CORPORATE EXPENDITURES POLICY

I. Introduction

On June 15, 2009, the U.S. Department of Treasury (“Treasury”) announced an interim final rule (the “Interim Rule”) that includes standards for executive compensation and corporate governance practices for those entities receiving funding under the Treasury’s Troubled Asset Relief Program (“TARP”). The Interim Rule contains many new standards for TARP recipients, including that TARP recipients adopt a Corporate Expenditures Policy to prevent excessive or unnecessary luxury expenditures. As TARP participants, D.L. Evans Bancorp (the “Corporation”) and its wholly owned subsidiary, D.L. Evans Bank (the “Bank,” and together with the Corporation, the “Company”) are subject to the requirements of the Interim Rule.

II. Statement of Policy

This Corporate Expenditures Policy (the “Policy”) is designed to satisfy the requirements of the Interim Rule and shall govern expenditures by the Company and its officers, directors and employees. This policy affirms the Company’s obligation that any excessive or luxury expenditures (as defined below) must comply with the requirements of the Emergency Economic Stabilization Act of 2008 (“EESA”) and the Interim Rule, and sets forth procedures to ensure compliance.

Company funds may be spent only to fulfill corporate business purposes and only to the extent reasonably necessary or appropriate to achieve those purposes. Officers, directors and employees must expend corporate funds prudently. In addition, corporate funds should not be spent in a manner that is scandalous, extravagant or otherwise creates a substantial risk of damage to the Company’s reputation with customers or investors, or within the communities in which the Company conducts business.

All Directors, Officers and Employees of D.L. Evans Bancorp and its’ subsidiary, D.L. Evans Bank, are subject to the policy and will be held accountable for compliance with the Policy. Violations of this policy by any Director, Officer or Employee will result in disciplinary action up to and including termination.

III. Implementation of Policy

a. Scope

This Policy applies to all corporate expenditures by officers, directors and employees of the Company, and in particular to “excessive or luxury expenditures.” A corporate expenditure includes expenses paid directly by the Company and any expenditure by an officer, director or employee that is reimbursed by the Company. For the purposes of this Policy, “excessive or luxury expenditures” means excessive spending on any of the following:

(1) Entertainment or events;
(2) Office and facility renovations;
(3) Aviation or other transportation services; or  
(4) All other activities or events that are not customary expenditures for officer, director or staff development, training or education, or other similar measures conducted in the normal course of the Company’s business.

b. General Rules; Responsibility for Compliance

Prior to incurring expenses that would fall into any of the categories described in items (1) through (4) of subparagraph (a) above, a written request for prior approval of such expenditure (the “Proposed Expense”), including documentation of the business purpose for the Proposed Expense, shall be submitted to the Chief Financial Officer of the Bank, provided that any such expense in excess of $1,500.00 shall be approved by the Board of Directors.

Upon submission of the Proposed Expense, the Chief Financial Officer or the Board, as the case may be, shall make a determination as to whether the Proposed Expense constitutes an “excessive or luxury expenditure.”

• If the Proposed Expense is determined to be an “excessive or luxury expenditure” that is without a justifying corporate business purpose, then the request for approval shall be denied and the expense shall not be incurred.

• If the Proposed Expense is determined not to be an “excessive or luxury expenditure” and furthers the business of the Company, then the expense shall be approved (an “Approved Expense”).

All other corporate expenditures shall meet the general standards prescribed in Section II above. Any such expenditure that are not required to be approved in accordance with the terms of the Policy shall be approved and/or made in accordance with the Bank’s customary practice in regard to the nature and amount of such expense.

NOTE: D.L. Evans Bank has never been an “excessive or luxury expenditure” type of organization and the Bank never will use funds in an un-prudent manner. However, items that the Bank has used funds on in the past, that are not considered excessive or luxury, do and may include items such as: 1) Annual employee summer picnics and Christmas parties for each area, 2) Conservative quarterly manager or employee meetings, 3) Conservative customer development and appreciation events or gifts.

Restricted Expenditures

i. Office Projects – No office or facility construction, renovation, furnishing, or other similar project (“Office Project”) may include lavish or extraordinary furnishings, decorations, or construction materials that are inconsistent with the Company’s image as a conservative financial institution with stringent expense controls. No officer may approve any project that directly affects his or her own office. In such a case, the Board of Directors must approve the expenditure.
ii. **Aviation or other transportation services** – First class and business travel on commercial airlines is not allowed if there is an incremental cost to the organization and lower class seats are available. Upgrades to first class and business class travel are allowed when the traveler is a frequent flier with free upgrades at no incremental cost to the Company. Charters or leases of private aircraft are specifically prohibited without prior approval of the Board of Directors.

iii. **Other** – Any corporate expenditure for which there is no legitimate business purpose is specifically prohibited.

IV. **Documentation of Approvals**

Where prior approval of expenditure is required, the request shall be documented in a memo or other written communication to the approving officer or the Board of Directors. A copy of the approval or rejection shall be provided to the Chief Financial Officer or his or her designee, to be retained in the records of the Company.

The Chief Financial Officer shall prepare a report of the Approved Expenses and submit the same to the Board of Directors on a regular basis. For each Approved Expense, the report shall include the amount of such expense and a statement justifying this amount in light of the legitimate business purpose to be served.

If the Board of Directors waives any requirement of the Policy in a particular case, a record of that action shall be kept in the Board minutes.

V. **Compliance Certification**

The Chief Executive Officer or the Chief Financial Officer shall certify to the Board of Directors on an annual basis no later than 45 days following the end of the calendar year (1) that there were no “excessive or luxury expenditures” in violation of the Policy, except as approved by the Board of Directors, in accordance with the Policy, or if there were any violations of the Policy, a statement that the violation was reported to the Audit Committee of the Board; and (2) as to any other matter required by the Interim Rule at the time of certification.

A report of any violations of the Policy shall be provided to the Audit Committee of the Board on at least a quarterly basis.

VI. **Reports of Violations**

A violation of the Policy may constitute or indicate a misuse of corporate property. Any officer or employee who becomes aware of any such violation must report that violation promptly. Such report must be made either pursuant to the Company’s whistle blower policy or directly to the head of the Audit Committee of the Board.

VII. **Review of Policy**
The Company’s internal auditor will review compliance with the Policy as a part of the Company’s regular internal audit program. In addition, at least annually, sufficient time will be allocated during one of the regular meetings of the Board of Directors for a general review of this Policy’s requirements in light of the requirements of EESA and the Interim Rule as the same may be amended from time to time. If it is determined that the Policy needs to be revised because of amendments to EESA or to the regulations of Treasury or other relevant regulatory agencies, or because of changes to the policies of Treasury or other regulatory agencies having jurisdiction over the Company, the Board of Directors, after consulting with counsel, will make the necessary changes to the Policy.