



Luxury Expenditures Policy

May 2010

**CENTRAL BANK
LUXURY EXPENDITURES POLICY
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While this Luxury Expenditures Policy would be adopted for the benefit of Central Bank ("Bank") and its shareholders anyway, it is designed to meet the requirements of Section 111(d) of the Emergency Economic Stabilization Act of 2008 and the implementing provisions of 31 CFR §30.12. Those legal provisions require recipients of funds under the Capital Purchase Program of the Troubled Assets Relief Program ("TARP") to have in place a company-wide policy with respect to excessive or luxury expenditures.

The Bank (through its parent Central Bancshares, Inc.) has been the beneficiary of TARP funds. Therefore, this policy is being adopted to comply with the cited applicable provisions of law.

In 31 CFR §30.1, the United States Secretary of the Treasury defines the areas of concern of excessive or luxury expenditures as follows:

I. EXCESSIVE OR LUXURY EXPENDITURES

The term excessive or luxury expenditures means excessive expenditures on any of the following to the extent such expenditures are not reasonable expenditures for staff development, reasonable performance incentives, or other similar reasonable measures conducted in the normal course of the TARP recipient's business operations.

1. Entertainment or events;
2. Office and facility renovation;
3. Aviation or other transportation services; and
4. Other similar items, activities, or events for which the TARP recipient may reasonably anticipate incurring expenses, or reimbursing an employee for incurring expenses.

It has always been and continues to be the policy of the Bank to prohibit excessive or luxury expenditures on entertainment and events, office and facility renovations, aviation or other transportation services, or other activities or events that are not reasonable expenditures for conferences, staff development, reasonable performance incentives, or other similar measures conducted in the normal course of business operations of the Bank. Specifically, the Bank's policy in each of the areas is as follows:

II. ENTERTAINMENT OR EVENTS

1. Entertainment is defined as an activity that a Bank employee or executive would use corporate funds for business development purposes relating to a current customer(s) or prospective customer(s) or to further enhance the Bank's marketing efforts. The expectation is that all expenses incurred by the Bank would be for Bank purposes and used to drive business to the Bank. Occasional events such as taking customers or prospects to play golf, eating dinner or another meal, taking them to other events the customer/prospect would enjoy and where business could be discussed is a necessary part of the Bank's marketing efforts and would not be deemed to be excessive expenditures for entertainment in violation of this policy. Each and every one of those expenditures should be documented and detailed as to the benefit derived by the Bank. Any planned expenditure for a single event or related events in excess of \$1,000 will require the prior approval of the Bank's CEO.
2. Events and parties hosted by the Bank focused on customers for the purpose of attracting their business would not fall under prohibited policy. Any such event or party costing more than \$10,000 would require the prior approval of the Bank's CEO. The expenses should be documented and detailed as to the benefit derived by the Bank.
3. Holiday parties are sometimes part of an employee appreciation process. Costs should be reasonable but not lavish. Any cost in excess of \$10,000 for a single event would require approval by the Board of Directors.

III. CONFERENCES

1. The Bank encourages our staff to attend conferences that are appropriate educational opportunities. These conferences should be related to the financial services industry and have a direct correlation to their job. At times it may be appropriate that a spouse would travel to those conferences with Bank attendees. Typically, these conferences are sponsored by vendors, banking associations, or other industry related entities. When appropriately documented, these types of expenses are permissible and not in violation of this policy.
2. Any proposed trip for proposed attendance at a conference by any executive or employee of the Bank would be inconsistent with this policy if the purpose is meant to be a reward or would have no value of education to the employee or the executive.

IV. AVIATION AND TRANSPORTATION SERVICES

1. Transportation for Bank staff to outlying locations, including Bank locations, conferences, business development purposes, or other purposes for the benefit of the Bank should be conducted in the most cost appropriate way for the Bank. The Bank does not want or intend to own any aircraft.
2. When traveling for business purposes, Bank executives and employees are expected to make an informed determination of which mode of transportation is the most appropriate for the Bank and its shareholders. Modes of transportation to be used for the analysis, for example, may consist of vehicle, commercial air service, and private air services. A determination of transportation analysis will factor in cost, efficiency, and timeliness of travel. All costs will be documented and detailed with respect to the benefit to the Bank at the time payment is made or reimbursement is sought.

V. OFFICE AND FACILITY RENOVATIONS

1. Bank facilities should always be appropriate and attractive for customers and benefit of the Bank. However, they should never give the appearance of being extraordinary or excessive or extravagant from a shareholder perspective. All renovations should meet these standards.
2. Budgets for facilities construction or renovations are approved by the Board of Directors. Any expenditure within the parameters of those approved budgets is deemed to be permissible. An exception can be allowed if management must deal with an emergency situation, such as an act of nature, and the expenditure is necessary to make the facility operational for customer use. The actual cost should always be reported and justified to the Board of Directors.

VI. EMPLOYEES COVERED AND REPORTING OF VIOLATIONS

1. This policy covers all employees of the Bank without regard to their position. There are no exceptions.
2. Violations of this policy should be reported to the Bank's compliance officer with as much factual detail as can be provided. While the compliance officer will accept anonymous notifications, employees are encouraged to identify themselves in connection with the notification so that the compliance officer can make any needed follow up inquiry. The report of violation to the compliance officer can be in writing, by e-mail, or by telephone. The compliance officer will investigate all reports of violations and advise the Bank's Chief Executive Officer of the results of that investigation so that proper corrective action can be taken. If the reported violation relates to the

Chief Executive Officer, the report from the compliance officer will be provided to the Chairman of the Board of Directors.

If the reporting employee does not know the identity of the Bank's compliance officer or if the reported policy violation relates to the compliance officer, the employee can report the violation to the Bank's Chief Executive Officer. The method of communication of the alleged violation would be the same as if it were being made to the compliance officer.