residential mortgage loans. A significant portion of fixed rate residential mortgages originated was sold to the secondary market in order 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.

At December 31, 2003, the Bank had a loan/deposit ratio of 69.7%. This compares to a loan/deposit ratio of 62.2% at December 31, 2002.

At December 31, 2003, the Bank retained the servicing rights to \$30.9 million in long-term mortgages sold to the FNMA. This compares to a loan servicing portfolio principal balance of \$24.0 million at December 31, 2002. The arrangement that the Bank has with FNMA allows it to offer long-term mortgages without exposure to the associated interest rate risks, while retaining customer account relationships. In 2003 and 2002, the Bank sold loans to FNMA totaling approximately \$15.7 million and \$11.6 million respectively. The Bank did not record any related asset to the servicing portfolio rights as management determined it is immaterial.

SECURITIES AND FEDERAL FUNDS SOLD

Securities and federal funds sold made up the remaining 43.6% of the Bank's total average interest earning assets at December 31, 2003. These categories provide the Bank with additional sources of liquidity and income. The Bank's securities portfolio increased 13.0% over the prior year. It continues to be strongly concentrated in tax-advantaged municipal bonds, which make up 46.7% of the portfolio, US government-guaranteed mortgage-backed securities which make up 34.4% of the portfolio, and US government-sponsored agency bonds of various types which comprise 17.4% 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 1.5% of the portfolio at December 31, 2003. The credit quality of the securities portfolio is strong, with 96.9% of the securities portfolio carrying the equivalent of a Moodys rating of AAA.

Federal funds sold balances are largely maintained for liquidity purposes. The average balance maintained in federal funds sold decreased slightly in 2003 to 1.7% of total average earning assets from 2.1% in 2002. At December 31, 2003 the Bank was in a federal funds purchased position of \$13.5 million, which is reported as part of "other borrowed funds" on the Consolidated Balance Sheets. The Bank has attempted to take advantage of the relatively low cost of such funds for funding purposes as a result of the current rate environment.

The yield earned on securities and federal funds sold decreased 121 basis points in 2003 moving from 4.72% in 2002 to 3.51% in 2003. This compares to 5.59% in 2001. The decrease for 2003 from 2002 reflects the continued low interest rate environment, which has resulted in accelerated amortization of mortgage backed security premiums as mortgages prepay. These prepayments then are being reinvested in yields on investments that have declined throughout the year. Based on the Company's evaluation, mortgage-backed securities continue to be 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 for many borrowing and pledging purposes and have most of the liquidity characteristics of US Treasury notes and bonds. Total mortgage-backed securities decreased \$3.2 million, or 7.1% from 2002.

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 developed 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 \$0.3 million in net gains on these sales in 2003.

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 Company's Consolidated Balance Sheets included in this Report on Form 10-K under Item 8 "Consolidated Financial Statements and Supplementary Data," at amortized cost. Those designated as available for sale are reported at fair market value. At December 31, 2003, \$3.7 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 \$116.8 million or approximately 96.9% of the Bank's securities portfolio at December 31, 2003. Net unrealized gains and losses on available for sale securities resulted in a net unrealized gain of \$3.1 million at December 31, 2003, as compared to \$3.4 million at December 31, 2002. Unrealized gains and losses on available for sale securities are reported, net of taxes, as a separate component of shareholders' equity. At December 31, 2003, the impact to equity was a net unrealized gain of approximately \$1.9 million.

BANK-OWNED LIFE INSURANCE

The Bank purchased \$6.2 million of bank-owned life insurance in February 2003 on directors and certain officers, the income on which is used to indirectly fund certain benefits provided to employees at the Bank and its subsidiaries, including new benefit plans implemented during 2003.

DEPOSITS

Total deposits increased \$26.8 million or 11.2% in 2003 over 2002. Core deposit growth has been an area the Bank has focused on and its success is evident in the 16.2% increase in demand deposits, 8.8% increase in NOW accounts, and 11.3% increase in savings accounts. Time deposits of less than \$100,000 decreased 1.2% in 2003.

Certificates of deposit in excess of \$100,000 increased 25.3%. 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 2003 over the past several years 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 \$16.0 million can be drawn on the FHLB via the Bank's 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 \$8 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, 2003, approximately 2.8% of the Bank's debt securities had maturity dates of one year or less and approximately 17.7% had maturity dates of five years or less. At December 31, 2003, the Bank had net short-term liquidity of \$6.7 million as compared to \$36.9 million at December 31, 2002. The decrease in short term liquidity at December 31, 2003 compared to December 31, 2002 was primarily due to an increase in the federal funds purchased position from \$0 on December 31, 2002 to \$13.5 million at December 31, 2003, which is reported as a part of "other borrowed funds" on the Consolidated Balance Sheets. The Bank has attempted to take advantage of the relatively low cost of funds for funding purposes as a result of the current rate environment. Available assets of \$125.0 million, less public and purchased funds of \$101.9 million, resulted in a long-term liquidity ratio of 123% at December 31, 2003, versus 158% at December 31, 2002.

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.

CONTRACTUAL OBLIGATIONS

The Company is party to contractual financial obligations, including repayment of borrowings, operating lease payments and commitments to extend credit. The table below presents certain future financial obligations.

	PAYMENTS DUE WITHIN TIME PERIOD AT DECEMBER 31, 2003				
	0-12 MONTHS	1-3 YEARS	4-5 YEARS	DUE AFTER 5 YEARS	TOTAL
Securities sold under agreement to repurchase	\$ 5,460,472	\$ -	\$ -	\$ -	\$ 5,460,472
Operating leases	371,000	495,000	427,000	2,676,000	3,969,000
Other Borrowed Funds	15,935,976	2,278,629	172,968	7,000,000	25,387,573
Total	\$21,767,448	\$ 2,773,629	\$ 599,968	\$ 9,676,000	\$34,817,045

At December 31, 2003, the Company had commitments to extend credit of \$45.5 million compared to \$41.8 million at December 31, 2002. For additional information regarding future financial commitment, this disclosure should be read in conjunction with the Company's Consolidated Financial Statements and Notes included under Item 8 of this Report including Note 15 "Contingent Liabilities and Commitments."

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 19 "Regulatory Matters" to the Consolidated Financial Statements under Item 8 of this Report on Form 10-K.

Total stockholders' equity was \$33.3 million at December 31, 2003, up from \$30.9 million at December 31, 2002. Equity as a percentage of assets was 10.0% at December 31, 2003, compared to 10.7% at December 31, 2002. Book value per common share rose to \$13.63 at December 31, 2003, up from \$12.59 at December 31, 2002.

In September 2001, the Company's Board of Directors authorized the repurchase of up to 50,000 shares of the Company's outstanding common stock over the following two years. In October of 2003, the Board approved an extension of the repurchase plan for two years. Shares are held for reissue in connection with the Company's Stock Dividend Reinvestment Plan and general corporate purposes. During 2003 and 2002, the Company repurchased under the plan 26,295 shares and 1,100 shares, respectively. Subject to ongoing capital and investment considerations, management intends to continue to repurchase shares in 2004 on an opportunistic basis.

The Company paid dividends per share of common stock of \$0.62 in 2003, \$0.54 in 2002 and \$0.44 in 2001. The dividend payout is continually reviewed by management and the Company's Board of Directors. The dividend payout ratio, which represents cash dividends paid divided by earnings, was 37.71%, 36.18% and 41.44% for the years 2003, 2002 and 2001 respectively.

MARKET RISK

Market risk is the risk of loss from adverse changes in market prices and/or interest rates of the Bank's financial instruments. The primary market risk the Company is exposed to is interest rate risk. The core banking activities of lending and deposit-taking expose the Bank to interest rate risk, which occurs when assets and liabilities reprice at different times and by different amounts as interest rates change. As a result, net interest income earned by the Bank is subject to the effects of changing interest rates. The Bank measures interest rate risk by calculating the variability of net interest income in the future periods under various interest rate scenarios using projected balances for interest-earning assets and interest-bearing liabilities. Management's philosophy toward interest rate risk management is to limit the variability of net interest income. The balances of financial instruments used in the projections are based on expected growth from forecasted business opportunities, anticipated prepayments of loans and investment securities and expected maturities of investment securities, loans and deposits. Management supplements the modeling technique described above with analysis of market values of the Bank's financial instruments and changes to such market values given changes in the interest rates.

The Bank's Asset Liability Committee, which includes members of senior management, monitors the Bank's interest rate sensitivity with the aid of a computer model that considers the impact of ongoing lending and deposit gathering activities, as well as interrelationships in the magnitude and timing of the repricing of financial instruments, including the effect of changing interest rates on expected prepayments and maturities. When deemed prudent, management has taken actions, and intends to do so in the future, to mitigate exposure to interest rate risk through the use of on - or off-balance sheet financial instruments. Possible actions include, but are not limited to, changes in the pricing of loan and deposit products, modifying the composition of interest-earning assets and interest-bearing liabilities, and other financial instruments used for interest rate risk management purposes.

**SENSITIVITY OF NET INTEREST INCOME
TO CHANGES IN INTEREST RATES**

Changes in interest rates	Calculated increase (decrease) in projected annual net interest income	
	($\$000$) December 31, 2003	($\$000$) December 31, 2002
+200 basis points	\$ 515	\$ 311
-200 basis points	(1,390)	(435)

Many assumptions were utilized by the Bank to calculate the impact that changes in interest rates may have on net interest income. The more significant assumptions related to the rate of prepayments of mortgage-related assets, loan and deposit volumes and pricing, and deposit maturities. The Bank also assumed immediate changes in rates including 100 and 200 basis point rate changes. In the event that a 100 or 200 basis point rate change cannot be achieved, the applicable rate changes are limited to lesser amounts such that interest rates cannot be less than zero. These assumptions are inherently uncertain and, as a result, the Bank cannot precisely predict the impact of changes in interest rates on net interest income. Actual results may differ significantly due to the timing, magnitude, and frequency of interest rate changes in market conditions and interest rate differentials (spreads) between maturity/repricing categories, as well as any actions, such as those previously described, which management may take to counter such changes. In light of the uncertainties and assumptions associated with the process, the amounts presented in the table and changes in such amounts are not considered significant to the Bank's projected net interest income.

Financial instruments with off balance sheet risk at December 31, 2003 included \$15.2 million in undisbursed lines of credit at an average interest rate of 4.0%, \$4.7 million in fixed rate loan origination commitments at 9.0%, \$23.7 million in adjustable rate loan origination commitments at 5.2% and \$1.9 million in adjustable rate letters of credit at an average rate of 5.0%.

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

EXPECTED MATURITY YEAR ENDED DECEMBER 31,	2004	2005	2006	2007	2008	THEREAFTER	TOTAL	FAIR VALUE
-----	-----	-----	-----	-----	-----	-----	-----	-----
Interest - Assets (\$000s)								
Loans receivable, fixed	27,774	11,731	12,653	11,482	9,529	61,066	134,235	141,955
Average interest	5.54%	7.47%	7.29%	6.77%	6.86%	7.48%	6.96%	
Loans receivable, adj.	10,608	4,522	4,316	4,337	2,791	27,258	53,832	53,832
Average interest	4.44%	4.63%	4.59%	4.44%	4.59%	4.09%	4.30%	
Deposits in other banks	98						98	98
Average interest	1.70%						1.70%	
Investment securities	5,162	2,065	3,089	4,808	7,718	97,714	120,556	120,556
Average interest	2.55%	3.48%	2.90%	3.76%	4.17%	4.73%	4.49%	
Interest - Liabilities (\$000s)								
Interest bearing deposits	165,025	35,180	4,217	1,908	8,101	9	214,440	216,254
Average interest	1.16%	2.75%	4.87%	4.15%	3.89%	3.11%	1.63%	
Borrowed funds & Securities sold under agreements to repurchase	21,397	1,518	760	145	28	7,000	30,848	30,727
Average interest	1.66%	5.43%	5.49%	8.97%	9.00%	3.39%	2.37%	

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 monthly basis, the available for sale portfolio is shocked for immediate rate increases of 100 and 200 basis points. At December 31, 2003, the Bank determined it would take an immediate increase in rates in excess of 200 basis points to eliminate the current capital cushion in excess of regulatory requirements. The Bank's capital ratios are also reviewed on a quarterly basis.

CAPITAL EXPENDITURES

The Bank has approved the construction and furnishing of a new branch office in 2004. The cost to the Bank is expected to be approximately \$0.6 million. The Bank has signed a letter of intent to purchase a building in Hamburg, New York, which will function as its administrative building in 2004. The cost to the Bank is expected to be approximately \$1.0 million. The Bank intends to spend approximately an additional \$0.2 million to \$0.4 million to ready the building for its intended purpose. 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 continually 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.

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 activities and insurance agency 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 \$3.7 million in 2003, which represents a \$0.6 million or 18.9% increase over 2002. The increase in net income from banking activities was driven by significant increases in non-interest income including an increase in service charges of \$0.7 million from 2002. Total assets of the banking activities segment increased \$45.5 million or 16.0% during 2003 to \$329.6 million at December 31, 2003, due primarily to normal banking activities and growth in deposits which were utilized to fund loans, the investment securities portfolio and additional bank owned life insurance purchase in 2003.

The insurance activities segment includes activities of the M&W Agency, Inc., which is a retail property and casualty insurance agency with eleven locations in the Western New York area. Growth in the overall M&W Agency property and casualty lines of business as well as the acquisition of the business of the Gutekunst Agency on January 1, 2003, contributed to the improvement in total revenue in 2003 of \$0.5 million or 18.6% over 2002. Losses of \$0.1 million in 2003 incurred from Frontier Claim Services, Inc. and a new policy during 2003 of allocating administrative expenses to M&W which amounted to \$0.1 million in 2003 offset revenue gains. Net income from insurance activities was \$0.3 million in 2003, which represents a \$0.1 million or 27.1% decrease from 2002. Total assets of the insurance activities segment increased \$0.5 million or 10.1% during 2003 to \$5.1 million at December 31, 2003, due primarily to the acquisition of the business of the Gutekunst Agency during 2003.

NEW ACCOUNTING STANDARDS

Accounting Standard Pronouncements -- On January 1, 2003, the Company implemented the provisions of Financial Accounting Standards Board Interpretation No. 45 ("FIN 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others", which was an interpretation of a number of FASB statements. FIN 45 elaborates on the disclosures to be made by a guarantor in its periodic financial statements. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The provisions of this interpretation did not have a material impact on the Company's consolidated financial statements.

In January 2003, FASB issued FASB Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities," and revised it in December 2003 with the issuance of FIN 46r. The FASB's intent in issuing these interpretations was to clarify the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. These interpretations require an enterprise to consolidate a variable interest entity (as defined) if that enterprise has a variable interest (or combination of variable interests) that will absorb a majority of the entity's expected losses if they occur, receive a majority of the entity's expected returns if they occur, or both. These interpretations apply to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. The provisions of this interpretation did not have a material impact on the Company's consolidated financial statements.

ITEM 7A. QUANTATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Response to this item is included in "Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations "Interest Rate Risk" and "Market Risk," and is incorporated by reference into this item.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Evans Bancorp, Inc.:

We have audited the accompanying consolidated balance sheet of Evans Bancorp, Inc. and subsidiary as of December 31, 2003, and the related consolidated statements of income, stockholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The accompanying consolidated financial statements of Evans Bancorp, Inc. and subsidiary as of December 31, 2002 and for the two years then ended, were audited by other auditors whose report dated January 28, 2003 expressed an unqualified opinion on those statements and included an explanatory paragraph that described the change in the Company's method of accounting for goodwill and other intangible assets in 2002 to adopt Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2003 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Evans Bancorp, Inc. and subsidiary as of December 31, 2003, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

January 23, 2004
Buffalo, New York

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of Evans Bancorp, Inc. Angola, New York

We have audited the accompanying consolidated balance sheet of Evans Bancorp, Inc. and subsidiary (the "Company") as of December 31, 2002, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the two 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 the results of their operations and their cash flows for each of the two 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 6 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."

/s/ DELOITTE AND TOUCHE LLP

*BUFFALO, NEW YORK
JANUARY 28, 2003*

EVANS BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2003 AND 2002

	2003	2002
	-----	-----
ASSETS		
Cash and cash equivalents:		
Cash and due from banks	\$ 8,508,705	\$ 11,308,727
Federal funds sold	-	8,450,000
	-----	-----
Total cash and cash equivalents	8,508,705	19,758,727
Interest bearing deposits at other banks	98,333	877,230
Securities:		
Available for sale, at fair value	116,806,879	103,031,200
Held to maturity	3,749,321	3,640,714
Loans, net of allowance for loan losses of \$2,538,933 in 2003 and \$2,145,606 in 2002	185,528,148	148,997,646
Properties and equipment, net	5,981,616	5,348,994
Goodwill	2,944,913	2,944,913
Intangible assets	1,176,952	787,115
Bank-owned life insurance	7,323,013	662,733
Other assets	2,559,056	2,661,588
	-----	-----
TOTAL ASSETS	\$ 334,676,936	\$ 288,710,860
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Deposits:		
Demand	\$ 51,885,433	\$ 44,664,537
NOW and money market	11,463,977	10,535,456
Regular savings	105,599,106	94,907,508
Time	97,376,454	89,399,334
	-----	-----
Total deposits	266,324,970	239,506,835
Other borrowed funds	25,387,573	8,110,964
Securities sold under agreements to repurchase	5,460,472	6,543,456
Other liabilities	4,180,443	3,687,604
	-----	-----
Total liabilities	301,353,458	257,848,859
	=====	=====
CONTINGENT LIABILITIES AND COMMITMENTS		
STOCKHOLDERS' EQUITY:		
Common stock, \$.50 par value, 10,000,000 shares authorized; 2,459,246 and 2,450,870 shares issued, respectively and 2,444,285 and 2,450,555 shares outstanding, respectively	1,229,620	1,167,081
Capital surplus	19,359,133	16,578,868
Retained earnings	11,145,068	11,179,871
Accumulated other comprehensive income, net of tax	1,917,894	1,942,295
Less: Treasury stock, at cost (14,961 and 315 shares, respectively)	(328,237)	(6,114)
	-----	-----
Total stockholders' equity	33,323,478	30,862,001
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 334,676,936	\$ 288,710,860
	=====	=====

See notes to consolidated financial statements.

EVANS BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001

	2003	2002	2001
	-----	-----	-----
INTEREST INCOME:			
Loans	\$ 10,737,270	\$ 10,592,702	\$ 11,051,419
Federal funds sold/Interest bearing deposits at other banks	79,091	78,824	133,130
Securities:			
Taxable	2,225,776	2,553,604	2,891,901
Non-taxable	2,288,026	1,987,285	1,570,725
	-----	-----	-----
Total interest income	15,330,163	15,212,415	15,647,175
INTEREST EXPENSE			
Deposits	3,864,106	4,281,861	6,007,080
Borrowings	619,537	534,861	530,074
	-----	-----	-----
Total interest expense	4,483,643	4,816,722	6,537,154
NET INTEREST INCOME	10,846,520	10,395,693	9,110,021
PROVISION FOR LOAN LOSSES	480,000	420,000	420,000
	-----	-----	-----
NET INTEREST INCOME AFTER PROVISION			
FOR LOAN LOSSES	10,366,520	9,975,693	8,690,021
NON-INTEREST INCOME:			
Bank service charges	1,812,138	1,095,611	1,046,615
Insurance service and fees	3,495,077	2,947,381	2,412,900
Commission fees	272,369	227,666	134,134
Net gain on sales of securities	270,955	111,302	183,681
ORE loss	(26,920)	(138,992)	(17,402)
Premium on loans sold	123,576	59,017	28,791
Life insurance proceeds	-	184,745	-
Other	1,719,155	987,011	739,193
	-----	-----	-----
Total non-interest income	7,666,350	5,473,741	4,527,912
	-----	-----	-----
NON-INTEREST EXPENSE:			
Salaries and employee benefits	6,813,346	5,532,613	5,023,449
Occupancy	1,453,778	1,337,469	1,156,215
Supplies	282,828	231,521	229,031
Repairs and maintenance	377,283	411,696	366,609
Advertising and public relations	262,839	205,662	171,248
Professional services	710,675	615,613	474,905
FDIC assessments	39,878	35,002	34,416
Other insurance	297,808	280,695	276,815
Other	2,501,088	1,999,858	1,797,918
	-----	-----	-----
Total non-interest expense	12,739,523	10,650,129	9,530,606
	-----	-----	-----
INCOME BEFORE INCOME TAXES	5,293,347	4,799,305	3,687,327
INCOME TAXES	1,224,000	1,193,258	1,108,000
	-----	-----	-----
NET INCOME	\$ 4,069,347	\$ 3,606,047	\$ 2,579,327
	=====	=====	=====
Net income per common share - basic	\$ 1.66	\$ 1.48	\$ 1.06
	=====	=====	=====
Net income per common share - diluted	\$ 1.66	\$ 1.48	\$ 1.06
	=====	=====	=====
Weighted average number of basic common shares	2,450,334	2,441,685	2,425,644
	=====	=====	=====
Weighted average number of diluted shares	2,450,527	2,441,685	2,425,644
	=====	=====	=====

See notes to consolidated financial statements.

EVANS BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001

	COMMON STOCK	CAPITAL SURPLUS	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TREASURY STOCK	TOTAL
	-----	-----	-----	-----	-----	-----
BALANCE -- DECEMBER 31, 2000	\$ 879,801	\$13,810,991	\$ 9,953,780	\$ 534,500	\$ -	\$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				131,678		131,678
Total comprehensive income						2,711,005
Cash dividends (\$.44 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	-	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				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 (\$.54 per common share)			(1,304,585)			(1,304,585)
Issuance of 9,423 shares under Dividend Reinvestment Plan	4,487	158,481				162,968
Purchase 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 5 percent with 598 fractional shares to be paid in cash	55,292	2,530,279	(2,585,571)			-
BALANCE -- DECEMBER 31, 2002	1,167,081	16,578,868	11,179,871	1,942,295	(6,114)	30,862,001
Comprehensive income:						
2003 net income			4,069,347			4,069,347
Unrealized loss on available for sale securities, net of reclassification adjustment and tax effect				(184,900)		(184,900)
Additional minimum liability, net of tax effect				160,499		160,499
Total comprehensive income						4,044,946
Cash dividends (\$.62 per common share)			(1,534,447)			(1,534,447)
Stock option expense		102,570				102,570
Fractional shares paid in cash on stock dividends			(28,221)			(28,221)
Issued 8,618 shares under dividend reinvestment plan	4,309	185,443				189,752
Purchase of 26,295 shares for treasury					(575,591)	(575,591)
Reissuance of 4,618 shares under Employee Stock Purchase plan			(19,451)		101,319	81,868
Reissuance of 7,948 shares under dividend reinvestment plan			8,010		172,590	180,600
Stock dividend 5 percent	58,230	2,492,252	(2,530,041)		(20,441)	-
BALANCE -- DECEMBER 31, 2003	\$1,229,620	\$19,359,133	\$11,145,068	\$ 1,917,894	\$ (328,237)	\$33,323,478
	=====	=====	=====	=====	=====	=====

See notes to consolidated financial statements.

EVANS BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001

	2003	2002	2001
	-----	-----	-----
OPERATING ACTIVITIES:			
Interest received	\$ 16,087,379	\$ 15,733,836	\$ 16,054,390
Fees received	7,014,690	5,140,994	4,211,410
Interest paid	(4,541,209)	(4,951,700)	(6,523,176)
Cash paid to employees and suppliers	(12,234,615)	(10,188,956)	(6,685,194)
Income taxes paid	(1,173,820)	(1,314,877)	(1,558,000)
	-----	-----	-----
Net cash provided by operating activities	5,152,425	4,419,297	5,499,430
	-----	-----	-----
INVESTING ACTIVITIES:			
Available for sale securities:			
Purchases	(100,522,274)	(70,218,780)	(47,716,648)
Proceeds from sales	26,907,647	7,554,063	15,547,047
Proceeds from maturities	59,955,066	43,580,011	21,390,184
Held to maturity securities:			
Purchases	(3,126,414)	(4,113,680)	(2,453,558)
Proceeds from maturities	3,017,807	1,925,595	2,595,887
Cash paid for bank-owned life insurance	(6,200,000)	-	-
Additions to properties and equipment	(1,004,503)	(1,891,860)	(1,119,597)
Increase in loans, net of repayments	(52,541,327)	(18,954,336)	(23,594,878)
Proceeds from sales of loans	15,732,250	11,989,008	9,156,096
Proceeds from sale of other real estate owned	248,080	69,420	12,598
Acquisition of intangible assets	(254,000)	(62,000)	-
	-----	-----	-----
Net cash used in investing activities	(57,787,668)	(30,122,559)	(26,182,869)
	-----	-----	-----
FINANCING ACTIVITIES:			
Proceeds from borrowing	16,193,625	502,002	5,389,179
Increase in deposits	26,877,635	35,246,832	17,558,743
Dividends paid, net	(1,344,695)	(974,525)	(907,711)
Fractional shares paid in cash on stock dividends	(28,221)	-	(21,597)
Purchase of treasury stock	(575,591)	(22,831)	(145,042)
Reissuance of treasury stock	262,468	16,424	145,042
	-----	-----	-----
Net cash provided by financing activities	41,385,221	34,767,902	22,018,614
	-----	-----	-----
Net (decrease)increase in cash and cash equivalents	(11,250,022)	9,064,640	1,335,175
CASH AND CASH EQUIVALENTS:			
Beginning of year	19,758,727	10,694,087	9,358,912
	-----	-----	-----
End of year	\$ 8,508,705	\$ 19,758,727	\$ 10,694,087
	=====	=====	=====

(Continued)

EVANS BANCORP, INC. AND SUBSIDIARY

**CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001**

	2003	2002	2001
	-----	-----	-----
RECONCILIATION OF NET INCOME TO			
NET CASH PROVIDED BY OPERATING			
ACTIVITIES:			
Net income	\$ 4,069,347	\$ 3,606,047	\$ 2,579,327
Adjustments to reconcile net income to net cash			
provided by operating activities:			
Depreciation and amortization	1,246,006	1,062,390	1,316,806
Deferred taxes	(171,000)	(148,258)	185,000
Provision for loan losses	480,000	420,000	420,000
Net gain on sales of assets	(244,035)	27,690	(166,279)
Premiums on loans sold	(123,576)	(59,017)	(28,791)
Proceeds from life insurance	-	(184,745)	-
Stock options expensed	102,570	-	-
Changes in assets and liabilities affecting cash flow:			
Other assets	81,163	36,304	1,623,095
Other liabilities	(288,050)	(341,114)	(429,728)
	-----	-----	-----
NET CASH PROVIDED BY OPERATING	\$ 5,152,425	\$ 4,419,297	\$ 5,499,430
ACTIVITIES	=====	=====	=====
Supplemental disclosure of non cash investments and			
financial activities:			
Acquistion of insurance agencies	\$ 256,000	\$ 457,800	\$ -
	=====	=====	=====

See notes to consolidated financial statements. (Concluded)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001**

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 the Bank's subsidiaries, M&W Agency, Inc. ("M&W") and ENB Associates Inc. ("ENB"), both wholly-owned, and Evans National Holding Corp. ("ENHC"), of which the Bank owns 100% of the outstanding voting common stock.

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 administrative office is located in Angola, New York and it has branches in Amherst, Angola, Derby, Evans, Forestville, Hamburg, Lancaster, North Boston, and West Seneca.

M&W is a retail property and casualty insurance agency headquartered in Silver Creek, New York. Through its several branch offices, M&W earns commissions, on the sale of various premium-based insurance policies.

ENB provides non-deposit investment products, such as mutual funds and annuities, to bank customers through the branch network. ENB has an agreement with a licensed broker whereby ENB can purchase and sell securities for bank customers.

ENHC holds certain real estate loans and provides management services to the Bank. ENHC is operated as a real estate investment trust (REIT) which provides additional flexibility and planning opportunities for the business of the Bank.

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

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"), the Office of the Comptroller of the Currency ("OCC"), and the Securities and Exchange Commission ("SEC").

PRINCIPLES OF CONSOLIDATION - The consolidated financial statements include the accounts of the Company, the Bank and subsidiaries. All material inter-company 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 classified as held to maturity and 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. These securities represent debt issuances of local municipalities in the Bank's market area for which market prices are not readily available. The amortized cost of the securities approximates market value. Management periodically evaluates the financial condition of the municipalities for impairment.

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 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 write-down 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 - The Company follows 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.

Management reviewed contracts from various functional areas of the Company to identify potential derivatives embedded within selected contracts. Management identified embedded derivatives in some loan commitments for residential mortgages where the Company has the 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 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 numerous factors, including 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 those loans at the time they were originated. 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 it 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 commercial loans and mortgages 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 status and are subject to charge off at an earlier date if collection of principal or interest is considered doubtful.

All interest due but not collected for loans that are placed on nonaccrual status 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 it again qualifies for an accrual basis. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, the adverse circumstances which resulted in the delinquent payment status are resolved, and payments are made in a timely manner for a period of time sufficient to reasonably assure their future dependability.

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 probable 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 Bank 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 evaluation of various conditions, and involves a higher degree of uncertainty because this component of the allowance is not identified with specific problem credits or portfolio segments. The conditions evaluated in connection with this element include the following: industry and regional conditions; seasoning of the loan portfolio and changes in the composition of and growth in the loan portfolio; the strength and duration of the business cycle; existing general economic and business conditions in the lending areas; credit quality trends in nonaccruing loans; historical loan charge-off experience; and the results of bank regulatory examinations.

FORECLOSED REAL ESTATE - Foreclosed real estate is initially recorded at the lower of book or fair value (net of costs of disposal) at the date of foreclosure. Costs relating to development and improvement of property are capitalized, whereas costs relating to the holding of property are expensed. Assessments are periodically performed by management, and an allowance for 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 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 Group, Inc. Through December 31, 2001 goodwill was being amortized on a straight-line basis over ten years. Effective January 1, 2002, the Company adopted the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets." The Company periodically assesses whether events or changes in circumstances indicate that the carrying amount of goodwill may be impaired. This statement addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements.

BANK-OWNED LIFE INSURANCE - The Bank has purchased insurance on the lives of Company directors and a certain group of key members of Bank, M&W and ENBA management. 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 computed using the straight-line method over the estimated useful lives of the assets which range from 3 to 39 years. Impairment losses on properties and equipment are realized if the carrying amount is not recoverable from its undiscounted cash flows and exceeds its fair value.

LOAN SERVICING - The Company, in its normal course of business, sells certain residential mortgages which it originates to the Federal National Mortgage Association ("FNMA"). The Company maintains servicing rights on the loans that it sells to FNMA and earns a fee thereon. At December 31, 2003 and 2002, the Company had approximately \$30,924,000 and \$24,026,000, respectively, in unpaid principal balances of loans that it services for FNMA. For the years ended December 31, 2003 and 2002, the Company sold \$15,732,000 and \$11,617,000, respectively, in loans to FNMA. The Company did not record any related asset to the servicing portfolio rights as management determined it immaterial.

INCOME TAXES - Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the periods in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through income tax expenses.

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. Dilutive earnings per common share is based on increasing the weighted-average number of shares of common stock by the number of shares of common stock that would be issued assuming the exercise of stock options. Such adjustments to weighted-average number of shares of common stock outstanding are made only when such adjustments are expected to dilute earnings per common share. Basic and diluted earnings per share are the same for December 31, 2003, 2002, and 2001. The Company's potential dilutive securities included 387 for the year ended December 31, 2003. There were no dilutive securities for the years ended December 31, 2002 and 2001. All share and per share information presented is stated after giving effect to stock dividends.

STOCK DIVIDENDS - A 5 percent stock dividend was declared on September 16, 2003 for shareholders of record on October 14, 2003. The stock dividend resulted in the issuance of 116,459 shares of common stock, paid \$16,083 for fractional shares, and was issued on December 1, 2003. Additionally, a 5 percent stock dividend was declared on November 19, 2002 for shareholders of record on December 2, 2002. The stock dividend resulted in the issuance of 110,589 shares of common stock, paid \$12,138 for fractional shares, and was issued on January 29, 2003. All share data and per share data contained in this document have been adjusted to reflect the stock dividends, except for the share data contained in the consolidated statements of stockholders' equity.

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.

EMPLOYEE BENEFITS - The Company maintains a non-contributory, qualified, defined benefit pension plan ("the pension plan") that covers substantially all employees who meet certain age and service requirements. The actuarially determined pension benefit in the form of a life annuity is based on the employee's combined years of service, age and compensation. The Company's policy is to fund the minimum amount required by government regulations.

Additionally, the Company maintains a defined contribution 401(k) plan and accrues contributions due under this plan as earned by employees.

STOCK-BASED COMPENSATION - At December 31, 2003 the Company has stock-based employee and non-employee compensation plans, which are described more fully in footnote 12. The Company accounts for these plans under SFAS No. 123, "Accounting for Stock-Based Compensation." Under SFAS No. 123 the fair value of the stock options granted are recognized in compensation salaries and employee benefits expense.

FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISK - In the ordinary course of business the Bank has entered into off balance sheet financial arrangements 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 \$1,090,000 and \$1,221,000 at December 31, 2003 and 2002, respectively.

RECLASSIFICATIONS - Certain reclassifications have been made to the 2002 and 2001 financial statements to conform with the 2003 presentation.

ACCOUNTING STANDARD PRONOUNCEMENTS - On January 1, 2003, the Company implemented the provisions of Financial Accounting Standards Board Interpretation No. 45 ("FIN 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," which was an interpretation of a number of Financial Accounting Standards Board ("FASB") statements. FIN 45 elaborates on the disclosures to be made by a guarantor in its periodic financial statements. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The provisions of this interpretation did not have a material impact on the Company's consolidated financial statements.

In January 2003, FASB issued FASB Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities," and revised it in December 2003 with the issuance of FIN 46r. The FASB's intent in issuing these interpretations was to clarify the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. These interpretations require an enterprise to consolidate a variable interest entity (as defined) if that enterprise has a variable interest (or combination of variable interests) that will absorb a majority of the entity's expected losses if they occur, receive a majority of the entity's expected returns if they occur, or both. These interpretations apply to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. The provisions of this interpretation did not have a material impact on the Company's consolidated financial statements.

2. SECURITIES

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

2003				
	AMORTIZED COST	UNREALIZED		FAIR VALUE
		GAINS	LOSSES	
Available for Sale:				
U.S. Government and				
Agency Securities	\$ 20,814,990	\$ 111,712	\$ (15,467)	\$ 20,911,235
Mortgage Backed Securities	41,671,059	64,246	(220,658)	41,514,647
State and Municipal Securities	49,325,367	3,204,359	(2,679)	52,527,047
FRB and FHLB Stock	1,853,950	-	-	1,853,950
Total	\$113,665,366	\$3,380,317	\$ (238,804)	\$116,806,879
Held to Maturity:				
U.S. Government and				
Agency Securities	\$ 36,599	\$ -	\$ -	\$ 36,599
State and Municipal Securities	3,712,722	-	-	3,712,722
Total	\$ 3,749,321	\$ -	\$ -	\$ 3,749,321
2002				
	AMORTIZED COST	UNREALIZED		FAIR VALUE
		GAINS	LOSSES	
Available for Sale:				
U.S. Government and				
Agency Securities	\$ 9,477,460	\$ 369,503	\$ -	\$ 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
FRB and FHLB Stock	1,248,350	-	-	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	\$ -	\$ -	\$ 37,201
State and Municipal Securities	3,603,513	-	-	3,603,513
Total	\$ 3,640,714	\$ -	\$ -	\$ 3,640,714

Available for sale securities with a total fair value of \$86,901,240 at December 31, 2003 were pledged as collateral to secure public deposits and for other purposes required or permitted by law.

The scheduled maturities of debt securities at December 31, 2003 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	\$ 1,900,260	\$ 1,926,707	\$ 1,381,333	\$ 1,381,333
Due after year one through five years	16,758,837	17,104,276	575,300	575,300
Due after five years through ten years	52,331,530	54,038,642	859,022	859,022
Due after ten years	40,820,789	41,883,304	933,666	933,666
Total	\$111,811,416	\$114,952,929	\$ 3,749,321	\$ 3,749,321

Realized gains and losses from \$26,907,647, \$7,554,063, and \$15,547,047 of gross sales on securities for the years ended December 31, 2003, 2002 and 2001 are summarized as follows:

	2003	2002	2001
Gross gains	\$ 446,681	\$ 127,284	\$ 184,204
Gross losses	(175,726)	(15,982)	(523)
Net gain	\$ 270,955	\$ 111,302	\$ 183,681

Information regarding unrealized losses within the Company's available for sale securities is summarized below. The securities are all US government-guaranteed agency securities or fully insured municipal securities. All unrealized losses are considered temporary and related to market interest rate fluctuations.

Description of Securities	LESS THAN 12 MONTHS		12 MONTHS OR LONGER		TOTAL	
	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES	FAIR VALUE	UNREALIZED LOSSES
U.S. Government and Agency Securities	\$ 4,525,400	\$ 15,467	\$ -	\$ -	\$ 4,525,400	\$ 15,467
Mortgage Backed Securities	25,989,484	218,152	692,664	2,506	\$26,682,148	\$ 220,658
State and Municipal Securities	529,731	2,679	-	-	529,731	2,679
Total temporarily impaired securities	\$31,044,615	\$ 236,298	\$ 692,664	\$ 2,506	\$31,737,279	\$ 238,804

3. LOANS, NET

Major categories of loans at December 31, 2003 and 2002 are summarized as follows:

	2003	2002
	-----	-----
Mortgage loans on real estate:		
Residential 1-4 family	\$ 30,160,275	\$ 26,712,205
Commercial and multi-family	99,683,730	77,918,498
Construction	5,090,022	2,174,277
Second mortgages	6,274,178	6,919,081
Equity lines of credit	18,262,175	13,779,526
	-----	-----
Total real estate loans	159,470,380	127,503,587
Commercial loans	24,281,627	20,460,244
Consumer loans	3,777,855	2,843,256
Net deferred loan origination costs	537,219	336,165
	-----	-----
	188,067,081	151,143,252
Allowance for loan losses	(2,538,933)	(2,145,606)
	-----	-----
Loans, net	\$ 185,528,148	\$ 148,997,646
	=====	=====

Changes in the allowance for loan losses for the years ended December 31, 2003, 2002 and 2001 were as follows:

	2003	2002	2001
	-----	-----	-----
Balance, beginning of year	\$ 2,145,606	\$ 1,786,115	\$ 1,428,467
Provision for loan losses	480,000	420,000	420,000
Recoveries	8,108	15,689	17,250
Loans charged off	(94,781)	(76,198)	(79,602)
	-----	-----	-----
Balance, end of year	\$ 2,538,933	\$ 2,145,606	\$ 1,786,115
	=====	=====	=====

Non-accrual loans, for which an allowance for loan impairment was not required under SFAS No. 114 due to the adequacy of related collateral values, totaled approximately \$296,000 and \$1,197,000 at December 31, 2003 and 2002, respectively. The average recorded investment in these loans during 2003, 2002, and 2001 was approximately \$121,100, \$637,500, and \$601,600, respectively. If such loans had been in an accruing status, the Bank would have recorded additional interest income of approximately \$20,000, \$68,000 and \$36,000 in 2003, 2002 and 2001, respectively.

The Bank had no loan commitments to borrowers in non-accrual status at December 31, 2003.

As of December 31, 2003 and 2002, the Bank had no other loans which were impaired as defined by SFAS No. 114.

4. PROPERTIES AND EQUIPMENT

Properties and equipment at December 31 were as follows:

	2003	2002
	-----	-----
Land	\$ 268,485	\$ 268,485
Buildings and improvements	5,603,228	5,557,263
Equipment	4,917,999	4,773,451
Construction in progress	774,749	-
	-----	-----
	11,564,461	10,599,199
Less accumulated depreciation	(5,582,845)	(5,250,205)
	-----	-----
Properties and equipment, net	\$ 5,981,616	\$ 5,348,994
	=====	=====

Depreciation expense totaled \$679,600 in 2003, \$665,530 in 2002, and \$613,117 in 2001.

5. OTHER ASSETS

Other assets at December 31, were as follows:

	2003	2002
	-----	-----
Deferred tax asset	\$ 241,916	\$ 55,941
Accrued interest receivable	1,445,531	1,405,887
Life insurance proceeds receivable	-	184,745
Prepaid expenses	416,282	374,020
Other real estate owned	-	275,000
Other	455,327	365,995
	-----	-----
Total	\$2,559,056	\$2,661,588
	=====	=====

6. 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 an annual basis.

In accordance with SFAS No. 142, the Company discontinued the amortization of goodwill effective January 1, 2002. 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:

	2003	2002	2001
	-----	-----	-----
Reported net income	\$ 4,069,347	\$ 3,606,047	\$ 2,579,327
Goodwill amortization, net of tax	-	-	318,480
Pro forma adjusted net income	4,069,347	3,606,047	2,897,807
	-----	-----	-----
Reported earnings per share	\$ 1.66	\$ 1.48	\$ 1.06
	-----	-----	-----
Goodwill amortization, net of tax per share	-	-	0.13
Pro forma adjusted basic earnings per share	\$ 1.66	\$ 1.48	\$ 1.19
Pro forma adjusted diluted earnings per share	\$ 1.66	\$ 1.48	\$ 1.19

Changes in the carrying amount of goodwill for the twelve-month period ended December 31, 2003, by operating segment, are as follows:

	BANKING ACTIVITIES	INSURANCE ACTIVITIES	TOTAL
	-----	-----	-----
Balance as of January 1, 2003	\$ -	\$2,944,913	\$2,944,913
Goodwill acquired during the period	-	-	-
	-----	-----	-----
Balance as of December 31, 2003	\$ -	\$2,944,913	\$2,944,913
	=====	=====	=====

Information regarding the Company's other intangible assets follows:

	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION	NET	WEIGHTED AVERAGE AMORTIZATION PERIOD
	-----	-----	-----	-----
Noncompete agreements	\$ 549,000	\$ (147,850)	\$ 401,150	5 yrs
Intangible asset related to pension plan	551,999	-	551,999	9 N/A
Insurance expirations	349,003	(125,200)	223,803	5 yrs
	-----	-----	-----	
Total	\$1,450,002	\$ (273,050)	\$1,176,952	5 yrs
	=====	=====	=====	

Amortization expense related to intangibles for the years ended December 31, 2003, 2002, and 2001 were \$168,500, \$78,800, and \$21,800, respectively. Estimated amortization expense for each of the five succeeding fiscal years is as follows:

YEAR ENDING	AMOUNT
DECEMBER 31	
2004	\$179,600
2005	175,650
2006	157,800
2007	100,800
2008	11,100

7. DEPOSITS

Time deposits, with minimum denominations of \$100,000 each, totaled \$35,647,154 and \$28,440,994 at December 31, 2003 and 2002, respectively.

At December 31, 2003, the scheduled maturities of time deposits are as follows:

2004	\$47,961,340
2005	35,179,590
2006	4,216,970
2007	1,908,425
2008	8,110,129

	\$97,376,454
	=====

8. OTHER BORROWED FUNDS

Other borrowed funds include \$25,387,573 of borrowings at December 31, 2003. The borrowings consisted of various advances from the Federal Home Loan Bank with interest rates ranging from 1.10% to 5.34%. These advances are collateralized by certain qualifying assets. The maturities of other borrowed funds are as follows:

2004	\$15,935,976
2005	1,518,337
2006	760,292
2007	145,349
2008	27,619
Thereafter	7,000,000

Total	\$25,387,573
	=====

Short-term borrowing of \$13,450,000 and \$0 at December 31, 2003 and 2002, respectively, consisted of an overnight line of credit with the Federal Home Loan Bank at a rate of 1.10%. The Bank has an additional \$2,500,000 available with Federal Home Loan Bank on the overnight line of credit and the ability to borrow up to \$8,000,000 of federal funds purchased from one its correspondent banks at December 31, 2003.

9. 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.

10. COMPREHENSIVE INCOME

The following tables display the components of other comprehensive income:

2003			
	BEFORE-TAX AMOUNT	INCOME TAXES	NET
Unrealized losses on investment securities:			
Unrealized holding losses during period	\$ (31,915)	\$ 12,840	\$ (19,075)
Less: reclassification adjustment for gains realized in net income	270,955	(105,130)	165,825
Net unrealized (loss) gain	(302,870)	117,970	(184,900)
Decrease in additional minimum liability	262,892	(102,393)	160,499
Net other comprehensive (loss) income	\$ (39,978)	\$ 15,577	\$ (24,401)
	=====	=====	=====
2002			
	BEFORE-TAX AMOUNT	INCOME TAXES	NET
Unrealized gains on investment securities:			
Unrealized holding gains during period	\$ 2,458,551	\$ (953,818)	\$ 1,504,733
Less: reclassification adjustment for gains realized in net income	111,302	(43,185)	68,117
Net unrealized gain (loss)	2,347,249	(910,633)	1,436,616
Decrease in additional minimum liability	(262,892)	102,393	(160,499)
Net other comprehensive income (loss)	\$ 2,084,357	\$ (808,240)	\$ 1,276,117
	=====	=====	=====
2001			
	BEFORE-TAX AMOUNT	INCOME TAXES	NET
Unrealized gains on investment securities:			
Unrealized holding gains during period	\$ 403,144	\$ (161,257)	\$ 241,887
Less: reclassification adjustment for gains realized in net income	183,681	(73,472)	110,209
Net unrealized gain (loss)	219,463	(87,785)	131,678
Net other comprehensive income (loss)	\$ 219,463	\$ (87,785)	\$ 131,678
	=====	=====	=====

11. EMPLOYEE BENEFITS AND DEFERRED COMPENSATION PLAN

EMPLOYEES' PENSION 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 consolidated balance sheets, and the amounts recognized consolidated balance sheets.

	2003	2002
	-----	-----
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 2,514,194	\$ 1,958,392
Service cost	156,902	168,533
Interest cost	158,345	160,857
Assumption change	199,036	-
Actuarial (gain) loss	(147,607)	266,140
Benefits paid	(193,890)	(39,728)
	-----	-----
Benefit obligations at end of year	2,686,980	2,514,194
	-----	-----
Change in plan assets:		
Fair value of plan assets at beginning of year	2,011,048	1,735,117
Actual return on plan assets	269,994	(19,647)
Employer contributions	193,420	335,306
Benefits paid	(193,890)	(39,728)
	-----	-----
Fair value of plan assets at end of year	2,280,572	2,011,048
	-----	-----
Funded status	(406,408)	(503,146)
Unrecognized net actuarial loss	492,486	585,429
Unrecognized prior service cost	(175,591)	(182,989)
	-----	-----
Net amount recognized	(89,513)	(100,706)
	=====	=====
Amount recognized in the statements of financial position consists of:		
Accrued benefit liability	(89,513)	(100,706)
	-----	-----
Net amount recognized	\$ (89,513)	\$ (100,706)
	=====	=====

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, 2003 and 2002. Assumptions used by the Bank in the determination of pension plan information consisted of the following:

	2003	2002
	-----	-----
Weighted-average discount rate	6.25%	6.75%
Rate of increase in compensation levels	4.75%	4.75%
Expected long-term rate of return on plan assets	6.75%	6.75%

The components of net periodic benefit cost consisted of the following:

	2003	2002	2001
	-----	-----	-----
Service cost	\$ 156,902	\$ 168,533	\$ 170,990
Interest cost	158,345	160,857	155,046
Expected return on plan assets	(134,346)	(121,139)	(148,392)
Net amortization and deferral	1,326	(16,169)	(16,169)
	-----	-----	-----
Net periodic benefit cost	\$ 182,227	\$ 192,082	\$ 161,475
	=====	=====	=====

The accumulated benefit obligations for years ended December 31, 2003 and 2002 are \$1,930,820, and \$1,609,717, respectively.

In developing our expected long-term rate of return assumption, we evaluated input from our actuaries, including their review of asset class return expectations by several respected consultants as well as long-term inflation assumptions. Projected returns by such consultants are based on broad equity and bond indices. We also considered our historical 5-year and 10-year average annual simple annual returns of 20.90% and 34.59%, respectively, which have been in excess of these broad equity and bond benchmark indices. We anticipate that our investment managers will continue to generate long-term returns of at least 6.75%. Our expected long-term rate of return on Qualified Plan assets is based on an asset allocation assumption of 63% with equity managers, 37% with fixed income managers. Because of market fluctuation, our actual asset allocation as of September 30, 2003, the plan valuation measurement date, was 61.50% with equity managers and 38.50% with fixed income managers. We believe, however, that our long-term asset allocation on average will approximate 60%-70% with equity managers and 30%-40% with fixed income managers. We regularly review our actual asset allocation and periodically rebalance our investments to our targeted allocation when considered appropriate. We continue to believe that 6.75% is a reasonable long-term rate of return on our Qualified Plan assets. Qualified Plan assets had a return of approximately 12.60% for the plan year ended September 30, 2003. We will continue to evaluate our actuarial assumptions, including our expected rate of return, at least annually, and will adjust as necessary. Our required minimum contribution to the pension plan for the 2004 plan year is approximately \$218,000.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN - The Bank also maintains a nonqualified supplemental executive retirement plan covering certain members of senior management. The plan was amended during 2003 to provide a benefit based on a percentage of final average earnings, as opposed to the fixed benefit that the superceded plan provided for. The obligations related to the plan are indirectly funded by various life insurance contracts naming the Bank as beneficiary. The Bank has also indirectly funded the supplemental executive retirement plan as well as other benefits provided to other employees through Bank-owned life insurance which was purchased in February 2003. 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 made an adjustment in the actuarial retirement calculation of approximately \$180,000, which is reflected as a decrease in SERP expense in the consolidated statements of income.

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 consolidated balance sheets, and the amounts recognized in the consolidated balance sheets.

	2003	2002
	-----	-----
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 1,589,106	\$ 1,410,936
Service cost	72,943	49,147
Interest cost	132,203	109,084
Plan amendments	415,854	-
Actuarial loss	115,544	112,715
Benefits Paid	(92,776)	(92,776)
	-----	-----
Benefit obligation at end of year	2,232,874	1,589,106
	-----	-----
Change in plan assets:		
Fair value of plan assets at beginning of year	-	-
Actual return on plan assets	-	-
Contributions to the plan	92,776	92,776
Benefits paid	(92,776)	(92,776)
	-----	-----
Fair value of plan assets at end of year	-	-
	-----	-----
Funded status	(2,232,874)	(1,589,106)
Unrecognized actuarial loss	371,708	262,892
Unrecognized prior service cost	566,715	247,665
	-----	-----
Net amount recognized	\$(1,294,451)	\$(1,078,549)
	=====	=====
Amounts recognized in the statements of financial position consist of:		
Accrued benefit liability	(1,846,450)	(1,589,106)
Intangible asset	551,999	247,665
Accumulated other comprehensive income	-	262,892
	-----	-----
Net amount recognized	\$(1,294,451)	\$(1,078,549)
	=====	=====

Valuations of the nonqualified supplemental executive retirement plan as shown above were conducted as of January 1, 2003 and 2002. The accumulated benefit obligations for years ended December 31, 2003 and 2002 were \$1,846,450, and \$1,589,106, respectively. Assumptions used by the Bank in both years in the determination of pension plan information consisted of the following:

	2003	2002
Weighted-average discount rate	6.25%	6.75%
Expected long-term rate of return on plan assets	n/a	n/a
Salary Scale	4.75%	n/a

The components of net periodic benefit cost consisted of the following:

	2003	2002	2001
	-----	-----	-----
Service cost	72,943	49,147	130,879
Interest cost	132,203	109,084	109,902
Net amortization and deferral	103,532	61,824	55,669
	-----	-----	-----
Net periodic benefit cost	\$308,678	\$220,055	\$296,450
	=====	=====	=====

OTHER COMPENSATION PLANS

The Bank also maintains a non-qualified deferred compensation plan for certain directors. Accrued expenses under this plan were approximately \$71,000, \$71,000 and \$71,000 in 2003, 2002 and 2001, respectively. The estimated present value of the benefit obligation, included in other liabilities was \$1,006,000 and \$983,000 at December 31, 2003 and 2002, respectively. This obligation is indirectly funded by life insurance contracts naming the Bank as beneficiary. 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.

Effective April 1, 2003, the Company implemented a non-qualified deferred compensation plan whereby certain directors and certain officers may defer a portion of their base pre-tax compensation. Additionally, effective April 1, 2003, the Company implemented a non-qualified executive incentive retirement plan, whereby the Company will defer on behalf of certain officers a portion of their base compensation as well as an incentive based upon Company performance, until retirement on termination of service, subject to certain vesting arrangements. Expense under these plans was approximately \$38,000 in 2003. The benefit obligation, included in other liabilities, in the consolidated balance sheets was \$150,000 at December 31, 2003.

Many of the new benefit plans put in place in 2003 are indirectly funded by Bank-owned life insurance contracts with a total aggregate cash surrender values of approximately \$6,473,000 at December 31, 2003. The increase in cash surrender value is included in the "Other" financial statement line on the consolidated statements of income. Incidental to the Bank's purchase of Bank-owned life insurance in 2003, endorsement split-dollar life insurance benefits have also been provided to directors and certain officers of the Bank and its subsidiaries.

The Bank also has a defined contribution Retirement and Thrift 401(k) Plan for its employees who meet certain length of service and age requirements. The provisions of the 401(k) Plan allow eligible employees to contribute between 1% and 15% of their annual salary, with a matching contribution by the Bank equal to 1% of the employees' base compensation plus 25% of the employees contribution up to 4% of their annual salary. The Bank can also make discretionary contributions to the Plan. The Bank's expense under this Plan was approximately \$100,000, \$50,000 and \$44,000 for the years ended December 31, 2003, 2002 and 2001, respectively.

The Company has a Dividend Reinvestment Plan (the "Plan") which provides each holder of record of the Bank's common stock the opportunity to reinvest automatically the cash dividends they receive on shares of the Bank's common stock. Stockholders who do not wish to participate in the Plan continue to receive cash dividends, as declared, in the usual manner. Computer share Investor Services LLC (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.

12. STOCK-BASED COMPENSATION

At December 31, 2003 the Company has two stock-based compensation plans, which are described below. The Company accounts for the fair value of its grants under those plans in accordance with Statement 123. The Company granted stock options for the first time in 2003. The compensation cost that has been charged against income for those plans was \$102,570 for 2003.

FIXED STOCK OPTION PLANS

The Company has a fixed option plan. Under the 1999 Employee Stock Option and Long Term Incentive plan, as amended, the Company may grant options to its employees for up to 250,000 shares of common stock. Under the plan, the exercise price of each option is not to be less than 100% of the market price of the Company's stock on the date of grant and an option's maximum term is ten years. The options have vesting schedules from two years through nine years.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 2003: dividend yield of 2.73 percent; expected volatility of 28.43 percent, risk-free interest rates of between 1.07 percent and 4.0 percent; and expected lives of between 2 and 10 years.

A summary of the status of the Company's two fixed stock option plans as of December 31, 2003, and changes during the year ending, is presented below:

FIXED OPTIONS	2003	
	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding at beginning of year	-	-
Granted	26,500	22.55
Exercised	-	-
Forfeited	-	-
Outstanding at end of year	26,500	22.55
Options exercisable at year-end	11,000	
Weighted-average fair value of options granted during the year	\$ 6.44	

The following table summarizes information about fixed stock options outstanding at December 31, 2003.

EXERCISE PRICE	OPTIONS OUTSTANDING		OPTIONS EXERCISABLE
	NUMBER		NUMBER
	OUTSTANDING AT 12/31/2003	REMAINING CONTRACTUAL LIFE	EXERCISABLE AT 12/31/2003
\$ 22.92	\$ 11,000.00	9.3	11,000
\$ 22.28	\$ 15,500.00	9.6	-

EMPLOYEE STOCK PURCHASE PLAN

On February 18, 2003, the Board of Directors of the Company adopted the Evans Bancorp, Inc. Employee Stock Purchase Plan. The Company is authorized to issue up to 105,000 shares of common stock to its full-time employees, nearly all of whom are eligible to participate. Under the terms of the plan, employees can choose each year to have up to 15 percent of their annual base earnings withheld to purchase the Company's common stock. The Company grants options on January 1 and July 1 of each year that the employee stock purchase plan is in effect. The purchase price of the stock is 85 percent of the lower of its value on the grant date or the exercise date price. 78 percent of eligible employees participated in the plan in the last year 2003. Under the plan, the Company sold 4,618 shares to employees in 2003. Compensation cost is recognized for the fair value of the employees' purchase rights, which was estimated using the Black-Scholes model with the following assumptions for 2003: dividend yield of 2.73 percent; and expected life of six months; expected volatility of 28.83 percent; and risk-free interest rates of 0.9 percent. The fair value of those purchase rights granted in 2003 was \$6.49 per share.

13. INCOME TAXES

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

	2003	2002	2001
	-----	-----	-----
Income taxes currently payable	\$ 1,053,000	\$ 1,045,000	\$ 1,293,000
Deferred tax expense (benefit)	171,000	148,258	(185,000)
	-----	-----	-----
Net provision	\$ 1,224,000	\$ 1,193,258	\$ 1,108,000
	=====	=====	=====

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:

	2003		2002		2001	
	-----	-----	-----	-----	-----	-----
	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT
	-----	-----	-----	-----	-----	-----
Tax provision at statutory rate	\$ 1,796,000	34%	\$ 1,632,000	34%	\$ 1,254,000	34%
Increase (decrease) in taxes resulting from:						
Tax-exempt income	(729,000)	(14)	(628,000)	(13)	(534,000)	(15)
Tax-exempt insurance proceeds	-	-	(63,000)	(1)	-	-
State taxes, net of federal benefit	110,000	2	132,000	3	240,000	7
Non-deductible Goodwill	-	-	-	-	108,000	3
Other items, net	47,000	1	120,258	2	40,000	1
Provision for						
	-----	---	-----	---	-----	---
income taxes	\$ 1,224,000	23%	\$ 1,193,258	25%	\$ 1,108,000	30%
	=====	===	=====	===	=====	===

At December 31, 2003 and 2002 the components of the net deferred tax asset were as follows:

Deferred tax assets:		
Allowance for loan losses	\$ 925,000	\$ 767,000
Pension premiums	539,000	460,000
Deferred compensation	423,000	392,000
Stock options granted	45,000	-
Additional minimum liability	-	102,000
	-----	-----
Gross deferred tax assets	1,932,000	1,721,000
	-----	-----
Deferred tax liabilities:		
Depreciation	257,000	193,000
Prepaid expenses	209,000	131,000
Net unrealized gains on securities	1,224,000	1,341,000
	-----	-----
Gross deferred tax liabilities	1,690,000	1,665,000
	-----	-----
Net deferred tax asset	\$ 242,000	\$ 56,000
	=====	=====

The net deferred tax asset at December 31, 2003 and 2002 is included in "other assets" in the accompanying consolidated balance sheets.

In assessing the realizability of the deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, availability of operating loss carrybacks, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income, the opportunity for net operating loss carrybacks, and projections for future taxable income over the periods which deferred tax assets are deductible, management believes it is more likely than not the Company will realize the benefits of these deductible differences at December 31, 2003.

14. RELATED PARTY TRANSACTIONS

The Bank has entered into loan transactions with certain directors, significant shareholders and their affiliates (related parties). The aggregate amount of loans to such related parties at December 31, 2003 and 2002 was \$6,229,749 and \$4,933,174, respectively. During 2003 and 2002, new loans to such related parties amounted to \$3,212,789 and \$886,090, respectively, and repayments amounted to \$1,916,215 and \$1,881,860. Terms of these loans have prevailing market pricing that would be offered to a similar customer base.

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, 2003 and 2002 is as follows:

	2003	2002
	-----	-----
Commitments to extend credit	\$43,593,000	\$40,094,000
Standby letters of credit	1,892,000	1,739,000
	-----	-----
Total	\$45,485,000	\$41,833,000
	=====	=====

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

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 consolidated balance sheets as these derivatives are not considered material.

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 \$371,000 in 2004, \$268,000 in 2005, \$227,000 in 2006, \$224,000 in 2007, \$203,000 in 2008, and \$2,676,000 thereafter. The Bank has executed a letter of intent to purchase a building in Hamburg, New York for approximately \$1 million, which will function as its administrative building beginning in mid-2004.

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 agency 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, 2003 and 2002.

	2003		
	BANKING ACTIVITIES	INSURANCE AGENCY ACTIVITIES	TOTAL
Net interest income (expense)	\$ 10,870,296	\$ (23,776)	\$ 10,846,520
Provision for credit losses	480,000	-	480,000
Net interest income (expense) after provision for credit losses	10,390,296	(23,776)	10,366,520
Non-interest income	3,927,238	-	3,927,238
Insurance commissions and fees	-	3,495,077	3,495,077
Net gain on sales of assets	244,035	-	244,035
Non-interest expense	9,846,984	2,892,539	12,739,523
Income before income taxes	4,714,585	578,762	5,293,347
Income tax expense	992,495	231,505	1,224,000
Net Income	\$ 3,722,090	\$ 347,257	\$ 4,069,347
	=====	=====	=====
	2002		
	BANKING ACTIVITIES	INSURANCE AGENCY ACTIVITIES	TOTAL
Net interest income (expense)	\$ 10,416,225	\$ (20,532)	\$ 10,395,693
Provision for credit losses	420,000	-	420,000
Net interest income (expense) after provision for credit losses	9,996,225	(20,532)	9,975,693
Non-interest income	2,554,050	-	2,554,050
Insurance commissions and fees	-	2,947,381	2,947,381
Net loss on sales of assets	(27,690)	-	(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
Net Income	\$ 3,129,933	\$ 476,114	\$ 3,606,047
	=====	=====	=====

	2001		
	BANKING ACTIVITIES	INSURANCE AGENCY ACTIVITIES	TOTAL
Net interest income (expense)	\$ 9,138,090	\$ (28,069)	\$ 9,110,021
Provision for credit losses	420,000	-	420,000
Net interest income (expense) after provision for credit losses	8,718,090	(28,069)	8,690,021
Non-interest income	1,948,733	-	1,948,733
Insurance commissions and fees	-	2,412,900	2,412,900
Net loss on sales of assets	166,279	-	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
Net Income	\$ 2,263,997	\$ 315,330	\$ 2,579,327

IDENTIFIABLE ASSETS, NET	DECEMBER 31. 2003	DECEMBER 31. 2002
Banking activities	\$329,622,614	\$284,120,833
Insurance agency activities	5,054,322	4,590,027
Consolidated Total Assets	\$334,676,936	\$288,710,860

18. 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 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 approximates 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, 2003 and 2002. 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, 2003 and 2002 approximates the recorded amounts of the related fees, which are not considered material.

At December 31, 2003 and 2002, the estimated fair values of the Company's financial instruments were as follows:

	2003		2002	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial assets:				
Cash and cash equivalents	\$ 8,508,705	\$ 8,508,705	\$ 19,758,727	\$ 19,758,727
Interest bearing deposits at other banks	\$ 98,333	\$ 98,333	\$ 877,230	\$ 877,230
	=====	=====	=====	=====
Securities	\$120,556,200	\$120,556,200	\$106,671,914	\$106,671,914
	=====	=====	=====	=====
Loans, net	\$185,528,148	\$193,248,181	\$148,997,646	\$162,071,427
	=====	=====	=====	=====
Financial liabilities:				
deposits	\$266,324,970	\$268,138,508	\$239,506,835	\$240,759,785
	=====	=====	=====	=====
Other borrowed funds	\$ 25,387,573	\$ 25,266,596	\$ 8,110,964	\$ 8,407,200
	=====	=====	=====	=====

19. 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 that follows) 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, 2003 and 2002, that the Bank met all capital adequacy requirements to which it is subject.

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:

2003						
	ACTUAL		MINIMUM FOR CAPITAL		MINIMUM TO BE WELL	
	AMOUNT	RATIO	ADEQUACY PURPOSES		PROMPT CORRECTIVE	
			AMOUNT	RATIO	ACTION PROVISIONS	
					AMOUNT	RATIO
Total Capital (to Risk Weighted Assets)	\$29,811,000	13.9%	\$17,182,000	8.0%	\$21,477,000	10.0%
	=====	====	=====	===	=====	====
Tier I Capital (to Risk Weighted Assets)	\$27,283,000	12.7%	\$ 8,591,000	4.0%	\$12,886,000	6.0%
	=====	====	=====	===	=====	====
Tier I Capital (to Average Assets)	\$27,283,000	8.3%	\$13,220,000	4.0%	\$16,526,000	5.0%
	=====	====	=====	===	=====	====
2002						
	ACTUAL		MINIMUM FOR CAPITAL		MINIMUM TO BE WELL	
	AMOUNT	RATIO	ADEQUACY PURPOSES		PROMPT CORRECTIVE	
			AMOUNT	RATIO	ACTION PROVISIONS	
					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%
	=====	====	=====	===	=====	====

20. PARENT COMPANY ONLY FINANCIAL INFORMATION

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

CONDENSED BALANCE SHEETS

	DECEMBER 31,	
	2003	2002
ASSETS		
Cash	\$ 124,682	\$ 48,171
Investment in subsidiary	33,198,796	30,813,830
Total assets	\$ 33,323,478	\$ 30,862,001
STOCKHOLDERS' EQUITY		
Stockholders' Equity:		
Common stock	\$ 1,229,303	\$ 1,167,081
Capital surplus	19,346,093	16,578,868
Retained earnings	11,137,984	11,179,871
Accumulated other comprehensive income, net of tax	1,917,894	1,942,295
Treasury Stock	(307,796)	(6,114)
Total stockholders' equity	\$ 33,323,478	\$ 30,862,001

CONDENSED STATEMENTS OF INCOME

	DECEMBER 31,		
	2003	2002	2001
Dividends from subsidiary	\$ 1,534,447	\$ 1,304,585	\$ 1,068,834
Other revenue	363,365	163,213	185,000
Expenses	(286,854)	(151,821)	(189,426)
Income before equity in undistributed earnings of subsidiary	1,610,958	1,315,977	1,064,408
Equity in undistributed earnings of subsidiary	2,458,389	2,290,070	1,514,919
Net income	\$ 4,069,347	\$ 3,606,047	\$ 2,579,327

CONDENSED STATEMENTS OF CASH FLOWS

	2003	YEAR ENDED 2002	2001
	-----	-----	-----
Operating Activities:			
Net income	\$ 4,069,347	\$ 3,606,047	\$ 2,579,327
Adjustments to reconcile net income to net cash provided by operating activities:			
Undistributed earnings of subsidiary	(2,458,389)	(2,290,070)	(1,514,919)
	-----	-----	-----
Net cash provided by operating activities	1,610,958	1,315,977	1,064,408
Financing Activities - Cash dividends paid	(1,534,447)	(1,304,585)	(1,068,834)
	-----	-----	-----
Net decrease (increase) in cash	76,511	11,392	(4,426)
Cash, beginning	48,171	36,779	41,205
	-----	-----	-----
Cash, ending	\$ 124,682	\$ 48,171	\$ 36,779
	=====	=====	=====

21. SUBSEQUENT EVENTS

Subsequent to the Balance Sheet date of December 31, 2003, M&W Agency, Inc. completed its acquisition of the assets, and business of the Easy PA Agency, Inc. and Ellwood Agency, Inc., retail property and casualty insurance companies located in Hamburg, New York. The combined purchase prices of \$840,000 included \$116,250 in cash and the Company issued 31,942 shares of common stock valued at \$723,750. The assets purchased included certain fixed assets and intangible assets. 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, 2003.

22. QUARTERLY FINANCIAL DATA - UNAUDITED

(IN THOUSANDS, EXCEPT PER SHARE DATA)	4TH QUARTER	3RD QUARTER	2ND QUARTER	1ST QUARTER
2003				
Interest income	\$3,986	\$3,645	\$3,878	\$3,821
Interest expense	1,023	1,126	1,200	1,135
	-----	-----	-----	-----
Net interest income	2,963	2,519	2,678	2,686
Net income	974	1,009	1,012	1,074
Earnings per share basic *	0.40	0.41	0.41	0.44
Earnings per share diluted *	0.40	0.41	0.41	0.44
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 basic*	0.35	0.39	0.38	0.36
Earnings per share diluted*	0.35	0.39	0.38	0.36

* All share and per share information is stated after giving effect to the 5 percent stock dividend paid in January 2003 and the 5 percent stock dividend paid in December 2003.

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

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

The Company's management, with the participation of the Company's principal executive officer and principal financial officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a - 15(e) and 15d - 15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on that evaluation, the Company's principal executive and principal financial officers concluded that the Company's disclosure controls and procedures as of December 31, 2003 (the end of the period covered by this Report) have been designed and functioning effectively to provide reasonable assurance that the information required to be disclosed by the Company in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item (Items 401, 405 and 406 of Regulation S-K) relating to our directors and director nominees, executive officers, the Audit Committee (including our "audit committee financial experts"), the Company's code of ethics and compliance with Section 16(a) of the Exchange Act is in our Proxy Statement related to the 2004 Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item (Item 402 of Regulation S-K) relating to executive and director compensation is in our Proxy Statement related to the 2004 Annual Meeting of Shareholders and is incorporated herein by reference.

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

The information required by this item (Items 201(d) and 403 of Regulation S-K) relating to security ownership of certain beneficial owners and management, and securities authorized for issuance under equity compensation plans is in our Proxy Statement related to the 2004 Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item (Item 404 of Regulation S-K) is included under the caption "Certain Relationships and Related Transactions" in our Proxy Statement related to the 2004 Annual Meeting of Shareholders and is incorporated herein by reference.

PART IV

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is included under the caption "Independent Auditors" in our Proxy Statement related to the 2004 Annual Meeting of Shareholders and is incorporated herein by reference.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The following documents are filed as a part of this Report on Form 10-K:

1. Financial Statements: See "Index to Consolidated Financial Statements" under Part II, Item 8 of this Report on Form 10-K.

2. All other schedules are omitted because they are not applicable or the required information is included in the Consolidated Financial Statements or Notes thereto included in this Report on Form 10-K.

3. Exhibits

Exhibit No	Exhibit Description
3.1	Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3a of the Company's Registration Statement on Form S-4 (Registration No. 33-25321) as filed on No. November 7, 1988).
3.1.1	Certificate of Amendment to the Company's Certificate of Incorporation (incorporated by reference to Exhibit 3.3 of the Company's Form 10-Q for the fiscal quarter ended March 31, 1997 as filed on May 14, 1997).
3.2	Bylaws of the Company (incorporated by reference to Exhibit 3b of the Company's Registration Statement on Form S-4 (Registration No. 33-25321) as filed on November 7, 1998).
3.2.1	Amended Bylaws, amended Section 204 (incorporated by reference to Exhibit 3.3 of the Company's Form 10-Q for the fiscal quarter ended June 30, 1996 as filed on August 5, 1996).
3.2.2	Amended Bylaws, amended Section 203 (incorporated by reference to Exhibit 3.5 of the Company's Form 10-K for the fiscal year ended December 31, 1997 as filed on March 30, 1998).
4.1	Evans Bancorp Employee Stock Purchase Plan (incorporated by reference to Exhibit 4.7 of the Company's Registration Statement on Form S-8 (Registration No. 333-106655 as filed on June 30, 2003).
4.2	Evans Bancorp, Inc. 1999 Stock Option and Long-Term Incentive Plan (Filed herewith).
4.3	Evans Bancorp, Inc. Dividend Reinvestment Plan, as amended (incorporated by reference to the Company's Registration Statement on Form S-3 (Registration No. 333-34347 as filed on August 27, 1997 and incorporated by reference).
4.4	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 of the Company's Form 10-Q for the fiscal quarter ended March 31, 1997 as filed on May 14, 1997.)
10.1*	Employment Agreement between Evans National Bank and Richard M. Craig (incorporated by reference to Exhibit 10.1 of the Company's Form 10-K for the fiscal year ended December 31, 1997 as filed on March 30, 1998).
10.2*	Employment Agreement between Evans National Bank and James Tilley (incorporated by reference to Exhibit 10.2 of the Company's Form 10-K for the fiscal year ended December 31, 1997 as filed on March 30, 1998).
10.3*	Employment Agreement between Evans National Bank and William R. Glass (incorporated by reference to Exhibit 10.3 of the Company's Form 10-K for the fiscal year ended December 31, 1997 as filed on March 30, 1998).
10.4*	Specimen 1984 Director Deferred Compensation Agreement (incorporated by reference to Exhibit 10.5 of the Company's Form 10 (Registration No. 0-18539) as filed on April 30, 1990).

Exhibit No	Exhibit Description
10.5*	Specimen 1989 Director Deferred Compensation Agreement (incorporated by reference to Exhibit 10.6 of the Company's Form 10 (Registration No. 0-18539) as filed on April 30, 1990).
10.6*	Summary of Provisions of Director Deferred Compensation Agreements (incorporated by reference to Exhibit 10.7 of the Company's Form 10 (Registration No. 0-18539) as filed on April 30, 1990).
10.7*	Employment Agreement between Evans National Bank and Robert Miller (incorporated by reference to Exhibit 10.11 of the Company's Form 10-K for the fiscal year ended December 31, 2000 as filed on March 29, 2001).
10.8	Investment Service Agreement between O'Keefe Shaw & Co., Inc. and ENB Associates Inc. (incorporated by reference to Exhibit 10.1 of the Company's Form 10-Q for the fiscal quarter ended March 31, 2000 as filed on May 8, 2000).
10.9*	Employment Agreement between Evans National Bank and Mark DeBacker (incorporated by reference to Exhibit 10.15 of the Company's Form 10-Q for the fiscal quarter ended June 30, 2001 as filed on August 1, 2001).
10.10*	Evans National Bank Executive Life Insurance Plan (filed herewith).
10.11*	Evans National Bank Supplemental Executive Retirement Plan (filed herewith).
10.12*	Evans National Bank Deferred Compensation Plan for Officers and Directors (filed herewith).
21.1	Subsidiaries of the Registrant (incorporated by reference to Exhibit on the Company's 10-K for the fiscal year ended on December 31, 1997 as filed on March 30, 1998).
23.1	Independent Auditors' Consent from KPMG LLP (filed herewith).
23.2	Independent Auditors' Consent from Deloitte & Touche LLP (filed herewith).
31.1	Certification of James Tilley pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to section 302 of The Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Mark DeBacker pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to section 302 of The Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of James Tilley pursuant to 18 USC Section 1350 Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of The Sarbanes -Oxley Act of 2002 (filed herewith).
32.2	Certification of Mark DeBacker pursuant to 18 USC Section 1350 Chapter 63 of Title 18, United States Code, as adopted pursuant to Section 906 of The Sarbanes -Oxley Act of 2002 (filed herewith).

* Indicates a management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K.

The Company filed a Current Report on Form 8-K on October 22, 2003 for purposes of reporting under Item 5 the Company's stock repurchase plan and under Item 12 the Company's third quarter earnings for the quarter ended September 30, 2003.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(2d) 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 18, 2004

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 and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ James Tilley ----- James Tilley	President and CEO/Director	March 18, 2004
/s/ Mark DeBacker ----- Mark DeBacker	Treasurer	March 18, 2004
/s/ Phillip Brothman ----- Phillip Brothman	Chairman of the Board/ Director	March 18, 2004
/s/ Thomas H. Waring Jr. ----- Thomas H. Waring, Jr.	Vice Chairman of the Board/Director	March 18, 2004
/s/ James E. Biddle, Jr. ----- James E. Biddle, Jr	Secretary/Director	March 18, 2004
/s/LaVerne G. Hall ----- LaVerne G. Hall	Director	March 18, 2004
/s/ David M. Taylor ----- David M. Taylor	Director	March 18, 2004
/s/ Robert W. Allen ----- Robert W. Allen	Director	March 18, 2004
/s/ William F. Barrett ----- William F. Barrett	Director	March 18, 2004
/s/ Robert G. Miller, Jr. ----- Robert G. Miller, Jr.	Director	March 18, 2004
/s/ John R. O'Brien ----- John R. O'Brien	Director	March 18, 2004
/s/ Nancy W. Ware ----- Nancy W. Ware	Director	March 18, 2004

**EVANS BANCORP, INC. 1999 STOCK OPTION
AND LONG-TERM INCENTIVE PLAN**
(AS AMENDED AND RESTATED JANUARY 27, 2003)

1. PURPOSE.

Evans Bancorp, Inc., a New York corporation (the "Corporation"), has adopted the Evans Bancorp, Inc. Stock Option and Long-Term Incentive Plan, effective as of January 19, 1999.

The purpose of the Evans Bancorp, Inc. Stock Option and Long-Term Incentive Plan (the "Plan") is to enable the Corporation and its subsidiaries to attract, retain, and reward employees non-employee directors and consultants ("Eligible Persons") by offering them an opportunity to have a greater proprietary interest in and closer identity with the Corporation and with its financial success. An option granted under the Plan to an Eligible Person to purchase shares of the Corporation's common stock, \$.50 par value ("Common Stock"), may be an incentive stock option ("ISO") as defined in Section 422 of the Internal Revenue Code of 1986 as heretofore or hereafter amended ("Code") or a nonqualified stock option ("NSO") (collectively referred to as "Options") and may be accompanied by stock appreciation rights ("SARs"). An Option that is not an ISO shall be an NSO. Shares of Common Stock ("Restricted Stock") may be granted or offered for sale to Eligible Persons either separately from or in tandem with the grant of an Option. Grants of Options and SARs, and grants of Restricted Stock to Eligible Persons, shall be collectively referred to as "Awards." Proceeds received by the Corporation from the sale of Restricted Stock, or shares of Common Stock pursuant to Options granted under the Plan, shall be used for general corporate purposes.

2. ADMINISTRATION.

The Plan shall be administered by a committee ("Committee") appointed by the Board. The Committee shall be composed of not fewer than two members. Except for Director Options described in Section 5A, the Committee Members shall not be eligible to receive Awards under the Plan. Subject to the express provisions of the Plan, the Committee may interpret the Plan, prescribe, amend and rescind rules and regulations relating to it, determine the terms and provisions of Awards to Eligible Persons under the Plan (which need not be identical), and make such other determinations as it deems necessary and advisable for the administration of the Plan. The Committee may delegate decisions with respect to Awards to Eligible Persons who are not elected officers or directors of the Corporation or its subsidiaries to such elected officer or officers of the Corporation as the Committee determines. The decisions of the Committee under the Plan shall be conclusive and binding. No member of the Board or the Committee shall be liable for any action taken or determination made hereunder in good faith. Service on the Committee shall constitute service as a director of the Corporation so that the members of the Committee shall be entitled to indemnification and reimbursement as directors of the Corporation pursuant to its bylaws.

3. ELIGIBILITY.

Eligible Persons who have been selected by the Committee to receive an Award shall participate in the Plan. Non-employee directors shall also participate in the Plan as provided in Section 5A. (Eligible Persons who participate in the Plan shall be referred to as "Participants"). SARs may be granted only to an Eligible Person to whom an Option has been granted. Shares of Restricted Stock may be granted or sold to Eligible Persons. ISO's may be granted only to an employee of the Corporation ("Employee"). The Committee shall determine, within the limits of the express provisions of the Plan, those Eligible Persons to whom, and the time or times at which Awards shall be granted. Except for Director Options, the Committee shall also determine, with respect to Awards to Eligible Persons, the number of shares of Common Stock to be subject to each such Award; the type of Options (ISO or NSO); the duration of each Option; the exercise price under each Option; the time or times within which (during the term of the Option) all or portions of each Option may be exercised; whether cash, Common Stock, Options or other property may be accepted in full or partial payment upon exercise of an Option; whether an Option shall include SARs and the terms of the SARs; the base price with respect to each Nontandem SAR (hereinafter defined); the restrictions to be imposed on shares of Restricted Stock; whether the shares of Restricted Stock shall be granted or sold; and any other terms and conditions of such Awards. In making such determinations, the Committee may take into account the nature of the services rendered by the Eligible Person, his present and potential contributions to the Corporation's success and such other factors as the Committee in its discretion shall deem relevant.

4. COMMON STOCK.

The total number of shares of Common Stock that may be subject to Awards (including ISOs and Director Options)] under the Plan shall be 250,000 shares. Such total number of shares shall be adjusted in accordance with the provisions of Section 12 hereof, and a share of Common Stock subject to an Option and its related Tandem SAR (hereinafter defined) shall only be counted once. Such shares may be either authorized but unissued shares or reacquired shares. In the event that (a) any Option granted under the Plan expires unexercised or is terminated, surrendered or canceled (other than in connection with the exercise of a Tandem SAR) without being exercised, in whole or in part, for any reason, or (b) any Nontandem SAR granted under the Plan expires unexercised or is terminated, surrendered or canceled without being exercised, in whole or in part, for any reason, or (c) any Restricted Stock granted under the Plan is forfeited or reacquired by the Corporation in connection with the violation of any restrictions imposed upon such shares pursuant to the Plan, then the number of shares of Common Stock theretofore subject to such Option, or SAR, or constituting such Restricted Stock, or the unexercised, terminated, surrendered, forfeited, canceled or reacquired portion thereof shall be added to the remaining number of shares of Common Stock that may be made subject to Awards under the Plan. Such Awards include Awards to former holders of such Options, SARs, or Restricted Stock and, with respect to Awards to Eligible Persons, upon such terms and conditions as the Committee shall determine, which terms may be more or less favorable than those applicable to such former holders of Options, SARs or Restricted Stock.

5. OPTIONS.

The following provisions shall apply to each Option granted to an Eligible Person:

(a) Options (other than Director Options) may be granted to Eligible Persons at any time and from time to time as shall be determined by the Committee. Except for Director Options, the Committee shall have complete discretion in determining the number of shares of Common Stock subject to Options granted to each Eligible Person. The Committee may grant any type of Option to purchase Common Stock that is permitted by law at the time of the grant, including ISOs. Unless otherwise expressly provided at the time of grant, Options granted under the Plan will not be ISOs.

(b) Each Option shall be evidenced by a written agreement specifying the type of Option granted, the Option exercise price, the terms for payment of the exercise price, the duration of the Option, the number of shares of Common Stock to which the Option pertains and the terms of related SARs, if any (the "Option Agreement"). An Option Agreement may also contain a vesting schedule, a noncompetition agreement, a confidentiality provision, provisions for forfeiture in the event of termination of the Eligible Person's employment by the Corporation and such restrictions and conditions and other terms as the Committee shall determine. Option Agreements need not be identical.

(c) The Committee, in its discretion, shall have the power to accelerate the dates for exercise of any or all Options, or any part thereof, granted to an Eligible Person under the Plan.

(d) In the discretion of the Committee, the grant of any Option may be accompanied by a Reload Option. A Reload Option may be granted to an Eligible Person who is an Option holder and who satisfies all or part of the exercise price of the Option with shares of Common Stock. The Reload Option represents an additional Option to acquire the same number of shares of Common Stock as is used by the Eligible Person to pay for the original Option. A Reload Option is subject to all of the same terms and conditions as the original Option except that (i) the exercise price of the shares of Common Stock subject to the Reload Option will be determined at the time the original Option is exercised and (ii) such Reload Option will conform to all provisions of the Plan at the time the original Option is exercised

5A. Director Options. Each Director of the Corporation who is not an employee of the Corporation or any subsidiary of the Corporation (a "Non-Employee Director") shall be granted options (the "Director Options"), subject to the following terms and conditions:

(a) GRANT. As of the date of the 2003 Annual Meeting of Stockholders and the date of each Annual Meeting of Stockholders held thereafter during the term of this Plan, each Non-Employee Director elected at such meeting or continuing in office after such meeting shall receive an option to purchase 1,000 shares. In the event a Non-Employee Director serves as Chairman of the Board of Directors, he shall receive an option to purchase 2,500 shares instead of 1,000 shares and in the event a Non-Employee Director serves as Vice Chairman of the Board of Directors, he shall receive an option to purchase 1,500 shares instead of 1,000 shares.

(b) **EXERCISE PRICE.** The exercise price per share for the Director Options shall be 100% of the Fair Market Value of the Common Stock at the time the Director Option is granted. In no event may the exercise price be less than the par value of the Common Stock subject to such Director Option.

(c) **VESTING.** The Director Options granted shall vest six months from the date of grant, unless compliance with such holding period is not required to qualify for an exemption from potential liability under Section 16 of the Securities Exchange Act of 1934, as amended from time and any successor thereto.

(d) **TERM.** The term of the Director Options shall be ten years.

(e) **EXPIRATION.** Notwithstanding the provisions of Section 8 of this Plan, in the event a Non-Employee Director is removed for cause, then the unexercised portion of the vested Director Option shall expire thirty days after the date he or she is no longer a Director. In the event that the Non-Employee Director ceases to serve as a Director for any other reason including death or disability, then the unexercised portion of the vested Director Option shall expire on the earlier of three years from the date the Non-Employee Director ceases to serve as a Director or the expiration of the ten year term of the Director Option.

(f) **DESIGNATION.** All of the Director Options shall be designated NSO's.

(g) **OTHER PROVISIONS.** Subject to the provisions of this Section 5A, all of the provisions of this Plan not inconsistent with this Section 5A shall apply to the Director Options.

6. REQUIRED TERMS AND CONDITIONS OF ISOs.

The provisions of each ISO granted to an Employee under this Section 6 shall be interpreted in a manner consistent with Section 422 of the Code and with all regulations issued thereunder. Each ISO granted to an Employee shall be in such form and subject to such restrictions and conditions and other terms as the Committee may determine at the time of grant, subject to the general provisions of the Plan, Section 422 of the Code, the applicable Option Agreement and the following specific rules:

(a) **EXERCISE PRICE.** Except as otherwise provided, the per share exercise price of each ISO shall be at least 100% of the Fair Market Value of the Common Stock at the time such ISO is granted, provided that in the case of an ISO granted to an Employee who at the time of grant owns (as defined in Section 424(d) of the Code) stock of the Corporation or its parent or subsidiaries possessing more than 10% of the total combined voting power of all classes of stock of any such corporation, the exercise price shall be at least 110% of the Fair Market Value of the Common Stock subject to the ISO at the time such ISO is granted and the ISO by its terms shall not be exercisable after the expiration of five years from the date the ISO is granted. In no event may the exercise price be less than the par value of the Common Stock subject to such ISO.

(b) **MAXIMUM TERM.** Subject to earlier termination as provided in Section 8, each ISO shall expire on the date determined in the applicable Option Agreement at the time the ISO is granted, provided that no ISO shall be exercisable after the expiration of 10 years from the date it is granted, except as otherwise provided in subsection (a) next above.

(c) **TIME OF EXERCISE.** The Committee shall specify in the Option Agreement, at the time each ISO is granted, the duration of each ISO and the time or times within which (during the term of the ISO) all or portions of each ISO may be exercised, except to the extent that other terms of exercise are specifically provided by other provisions of the Plan.

(d) **VALUE OF SHARES.** The aggregate Fair Market Value (determined at the time of grant) of Common Stock with respect to which ISOs are exercisable for the first time by an Employee during any calendar year (under all option plans of the Corporation or of a corporation which, at the time such ISO was granted, is a parent or subsidiary of the Corporation, or is a predecessor corporation of any such corporation) shall not exceed \$100,000. If the aggregate Fair Market Value (determined at the time of grant) of the stock subject to an Option, which first becomes exercisable in any calendar year and during this period exceeds the limitation of this subsection, so much of the Option that does not exceed the applicable dollar limit shall be an ISO and the remainder shall be an NSO; but in all other respects, the original Option Agreement shall remain in full force and effect.

(e) **CONVERSION.** The Committee may, in its sole discretion, cause the Corporation to convert an ISO to an NSO upon such terms and conditions and in such manner as the Committee deems equitable.

7. REQUIRED TERMS AND CONDITIONS OF NSOs.

Each NSO granted to an Eligible Person shall be in such form and subject to such restrictions and conditions and other terms as the Committee may determine at the time of grant, subject to the general provisions of the Plan, the applicable Option Agreement, and the following specific rules:

- (a) **EXERCISE PRICE.** The number of shares of Common Stock subject to each NSO and the per share exercise price of each NSO shall be determined by the Committee at the time the NSO is granted, provided that such exercise price shall not be less than 100% of the Fair Market Value of the Common Stock on the date the NSO is granted. In no event may the exercise price be less than the par value of the Common Stock subject to such NSO.
- (b) **MAXIMUM TERM.** Subject to earlier termination as provided in Section 8, each such NSO shall expire on the date determined in the applicable Option Agreement at the time the NSO is granted, provided that such date shall not be more than ten years after the date of grant.
- (c) **TIME OF EXERCISE.** The Committee shall specify in the Option Agreement at the time each NSO is granted, the duration of each NSO and the time or times within which (during the term of the NSO) all or portions of each NSO may be exercised, except to the extent that other terms of exercise are specifically provided by other provisions of the Plan.

8. EXPIRATION OF OPTIONS GRANTED TO ELIGIBLE PERSONS; TERMINATION OF EMPLOYMENT, DISABILITY OR DEATH, OR RETIREMENT.

- (a) **GENERAL RULE.** Except with respect to Options expiring pursuant to subsection 8(b), (c) or (d) below, each Option granted to an Eligible Person shall, expire on the expiration date or dates set forth in the applicable Option Agreement. Each Option expiring pursuant to subsection 8(b), (c) or (d) below shall expire on the date set forth in subsection 8(b), (c) or (d) notwithstanding any restrictions and conditions that may be contained in an Eligible Person's Option Agreement.
- (b) **EXPIRATION UPON TERMINATION OF EMPLOYMENT.** An Option granted to an Eligible Person shall expire on the first to occur of
 - (i) the applicable date or dates determined pursuant to subsection 8(a) or
 - (ii) the date that the employment or period of service of the Eligible Person with the Corporation and its subsidiaries terminates for any reason other than death or disability pursuant to subsection 8(c) or retirement pursuant to subsection 8(d). Notwithstanding the preceding provisions of this subsection 8(b), the Committee, in its sole discretion, may permit an Eligible Person (i) to exercise an Option that is exercisable immediately prior to the termination of employment or termination of his period of service, notwithstanding any restrictions and conditions that may be contained in his Option Agreement during a period not to exceed one month following his termination of employment or period of service, and/or (ii) to exercise an Option that becomes exercisable after termination of employment or termination of his period of service and prior to the termination of such one month period, during such period. In no event, however, may the Committee permit such Eligible Person to exercise an Option under this subsection 8(b) after the expiration date or dates set forth in the applicable Option Agreement.
- (c) **EXPIRATION UPON DISABILITY OR DEATH.** If the employment or period of service of an Eligible Person with the Corporation and its subsidiaries terminates by reason of disability (as determined by the Committee) or death, his unexpired Options or portions thereof, if any, held on the date of disability or death that would expire pursuant to the terms of his Option Agreement during the 12-month period commencing on the date of disability or death, shall expire on the last day of such 12-month period. During such 12-month period, any such Option or portion thereof referred to in the preceding sentence may be exercised by such Eligible Person, or the person specified in Section 9, with respect to the same number of shares and in the same manner and to the same extent as if the Eligible Person had continued as an employee, director or consultant of the Corporation or its subsidiaries during such 12-month period. Any unexpired Option or portion thereof held by the Eligible Person on the date of disability or death, that would expire pursuant to the terms of his Option Agreement on a date more than 12 months after the date of disability or death, shall expire unexercised on the date of disability or death.

(d) EXPIRATION UPON RETIREMENT. If the employment of an Eligible Person with the Corporation and its subsidiaries terminates due to retirement under any qualified retirement plan maintained by the Corporation and/or any of its subsidiaries, his Option shall expire on the earlier to occur of (i) the applicable expiration date or dates set forth in the applicable Option Agreement(s) or (ii) the first anniversary of the date of such termination of employment. If an Eligible Person who has so retired dies prior to exercising in full an Option that has not expired pursuant to the preceding sentence, then notwithstanding the preceding sentence, such Option shall expire on the first anniversary of the date of the Eligible Person's death. During the period commencing on the date of retirement or death, as the case may be, and ending on the applicable later expiration date, the Options may be exercised by such Eligible Person, or the person specified in Section 9, with respect to the same number of shares and in the same manner and to the same extent as if the Eligible Person had continued as a full-time employee of the Corporation or its subsidiaries during such period.

9. METHOD OF EXERCISE OF OPTIONS.

Any Option granted under the Plan may be exercised by the Participant, by a legatee or legatees of such Option under the Participant's last will, by his executors, personal representatives or distributees, or by his assignee or assignees as provided in Section 14 below, by delivering to the Secretary of the Corporation written notice of the number of shares of Common Stock with respect to which the Option is being exercised, accompanied by full payment to the Corporation of the exercise price of the shares being purchased under the Option, and by satisfying all other conditions provided for in the Plan. Except as otherwise provided in the Plan or in any Option Agreement, the exercise price of Common Stock upon exercise of any Option by an Eligible Person shall be paid in full (i) in cash, (ii) in Common Stock valued at its Fair Market Value on the date of exercise, (iii) in cash by a broker-dealer to whom the holder of the Option has submitted an exercise notice consisting of a fully endorsed Option,

(iv) by agreeing to surrender SARs then exercisable by him valued pursuant to subsection 10(b) below on the date of exercise, (v) by agreeing to surrender Options then exercisable by him valued at the excess of the aggregate Fair Market Value of the Common Stock subject to such Options on the date of exercise over the aggregate option price of such Common Stock,

(vi) by directing the Corporation to withhold such number of shares of Common Stock otherwise issuable upon exercise of such Option having an aggregate Fair Market Value on the date of exercise equal to the exercise price of the Option, or (vii) by such other medium of payment as the Committee, in its discretion, shall authorize, or by any combination of

(i), (ii), (iii), (iv), (v) and (vi), at the discretion of the Committee or in any manner provided in the Option Agreement. In the case of payment pursuant to (ii), (iii), (iv), (v) or (vi) above, the Participant's election must be made on or prior to the date of exercise of the Option and must be irrevocable. In lieu of a separate election governing each exercise of an Award, a Participant may file a blanket election which shall govern all future exercises of Awards until revoked by the Participant. The Corporation shall issue, in the name of the Participant (or, if applicable, the legatee(s), executor(s), personal representative(s), or distributee(s) of a deceased Participant, or the assignee(s) as provided in Section 14), stock certificates representing the total number of shares of Common Stock issuable pursuant to the exercise of any Option as soon as reasonably practicable after such exercise, provided that any Common Stock purchased by an Eligible Person through a broker-dealer pursuant to clause (iii) above shall be delivered to such broker-dealer in accordance with 12 CFR Section 220.3(e)(4).

10. REQUIRED TERMS OF STOCK APPRECIATION RIGHTS.

If deemed by the Committee to be in the best interests of the Corporation, an Eligible Person who receives an Option may also be granted a SAR. Each SAR shall be granted subject to such restrictions and conditions and other terms as the Committee may specify in the Option Agreement at the time the Option is granted, or as the Committee may determine at the time of grant, subject to the general provisions of the Plan, and the following specific rules:

(a) GRANT OF SARs. SARs will be granted, if at all, at the time of granting of an Option and may be granted either in addition to the related Option ("Nontandem SAR") or in tandem with the related Option ("Tandem SAR"). At the time of grant of a Nontandem SAR, the Committee shall specify the base price of Common Stock to be used in connection with the calculation described in subsection (b)(i) below. The base price of a Nontandem SAR shall not be less than 80% of the Fair Market Value of a share of Common Stock on the date of grant, provided that the Board shall approve any base price that is less than 100% of the Fair Market Value of the Common Stock on the date of grant. The number of shares of Common Stock subject to a Tandem SAR shall not exceed one for each share of Common Stock subject to the Option. The number of shares of Common Stock subject to a Nontandem SAR shall be one for each share of Common Stock subject to the Option. No Tandem SAR may be granted to an Eligible Person in connection with an ISO in a manner that will disqualify the ISO under Section 422 of the Code unless the Eligible Person consents thereto.

(b) VALUE OF SARs. Upon exercise, a SAR shall entitle the Eligible Person to receive from the Corporation the number of shares of Common Stock having an aggregate Fair Market Value equal to the following:

(i) in the case of a Nontandem SAR, the excess of the Fair Market Value of one share of Common Stock as of the date on which the SAR is exercised over the base price specified in such SAR, multiplied by the number of shares of Common Stock then subject to the SAR, or the portion thereof being exercised.

(ii) in the case of a Tandem SAR, the excess of the Fair Market Value of one share of Common Stock as of the date on which the SAR is exercised over the exercise price per share specified in such Option, multiplied by the number of shares then subject to the Option, or the portion thereof as to which the SAR is being exercised.

Cash shall be delivered in lieu of any fractional shares. The Committee, in its discretion, shall be entitled to cause the Corporation to elect to settle any part or all of its obligation arising out of the exercise of a SAR by the payment of cash in lieu of all or part of the shares of Common Stock it would otherwise be obligated to deliver in an amount equal to the Fair Market Value of such shares on the date of exercise.

(c) EXERCISE OF TANDEM SARs. A Tandem SAR shall be exercisable during such time, and be subject to such restrictions and conditions and other terms, as the Committee shall specify in the applicable Option Agreement at the time such Tandem SAR is granted. Notwithstanding the preceding sentence, the Tandem SAR shall be exercisable only at such time as the Option to which it relates is exercisable and shall be subject to the restrictions and conditions and other terms applicable to such Option. Upon the exercise of a Tandem SAR, the unexercised Option, or the portion thereof to which the exercised portion of the Tandem SAR is related, shall expire. The exercise of any Option shall cause the expiration of the Tandem SAR related to such Option, or portion thereof, that is exercised.

(d) EXERCISE OF NONTANDEM SARs.

(i) A Nontandem SAR granted under the Plan shall be exercisable during such time, and be subject to such restrictions and conditions and other terms, as the Committee shall specify in the Option Agreement at the time the Nontandem SAR is granted, which restrictions and conditions and other terms need not be the same for all Eligible Persons. Without limiting the generality of the foregoing, the Committee may specify a minimum number of full shares with respect to which any exercise of a Nontandem SAR must be made.

(ii) Subject to earlier termination as provided in the last sentence of this paragraph (ii), a Nontandem SAR granted under the Plan shall expire on the date specified by the Committee in the Option Agreement, provided that such date shall not be more than ten years after the date of grant. The Committee shall specify in the Option Agreement at the time each Nontandem SAR is granted, the time during which the Nontandem SAR may be exercised prior to its expiration and other provisions relevant to the SAR. The Committee, in its discretion, shall have the power to accelerate the dates for exercise of any or all Nontandem SARs or any part thereof, granted under the Plan. Notwithstanding the foregoing, any Nontandem SAR granted to an Eligible Person under the Plan shall expire, notwithstanding any restrictions and conditions that may be contained in his applicable Option Agreement, following a termination of his employment with the Corporation and its subsidiaries in the same manner as an Option held by such Eligible Person would expire pursuant to the provisions of Section 8.

(e) **PARTIES ENTITLED TO EXERCISE SARs.** A SAR may be exercised only by the Eligible Person (or by a legatee or legatees of such SAR under his last will, by his executors, personal representatives or distributees, or by an assignee or assignees pursuant to Section 14 below).

(f) **SETTLEMENT OF SARs.** As soon as is reasonably practicable after the exercise of a SAR, the Corporation shall (i) issue, in the name of the Eligible Person, stock certificates representing the total number of full shares of Common Stock to which the Eligible Person is entitled pursuant to subsection (b) hereof and cash in an amount equal to the Fair Market Value, as of the date of exercise, or any resulting fractional shares, and (ii) if the Committee causes the Corporation to elect to settle all or part of its obligations arising out of the exercise of the SAR in cash, deliver to the Eligible Person an amount in cash equal to the Fair Market Value, as of the date of exercise, of the shares of Common Stock it would otherwise be obligated to deliver.

11. RESTRICTED STOCK AWARDS TO ELIGIBLE PERSONS.

The Committee may from time to time cause the Corporation to grant, or sell for such amount of cash, Common Stock or such other consideration as the Committee deems appropriate (which amount may be less than the Fair Market Value of the Common Stock on the date of grant or sale), shares of Restricted Stock under the Plan to such Eligible Persons, and subject to such restrictions and conditions and other terms as the Committee may determine at the time of grant or sale, subject to the general provisions of the Plan, the applicable Restricted Stock Agreement, and the following specific rules:

(a) **GRANT OR SALE.** Restricted Stock may be granted or sold to an Eligible Person either separately from, or in tandem with, the grant of an Option (with or without SARs) to Eligible Persons. In the case of Restricted Stock granted or sold in tandem with the grant of an Option: (i) the exercise of the Option shall cause the forfeiture (or sale at the purchase price paid for the Restricted Stock) to the Corporation of the Restricted Stock related to the Option, or portion thereof that is exercised, and (ii) the lapse of restrictions applicable to such Restricted Stock shall cause the expiration of the unexercised Option, or pro rata portion thereof, related to such Restricted Stock. Restricted Stock not granted or sold in tandem with the grant of an Option shall have no effect on, and shall not be affected by, the exercise of any Option by the holder of such Restricted Stock.

(b) **RESTRICTED STOCK AGREEMENTS.** Shares of Restricted Stock issued to an Eligible Person under the Plan shall be governed by a Restricted Stock Agreement which shall specify whether the shares of Restricted Stock are granted or sold to the Eligible Persons and whether such Restricted Stock is issued separate from, or in tandem with, the grant of an Option and such other provisions as the Committee shall determine.

(c) **ISSUANCE OF RESTRICTED STOCK.** The Corporation shall issue, in the name of the Eligible Person, stock certificates representing the total number of shares of Restricted Stock granted or sold to the Eligible Person, as soon as may be reasonably practicable after such grant or sale, which shall be held by the Secretary of the Corporation as provided in subsection (h) hereof.

(d) **RIGHTS OF STOCKHOLDERS.** Subject to the provisions of subsections (c) and (e) hereof and subsection 13(b), and the restrictions set forth in the related Restricted Stock Agreement, the Eligible Persons receiving a grant of or purchasing Restricted Stock shall thereupon be a stockholder with respect to all of the shares represented by such certificate or certificates and shall have the rights of a stockholder with respect to such shares, including the right to vote such shares and to receive dividends and other distributions paid with respect to such shares.

- (e) **RESTRICTIONS; FORFEITURE OR RESALE.** Any share of Restricted Stock granted to an Eligible Person pursuant to the Plan shall be forfeited, and any share of Restricted Stock sold to an Eligible Person pursuant to the Plan shall, at the Corporation's option, be resold to the Corporation for an amount equal to the value of the cash and/or property paid therefor, and, in either case, such shares shall revert to the Corporation, if (i) the Eligible Person violates a non-competition or confidentiality agreement or other condition set forth in the Restricted Stock Agreement, (ii) the Eligible Person's employment with the Corporation or its subsidiaries terminates prior to a date or dates for expiration of the forfeiture or resale provisions set forth in his Restricted Stock Agreement, which date shall not be earlier than the first anniversary of such grant or sale, (iii) the date the Eligible Person's employment with the Corporation terminates for cause, or (iv) the date there occurs a violation of any provision of the applicable Restricted Stock Agreement. The Corporation shall exercise its right to require a forfeiture, and exercise its right to require a resale of the Restricted Stock pursuant to this subsection (e), by giving notice to the Eligible Persons at any time within the 30-day period following (i) the date that the Corporation acquires knowledge of his violation of a noncompetition or confidentiality agreement or other condition, or (ii) his termination of employment with the Corporation or its subsidiaries prior to such date set forth in the Restricted Stock Agreement. Upon receipt of such notice, the Secretary of the Corporation shall promptly cancel shares of Restricted Stock that are forfeited or resold to the Corporation, and the corporation shall make payment therefor, if applicable, as soon as reasonably practicable after the date of said surrender.
- (f) **ACCELERATION.** The Committee, in its discretion, shall have the power to accelerate the date on which the restrictions of this Section 11 or contained in any Restricted Stock Agreements shall lapse with respect to any or all shares of Restricted Stock granted or sold under the Plan that have been outstanding for at least one year.
- (g) **TERMINATION OF EMPLOYMENT.** Notwithstanding the foregoing, if the Eligible Person's employment terminates (i) upon the Eligible Person's retirement [as described in subsection 10(d)], (ii) because of his death or disability (as determined by the Committee), or (iii) under circumstances described in subsection 10(e), any restrictions of this Section 11 or in any Restricted Stock Agreement shall lapse.
- (h) **RESTRICTED STOCK CERTIFICATES.** The Secretary of the Corporation shall hold the certificate or certificates representing shares of Restricted Stock issued under the Plan on behalf of each Participant who holds such shares, whether by grant or sale, until such time as the Restricted Stock is forfeited, resold to the Corporation, or the restrictions lapse.
- (i) **TERMS AND CONDITIONS.** The Committee may prescribe such other restrictions and conditions and other terms applicable to the shares of Restricted Stock issued to an Eligible Person under the Plan that are neither inconsistent with nor prohibited by the Plan or any Restricted Stock Agreement, including, without limitation, terms providing for a lapse of the restrictions of this Section 11 or in any Restricted Stock Agreement, in installments.

12. ADJUSTMENTS.

- (a) Appropriate adjustment in the maximum number of shares of Common Stock issuable pursuant to the Plan, the number of shares subject to Awards under the Plan, the exercise price with respect to Options and Tandem SARs and the base price with respect to Nontandem SARs, shall be made to give effect to any increase or decrease in the number of shares of issued Common Stock resulting from a subdivision or consolidation of shares whether through reorganization, recapitalization, stock split, reverse stock split, spin-off, split off, spin-out, or other distribution of assets to stockholders, stock distributions or combination of shares, assumption and conversion of outstanding Awards due to an acquisition by the Corporation of the stock or assets of any other corporation, payment of stock dividends, other increase or decrease in the number of such shares outstanding effected, without receipt of consideration by the Corporation, or any other occurrence for which the Committee determines an adjustment is appropriate; provided, however, that no adjustment in the number of shares with respect to which Awards may be granted under the Plan, or in the number of shares subject to outstanding Awards, shall be made except in the event, and then only to the extent that such adjustment together with all respective prior adjustments which were not made as a result of this provision, involve a net change of more than ten percent (i) from the number of shares of Common Stock with respect to which Awards may be granted under the Plan, or (ii) with respect to each outstanding Option, from the respective number of shares of Common Stock subject thereto on the date of grant thereof. Without limiting the generality of the foregoing provisions of this paragraph, any such adjustment shall be deemed to have prevented any dilution and enlargement of an Eligible Person's rights, if such Eligible Person receives in any such adjustment, rights that are substantially similar (after taking into account the fact that the Eligible Person has not paid the applicable exercise price) to the rights the Eligible Person would have received had he exercised his outstanding Awards, and become a stockholder of the Corporation immediately prior to the event giving rise to such adjustment. Adjustments under this paragraph shall be made by the Committee whose decision as to the amount and timing of any such adjustment shall be conclusive and binding on all persons.

(b) In the event that:

(i) Any person (as such term is used in Section 12 of the Securities Exchange Act of 1934 and the rules and regulations thereunder and including any Affiliate or Associate of such person, as defined in Rule 12b-2 under said Act, and any person acting in concert with such person) directly or indirectly acquires or otherwise become entitled to vote more than 50 percent of the voting power entitled to be cast at elections for directors ("Voting Power") of the Corporation; or

(ii) There occurs any merger or consolidation of the Corporation, or any sale, lease or exchange of all or any substantial part of the consolidated assets of the Corporation and its subsidiaries to any other person and (A) in the case of a merger or consolidation, the holders of outstanding stock of the Corporation entitled to vote in elections of directors immediately before such merger or consolidation hold less than 50% of the Voting Power of the survivor of such merger or consolidation or its parent; or (B) in the case of any such sale, lease or exchange, the Corporation does not own at least 50% of the Voting Power of the other person;

The Committee may, in its discretion, revise, alter, amend or modify any Option Agreement or Restricted Stock Agreement with an Eligible Person and any then outstanding and unexercised Option granted to an Eligible Person, any SAR, and any share of Restricted Stock granted or sold to an Eligible Person, in any manner that it deems appropriate, including, but not limited to, any of the following respects:

(A) The Option and SAR may be deemed to pertain to and apply to the securities to which a holder of the number of shares of Common Stock subject to the unexercised portion of the Option would be entitled if he actually owned such shares immediately prior to the record date or other time any such event became effective, and the number of SARs may be adjusted as necessary to maintain the ratio between the number of SARs and the securities, cash and other property subject to the Option; and

(B) Subject to subsection 6(d), the dates upon which outstanding and unexercised Options may be exercised may be advanced (without regard to installment exercise limitations, if any);

(C) The dates upon which restrictions and conditions applicable to outstanding Restricted Stock shall lapse may be advanced (without regard to any installment limitations); and

(D) Shares of Restricted Stock may be surrendered in a merger, consolidation or share exchange involving the Corporation, notwithstanding any restrictions and conditions applicable to such shares, provided that the securities and/or other consideration received in exchange therefor shall be subject to the restrictions and conditions applicable to the Restricted Stock at the time of surrender and that the surrendering Eligible Persons agrees to any reasonable provisions requested by the Corporation to assure that any consideration received as a result of such surrender is subject to the same restrictions and conditions as those imposed on the Restricted Stock surrendered and that the consideration cannot be transferred in violation of any such restrictions.

If the Committee believes that any such event is reasonably likely to occur, the Committee may so revise, alter, amend or modify as set forth above at any time before and contingent upon the consummation of such an event.

(c) In the case of dissolution of the Corporation, (i) every Option and SAR granted to an Eligible Person outstanding hereunder shall terminate notwithstanding any restrictions and conditions that may be contained in his Option Agreement and (ii) the restrictions and conditions on Restricted Stock held by an Eligible Person shall lapse and the holders of such Restricted Stock shall have all the rights of a stockholder with respect to participation in the dissolution. Each such Option and SAR holder shall have 30 days prior written notice of such event, during which time he shall have a right, subject to subsection 7(d), to exercise his partly or wholly unexercised Option and SAR (without regard to installment exercise limitations, if any).

(d) On the basis of information known to the Corporation, the Committee shall make all determinations relating to the applicability and interpretation of this Section 12, and all such determinations shall be conclusive and binding.

13. TERMS AND CONDITIONS OF AWARDS.

(a) Each Eligible Person shall agree to such restrictions and conditions and other terms in connection with the exercise of an Option or SAR, or the grant or sale of Restricted Stock, including restrictions and conditions on the disposition of the Common Stock acquired upon the exercise, grant or sale thereof, as the Committee may deem appropriate. The certificates delivered to a Participant or to the Secretary of the Corporation evidencing the shares of Common Stock acquired upon exercise of an Option may, and in the case of a grant or a sale of Restricted Stock to a Participant shall, bear a legend referring to the restrictions and conditions and other terms contained in the respective Option Agreement or Restricted Stock Agreement and the Plan, and the Corporation may place a stop transfer order with its transfer agent against the transfer of such shares. Each Eligible Person shall execute a written instrument stating that he is purchasing the Common Stock for investment and not with any present intention to sell the same.

(b) The obligation of the Corporation to sell and deliver Common Stock under the Plan shall be subject to all applicable laws, regulations, rules and approvals, including, but not by way of limitation, the effectiveness of a registration statement under the Securities Act of 1933, if deemed necessary or appropriate by the Committee, of the Common Stock, Options, SARs and other securities reserved for issuance or that may be offered under the Plan. A Participant shall have no rights as a stockholder with respect to any shares covered by an Option granted to, or exercised by, him until the date of delivery of a stock certificate to him for such shares, or with respect to Restricted Stock granted or sold to him, until the date of delivery of a stock certificate representing such Restricted Stock to the Secretary of the Corporation on his behalf. No adjustment other than pursuant to Section 12(a) hereof shall be made for dividends or other rights for which the record date is prior to the date such stock certificate is delivered.

14. NONTRANSFERABILITY.

(a) Except as provided in subsection 12(b)(iii)(D) and in subsection (b) next below, or in connection with unrestricted Common Stock issued pursuant to an Award, Awards granted under the Plan and any rights and privileges pertaining thereto, may not be transferred, assigned, pledged or hypothecated in any manner, by operation of law or otherwise, other than by will or by the laws of descent and distribution and shall not be subject to execution, attachment or similar process. The granting of an Option or SAR shall impose no obligation upon the applicable Participant to exercise such Option or SAR.

(b) Notwithstanding the provisions of subsection (a) above, a Participant, at any time prior to his death, may assign all or any portion of an Award granted to him (other than an ISO) to (i) his spouse or lineal descendant, (ii) the trustee of a trust for the primary benefit of his spouse or lineal descendant, (iii) a partnership of which his spouse and lineal descendants are the only partners, or (iv) a tax exempt organization as described in Section 501(c)(3) of the Code. In such event, the spouse, lineal descendant, trustee, partnership or tax exempt organization will be entitled to all of the rights of the Participant with respect to the assigned portion of such Award, and such portion of the Award will continue to be subject to all of the terms, conditions and restrictions applicable to the Award, as set forth herein and in the related Option Agreement or Restricted Stock Agreement immediately prior to the effective date of the assignment. Any such assignment will be permitted only if (i) the Participant does not receive any consideration therefore, and (ii) the assignment is expressly permitted by the applicable Option Agreement or Restricted Stock Agreement as approved by the Committee. Any such assignment shall be evidenced by an appropriate written document executed by the Participant, and a copy thereof shall be delivered to the Corporation on or prior to the effective date of the assignment.

15. INDEMNIFICATION OF THE COMMITTEE.

In addition to such other rights of indemnification as they may have as members of the Board, or as members of the Committee, or as its delegates, the members of the Committee and its delegates shall be indemnified by the Corporation against (a) the reasonable expenses (as such expenses are incurred), including attorneys' fees actually and necessarily incurred in connection with the defense of any action, suit or proceeding (or in connection with any appeal therein), to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan, any Option or SAR granted hereunder or any grant or sale of shares of Restricted Stock; and (b) against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Corporation) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such Committee member or delegatee is liable for gross negligence or misconduct in the performance of his duties; provided that within 60 days after institution of any such action, suit or proceeding a Committee member or delegatee shall in writing offer the Corporation the opportunity, at its own expense, to handle and defend the same.

16. NO CONTRACT OF EMPLOYMENT.

Neither the adoption of the Plan nor the grant of any Award shall be deemed to obligate the Corporation or any subsidiary to continue the employment or period of service of any Eligible Person for any particular period, nor shall the granting of an Award constitute a request or consent to postpone the retirement date of any Eligible Person.

17. TERMINATION AND AMENDMENT OF PLAN.

(a) No ISOs shall be granted under the Plan more than ten years after the first to occur of (i) the date the Plan was adopted by the Board, or (ii) the date the Plan was approved by the stockholders of the Corporation. The Board may at any time terminate, suspend or modify the Plan without the authorization of stockholders to the extent allowed by law, including, with respect to ISOs, Section 422 of the Code and regulations issued thereunder.

(b) No termination, suspension or modification of the Plan shall adversely affect any right acquired by any Participant under an Award granted before the date of such termination, suspension or modification, unless such Participant shall consent; but it shall be conclusively presumed that any adjustment for changes in capitalization as provided for herein does not adversely affect any such right. Any member of the Board who is an officer or employee of the Corporation shall be without vote on any proposed amendment to the Plan, or on any other matter which might affect that member's individual interest under the Plan.

18. EFFECTIVE DATE OF PLAN.

The Plan shall become effective upon adoption by the Board; provided, however, that it shall be submitted for approval by either written consent of all of holders of the outstanding Common Stock or by the holders of a majority of the outstanding shares of Common Stock of the Corporation present, or represented, and entitled to vote at a stockholders' meeting held within 12 months thereafter, and Awards granted prior to such stockholder approval shall become null and void if such stockholder approval is not obtained.

19. WITHHOLDING TAXES.

Whenever the Corporation proposes or is required to issue or transfer shares of Common Stock to a Participant under the Plan, the Corporation shall have the right to require the Participant to remit to the Corporation an amount sufficient to satisfy all federal, state and local withholding tax requirements prior to the delivery of any certificate or certificates for such shares. If such certificates have been delivered prior to the time a withholding obligation arises, the Corporation shall have the right to require the Participant to remit to the Corporation an amount sufficient to satisfy all federal, state or local withholding tax requirements at the time such obligation arises and to withhold from other amounts payable to the Participant, as compensation or otherwise, as necessary. Whenever payments under the Plan are to be made to a Participant in cash, such payments shall be net of any amounts sufficient to satisfy all federal, state and local withholding tax requirements. In connection with an Award in the form of shares of Common Stock, a Participant may elect to satisfy his tax withholding obligation incurred with respect to the Taxable Date of the Award by (a) directing the Corporation to withhold a portion of the shares of Common Stock otherwise distributable to the Participant, or (b) by transferring to the Corporation a certain number of shares (either subject to a restricted Stock Award or previously owned), such shares being valued at the Fair Market Value thereof on the Taxable Date.

Notwithstanding any provisions of the Plan to the contrary, a Participant's election pursuant to the preceding sentence (a) must be made on or prior to the Taxable Date with respect to such Award, and (b) must be irrevocable. In lieu of a separate election on each Taxable Date of an Award, a Participant may make a blanket election with the Committee that shall govern all future Taxable Dates until revoked by the Participant. If the holder of shares of Common Stock purchased in connection with the exercise of an ISO disposes of such shares within two years of the date such ISO was granted or within one year of such exercise, he shall notify the Corporation of such disposition and remit an amount necessary to satisfy applicable withholding requirements including those arising under federal income tax laws. If such holder does not remit such amount, the Corporation may withhold all or a portion of any salary then or in the future owed to such holder as necessary to satisfy such requirements. Taxable Date means the date a Participant recognizes income with respect to an Award under the Code or any applicable state income tax law.

20. LEAVES OF ABSENCE.

The Committee shall be entitled to make such rules, regulations and determinations as it deems appropriate under the Plan regarding any leave of absence taken by an Eligible Person who is the recipient of any Award. Without limiting the generality of the foregoing, the Committee shall be entitled to determine (a) whether or not any such leave of absence shall constitute a termination of employment within the meaning of the Plan, and

(b) the impact, if any, of any such leave of absence on Awards under the Plan theretofore made to any Eligible Person who takes such leave of absence.

21. GOVERNING LAW.

The Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of New York and, in the case of ISOs, Section 422 of the Code and regulations issued thereunder.

22. FAIR MARKET VALUE.

"Fair Market Value" as of a given date for all purposes of the Plan and any Option Agreement or Restricted Stock Agreement means (a) if the Common Stock is listed on a national securities exchange, the average of the closing prices of the Common Stock on the Composite Tape for the 10 consecutive trading days immediately preceding such given date; (b) if the Common Stock is traded on an exchange or market in which prices are reported on a bid and asked price, the average of the mean between the bid and the asked price for the Common Stock at the close of trading for the ten consecutive trading days immediately preceding such given date; and (c) if the Common Stock is not listed on a national securities exchange nor traded on the over-the-counter market, such value as the Committee, in good faith, shall determine. Notwithstanding any provision of the Plan to the contrary, no determination made with respect to the Fair Market Value of Common Stock subject to an ISO shall be inconsistent with Section 422 of the Code or regulations issued thereunder.

23. SUCCESSORS.

In the event of a sale of substantially all of the assets of the Corporation, or a merger, consolidation or share exchange involving the Corporation, all obligations of the Corporation under the Plan with respect to Awards granted hereunder shall be binding on the successor to the transaction. Employment or continuation of service of an Eligible Person with such a successor shall be considered employment or period of service of the Eligible Person with the Corporation for purposes of the Plan.

24. NOTICES.

Notices given pursuant to the Plan shall be in writing and shall be deemed received when personally delivered or five days after mailed by United States registered or certified mail, return receipt requested, addressee only, postage prepaid.

Notice to the Corporation shall be directed to:

Evans Bancorp, Inc.
14 - 16 N. Main Street
Angola, New York 14006

Notices to or with respect to a Participant shall be directed to the Participant, or the executors, personal representatives or distributees of a deceased Participant, at the Participant's home address on the records of the Corporation.

Exhibit 10.10

EVANS NATIONAL BANK EXECUTIVE LIFE INSURANCE PLAN

INTRODUCTION

Evans National Bank (the "Bank") wishes to attract and retain highly qualified officers and directors. To further this objective, the Bank is willing to divide the death proceeds of certain life insurance policies which are owned by the Bank on the lives of the participating officers and directors with the designated beneficiaries.

ARTICLE 1 DEFINITIONS

Whenever used in this Plan, the following terms shall have the meanings specified:

"Affiliate" means Evans Bancorp, Inc. and any wholly owned subsidiary of Evans Bancorp, Inc. (other than the Bank) or the Bank.

"Base Annual Salary" means the current base annual salary of the Participant at the earliest of (1) the date of the Participant's death; (2) the date of the Participant's Disability; (3) the date the Participant's employment with the Bank terminates within two years after a Change in Control (except for Termination for Cause); (4) the date of the Participant's termination of employment on or after attaining Early Retirement Age; or (5) the Participant's Normal Retirement Date.

"Change in Control" means any one of the following events occurs:

- (a) Merger: The Company merges into or consolidates with another corporation, or merges another corporation into the Company and as a result less than a majority of the combined voting power of the resulting corporation immediately after the merger or consolidation is held by persons who were stockholders of the Company immediately before the merger or consolidation;
- (b) Acquisition of Significant Share Ownership: a report on Schedule 13D or another form or schedule (other than Schedule 13G) is filed or is required to be filed under Sections 13(d) or 14(d) of the Securities Exchange Act of 1934, if the schedule discloses that the filing person or persons acting in concert has or have become the beneficial owner of 25% or more of a class of the Company's voting securities, but this clause (b) shall not apply to beneficial ownership of Company voting shares held in a fiduciary capacity by an entity of which Company directly or indirectly beneficially owns 50% or more of its outstanding voting securities;
- (c) Change in Board Composition: during any period of two consecutive years, individuals who constitute the Company's Board of Directors at the beginning of the two-year period cease for any reason to constitute at least a majority of the Company's Board of Directors; provided, however, that for purposes of this clause (c) each director who is first elected by the board (or first nominated by the board for election by stockholders) by a vote of at least two-thirds (b) of the directors who were directors at the beginning of the period shall be deemed to have been a director at the beginning of the two-year period; or
- (d) Sale of Assets: The Company sells to a third party all or substantially all of the Company's assets.

"Company" means Evans Bancorp, Inc., a New York corporation, and any successors thereto.

"Director" means a non-employee member of the Board of Directors of the Bank or

an Affiliate.

"Disability" means the Participant's suffering a sickness, accident or injury which has been determined by the carrier of any individual or group disability insurance policy covering the Participant, or by the Social Security Administration, to be a disability rendering the Participant totally and permanently disabled. The Participant must submit proof to the Bank of the carrier's or Social Security Administration's determination upon the request of the Bank.

"Early Retirement Age" means the Participant has attained an age such that the sum of the Participant's age and Years of Service (rounded up to

the next full year) at termination totals at least 75.

"Insured" means the individual whose life is insured.

"Insurer" means the insurance company issuing the life insurance policy on the life of the Insured.

"Normal Retirement Age" means the Participant attaining age 65.

"Normal Retirement Date" means the later of the Normal Retirement Age or the date that the Participant terminates or is terminated for any reason other than Termination for Cause.

"Participant" means an officer of the Bank or an Affiliate or a Director who is designated as a Participant in Appendix A to the Plan and elects in writing to participate in the Plan using the form attached hereto as Appendix B, and by signing a split dollar endorsement for the Policy under which he or she is the Insured.

"Policy" or "Policies" means the individual insurance policy or policies acquired by the Bank for purposes of insuring a Participant's life under this Plan.

"Plan" means this Evans National Bank Executive Life Insurance Plan.

"Terminated for Cause" or "Termination for Cause" shall mean termination because of the Employee's personal dishonesty, incompetence, willful misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful violation of any law, rule or regulation (other than traffic violations or similar infractions) or a final cease-and-desist order.

"Years of Service" means the total number of twelve-month periods during which the Participant serves as an employee of the Bank.

ARTICLE 2 PARTICIPATION

2.1 PARTICIPATION. A Participant may commence participation in this Plan by executing an Election to Participate and a split dollar endorsement for each Policy. The split dollar endorsement shall bind the Participant and his or her beneficiaries, assigns and transferees, to the terms and conditions of this Plan.

2.2 TERMINATION OF PARTICIPATION. In the case of a Participant who is an officer of the Bank or an Affiliate, a Participant's rights under this Plan shall cease and his or her participation in this Plan shall terminate if any of the following events occur:

- (a) If the Participant is Terminated for Cause;
- (b) If the Participant's employment is terminated prior to his Early Retirement Age for reasons other than Disability or following a Change in Control; or
- (c) If the Participant terminates employment due to Disability and thereafter becomes gainfully employed with an entity other than the Bank.

In the case of a Participant who is a Director, participation shall terminate only upon Termination for Cause.

In the event that the Bank decides to maintain the Policy after the Participant's termination of participation in the Plan, the Bank shall be the direct beneficiary of the entire death proceeds of the Policy.

2.3 MAINTAINING THE POLICY AND ENDORSEMENT UNTIL DEATH. If any of the events listed below occur, the Bank shall maintain the Policy in full force and effect and, in no event, shall the Bank amend, terminate or otherwise abrogate the Participant's interest in the Policy, unless the Participant agrees pursuant to Section 8.1. The Bank may replace the Policy with a comparable insurance policy to cover the benefit provided under this Agreement if the Bank and Participant execute a new split dollar policy endorsement for a comparable benefit.

(a) Disability. If the Participant's employment is terminated due to Disability, except as set forth in section 2.2(c) herein.

(b) Retirement. If the Participant's employment is terminated on or after Early Retirement Age (except for Termination for Cause).

(c) Change in Control. If the Participant's employment terminates within two years after a Change in Control (except for Termination for Cause).

ARTICLE 3 POLICY OWNERSHIP/INTERESTS

3.1 PARTICIPANT'S INTEREST. With respect to each Policy, the Participant or the Participant's assignee shall have the right to designate the beneficiary of one of the following death benefits:

(a) If the Participant is an officer of the Bank or an Affiliate and was first employed by the Bank or an Affiliate on or before May 2, 1992, the death benefit shall be 3.75 times the Participant's Base Annual Salary, less the Participant's \$50,000 group term life insurance benefit under the Bank's group term life insurance policy.

(b) If the Participant is an officer of the Bank or an Affiliate and was first employed by the Bank or an Affiliate after May 2, 1992, the death benefit shall be two times the Participant's Base Annual Salary, less the Participant's \$50,000 group term life insurance benefit under the Bank's group term life insurance policy.

(c) In the case of a Participant who is a Director, the death benefit shall be \$200,000.

The Participant shall also have the right to elect and change settlement options with the consent of the Bank and the Insurer to the extent of the Participant's death benefits.

3.2 BANK'S INTEREST. Except to the extent provided in Section 2.3, the Bank shall own the Policies and shall have the right to exercise all incidents of ownership except that the Bank shall not sell, surrender or transfer ownership of a Policy so long as a Participant has an interest in the Policy. With respect to each Policy, the Bank shall be the direct beneficiary of the remaining death proceeds of the Policy after the Participant's interest is determined according to section 3.1.

ARTICLE 4 PREMIUMS

4.1 PREMIUM PAYMENT. The Bank shall pay all premiums due on all Policies.

4.2 IMPUTED INCOME. The Bank shall annually impute income to each Participant in the minimum amount required under applicable federal tax law based on the net death benefit payable to the Participant's beneficiary during the calendar year.

ARTICLE 5 ASSIGNMENT

Any Participant may assign without consideration all interests in his or her Policy and in this Plan to any person, entity or trust. In the event a Participant shall transfer all of his or her interest in the Policy, then all of that Participant's interest in his or her Policy and in the Plan shall be vested in his or her transferee, who shall be substituted as a party hereunder, and that Participant shall have no further interest in his or her Policy or in this Plan.

ARTICLE 6 INSURER

The Insurer shall be bound only by the terms of their corresponding Policy. Any payments the Insurer makes or actions it takes in accordance with a Policy shall fully discharge it from all claims, suits and demands of all persons relating to that Policy. The Insurer shall not be bound by the provisions of this Plan. The Insurer shall have the right to rely on the Bank's representations with regard to any definitions, interpretations, or Policy interests as specified under this Plan.

ARTICLE 7 ADMINISTRATION AND CLAIM

Section 7.1 ADMINISTRATION.

The administration of the Plan, the exclusive power to interpret it, and the responsibility for carrying out its provisions are vested in the Board, which may, at any time, by resolution of the Board, delegate such functions to a committee of the Board. The Board shall have the authority to resolve any question under the Plan. The determination of the Board as to the interpretation of the Plan or any disputed question shall be conclusive and final to the extent permitted by applicable law.

Section 7.2 CLAIMS PROCEDURES.

- (a) Claims for benefits under the Plan shall be submitted in writing to the Chairman of the Board.
- (b) If any claim for benefits is wholly or partially denied, the claimant shall be given written notice within a reasonable period following the date on which the claim is filed, which notice shall set forth:
 - (i) the specific reason or reasons for the denial;
 - (ii) specific reference to pertinent Plan provisions on which the denial is based;
 - (iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
 - (iv) an explanation of the Plan's claim review procedure.

If the claim has not been granted and written notice of the denial of the claim is not furnished in a timely manner following the date on which the claim is filed, the claim shall be deemed denied for the purpose of proceeding to the claim review procedure.

- (c) The claimant or his authorized representative shall have 30 days after receipt of written notification of denial of a claim to request a review of the denial by making written request to the Chairman of the Board, and may review pertinent documents and submit issues and comments in writing within such 30-day period.
- (d) After receipt of the request for review, the Board shall, in a timely manner, render and furnish to the claimant a written decision, which shall include specific reasons for the decision and shall make specific references to pertinent Plan provisions on which it is based. Such decision by the Board shall not be subject to further review. If a decision on review is not furnished to a claimant, the claim shall be deemed to have been denied on review.
- (e) No claimant shall institute any action or proceeding in any state or federal court of law or equity or before any administrative tribunal or arbitrator for a claim for benefits under the Plan until the claimant has first exhausted the provisions set forth in this section.

ARTICLE 8
AMENDMENTS AND TERMINATION

8.1 AMENDMENT OR TERMINATION OF PLAN. Except as otherwise provided in sections 2.3 and 8.2, the Bank may amend or terminate the Plan at any time.

8.2 AMENDMENT OR TERMINATION OF PLAN UPON CHANGE IN CONTROL. Notwithstanding the provisions of section 8.1, in the event of a Change in Control, the Bank, or its successor, shall maintain in full force and effect each Policy that is in existence on the date the Change in Control occurs and shall not terminate or otherwise abrogate a Participant's interest in the Policy. However, the Bank may replace the Policy with a comparable insurance policy to cover the benefit provided under this Plan to the Participant. This section 8.2 shall apply to all Participants in the Plan on the date the Change in Control occurs, including but not limited to (i) a retired Participant who has an interest in a Policy; (ii) a disabled Participant who has an interest in a Policy; and (iii) a Participant whose employment terminates within two years of a Change in Control.

ARTICLE 9
MISCELLANEOUS

9.1 BINDING EFFECT. This Plan in conjunction with each split dollar endorsement shall bind each Participant and the Bank, their beneficiaries, survivors, executors, administrators and transferees and any Policy beneficiary.

9.2 NO GUARANTEE OF EMPLOYMENT. This Plan is not an employment policy or contract. It does not give a Participant the right to remain an employee of the Bank, nor does it interfere with the Bank's right to discharge a Participant. It also does not require a Participant to remain an employee nor interfere with a Participant's right to terminate employment at any time.

9.3 APPLICABLE LAW. The Plan and all rights hereunder shall be governed by and construed according to the laws of the State of New York, except to the extent preempted by federal law.

9.4 NOTICE. Any notice, consent or demand required or permitted to be given under the provisions of this Plan by one party to another shall be in writing, shall be signed by the party giving or making the same, and may be given either by delivering the same to such other party personally, or by mailing the same, by United States certified mail, postage prepaid, to such party, addressed to his/her last known address as shown in the records of the Bank. The date of such mailing shall be deemed the date of such mailed notice, consent or demand.

9.5 ENTIRE AGREEMENT. This Plan constitutes the entire agreement between the Bank and the Participant as to the subject matter hereof. No rights are granted to the Participants by virtue of this Plan other than those specifically set forth herein.

9.6 DESIGNATED FIDUCIARY. For purposes of the Employee Retirement Income Security Act of 1974, if applicable, the Bank shall be the named fiduciary and plan administrator under the Agreement. The named fiduciary may delegate to others certain aspects of the management and operational responsibilities of the Plan, including the employment of advisors and the delegation of ministerial duties to qualified individuals.

9.7 SEVERABILITY. If for any reason any provision of this Agreement is held invalid such invalidity shall not affect any other provision of this Agreement not held so invalid, and each such other provision shall, to the full extent consistent with the law, continue in full force and effect. If any provision of this Agreement shall be held invalid in part, such invalidity shall in no way affect the rest of such provision, not held so invalid, and the rest of such provision, together with all other provisions of this Agreement shall, to the full extent consistent with the law, continue in full force and effect.

9.8 HEADINGS. The headings of Sections herein are included solely for convenience of reference and shall not affect the meaning or interpretation of any provision of this Agreement.

9.9 EFFECTIVE DATE. The effective date of the Plan is April 1, 2003.

DIRECTORS

Phillip Brothman
Thomas H. Waring, Jr.
Robert W. Allen
William F. Barrett
James Biddle, Jr.
Laverne G. Hall
David M. Taylor

OFFICERS

James Tilley
William Glass
Mark DeBacker
Robert Miller, Jr.
Michael Noville
Jeffrey Werdein
Michael Schafer
Jeffrey White
Susan Herold
Katherine Allen
George Catalano
Howard Martin
Timothy Jachlewski
John Connerton
Mary Jo Shults
Ron Miller
Lou Atti
Fred Gould
Emily Hazlett

APPENDIX B

ELECTION TO PARTICIPATE

I, _____, hereby elect to become a Participant in the Plan in accordance with Section 2.2 of the Plan. Additionally, I acknowledge that I have read the Plan document and agree to be bound by its terms.

Executed this _____ day of _____, 2003.

Participant

Witness

Accepted by Evans National Bank:

By: _____

**EVANS NATIONAL BANK
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN**

**ARTICLE 1
DESCRIPTION, PURPOSE AND DEFINITIONS**

1.1 NAME. The name of this Plan is the "Evans National Bank Supplemental Executive Retirement Plan."

1.2 PURPOSE. The purpose of the Plan is to promote the recruitment and retention of high quality management personnel by providing an additional source of retirement income to supplement that available to Participants from other sources.

1.3 DEFINITIONS. For purposes of the Plan, the following words and phrases shall have the meanings indicated, unless the context clearly indicates otherwise.

"Bank" is Evans National Bank, Angola, New York.

"Cause" means termination of employment because of the Participant's personal dishonesty, incompetence, willful misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful violation of any law, rule or regulation (other than traffic violations or similar infractions) or a final cease-and-desist order.

"Change in Control" means any one of the following events occurs:

(a) Merger: The Company merges into or consolidates with another corporation, or merges another corporation into the Company and as a result less than a majority of the combined voting power of the resulting corporation immediately after the merger or consolidation is held by persons who were stockholders of the Company immediately before the merger or consolidation;

(b) Acquisition of Significant Share Ownership: a report on Schedule 13D or another form or schedule (other than Schedule 13G) is filed or is required to be filed under Sections 13(d) or 14(d) of the Securities Exchange Act of 1934, if the schedule discloses that the filing person or persons acting in concert has or have become the beneficial owner of 25% or more of a class of the Company's voting securities, but this clause (b) shall not apply to beneficial ownership of Company voting shares held in a fiduciary capacity by an entity of which Company directly or indirectly beneficially owns 50% or more of its outstanding voting securities;

(c) Change in Board Composition: during any period of two consecutive years, individuals who constitute the Company's Board of Directors at the beginning of the two-year period cease for any reason to constitute at least a majority of the Company's Board of Directors; provided, however, that for purposes of this clause (c) each director who is first elected by the board (or first nominated by the board for election by stockholders) by a vote of at least two-thirds (b) of the directors who were directors at the beginning of the period shall be deemed to have been a director at the beginning of the two-year period; or

(d) Sale of Assets: The Company sells to a third party all or substantially all of the Company's assets.

"Company" means Evans Bancorp, Inc., a New York corporation.

"Disability" means the Participant's suffering a sickness, accident or injury which has been determined by the carrier of any individual or group disability insurance policy covering the Participant, or by the Social Security Administration, to be a disability rendering the Participant totally and permanently disabled. The Participant must submit proof to the Bank of the carrier's or Social Security Administration's determination at the request of the Bank.

"Eligible Employee" means one of a select group of management and highly compensated employees of the Bank designated by the Administrator as a Participant in the Plan or identified in Appendix A as a Participant.

"Final Average Earnings" and "Years of Service" shall have the meanings given them in the Evans National Bank Pension Plan (the "Pension Plan") at the time a Participant's eligibility for benefits under this Plan or the amount of such benefits is being determined; provided, however, that Final Average Earnings shall be determined without regard to any limitation on the maximum dollar amount of compensation taken into account under the pension plan pursuant to Internal Revenue Code Section 401(a)(17) or any similar provision of law.

"Participant" means an Eligible Employee who has been selected by the Administrator to participate in the Plan or who is identified in Appendix A.

"Social Security Benefit" means the amount, as determined by the Administrator in its discretion and based upon the Participant's estimated earnings history to the date of his termination of employment with the Bank, to which a Participant will be entitled under the old age provisions of the Social Security Act upon attainment of the normal Social Security retirement age.

ARTICLE 2 ELIGIBILITY

2.1 SELECTION OF PARTICIPANTS. After the effective date, an Eligible Employee shall become a Participant in the Plan only upon his selection by the Administrator. The Administrator shall give each Participant written notice of the commencement of his participation in the Plan. The initial Participants as of the effective date are identified in Appendix A to the Plan.

2.2 ENTITLEMENT TO BENEFITS. Except to the extent provided in Sections 3.3, 3.4 and 3.5, a Participant shall become entitled to receive a benefit under the Plan only if his employment with the Bank terminates for reasons other than Cause after he has attained age 65. Notwithstanding anything in this Plan to the contrary, no benefit shall be payable to a Participant whose employment is terminated for Cause.

ARTICLE 3 SUPPLEMENTAL RETIREMENT BENEFITS

3.1 BASIC BENEFIT. Subject to the succeeding provisions of this Article, a Participant shall be entitled to an annual benefit equal to 70% of his Final Average Earnings upon the Participant's termination of employment (other than for Cause) at or after attaining age 65.

3.2 OTHER RETIREMENT INCOME REDUCTION.

A. Participant's annual benefit determined under Section 3.1 shall be reduced by the sum of the following amounts:

- (1) 50% of the amount of the Participant's annual Social Security Benefit;
- (2) The amount of the Participant's annual benefit under the Pension Plan; and
- (3) The value of the Participant's annual benefit attributable to employer matching contributions to the Bank's 401(k) Plan.

B. If any benefit described in Subsection A. is not payable as a single life annuity or does not commence at the same time as the Participant's benefit under this Plan, the Administrator shall, for purposes of this section, convert the value of such benefit into an actuarially equivalent single life annuity benefit commencing at the same time as the benefit under this Plan.

C. If the Participant would be entitled to a benefit described in Subsection A but for his failure to apply for such benefit, Subsection A will be applied as if the Participant had applied for and received the benefit.

D. Changes in a benefit described in Subsection A that occur after commencement of the Participant's benefit under this Plan because of changes in the plan or program under which the benefit is provided or because of cost of living adjustments will not change the amount of the reduction under Subsection A.

3.3 EARLY RETIREMENT BENEFIT. If a Participant's termination of employment occurs prior to the date the Participant attains age 65 but after attaining age 60, other than by reason of his death or Disability or following a Change in Control, the Participant shall be entitled to a benefit determined under Sections 3.1 and 3.2 if his age and Years of Service as of his termination date total at least 75; provided, however, that such benefit shall be reduced by 2% for each point by which the sum of the Participant's age and Years of Service is less than 75. Such benefit shall be paid in accordance with the Participant's election under Section 3.6 at the time specified in Section 3.7.

3.4 DEATH AND DISABILITY BENEFITS.

A. If a Participant dies while employed by the Bank or terminates employment by reason of his Disability, there shall be paid to the Participant or such Participant's designated beneficiary an amount equal to the benefit the Participant would have received under Sections 3.1 and 3.2 if the Participant had retired on the date immediately preceding his date of death or termination of employment and, as of such date, was deemed to satisfy the age requirement of

Section 3.1. Such benefit shall be paid in accordance with the Participant's election under Section 3.6 at the time specified in Section 3.7.

B. If a Participant dies after his entitlement to a benefit has been established by reason of his termination of employment but prior to the time that benefit payment(s) have commenced, such payment(s) shall be made to the Participant's beneficiary in accordance with the Participant's election.

C. Each Participant may, on a form prescribed by and filed with the Administrator, designate a beneficiary to receive any death benefit payable under this section. If no effective beneficiary designation is on file at the time of the Participant's death, the death benefit under this section shall be paid as follows:

(1) To the Participant's surviving spouse, or

(2) If no spouse survives, to the Participant's surviving children in equal shares, with the descendants of a child who has predeceased the Participant taking such child's share by representation; or

(3) If none of the Participant's spouse and descendants is living, to the representative of the Participant's estate.

D. The automatic beneficiaries set forth in Subsection C. and, except as otherwise provided in the Participant's duly filed beneficiary designation, the beneficiaries named in such designation, shall become fixed at the Participant's death so that if a beneficiary survives the Participant but dies before final payment of the death benefit, any remaining death benefits shall be paid to the representative of such beneficiary's estate.

3.5 CHANGE IN CONTROL BENEFIT

If a Participant terminates employment with the Bank following a Change in Control (other than for Cause), there shall be paid to the Participant an amount equal to the benefit the Participant would have received if the Participant had retired on the date immediately preceding his date of termination of employment and, as of such date, was deemed to satisfy the age requirements of Section 3.1. Such benefit shall be paid in accordance with the Participant's election under Section 3.6 at the time specified in Section 3.7.

3.6 FORM OF BENEFIT.

1. Upon a Participant's entitlement to a benefit under this Plan, the Participant's benefit shall be paid in the form of (i) a single life annuity with 15 annual payments guaranteed or (ii) a lump sum which is actuarially equivalent to the annuity form of payment in (i), as designated by the Participant on an election form designated by the Bank for such purpose.

2. A Participant while employed by the Bank may change the form in which his benefits shall be paid by filing a revised election indicating such change at least one (1) calendar year prior to the date payments are to commence. Such election shall be irrevocable beginning one (1) calendar year prior to the date payments are to commence. No changes in the form of benefit payment shall be permitted following a Participant's termination of employment.

3.7 TIME OF PAYMENT.

A. Benefit payments made to a Participant or beneficiary pursuant to Sections 3.1 or 3.4 shall commence in accordance with the Participant's election not later than 60 days following the Participant's termination of employment.

B. Benefit payments made to a Participant or beneficiary pursuant to Sections 3.3 or 3.5 shall commence in accordance with the Participant's election under Section 3.6 not later than 60 days following the date the Participant attains age 65.

3.8 PAYMENT IN THE EVENT OF INCAPACITY OR MINORITY. If the Administrator, in its discretion, determines that any person entitled to receive any payment under this Plan is physically, mentally or legally incapable of receiving or acknowledging receipt of payment, and no legal representative has been appointed for such person, the Administrator in its discretion may (but shall not be required to) cause any sum otherwise payable to such person to be paid to such one or more as may be chosen by the Administrator from among the following: the institution maintaining such person, such person's spouse, children, parents or other relatives by blood or marriage, a custodian under any applicable Uniform Transfers to Minors Act or any other person determined by the Administrator to have incurred expense for such person. The Administrator's payment based upon its good faith determination of the incapacity of the person otherwise entitled to payments under this Plan and the existence of any other person specified above shall be conclusive and binding on all persons. Any such payment shall be a complete discharge of the liabilities of the Company under this Plan to the extent of such payment.

ARTICLE 4 SOURCE OF BENEFITS

4.1 EMPLOYER FUNDS. This Plan is unfunded, and all benefits payable to Participants and beneficiaries shall be payable solely from the general assets of the Bank. No Participant shall be required or permitted to make any contribution to the Plan.

4.2 TRUST FUND. The Bank may establish a trust from which part or all of the benefits under the Plan are to be paid. If a trust is established, all of the principal and income of such trust shall remain subject to the claims of the Bank's creditors until applied to the payment of benefits.

4.3 PARTICIPANT'S RIGHT TO FUNDS. This Plan constitutes a mere promise by the Bank to make benefit payments in the future. Beneficial ownership of any assets, whether cash or investments, that the Bank may earmark or place in trust to pay the Participants' benefits under this Plan shall at all times remain in the Bank, and no Participant or beneficiary shall have any property interest in any specific assets of the Bank. To the extent a Participant or any other person acquires a right to receive payments from the Bank under this Plan, such right shall be no greater than the right of any unsecured general creditor of the Bank.

ARTICLE 5 ADMINISTRATION

5.1 ADMINISTRATOR. The Board of Directors of the Bank shall be the Administrator of the Plan. The Board may delegate any of its administrative functions to another person, subject to revocation of such delegation at any time.

5.2 DISCRETION. The Administrator shall have the discretionary power and authority to determine the individuals who shall become Participants in the Plan. The Administrator shall also have the discretionary power and authority, which it shall exercise in good faith, to determine whether a Participant is entitled to a benefit under the Plan, the identity of a Participant's beneficiary, and the amount and form of the benefit payable to any Participant or beneficiary. The Administrator shall have the discretion and authority to interpret the Plan and to make such rules and regulations as it deems necessary for the administration of the Plan and to carry out its purposes. The determinations of the Administrator shall be conclusive and binding on all persons.

5.3 DETERMINATION OF BENEFIT. The Administrator's good faith determination of the benefits to which a Participant, surviving spouse, or beneficiary is entitled under this Plan shall be conclusive and binding on all persons; provided, however, that this provision shall not preclude the Administrator's correcting any error the Administrator determines to have been made in the computation of any benefit. The Administrator shall be entitled to recover from any Participant or beneficiary, or from his estate, the amount of any overpayment of benefits and may reduce the amount of future benefits payable to any Participant or beneficiary by the amount of any overpayment made with respect to the Participant.

5.4 BENEFIT CLAIM PROCEDURE. Within a reasonable period of time following a Participant's termination of employment, the Administrator will inform the Participant or the beneficiary of a deceased Participant of the amount of benefits, if any, payable from the Plan. Not later than 30 days after receipt of such notification, the Participant or beneficiary may file with the Administrator a written claim objecting to the amount of benefits payable under the Plan. The Administrator, not later than 90 days after receipt of such claim, will render a written decision to the claimant on the claim. If the claim is denied, in whole or in part, such decision will include the reason or reasons for the denial, a reference to the Plan provision that is the basis for the denial, a description of additional material or information, if any, necessary for the claimant to perfect the claim, an explanation as to why such information or material is necessary and an explanation of the Plan's claim procedure. The claimant may file with the Administrator, not later than 60 days after receiving the Administrator's written decision, a written notice of request for review of the decision, and the claimant or the claimant's representative may review Plan documents which relate to the claim and may submit written comments to the Administrator. Not later than 60 days after receipt of such review request, the Administrator will render a written decision on the claim, which decision will include the specific reasons for the decision, including a reference to the Plan's specific provisions where appropriate. The foregoing 90- and 60-day periods during which the Administrator must respond to the claimant may be extended by up to an additional 90 or 60 days, respectively, if special circumstances beyond the Administrator's control so require.

5.5 INDEMNIFICATION. The Bank shall indemnify the Administrator and each other person to whom administrative functions are delegated against any and all liabilities that may arise out of their administration of the Plan, except those that are imposed on account of such person's willful misconduct.

5.6 LIMITATION OF AUTHORITY. No person performing any administrative functions with respect to the Plan shall exercise, or participate in the exercise of, any discretion with respect to his own benefit under the Plan. This provision shall not preclude such person from exercising discretionary authority with respect to the generally applicable provisions of the Plan, even though such person's benefit may be affected by such exercise.

ARTICLE 6 MISCELLANEOUS

6.1 ACTUARIAL EQUIVALENCY. Whenever an actuarial equivalent must be determined under this Plan, it shall be determined in the same manner, and with the same interest and mortality factors, as such equivalent would be determined under the provisions of the Pension Plan in effect at the time such determination is made, or, if the Pension Plan is not in effect on such date, using reasonable actuarial factors elected by the Administrator in a manner consistent with the Pension Plan provisions in effect on the Plan effective date.

6.2 TERMINATION OF EMPLOYMENT. A Participant shall be deemed to have terminated employment for purposes of this Plan when he or she has ceased to provide service to the Bank as an employee.

6.3 EFFECTIVE DATE. This Plan is effective as of December 29, 2003.

6.4 NO EMPLOYMENT RIGHTS. Nothing contained in this Plan shall be construed as conferring upon any employee the right to continue in the employ of the Bank.

6.5 NO COMPENSATION GUARANTEES. Nothing contained in this Plan shall be construed as conferring upon any employee the right to receive any specific level of compensation; nor shall the Bank be prevented in any way from modifying the manner or form in which the employee is to be compensated.

6.6 EFFECT ON BENEFIT PLANS. Neither benefits accrued by a Participant under this Plan nor amounts paid pursuant to the Plan following the Participant's termination of employment shall be deemed to be salary or other compensation to the Participant for the purpose of computing benefits to which he or she may be entitled under any pension plan or other employee benefit plan or arrangement sponsored by the Bank, except to the extent such other plan expressly provides otherwise.

6.7 RIGHTS AND BENEFITS NOT ASSIGNABLE. The rights and benefits of a Participant and any other person or persons to whom payments may be made pursuant to this Plan are personal and, except for payments made to the representative of a person's estate which may be assigned to the persons entitled to such estate, shall not be subject to any voluntary or involuntary anticipation, alienation, sale, assignment, pledge, transfer, encumbrance, attachment, garnishment by creditors of the Participant or such person or other disposition.

6.8 AMENDMENT AND TERMINATION.

A. The Board of Directors of the Bank may amend this Plan in such manner as it deems advisable, provided that no amendment shall reduce the accrued benefit of any Participant, determined as of the date of the adoption of such amendment.

B. The Bank may terminate this Plan at any time. No person shall accrue any additional benefits under the Plan following the date of its termination. However, the termination of the Plan shall not affect a Participant's right to receive payment of his accrued benefit (determined as of the date of the Plan's termination) upon termination of employment; provided the Participant would have been entitled to a benefit upon termination of employment if the Plan had not been terminated.

C. For purposes of this Section 6.8, a Participant's accrued benefit shall mean 10% of the benefit the Participant would be entitled to receive at age 65 (assuming his continued employment to such date) for each Year of Service after the effective date of this Plan. Such benefit shall be determined by projecting the Participant's Final Average Earnings to age 65.

6.9 GOVERNING LAW. Except to the extent preempted by federal law, this Plan shall be construed in accordance with, and governed by, the laws of the State of New York without regard to rules relating to choice of law.

6.10 ENTIRE AGREEMENT. This Plan constitutes the entire understand between the Bank and each Participant as to the subject matter hereof. No rights are granted to a Participant by virtue of this Agreement other than those specifically set forth herein.

APPENDIX A

James Tilley
William R. Glass
Robert Miller, Jr.

**EVANS NATIONAL BANK
DEFERRED COMPENSATION PLAN FOR OFFICERS AND DIRECTORS**

**ARTICLE I
PURPOSE**

The purpose of the Evans National Bank Deferred Compensation Plan for Officers and Directors (hereinafter referred to as the "Plan") is to provide funds at termination of service for Officers and Directors (and their beneficiaries). It is intended that the Plan will aid in retaining and attracting Officers and Directors of exceptional ability.

**ARTICLE II
DEFINITIONS**

For the purpose of this Plan, the following words and phrases shall have the meanings indicated, unless the context clearly indicates otherwise:

"Affiliate" means Evans Bancorp, Inc. and any wholly owned subsidiary of Evans Bancorp, Inc. (other than the Bank) or the Bank.

"Bank" means Evans National Bank, Angola, New York.

"Beneficiary" means the person, persons or entity designated by the Participant, or as provided in Article VII, to receive any benefits payable under the Plan.

"Board" means the Board of Directors of the Bank.

"Compensation" means, in the case of an Officer, base cash compensation only, and, in the case of a Director, cash retainers and meeting fees.

"Declared Rate" means, with respect to any Plan Year, one (1) percentage point over the prime rate as published in the Wall Street Journal. The Board shall establish the Declared Rate effective as of January 1 of each Plan Year, except that the rate shall be determined as of the Plan effective date for the first Plan Year. Such Declared Rate, once established, shall be used for all interest determinations during such Plan Year. The formula used to establish the Declared Rate may be amended by a resolution of the Board on a prospective basis.

"Deferral Benefit" means the benefit payable to a Participant or his Beneficiary on his death or termination of service as an Officer or Director.

"Deferred Benefit Account" means the account maintained on the books of the Bank for each Participant pursuant to Article V. A Participant's Deferred Benefit Account shall be utilized solely as a device for the measurement and determination of the amounts to be paid to the Participant pursuant to this Plan. A Participant's Deferred Benefit Account shall not constitute or be treated as a trust fund of any kind.

"Designation of Form for Payment" means the agreement filed by a Participant designating the manner in which the Participant's Deferred Benefit Account balance shall be paid to the Participant or his beneficiary.

"Determination Date" means the date on which the amount of a Participant's Deferred Benefit Account is determined as provided in Article V hereof. Unless otherwise determined by the Board, the last day of each Plan Year shall be the Determination Date.

"Director" means an active member of the Board of Directors of the Bank or an Affiliate.

"Officer" means an officer of the Bank or an Affiliate.

"Participant" means an Officer or Director who is designated as a Participant in Appendix A to the Plan.

"Participation Agreement" means the agreement filed by a Participant prior to the beginning of the first period for which the Participant's Compensation is to be deferred pursuant to the Plan and the Participation Agreement.

"Plan Year" means a twelve month period commencing January 1st and ending the following December 31st. The first Plan Year shall commence April 1, 2003 and end December 31, 2003.

ARTICLE III PARTICIPATION

3.1 PARTICIPATION. Participation in the Plan shall be limited to Officers and Directors who are designated as Participants on Appendix A as the same may be amended from time to time. Each designated Participant must file a Participation Agreement to commence participation in the Plan. A Participant's Participation Agreement must be filed prior to the December 15th immediately preceding the Plan Year in which the Participant's participation under the agreement will commence, and the election to participate shall be effective on the first day of the Plan Year following receipt by the Bank of a properly completed and executed Participation Agreement (including the Designation of Form of Payment). In the event that an individual first becomes eligible to participate during the course of a Plan Year or in connection with the first Plan Year, a Participation Agreement must be filed no later than 30 days following notification of the individual by the Board of eligibility to participate or the Plan effective date, and such Participation Agreement shall be effective only with regard to Compensation earned or payable following the filing of the Participation Agreement with the Board.

10.10 AMOUNT OF DEFERRAL. A Participant may elect in any Participation Agreement to defer all, or any percentage (in increments of one (1%) percent), of his Compensation. A Participant's election to defer his Compensation shall be irrevocable for the applicable Plan Year upon the filing of the respective Participation Agreement.

ARTICLE IV DEFERRED COMPENSATION

4.1 ELECTIVE DEFERRED COMPENSATION. The amount of Compensation that a Participant elects to defer under this Plan shall be credited by the Bank to the Participant's Deferred Benefit Account as the Participant's Compensation is payable.

10.10 VESTING OF DEFERRED BENEFIT ACCOUNT. A Participant shall be 100% vested in his Deferred Benefit Account at all times.

ARTICLE V DEFERRED BENEFIT ACCOUNT

5.1 DETERMINATION OF ACCOUNT. Each Participant's Deferred Benefit Account as of each Determination Date shall consist of the balance of the Participant's Deferred Benefit Account as of the immediately preceding Determination Date plus the Participant's elective deferred Compensation withheld since the immediately preceding Determination Date pursuant to Section 4.1. The Deferred Benefit Account of each Participant shall be reduced by the amount of all distributions, if any, made from such Deferred Benefit Account since the preceding Determination Date.

10.10 CREDITING OF ACCOUNT. As of each Determination Date, the Participant's Deferred Benefit Account shall be increased by the amount of interest earned since the preceding Determination Date. Interest shall be based upon the applicable Declared Rate. Interest shall be based upon the average daily balance of the Participant's Deferred Benefit Account since the last preceding Determination Date, but after the Deferred Benefit Account has been adjusted for any contributions or distributions to be credited or deducted for such day.

ARTICLE VI BENEFITS

6.1 TERMINATION OF SERVICE AS AN OFFICER OR DIRECTOR. Upon any termination of service of the Participant, the Bank shall pay to the Participant a Deferral Benefit equal to the amount of his Deferred Benefit Account. Notwithstanding anything herein to the contrary, a Participant who is both an Officer and a Director may elect in his Participation Agreement to commence benefits payments upon his termination of service upon the later to occur of his termination of service as an Officer or Director.

10.10 FORM OF BENEFIT PAYMENT.

(a) Upon the occurrence of an event described in Section 6.1, the Bank shall pay the Participant's Deferred Benefit Account in the form of (i) a lump sum or (ii) in the case of a Participant who terminates service after attaining age 62 (in the case of a Participant who is an Officer) or after completing 10 years of service (in the case of a Participant who is a Director) an annual payment of a fixed amount which shall amortize the Deferred Benefit Account balance in equal installments of principal and interest over a period of five (5), ten

(10) or fifteen (15) years as designated by the Participant on his or her Designation of Form for Payment. For purposes of determining the amount of the annual payment, the rate of interest shall be the average of the Declared Rate credited to the Participant's Deferred Benefit Account for the three (3) years preceding the initial payment (or such lesser number of years in which the Participant participated in the Plan). A Participant who elects an installment payment option under (ii) above but fails to satisfy the applicable age or service requirements as of his termination date shall receive a lump sum distribution of his Deferred Benefit Account.

(b) A Participant who is actively serving as an Officer or Director may change the form in which his benefits shall be paid by filing a revised Designation of Form for Payment indicating such change at least one (1) calendar year prior to the date payments are to commence. Such Designation of Form for Payment shall be irrevocable beginning one (1) calendar year prior to the date payments are to commence. No changes in the form of benefit payment shall be permitted following a Participant's termination of service.

6.3 COMMENCEMENT OF PAYMENTS.

(a) Payments due under Section 6.1 shall commence not later than sixty (60) days following the date the Participant terminates service as an Officer or Director and continue in accordance with the Participant's election under Section 6.2.

(b) All installment payments made pursuant to this Section 6.3 shall be payable annually beginning with a single payment on the date specified in Section 6.3(a) and continuing each anniversary of such date until fully paid in accordance with the Participant's election.

10.10 HARDSHIP DISTRIBUTIONS. A Participant may file a request with the Board for the payment of a hardship distribution of all or any portion of his Deferred Benefit Account at any time prior to the Participant's termination of service. The payment of a hardship distribution shall be based upon the Board's determination, in its sole discretion, that the Participant has experienced an unforeseeable financial emergency which is caused by an event beyond the Participant's control that would result in serious financial hardship to the Participant. A Participant's future deferrals under any Participation Agreement then in effect shall be suspended as of the date of a hardship distribution to the Participant.

ARTICLE VII BENEFICIARY DESIGNATION

7.1 BENEFICIARY DESIGNATION. Each Participant shall have the right, at any time, to designate any person or persons as his Beneficiary or Beneficiaries (both principal as well as contingent) to whom payment under this Plan shall be paid in the event of his death prior to complete distribution of the benefits due to the Participant under the Plan. Any Participant Beneficiary designation shall be made in a written instrument filed with the Board and shall be effective only when received in writing by the Board.

7.2 AMENDMENTS. Any Beneficiary designation may be changed by a Participant by the written filing of such change on a form prescribed by the Board. The filing of a new Beneficiary designation form will cancel all Beneficiary designations previously filed.

7.3 NO PARTICIPANT DESIGNATION. If a Participant fails to designate a Beneficiary as provided above, or if all designated Beneficiaries predecease the Participant, then Participant's designated Beneficiary shall be deemed to be the person or persons surviving him in the first of the following classes in which there is a survivor, share and share alike:

- (a) The surviving spouse;
- (b) The Participant's children, except that if any of the children predecease the Participant but leave issue surviving, then such issue shall take per stirpes;
- (c) The Participant's Estate.

10.10 EFFECT OF PAYMENT. The payment to the deemed Beneficiary shall completely discharge Bank's obligations under this Plan.

ARTICLE VIII ADMINISTRATION AND CLAIM

8.1 ADMINISTRATION.

The administration of the Plan, the exclusive power to interpret it, and the responsibility for carrying out its provisions are vested in the Board, which may, at any time by resolution of the Board, delegate such functions to a committee of the Board. The Board shall have the authority to resolve any question under the Plan. The determination of the Board as to the interpretation of the Plan or any disputed question shall be conclusive and final to the extent permitted by applicable law.

8.2 CLAIMS PROCEDURES.

10. Claims for benefits under the Plan shall be submitted in writing to the Chairman of the Board or the Chairman of the committee designated by the Board to administer the Plan.

(b) If any claim for benefits is wholly or partially denied, the claimant shall be given written notice within a reasonable period following the date on which the claim is filed, which notice shall set forth:

(i) the specific reason or reasons for the denial;

10. specific reference to pertinent Plan provisions on which the denial is based;

(iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and

10. an explanation of the Plan's claim review procedure.

If the claim has not been granted and written notice of the denial of the claim is not furnished in a timely manner following the date on which the claim is filed, the claim shall be deemed denied for the purpose of proceeding to the claim review procedure.

(iv) The claimant or his authorized representative shall have 30 days after receipt of written notification of denial of a claim to request a review of the denial by making written request to the Chairman of the Board, and may review pertinent documents and submit issues and comments in writing within such 30-day period.

After receipt of the request for review, the Board shall, in a timely manner, render and furnish to the claimant a written decision, which shall include specific reasons for the decision and shall make specific references to pertinent Plan provisions on which it is based. Such decision by the Board shall not be subject to further review. If a decision on review is not furnished to a claimant, the claim shall be deemed to have been denied on review.

(v) No claimant shall institute any action or proceeding in any state or federal court of law or equity or before any administrative tribunal or arbitrator for a claim for benefits under the Plan until the claimant has first exhausted the provisions set forth in this section.

ARTICLE IX AMENDMENT AND TERMINATION OF PLAN

9.1 AMENDMENT. The Board may at any time amend the Plan in whole or in part; provided, however, that no amendment shall be effective to decrease or restrict any Deferred Benefit Account maintained pursuant to any existing deferral election under the Plan. Any change in the Declared Rate shall be prospective only and shall not become effective until the first day of the calendar year which follows the adoption of the amendment.

10.10 TERMINATION OF PLAN. Subject to the vested rights of Participants, the Board may at any time terminate the Plan if, in its judgment, the tax, accounting, or other effects of the continuance of the Plan, or potential payments thereunder, would not be in the best interests of the Bank.

ARTICLE X MISCELLANEOUS

10.1 UNSECURED GENERAL CREDITOR. Participants and their Beneficiaries, heirs, successors and assigns shall have no secured interest or claim in any property or assets of the Bank, nor shall they be beneficiaries of, or have any rights, claims or interests in any life insurance policies, annuity contracts or the proceeds therefrom owned or which may be acquired by the Bank ("Policies"). Such Policies or other assets of the Bank shall not be held under any trust for the benefit of Participants, their Beneficiaries, heirs, successors or assigns, or held in any way as collateral security for the fulfilling of the obligations of Bank under this Plan. Any and all of the Bank's assets and Policies shall be, and remain, the general, unpledged, unrestricted assets of the Bank. The Bank's obligation under the Plan shall be merely that of an unfunded and unsecured promise of the Bank to pay money in the future. The Bank shall have no obligation under this Plan with respect to individuals other than the Bank's employees, Directors or consultants.

10.2 NON-ASSIGNABILITY. Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

10.3 NOT A CONTRACT OF EMPLOYMENT. The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between the Bank and the Participant, and the Participant (or his Beneficiary) shall have no rights against the Bank except as may otherwise be specifically provided herein. Moreover, nothing in this Plan shall be deemed to give a Participant the right to be retained in the service of the Bank or to interfere with the right of the Bank to discipline or discharge him at any time.

10.4 TERMS. Whenever any words are used herein in the masculine, they shall be construed as though they were used in the feminine in all cases where they would so apply; and wherever any words are used herein in the singular or in the plural, they shall be construed as though they were used in the plural or the singular, as the case may be, in all cases where they would so apply.

10.5 CAPTIONS. The captions of the articles, sections and paragraphs of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.

10.6 GOVERNING LAW. The provisions of this Plan shall be construed and interpreted according to the laws of the State of New York.

10.7 VALIDITY. In case any provision of this Plan shall be held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal and invalid provision had never been inserted herein.

10.8 NOTICE. Any notice or filing required or permitted to be given to the Board under the Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to any member of the Board, the President of the Bank or the Bank's Statutory Agent. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail as of three (3) days following the date shown on the postmark or on the receipt for registration or certification.

10.9 SUCCESSORS. The provisions of this Plan shall bind and inure to the benefit of the Bank and its successors and assigns. The term successors as used herein shall include any corporate or other business entity which shall, whether by merger, consolidation, purchase or otherwise, acquire all or substantially all of the business and assets of the Bank and successors of any such corporation or other business entity.

10.10 EFFECTIVE DATE. The effective date of this Plan is April 1, 2003.

10.11 SPECIAL CHANGE IN CONTROL RULES. Upon the occurrence of a "Change in Control" of Evans Bancorp, Inc. (as such term if defined in the Bank's Executive Incentive Retirement Plan), this Plan may not be amended or terminated in any respect except with the express written consent of all participants or other persons eligible to receive benefits hereunder. Not later than ten (10) days following the effective date of a Change in Control, to the extent that benefits payable under the Plan are not fully paid at the effective date of the Change in Control, the Bank, or its successor entity, shall establish a grantor trust and contribute to such trust the amount necessary in cash or cash equivalents to fund all benefits accrued as of such date. The trust shall contain provisions setting forth a schedule of payments to be made by the trustee based on participant elections and the trustee shall not be authorized to alter such schedule unless the Bank is determined to be insolvent. The existence of the trust or any shortfall in the assets of the trust shall not relieve the Bank of the obligation to make payments otherwise due participants in this Plan as they are due.

APPENDIX A

DIRECTOR PARTICIPANTS

Robert W. Allen
William F. Barrett
James Biddle, Jr.
Phillip Brothman
Laverne G. Hall
David M. Taylor
John O'Brien
Nancy Ware
Thomas H. Waring, Jr.

OFFICER PARTICIPANTS

Katherine M. Allen
Louis Atti
George L. Catalano
John B. Connerton
Mark DeBacker
William R. Glass
Frederick E. Gould
Emily S. Hazlett
Susan J. Herold
Timothy F. Jachlewski
Howard M. Martin, Jr.
Robert G. Miller, Jr.
Ronald E. Miller
Michael R. Noville
Michael C. Schafer
Mary Jo Shults
James Tilley
Jeffrey M. Werdein
Jeffery L. White

Exhibit 23.1

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
Evans Bancorp, Inc.:

We consent to the incorporation by reference in the Registration Statements (no. 333-106655) on Form S-8 and (no. 333-34347) on Form S-3D of Evans Bancorp, Inc. of our report dated January 23, 2004, with respect to the consolidated balance sheet of Evans Bancorp, Inc. and subsidiary as of December 31, 2003, and the related consolidated statements of income, stockholders' equity and cash flows for the year then ended, which report appears in the December 31, 2003 annual report on Form 10-K of Evans Bancorp, Inc.

/s/ KPMG LLP

*March 18, 2004
Buffalo, New York*

Exhibit 23.2

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 333-106655 of Evans Bancorp, Inc. on Form S-8 and Registration Statement No. 333-34347 of Evans Bancorp, Inc on Form S-3 of our report (which expresses an unqualified opinion and contains an explanatory paragraph related to the adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets"), dated January 28, 2003 on the consolidated balance sheet of Evans Bancorp, Inc. as of December 31, 2002 and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the years then ended, appearing in this Annual Report on Form 10-K of Evans Bancorp, Inc. for the year ended December 31, 2003.

/s/ DELOITTE & TOUCHE, LLP

*Pittsburgh, Pennsylvania
March 18, 2004*

CERTIFICATION

I, James Tilley, certify that:

1. I have reviewed this report on Form 10-K of Evans Bancorp, Inc.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(c) and 15d-15(e) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 18, 2004

/s/ James Tilley

James Tilley
President, Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Mark DeBacker, certify that:

1. I have reviewed this report on Form 10-K of Evans Bancorp, Inc.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d- 15(e) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 18, 2004

/s/Mark DeBacker

Mark DeBacker

Treasurer

(Principal Financial Officer)

Exhibit 32.1

**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 and President 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, that, to my knowledge: (1) the Annual Report of the Company on Form 10-K for the fiscal year ended December 31, 2003 fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and (2) the information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company. 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 18, 2004

By: /s/James Tilley

Name: James Tilley

*Title: President and Chief Executive Officer
(Principal Executive Officer)*

**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 Principal Financial Officer and Treasurer 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, that, to my knowledge: (1) the Annual Report of the Company on Form 10-K for the fiscal year ended December 31, 2003 fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and (2) the information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company. 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 18, 2004

By: /s/Mark DeBacker

Name: Mark DeBacker

Title: Treasurer

(Principal Financial Officer)