

Excessive and Luxury Expenditure Policy

Introduction

This policy sets forth rules and prohibitions against excessive and luxury expenditures for City National Bancshares Corporation (the "Corporation" or "CNBC"), its wholly owned subsidiary City National Bank of New Jersey (the "Bank" or "CNB"), and all affiliated companies and required by the American Recovery and Reinvestment Act of 2009 ("ARRA").

This policy establishes the standards for the review, approval and limitations for expenses that may be deemed excessive or luxury expenditures by all employees of CNBC – a recipient of funds under the Troubled Assets Relief Program (the "TARP"), Capital Purchase Program ("CPP").

Objectives

The objectives of this policy are to: (a) identify the categories and types of expenditures which the Bank considered excessive or luxury; (b) identify the types of expenditures which require prior approval, the Officers with approval authority and their limits; (c) require that procedures are put in place to ensure that required approvals are received for the applicable categories and types of expenditures before the expenses are paid or reimbursed; (d) establish a method for internal reporting of policy violations and identify the appropriate person to receive reports of suspected violations and; (e) ensure accountability for adherence to TARP and CPP guidelines for the types of expenditures listed herein.

Definitions

Employees of CNBC and CNB shall include: Directors, Officers, full-time employees, part-time employees and contract employees.

Excessive and luxury expenditures shall include types of expenses in the following categories: (a) office and facility renovation; (b) entertainment and events; (c) aviation and other transportation and travel expenses; and (d) contributions and other event related expenses such as sponsorships. Expenses in these categories which are not in line with the approved budget, prior history, are of excessive cost, or are otherwise unreasonable will be defined as excessive and luxury expenditures.

Prior approval shall mean a written/email request submitted for a specific expenditure that is approved in writing/a return email from an authorized Officer prior to the commitment to incur the expense.

The CNB Accounts Payable and Purchasing Policy and the CNB Accounts Payable Procedures will be defined collectively as the A/P Policy and Procedures.

The Principal Executive Officer (PEO) shall mean the President and Chief Executive Officer (CEO).

The Principal Financial Officer (PFO) shall mean the Chief Financial Officer (CFO).

Prohibited Expenses and Expense Limits

All Bank expenditures are subject to the guidelines and limits set forth in the A/P Policy and Procedures. In addition, expenses in categories defined as excessive or luxuries expenditures are subject to additional restrictions, limitations and approval guidelines.

4.0 Office and Facility Renovations

Capital improvements including office and facility renovations as well as fixed asset purchases are included in the Bank's annual budget which is approved by the Board of Directors. Expenditures in this category will be made as authorized and in accordance with the A/P Policy and Procedures. This policy establishes that unbudgeted expenditures require prior approval in accordance with the Excessive and Luxury Expenditures Policy Table of Authority (the "TARP table of authority").

6.0 Entertainment and Events

Expenditures for entertainment and events will primarily be customer centered; expenses in this category which do not involve customers will be for employee events.

Entertainment and event expenses incurred to retain and attract customers are a necessary type of business expense and included as a part of marketing expense in Bank's annual budget. This policy establishes that unbudgeted expenses in this category require prior approval in accordance with the TARP table of authority. The payment or reimbursement of customer related entertainment and event expense must be supported by proper documentation, which should include the customer name(s), business purpose, vendors, venues and all receipts. Expenses of this type which do not serve a legitimate business purpose, or are not reasonable in nature and amount will not be approved. Note: Specific limits for customer entertainment are listed in the TARP table of authority.

The Bank holds employee events which are considered important and necessary tools to retain good employees and to show appreciation which maintains good morale. Employee events are included in CNB's annual budget. This policy establishes that unbudgeted expenses in this category require prior approval in accordance with the TARP table of authority.

8.0 Aviation, Other Transportation and Travel Expenses

CNB's target markets and the large majority of business activities are around the Bank's branch locations. As such normal monthly business travel is local and is approved as part of the annual budget.

The Bank incurs aviation and other transportation and travel expenses when employees attend conferences, meetings and other specific events. As such, domestic air travel is infrequent and international air travel is not required. This policy requires all employees to use reasonable care when procuring transportation for business related travel. The lowest available option for airfare and ground transportation should be used whenever possible. These expenditures will be pre-approved in accordance with the A/P Policy and Procedures.

The use of private jet air transportation and private limousine ground transportation are considered excessive and luxury expenditures and thereby prohibited by this policy except in the case of an emergency. The use of these types of transportation in an emergency must be approved by the PEO and reported to the Board of Directors for ratification. Policy violations of this nature will incur severe disciplinary action.

The Bank periodically sends employee to meeting, conferences and other industry events. The Bank considers representation at these events beneficial to its reputation in the industry and to the development of key employees. The conference attendees are required to procure lodging and meals consistent with the event. Prepayment of registration fees and the reimbursement of lodging and meals will be approved in accordance with the A/P Policy and Procedures. Employee attendance at an unbudgeted event requires prior approval in accordance with the TARP table of authority. This policy establishes that all expenses related to a spouse and/or family members accompany an attendee are the responsibility of the Employee.

The use of hotel penthouses or suites, stadium luxury suites or sky boxes and similar lavish accommodations are considered excessive and luxury expenditures and thereby prohibited by this policy. Policy violations of this nature will incur severe disciplinary action.

Contributions and Other Events

CNB's responsibilities as a Community Development Financial Institution include supporting credible community development initiatives. Contributions, donations and sponsorship expenses are included in the Bank's annual budget. Individual expenditures in this category are made in accordance with the A/P Policy and Procedures. Unbudgeted expenses in this category require prior approval in accordance with the TARP table of authority. The use of Bank monies to make contributions to alma maters, alumni associations, fraternal organizations, clubs and personal foundations are considered a misuse of funds by this policy and thereby prohibited.

Expenses Requiring Prior Approval

Unbudgeted expenses in the categories listed in this policy require prior approval in accordance with the TARP table of authority. Any type of expenditure which raises a doubt or could be construed as excessive, unreasonable or questionable in terms of cost requires prior approval by the PEO or PFO.

Authority Limits

This policy requires that expenditures in the categories and of the types listed herein be approved in accordance with the following table of authority. Customer entertainment expenses are subject to the additional limits presented below.

City National Bank TARP Excessive and Luxury Expenditures Policy Table Of Authority		
Approval Authority	Expense Category	Authority Limit
Board of Directors	All categories	Greater than \$30,000
PEO	All categories	Up to \$30,000
PFO	All categories	Up to \$15,000
PEO and PFO	6.0 Customer Entertainment Individual Customer Activity Group Customer Activity	Up to \$2,000 Up to \$10,000

Administration and Responsibilities

The PFO is responsible for ensuring compliance with the operating guidelines and regulatory components of this policy.

Accountability

The PFO will ensure that this policy is posted on the Bank's website and that all employees are aware of their responsibilities to comply with the requirements of the policy and to report suspected violations.

The PFO will provide to the Board with a report of any violations and disciplinary action taken in connection with this policy at its next regular monthly meeting following the violation.

Reporting Violations

The policy establishes that all employees are required to promptly report suspected violations to the Compliance Officer. This requirement includes self-reporting. The PFO will establish a procedure for all employees to report the details of suspected violations in a form that creates an audit trail. The Compliance Officer will notify the PFO of the potential violation and the results of any investigation. Any employee found to have violated this policy will be subject to the disciplinary procedures contained in the Bank's Employee Handbook, up to and including termination.

Neither uncertainty regarding an expenditure nor ignorance of the requirements and restrictions of this policy will be acceptable as a reason for committing a violation.

Policies and Procedures

The PFO will ensure that adequate procedures and controls are in place to carry out the requirements of this policy. The Accounting Department will establish procedures to ensure day-to-day compliance with this policy. Below are the Bank's related policies and procedures.

- Fixed Asset Policy
- Accounts Payable and Purchasing Policy
- Accounts Payable Procedure

Policy Amendments and Ratification

This policy will be revised and updated as needed by the Board of Directors of CNBC and CNB. The PFO is responsible for presenting changes required to the Board and obtaining all approvals required to keep this policy current and in effect. The Board will review and ratify this policy annually.