

## **City National Bancshares Corporation Excessive and Luxury Expenditure Policy**

On February 17, 2009, the President of the United States signed into law the American Recovery and Reinvestment Act of 2009 ("ARRA"). ARRA requires any recipient of funds in the Troubled Assets Relief Program (the "TARP") Capital Purchase Program ("CPP") to, among other things, adopt a company-wide policy regarding "excessive" or "luxury" expenditures.

This Policy is required to be posted on a financial institution's website.

The United States Department of the Treasury is required to establish, presumably by regulation or guidance, what types of expenditures are considered "excessive" or "luxuries". As of the date of this Policy, such regulation or guidance has not been provided. As a result, City National Bancshares Corporation ("CNBC" or the "Corporation") is currently uncertain which types of expenditures must be addressed in this policy. Nevertheless, in an effort to comply with the spirit of ARRA, CNBC hereby adopts this Policy, which shall be amended as the requirements become clearer.

It is the Corporation's policy that directors and employees of the Corporation and any of its subsidiaries, utilize corporate assets in a prudent manner and as such are hereby precluded from engaging in excessive or luxury expenditures.

Excessive or luxury expenditures can occur in the following areas:

- entertainment,
- events,
- office and facility renovations,
- air and other travel, and
- other activities or events that are not reasonable expenditures for staff development, reasonable performance incentives or other similar measures conducted in the normal course of business.

All such expenditures shall be reasonable and appropriate under the circumstances. Any expenditure in the above categories that is unreasonably high under the circumstances shall be considered extravagant. No director or employee shall engage in extravagant spending. Any employee who engages in extravagant spending shall be subject to discipline up to and including termination.

Compliance with the Policy shall be monitored by the Chief Financial Officer.