

# HEADED IN THE RIGHT DIRECTION

2015 ANNUAL REPORT



## Houk Lofts

320 GROTE STREET

Housed in the former Houk Wire Works Co., which produced wire wheels for the Pierce Arrow Co., this long vacant building has been transformed into 22 market rate apartments and unique retail space.



## Varsity Theatre

3163 BAILEY AVENUE

This restored facility has become a multi-functional space, perfect for concerts, festivals, business gatherings and weddings—and once again is a crown jewel of the Buffalo East Side.



## Sweet\_ness 7 Café

220 GRANT STREET

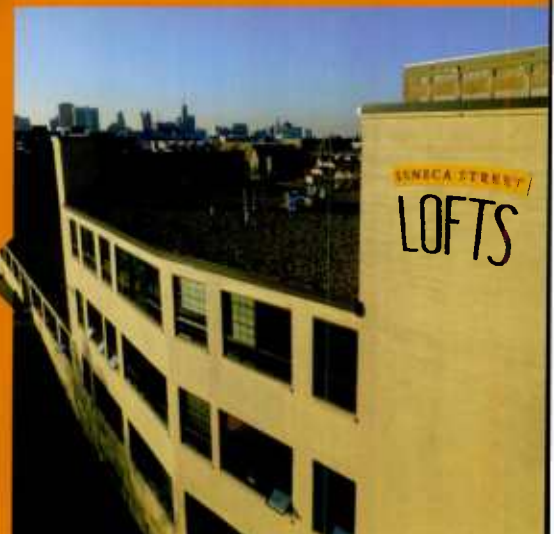
As diverse as it is eclectic, this multi-use destination features an old-world coffee house, an art gallery, a flower and gift shop, an urban boutique, and several artist apartments.



## Seneca Street Lofts

550 SENECA STREET

The Seneca Street Lofts, completed in 2015, represents the largest residential development in the Larkin District. The 41 luxury apartments feature the finest in city living and include one- and two-bedroom units with indoor parking.



BANKING | INSURANCE | INVESTMENTS



**EVANS**  
BANCORP INC.

## Company Information

Evans Bancorp, Inc. is a financial holding company and the parent company of Evans Bank, N.A., a commercial bank with \$939 million in assets and \$803 million in deposits at December 31, 2015. Evans is a full-service community bank with 13 branches, providing comprehensive financial services to consumer, business, and municipal customers throughout Western New York. Evans Bancorp's wholly-owned insurance subsidiary, The Evans Agency, LLC, provides property and casualty insurance through seven offices in the Western New York region. Evans Investment Services provides non-deposit investment products such as annuities and mutual funds. Evans Bancorp and Evans Bank routinely post news and other important information on their websites at [www.evansbancorp.com](http://www.evansbancorp.com) and [www.evansbank.com](http://www.evansbank.com).

### NET INCOME (\$ in thousands)



### General Shareholder Information

As of February 8, 2016, there were 4,257,182 total common shares outstanding, and 1,253 shareholders of record. The Company's officers and directors beneficially own approximately 7.5 percent of total shares. Institutional Investors own approximately 43.7 percent of total shares.

### AVERAGE RETURN ON STOCKHOLDERS' EQUITY



### Annual Meeting

Thursday, April 28, 2016  
at 9:00 a.m.

Michael's Banquet Facility  
4885 Southwestern Blvd.  
Hamburg, NY 14075

### DILUTED EARNINGS PER SHARE



### CASH DIVIDENDS PAID



\*Includes accelerated April 2013 dividend paid Dec. 31, 2012.

\*\*Excludes historical April dividend paid in prior year.

**SELECTED FINANCIAL DATA**  
(Dollars in thousands, except per share data)

	As of and for the year ended December 31				
	2015	2014	2013	2012	2011
<b>Balance Sheet Data</b>					
Assets	\$ 939,107	\$ 846,809	\$ 833,498	\$ 809,676	\$ 740,902
Interest-earning assets	873,450	785,302	767,629	750,287	682,140
Investment securities	98,758	97,132	102,049	95,807	103,783
Loans and leases, net	761,101	683,131	635,493	573,163	571,910
Deposits	802,982	707,635	706,612	678,992	616,203
Borrowings	32,151	38,808	33,681	42,441	42,340
Stockholders' equity	91,256	85,788	80,712	74,828	68,988
<b>Income Statement Data</b>					
Net interest income	\$ 31,804	\$ 31,099	\$ 28,347	\$ 27,780	\$ 25,988
Non-interest income	13,720	10,273	12,161	12,823	12,432
Non-interest expense	32,698	31,252	29,380	28,792	27,241
Net income	7,843	8,187	7,857	8,132	6,112
<b>Per Share Data</b>					
Earnings per share - basic	\$ 1.85	\$ 1.96	\$ 1.88	\$ 1.96	\$ 1.49
Earnings per share - diluted	1.82	1.92	1.85	1.95	1.49
Cash dividends	0.72	0.65	0.26	0.68	0.40
Book value	21.44	20.41	19.18	17.94	16.72
<b>Performance Ratios</b>					
Return on average assets	0.87%	0.98%	0.96%	1.04%	0.86%
Return on average equity	8.82	9.84	10.06	11.20	9.17
Net interest margin	3.80	4.01	3.74	3.84	3.99
Efficiency ratio*	71.83	70.83	71.98	70.05	69.68
Dividend payout ratio	38.92	33.16	13.83	34.69	26.85
<b>Capital Ratios</b>					
Tier I capital to average assets	10.45%	10.84%	10.36%	9.69%	9.71%
Equity to assets	9.72	10.13	9.68	9.24	9.31
<b>Asset Quality Ratios</b>					
Total non-performing assets to total assets	1.71%	1.25%	1.65%	1.02%	2.05%
Total non-performing loans and leases to total loans and leases	2.07	1.52	2.12	1.41	2.60
Net charge-offs (recoveries) to average loans and leases	0.12	0.03	(0.04)	0.29	0.26
Allowance for loan and lease losses to total loans and leases	1.66	1.80	1.78	1.67	1.97

\*The calculation of the efficiency ratio excludes amortization of intangibles, goodwill impairment, and gains and losses on sales and calls of securities, for comparative purposes.

**QUARTERLY STOCK PRICES AND CASH DIVIDENDS PAID\***

	3/31/15	6/30/15	9/30/15	12/31/15		3/31/14	6/30/14	9/30/14	12/31/14
High	\$ 25.50	\$ 25.00	\$ 24.85	\$ 25.72	High	\$ 24.50	\$ 23.70	\$ 23.52	\$ 25.01
Low	\$ 23.58	\$ 23.75	\$ 22.75	\$ 24.02	Low	\$ 21.00	\$ 22.50	\$ 22.92	\$ 22.80
Close	\$ 24.80	\$ 24.25	\$ 24.80	\$ 25.72	Close	\$ 22.75	\$ 23.15	\$ 23.05	\$ 24.31
Cash Dividends per Share*	\$ -	\$ 0.36	\$ -	\$ 0.36	Cash Dividends per Share*	\$ -	\$ 0.31	\$ -	\$ 0.34

\*Cash dividends have historically been paid by Evans Bancorp, Inc. on a semi-annual basis. The amounts listed are stated in the quarter paid.



**DEAR VALUED SHAREHOLDERS, CUSTOMERS,  
EMPLOYEES, AND FRIENDS,**

2015 was a year of significant growth, particularly in our core businesses of deposit gathering and loan origination. Evans has taken an active role in the economic resurgence of the region and our performance closely mirrors the enthusiasm and strength of our market, as evidenced by the success of our business model. For the twelve months ending December 31, 2015, Evans realized net income of \$7.8 million, or \$1.82 per diluted share.

Continued emphasis and commitment to our community-based, customer-focused banking model has driven our success. We firmly believe our full-service, solutions-oriented and tailored approach, along with our Core Values, continues to differentiate Evans from other competitors and positions us to deliver consistent, profitable growth. Our sights set, Evans is headed in the right direction.

**"2015 was a year of significant growth,  
particularly in our core businesses of  
deposit gathering and loan origination."**

**HIGHLIGHTS FROM 2015**

- **Momentous Loan Growth** - Overall loan growth was strong, increasing \$78 million, or 11.4%, delivering a \$761 million portfolio at December 31, 2015. Credit quality remained excellent as charge-offs continued to be lower than industry standards.
- **Significant Deposit Gathering** - At year-end, deposits totaled \$803 million, an increase of \$95 million, or 13.5% over 2014. A new consumer money market account, as well as demand deposits, stimulated this growth and provided funding for our loan production.
- **New and Rebuilt Offices** - Eight months after a fire destroyed our Lancaster branch, a newly rebuilt financial center opened for business in August. The new location offers banking, insurance, and wealth management services, as well as a community room. Technological features include two cash recycler machines and an Interactive Teller Machine (ITM), which allows a remote teller to provide customers advanced technology with all of the services of a traditional person-to-person transaction, and expands servicing hours by nearly 75%.

- **American Banker Top 200 Bank** - In only its second year of recognition as one of *American Banker's* Top 200 Community Banks in the nation, Evans moved into the top half of the list, ranking 99th in 2015, up from 117th the prior year. Rankings are based on publicly traded banks and thrifts with less than \$2 billion in assets and a required minimum three year Return on Equity (ROE) of 8.76%. Evans achieved a 10.37% ROE for this period.

- **Talent Management and Organizational Development** - One of Evans' key competitive advantages in the marketplace is our engaged and talented workforce; and through our growth, we've been successful in consistently attracting top talent. During 2015, our executive leadership team was enhanced with the addition of a new Chief Credit Officer and the advancement of a longtime member of the Evans finance team to Chief Financial Officer. Experienced professionals were also added to Information Technology, Commercial Lending, Compliance, Credit, Finance, Insurance, Security, and Marketing.

- **Best Places to Work** - Evans was formally recognized as a Best Place to Work for the second consecutive year by *Business First of Buffalo*, cementing our goal to be a local employer of choice. In 2015, Evans was honored in the large company category among dozens of companies in the contiguous eight counties of Western New York.

- **Commitment to Community** - In support of our Core Values, the Evans Community Commitment Team assisted numerous local non-profit organizations with increased volunteer hours and financial support exceeding \$100,000. Of special note was the 2015 United Way campaign, which set records for participation and contributions. The founder of the Evans Community Commitment Team was honored as a 2015 Community Banking Hero at the annual *Banking New York* conference.

- **Community Reinvestment** - Evans participated in a consortium of bank fundraising to establish an Institutional Loan Fund (Buffalo Building Reuse Project) to help finance the reuse of vacant, underused, or delapidated buildings in downtown Buffalo's central business district, in partnership with various city agencies. Evans contributed \$1 million to this fund. Also, in collaboration with the City of Buffalo's Office of Strategic Planning, Evans created a new Housing Opportunity Fund to help promote and encourage home ownership in and around Buffalo's East Side. All of these efforts remain part of our ongoing commitment to the revitalization and strengthening of our community.

- **Stock Price Appreciation** - The price of Evans Bancorp, Inc. stock on December 31, 2015 was \$25.72, up 5.8% from \$24.31 on December 31, 2014. This increase far exceeded the SNL index, whose average was -0.3% in 2015.

- **Increased Dividend** - The Board of Directors declared a semi-annual cash dividend of \$0.36 per share on outstanding shares of common stock, a 6% increase from its previous \$0.34 per share dividend. The semi-annual dividend has been raised six times since 2011, from \$0.20 to \$0.36 per share, an 80% increase.

# "We plan to take advantage of the transformation in the market to accelerate the growth of our franchise by successfully winning new business."

• **Board of Directors** - In December, change came to the Evans Board of Directors with the retirement of longtime member, Kenneth C. Kirst. Ken contributed significantly to the growth and success of the Company during his 10 year tenure on the Board, serving as Chairman of the Executive Loan Committee and member of the Governance and Nominating Committees. Ken will be greatly missed.

## FINANCIAL PERFORMANCE

• **Net Interest Income grew \$0.7 million or 2.3% to \$31.8 million**, due primarily to strong growth in the Company's commercial loan portfolio and demand deposit balances. While only a modest increase from the previous year, revenues were muted by continued margin pressure experienced by the financial industry as a whole. The net interest margin was 3.80% in 2015, a decrease of 21 basis points from 4.01% in 2014, mainly due to decreasing yields on new and repriced loans.

• **Non-Interest Income** - Non-interest income increased by \$3.4 million to \$13.7 million, from \$10.3 million in 2014. This reflected a \$2.6 million loss on a tax credit investment that was recorded in 2014 and a \$0.7 million gain from an insurance settlement in 2015. While the majority of non-interest income growth was due to one-time events, this important revenue line remains a strategic focus in our planning.

• **Capital Management** - Evans consistently maintains regulatory capital ratios measurably above the federal well capitalized standard. Book value per share continued to grow and was \$21.44 at December 31, 2015, compared with \$20.41 at December 31, 2014. Tangible book value per share at December 31, 2015 was \$19.25, up 5.7% over the prior year.

## HEADED IN THE RIGHT DIRECTION

New opportunities are emerging to significantly expand our business and market share, based on institutional changes in the competitive financial services landscape in Western New York. We plan to take advantage of the transformation in the market to accelerate the growth of our franchise by successfully winning new business.

• **Market Disruptions and Acquisitions** - In July, KeyBank announced its plans to acquire First Niagara Financial Group, presenting a unique opportunity for Evans. We seek to expand our customer base by positioning ourselves as the only full-service financial institution 100% focused on Western New York. Consumers and businesses are expected to be disrupted by the sale and Evans will seek to provide comprehensive and cost-effective alternative solutions.

• **Digital Distribution Advancements** - In order to reach and serve a larger customer base while minimizing the expense of new physical facilities, our goal for 2016 is to enable online account opening for consumer deposit accounts, add mobile banking and check deposit capabilities for our business customers, advance our customer-facing technology, and move us closer to

allowing clients to bank wherever, whenever and however they would like. The installation of an additional interactive teller machine (ITM) will also occur in 2016.

• **Niagara County Addition** - In November 2015, Evans relocated its insurance office to the heart of the business and retail district of Lockport, NY, cementing our commitment to customers in Niagara County. In 2016, Evans plans to further enhance the office at 5688 South Transit Road with banking services. The introduction of a financial center to Lockport will broaden the counties served by Evans Bank in Western New York.

• **Long-Term Strategy Extension** - The Company successfully delivered on its three-year strategic plan from 2013 to 2015, with several positive outcomes. In 2016, Evans will launch Evans 2020, a new four-year strategic plan with the vision of becoming the financial institution of choice in all of our targeted markets. This new plan will strive to increase customer outreach capabilities and prioritize our investments toward transformational growth opportunities.

• **Core System Replacement** - In April 2016, we expect to complete the conversion of our Core Banking System to a new platform. A significant technological undertaking, the implementation of this high-tech initiative began in 2015 and, upon completion, will allow Evans to provide enhanced products and services, along with the increased sophistication necessary to create competitive advantages well into the future.

Evans is focused, determined, and passionate - strongly believing in our approach to community banking. Combined with business model investments and our outstanding people, the organization is well positioned to continue our rapid growth without losing sight of what has brought Evans the success it has enjoyed.

Responsiveness to customer and prospect needs, attracting new customers, and deepening relationships with existing customers will allow us to obtain a greater share of the market. We plan to compete strongly with larger financial institutions and take advantage of the disruption caused by the pending sale of First Niagara, while remaining keenly focused on serving Western New York.

I wish to thank our shareholders, customers, and employees for the continued commitment, trust, and confidence you have shown in Evans. We look to 2016 with tremendous excitement and optimism that the economic resurgence of this region will provide opportunities and momentum for us to capitalize on and generate meaningful results that deliver enhanced shareholder value.

Sincerely,



DAVID J. NASCA

President and Chief Executive Officer

"The organization is well positioned to continue our rapid growth without losing sight of what has brought Evans the success it has enjoyed."

# LOCAL ~~BANK~~ SOLD

Better or bigger — you choose.



WNY deserves a LOCAL bank.



Choose better, not bigger.

A Better Way.



The Evans Spring 2016 advertising campaign is taking aim at the disruption occurring in the marketplace, due to the pending merger of the second and third largest banks in Western New York. We intend to take advantage of the transformation in the region to accelerate the growth of our franchise by successfully winning business.

## A TRIBUTE TO KENNETH C. KIRST

Longtime member of the Evans Board of Directors, Kenneth C. Kirst, retired at the end of 2015 to spend more time with family. Mr. Kirst proudly served Evans Bancorp for a decade and contributed significantly to the growth and success of the Company. His expertise and leadership as chairman of the Executive Loan Committee will be greatly missed. The entire Evans family thanks Mr. Kirst and wishes him well in his retirement.



The Evans Lancaster financial center was rebuilt in 2015 and reopened for business in August.

## EVANS BANCORP, INC. AND EVANS BANK, N.A. BOARD OF DIRECTORS

**James E. Biddle, Jr.**

Audit Committee  
Corporate Governance Committee  
Executive Loan Committee  
—Chair  
Nominating Committee  
—Chair

**Marsha S. Henderson**

Corporate Governance Committee  
—Chair  
Executive Loan Committee  
Nominating Committee

**Robert G. Miller, Jr.**

Executive Vice President

**David J. Nasca**

President and  
Chief Executive Officer

**John R. O'Brien**

Chairman of the Board  
Audit Committee  
Corporate Governance Committee  
Executive Loan Committee  
Human Resource &  
Compensation Committee  
Nominating Committee

**David R. Pfalzgraf, Jr.**

Corporate Governance Committee  
Human Resource &  
Compensation Committee

**Michael J. Rogers**

Audit Committee  
—Chair  
Executive Loan Committee

**Nora B. Sullivan**

Corporate Governance Committee  
Human Resource &  
Compensation Committee

**Thomas H. Warin, Jr.**

Human Resource &  
Compensation Committee  
—Chair

**Lee C. Wortham**

Vice Chairman of the Board  
Audit Committee  
Human Resource &  
Compensation Committee  
Nominating Committee

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended: December 31, 2015  
 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: 001-35021

**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.)

One Grimsby Drive, Hamburg, New York

14075

(Address of principal executive offices)

(Zip Code)

(716) 926-2000

Registrant's telephone number (including area code)

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

Title of Each Class

Name of Each Exchange on Which Registered

Common Stock, Par Value \$.50 per share

NYSE MKT LLC

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

None

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes  No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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 checkmark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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 a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes  No

On June 30, 2015, the aggregate market value of the registrant's common stock held by non-affiliates was approximately \$67.6 million, based upon the closing sale price of a share of the registrant's common stock on the NYSE MKT LLC.

As of February 26, 2016, 4,261,126 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 2016 Annual Meeting of Shareholders, to be held on April 28, 2016, which will be subsequently filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this Report relates, are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated.



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