10-Q 1 y72664e10vq.htm FORM 10-Q

Table of Contents

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2008

☐ **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 0-11535

CITY NATIONAL BANCSHARES CORPORATION

(Exact name of registrant as specified in its charter)

New Jersey (State or other jurisdiction of incorporation or organization)	22-2434751 (I.R.S. Employer Identification No.)
900 Broad Street, Newark, New Jersey (Address of principal executive offices)	07102 (Zip Code)

Registrant's telephone number, including area code: (973) 624-0865

Securities Registered Pursuant to Section 12(b) of the Act: None

Securities Registered Pursuant to Section 12(g) of the Act:

Title of each class
Common stock, par value $10 per share

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 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 rep company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☑ Smaller reporting compar
(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 Exchange Act).
Yes ☐ No ☑

The aggregate market value of voting stock held by non-affiliates of the Registrant as of September 30, 2008 was approximately $5,580,000.

There were 131,474 shares of common stock outstanding at October 13, 2008.

Table of Contents

CITY NATIONAL BANCSHARES CORPORATION AND SUBSIDIARY

Consolidated Balance Sheets
(Unaudited)

Dollars in thousands, except per share data	September 30, 2008	December 31, 2007
Assets		
Cash and due from banks	$ 7,540	$ 22,819
Federal funds sold	6,040	22,000
Interest bearing deposits with banks	205	278
Investment securities available for sale	123,843	103,618
Investment securities held to maturity (Market value of $55,225 at September 30, 2008 and $54,005 at December 31,2007)	55,979	53,938
Loans held for sale	189	226
Loans	263,053	232,824
Less: Allowance for loan losses	3,350	3,000
Net loans	259,703	229,824
Premises and equipment	3,357	3,601
Accrued interest receivable	2,722	2,672
Bank-owned life insurance	5,297	4,928
Other assets	6,908	5,844
Total assets	$471,783	$449,748
Liabilities and Stockholders' Equity		
Deposits:		
Demand	$ 43,190	$ 34,543
Savings	152,932	200,996
Time	198,234	159,317
Total deposits	394,356	394,856
Accrued expenses and other liabilities	4,610	5,070
Short-term borrowings	1,150	1,150
Long-term debt	44,700	19,800
Total liabilities	444,816	420,876
Commitments and contingencies		
Stockholders' equity		
Preferred stock, no par value: Authorized 100,000 shares ;		
Series A , issued and outstanding 8 shares in 2008 and 2007	200	200
Series C , issued and outstanding 108 shares in 2008 and 2007	27	27
Series D , issued and outstanding 3,280 shares in 2008 and 2007	820	820
Preferred stock, no par value, perpetual noncumulative: Authorized 200 shares;		
Series E, issued and outstanding 49 shares in 2008 and 2007	2,450	2,450
Preferred stock, no par value, perpetual noncumulative: Authorized 7,000 shares;		
Series F, issued and outstanding 7,000 shares in 2008 and 2007	6,790	6,790
Common stock, par value $10: Authorized 400,000 shares; 134,530 shares issued in 2008 and 2007 131,524 shares outstanding in 2008 and 131,987 shares outstanding in 2007	1,345	1,345
Surplus	1,115	1,115
Retained earnings	17,201	16,922
Accumulated other comprehensive loss	(2,769)	(623)
Treasury stock, at cost - 3,006 and 2,543 common shares in 2008 and 2007, respectively	(212)	(174)

Total stockholders' equity	26,967	28,872
Total liabilities and stockholders' equity	$471,783	$449,748

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

CITY NATIONAL BANCSHARES CORPORATION AND SUBSIDIARY

Consolidated Statements of Income (Unaudited)

Dollars in thousands, except per share data	Three months ended September 30, 2008	Three months ended September 30, 2007	Nine months ended September 30, 2008	Nine months ended September 30, 2007
Interest income				
Interest and fees on loans	$ 4,229	$ 4,224	$ 12,615	$ 12,038
Interest on Federal funds sold and securities purchased under agreements to resell	9	429	183	982
Interest on deposits with banks	1	13	17	39
Interest and dividends on investment securities:				
Taxable	1,904	1,639	5,480	4,930
Tax-exempt	324	341	967	1,048
Total interest income	6,467	6,646	19,262	19,037
Interest expense				
Interest on deposits	2,418	3,421	7,368	9,599
Interest on short-term borrowings	44	4	59	16
Interest on long-term debt	400	305	1,097	1,016
Total interest expense	2,862	3,730	8,524	10,631
Net interest income	3,605	2,916	10,738	8,406
Provision for loan losses	189	10	622	306
Net interest income after provision for loan losses	3,416	2,906	10,116	8,100
Other operating income				
Service charges on deposit accounts	346	351	1,032	955
Agency fees on commercial loans	78	77	252	254
Other income	380	244	951	739
Net (losses) gains on sales of investment securities	(1,429)	10	(1,473)	10
Total other operating income	(625)	682	762	1,958
Other operating expenses				
Salaries and other employee benefits	1,369	1,560	4,657	4,460
Occupancy expense	344	326	969	893
Equipment expense	165	138	488	414
Data processing expense	57	67	190	232
Other expenses	926	858	2,838	2,376
Total other operating expenses	2,861	2,949	9,142	8,375
Income before income tax expense	(70)	639	1,736	1,683
Income tax expense	(120)	95	321	283
Net income	$ 50	$ 544	$ 1,415	$ 1,400
Net income per common share				
Basic	$ (0.75)	$ 2.99	$ 5.72	$ 5.88
Diluted	(0.75)	2.66	5.72	5.88
Basic average common shares outstanding	131,616	132,024	131,784	132,409

Diluted average common shares outstanding	131,616	148,341	131,784	132,409

See accompanying notes to unaudited consolidated financial statements.

[Table of Contents](#)

CITY NATIONAL BANCSHARES CORPORATION AND SUBSIDIARY

Consolidated Statements of Cash Flows (Unaudited)

Dollars in thousands	Nine Months Ended September 30, 2008	2007
Operating activities		
Net income	$ 1,415	$ 1,400
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	372	318
Provision for loan losses	622	306
Discount accretion on investment securities	(77)	(227)
Amortization of intangible assets	160	144
Net losses (gains) on securities transactions	44	(10)
Writedowns of investment securities	1,429	—
Net gains on sales of loans held for sale	(10)	(66)
Loans originated for sale	(501)	(3,086)
Proceeds from sales and principal payments from loans held for sale	548	3,499
(Increase) decrease in accrued interest receivable	(50)	1
Net increase in bank-owned life insurance	(369)	(143)
Deferred taxes	(1,445)	(194)
Decrease (increase) in other assets	1,665	(948)
(Decrease) increase in accrued expenses and other liabilities	(460)	79
Net cash provided by operating activities	3,343	1,073
Investing activities		
Purchase of loans	—	(18,734)
Increase in loans, net	(30,500)	(5,221)
Decrease (increase) in interest bearing deposits with banks	73	(128)
Proceeds from maturities of investment securities available for sale, including principal payments and early redemptions	18,000	33,683
Proceeds from maturities of investment securities held to maturity, including principal payments and early redemptions	8,708	991
Proceeds from sales of investment securities available for sale	4,807	3,178
Purchases of investment securities available for sale	(46,494)	(20,638)
Purchases of investment securities held to maturity	(12,274)	(4,280)
Purchases of premises and equipment	(128)	(290)
Net cash used in investing activities	(57,808)	(11,439)
Financing activities		
Purchase of deposits	—	11,016
(Decrease) increase in deposits	(500)	60,281
Decrease in short-term borrowings	—	(400)
Increase in long-term debt	24,900	214
Purchases of treasury stock	(38)	(62)
Dividends paid on preferred stock	(662)	(622)
Dividends paid on common stock	(474)	(464)
Net cash provided by financing activities	23,226	69,963
Net (decrease) increase in cash and cash equivalents	(31,239)	59,597
Cash and cash equivalents at beginning of period	44,819	12,231
Cash and cash equivalents at end of period	$ 13,580	$ 71,828

Cash paid during the year		
Interest	$ 8,487	$ 10,384
Income taxes	1,424	734
Noncash transactions		
Transfer of investments from held to maturity to available for sale	70	—

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

CITY NATIONAL BANCSHARES CORPORATION AND SUBSIDIARY
Notes to Consolidated Financial Statements (Unaudited)

1. Principles of consolidation

The accompanying consolidated financial statements include the accounts of City National Bancshares Corporation (the "Corporation") and its subsidiaries, City National Bank of New Jersey (the "Bank" or "CNB") and City National Bank of New Jersey Capital Trust II. All intercompany accounts and transactions have been eliminated in consolidation.

2. Basis of presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information. Accordingly, they do not include all the information required by U.S. generally accepted accounting principles for complete financial statements. These consolidated financial statements should be reviewed in conjunction with the financial statements and notes thereto included in the Corporation's December 31, 2007 Annual Report to Stockholders.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial statements have been included. Operating results for the three and nine months ended September 30, 2008 are not necessarily indicative of the results that may be expected for the year ended December 31, 2008. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities as of the date of the balance sheet and revenues and expenses for related periods. Actual results could differ significantly from those estimates.

3. Net income per common share

The following table presents the computation of net income per common share.

	Three Months Ended September 30,		Nine Months Ended September 30,	
In thousands, except per share data	2008	2007	2008	2007
Net income	$ 50	$ 544	$ 1,415	$ 1,400
Dividends declared on preferred stock	149	149	662	622
Net (loss) income applicable to basic common shares	(99)	395	753	778
Dividends applicable to convertible preferred stock	—	—	147	106
Net (loss) income applicable to diluted common shares	$ (99)	$ 395	$ 900	$ 884
Number of average common shares				
Basic	131,616	132,024	131,784	132,409
Diluted	131,616	148,341	131,784	132,409
Net(loss) income per common share				
Basic	$ (.75)	$ 2.99	$ 5.72	$ 5.88
Diluted	(.75)	2.66	5.72	5.88

Basic income per common share is calculated by dividing net income less dividends paid on preferred stock by the weighted average number of common shares outstanding. On a diluted basis, both net income and common shares outstanding are adjusted to assume the conversion of the convertible preferred stock, if conversion is deemed dilutive. For both the first nine months of 2008 and 2007, the assumption of the conversion would have been antidilutive.

Preferred dividend payments totalling $214,000 and $174,000 were made during the first nine months of 2008 and 2007, respectively that apply to the entire year.

4. Comprehensive income (loss)

Total comprehensive income (loss) includes net income and other comprehensive income or loss which is comprised of unrealized gains and losses on investment securities available for sale, net of taxes. The Corporation's total comprehensive income (loss) for the three months ended September 30, 2008 and 2007 was $(761,000) and $816,000, respectively and for the nine months ended September 30, 2008 and 2007 was $(731,000) and $1,091,000, respectively. The difference between the Corporation's net income and total comprehensive income for these periods relates to the change in net unrealized gains and losses on investment securities available for sale during the applicable period of time.

5. Reclassifications

Table of Contents

Certain reclassifications have been made to the 2007 consolidated financial statements in order to conform with the 2008 presentation.

6. Recent accounting pronouncements

On September 15, 2006, the FASB issued, SFAS No. 157, “Fair Value Measurements.” This new standard provides guidance for using fair value to measure assets and liabilities, and clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability. SFAS No. 157 applies whenever other standards require, or permit assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Corporation’s adoption of this standard did not have a significant impact on its financial condition or results of operations.

The Emerging Issues Task Force (“EITF”) approved a Consensus, EITF 06-4, “Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements,” in September 2006, which requires that the deferred compensation or postretirement benefit aspects of an endorsement-type split-dollar life insurance arrangement be recognized as a liability by the employer and that the obligation is not effectively settled by the purchase of a life insurance policy. The liability for future benefits would be recognized based on the substantive agreement with the employee, which may be either to provide a future death benefit or to pay for the future cost of the life insurance. As ratified, EITF 06-4 will be effective for fiscal years beginning after December 15, 2007 with early adoption permitted as of the beginning of an entity’s fiscal year. Entities adopting EITF 06-4 would choose between retroactive application to all prior periods or treating the application of the Consensus as a cumulative-effect adjustment to beginning retained earnings or to other components of equity or net assets in the statement of financial position. Because the Corporation does not provide post-retirement benefits to deferred compensation plan participants, there is no impact on the financial condition or results of operations of the Corporation.

In December 2007, the FASB issued SFAS No. 141(R) “Business Combinations.” This standard replaces FASB SFAS No. 141 and provides principles and requirements for how an acquirer (1) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in an acquiree; (2) recognizes and measures the goodwill acquired in a business combination or a gain from a bargain purchase; (3) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The provisions of SFAS No. 141(R) shall be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Corporation does not expect the adoption of SFAS No. 141 (R) to have a significant impact on its financial condition or results of operations.

In December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements” (an amendment of ARB No. 51). This standard establishes accounting and reporting standards that require (1) the ownership interests in subsidiaries held by parties other than the parent be clearly identified in the consolidated statement of financial position within equity, but separate from the parent’s equity; (2) the amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified on the face of the consolidated statement of income; (3) changes in a parent’s ownership interest while the parent retains its controlling financial interest in its subsidiary be accounted for consistently; (4) when a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary be initially measured at fair value. This Statement applies to all entities that prepare consolidated financial statements, except not-for-profit organizations, but will affect only those entities that have an outstanding noncontrolling interest in one or more subsidiaries or that deconsolidate a subsidiary. This Statement is effective for fiscal years beginning on or after December 15, 2008. The Corporation does not expect the adoption of SFAS No. 160 to have a significant impact on its financial condition or results of operations.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities, Including an amendment of FASB Statement No. 155”, which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. At the effective date, an entity may elect the fair value option for eligible items that exist at that date and report the effect of the first remeasurement to fair value as a cumulative-effect adjustment to the opening balance of retained earnings. Subsequent to the effective date, unrealized gains and losses on items for which the fair value option has been elected are to be reported in earnings. If the fair value option is elected for any available for sale or held to maturity securities at the effective date, cumulative unrealized gains and losses at that date are included in the cumulative-effect adjustment and those securities are to be reported as trading securities under SFAS No. 115, but the accounting for a transfer to the trading category under SFAS No. 115 does not apply.

Table of Contents

Electing the fair value option for an existing held to maturity security will not call into question the intent of an entity to hold other debt securities to maturity in the future. SFAS No. 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that chose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value and does not eliminate disclosure requirements included in other accounting standards. SFAS No. 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption was permitted; however, the Corporation did not early adopt SFAS No.159 and, therefore, adopted the standard as of January 1, 2008. Upon adoption, the Corporation did not elect the fair value option for eligible items that existed as of January 1, 2008.

In June 2007, the FASB issued SFAS No. 161, "Disclosures About Derivative Instruments and Hedging Activities", amending SFAS No. 133. This standard requires enhanced disclosures about an entity's derivative and hedging activities and is effective for fiscal years beginning after November 15, 2008. The Corporation does not expect the adoption of SFAS No. 161 to have a significant impact on its financial condition or results of operations.

7. Fair value measurement of assets and liabilities

The following table represents the assets and liabilities on the Consolidated Balance Sheets at their fair value at September 30, 2008 by level within the fair value hierarchy. The fair value hierarchy established by SFAS No. 157 prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below.

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the assets or liability;

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

(Dollars in thousands)	Total	Level 1	Level 2	Level 3
Investment securities available for sale	$123,843	$2,006	$120,482	$1,355
Loans held for sale	—	—	—	—
Total assets	$123,843	$2,006	$120,482	$1,355
Total liabilities	$ —	$ —	$ —	$ —

The fair value of Level 3 assets at September 30, 2008 was $1,058,000 less than the related fair value of $2,413,000 at December 31, 2007. All of the reduction was attributable to changes in the unrealized loss on three investment securities available for sale, all of which are collateralized debt obligations ("CDOs"). None of the investments have been downgraded, all are investment grade and all are performing as to their original terms. Additionally, the Bank has utilized alternative methods to determine the collateral protection and prospective cash flows to provide assurance as to the ultimate collectability of the investments. As a result, none of the securities is considered other than temporarily impaired.

Investment securities available for sale
Level 1 securities includes securities issued by the U.S. Treasury Department based upon quoted market prices. Level 2 securities includes fair value measurements obtained from various sources including the utilization of matrix pricing, dealer quotes, market spreads, live trading levels, credit information and the bond's terms and conditions, among other things. Any investment security not valued based on the aforementioned criteria are considered Level 3. Level 3 fair values are determined using unobservable inputs and includes corporate debt obligations for which there are no readily available quoted market values as discussed under "Management's Discussion and Analysis of Financial Condition and Results of Operations" — Investments below. For such securities, market values have been provided by the trading desk of an investment bank, which compares characteristics of the securities with those of similar securities and evaluates credit events in underlying collateral.

Loans held for sale

These loans are pre-sold upon origination at their carrying value.

Table of Contents

Certain nonfinancial assets and liabilities measured on a recurring and nonrecurring basis include other intangible assets and other nonfinancial long-lived assets. Beginning January 1, 2009 the Corporation will apply the provisions of SFAS No. 157 for these nonfinancial assets and liabilities.

Item 2

Management's Discussion and Analysis of Financial Condition and Results of Operations

The purpose of this analysis is to provide information relevant to understanding and assessing the Corporation's results of operations for the first quarter of the current and previous years and financial condition at the end of the current quarter and previous year-end.

Cautionary statement concerning forward-looking statements

This management's discussion and analysis contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are not historical facts and include expressions about management's expectations about new and existing programs and products, relationships, opportunities, and market conditions. Such forward-looking statements involve certain risks and uncertainties. These include, but are not limited to, unanticipated changes in the direction of interest rates, effective income tax rates, loan prepayment assumptions, deposit growth, the direction of the economy in New Jersey and New York, continued levels of loan quality, continued relationships with major customers as well as the effects of general economic conditions and legal and regulatory issues and changes in tax regulations. Actual results may differ materially from such forward-looking statements. The Corporation assumes no obligation for updating any such forward-looking statement at any time.

Executive summary

The primary source of the Corporation's income comes from net interest income, which represents the excess of interest earned on interest-earning assets over the interest paid on interest-bearing liabilities. This income is subject to interest rate risk resulting from changes in interest rates. The most significant component of the Corporation's interest earning assets is the loan portfolio. In addition to the aforementioned interest rate risk, the portfolio is subject to credit risk.

Since the end of 2007, the Federal Reserve Bank has reduced the federal funds target rate by 325 basis points, from 4.25% to 1%, with the latest reduction of fifty basis points occurring shortly after the end of the third quarter, in response to continuing concerns over the effect on the economy of exposure to losses from subprime loan defaults along with the continual deterioration in the housing market and other signs that the country is headed for a recession. Concurrent with these rate reductions, a significant steepening in the yield curve has occurred, generating a positive impact on the Corporation's earnings, although no additional earnings improvements are expected from the most recent rate reduction due to the inability to pass through these reductions to depositors. Margin compression may occur as a result of a drop in the Bank's prime lending rate.

Financial Condition

At September 30, 2008, total assets rose to $471.8 million from $449.7 million at the end of 2007, while total deposits were relatively unchanged from $394.9 million. Average assets rose during the first nine months of 2008, increasing 7.2% to $452.7 million from $422.2 million a year earlier. The asset increase occurred primarily in the loan portfolio, funded primarily by a reallocation of Federal funds sold along with higher Federal Home Loan Bank advances.

Federal funds sold

Federal funds sold totalled $6 million at September 30, 2008 compared to $22 million at the end of 2007, while the related average balance decreased to $8.8 million in the first nine months of 2008 from $25.6 million for the comparable period in 2007. Both changes resulted from a reallocation into the loan portfolio.

Investments

At September 30, 2008, two corporate bonds with a book value of $1.5 million were written down to an estimated fair market value of $70,000 as a result of bankruptcy filings. Both bonds were included in the held to maturity portfolio and were transferred to available for sale after the writedown.

The investment securities available for sale ("AFS") portfolio rose to $123.8 million at September 30, 2008 from $103.6 million at the end of 2007, while the net related unrealized loss, net of tax rose to $2.8 million from $623,000 at the end of 2007 and $2 million at the end of the 2008 second quarter. The increase in the portfolio resulted primarily from leveraged transactions made during the first nine months of 2008 in which the Bank purchased various investment securities consisting primarily of agency mortgage-backed securities with funding from Federal Home Loan Bank advances, with closely matched durations. These leveraged transaction opportunities were made possible by the steep yield curve.

Table of Contents

Investments held to maturity ("HTM") rose slightly to $56 million at September 30, 2008 from $53.9 million at the end of 2007. The increase resulted from the purchase of long-term fixed-rated corporate securities.

Included in the AFS portfolio are four collateralized debt obligations ("CDO's") that are comprised of pools of trust preferred securities comprised primarily of banks, that have a book value of $3.7 million and an unrealized loss of $2.3 million compared to $270,000 at the end of 2007 and $917,000 at the end of the second quarter. All of these securities have a minimum "A3" rating by Moody's and all continue to perform. The market value of these securities has been negatively impacted by the lack of liquidity in the overall CDO market, although the securities in the portfolio are performing and still maintain an investment grade rating. At September 30, 2008 all of these securities have projected cash flows in excess of future contractual principal and interest payments.

In addition, the Bank owns five trust preferred securities issued by individual banks with a carrying value of $3.9 million and an unrealized loss of $961,000 compared to $192,000 at the end of 2007 and $698,000 at the end of the second quarter. The securities are current as to the payment of interest and are investment grade.

The Bank also holds a corporate note issued by the Student Loan Marketing Association ("SLMA") with a carrying value of $1 million, which had an unrealized loss of $226,000 at September 30, 2008 compared to $248,000 at the end of the second quarter. The value of SLMA securities has been negatively affected by the failure of a leveraged buyout of SLMA, lower earnings and a change in federal legislation that is expected to reduce future earnings. SLMA's debt has been downgraded but retains investment grade status and continues to perform.

Management does not believe that any individual unrealized losses as of September 30, 2008 represents an other-than-temporary impairment, although portfolio values have generally continued to decline in value and the aforementioned components of the Corporation's portfolio have declined significantly. The Corporation has the intent and ability to hold these securities for the time necessary to recover the amortized cost, including holding the securities until maturity.

Loans

Loans rose 13% to $263.1 million at September 30, 2008 from $232.8 million at December 31, 2007, while average loans increased to $247.6 million for the first nine months of 2008 from $216.2 million in the first nine months of 2007. The increases occurred in the commercial real estate portfolio, which comprises most of the Corporation's loan portfolio. The Corporation originates nominal consumer or residential mortgage loans to hold in the portfolio and expects this trend to continue.

Provision and allowance for loan losses

Changes in the allowance for loan losses are set forth below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	2008	2007	2008	2007
Balance at beginning of period	$3,350	$2,600	$3,000	$2,400
Provision for loan losses	189	10	622	306
Recoveries of previous charge-offs	—	3	6	34
	3,539	2,613	3,628	2,740
Less: Charge-offs	189	13	278	140
Balance at end of period	$3,350	$2,600	$3,350	$2,600

The allowance for loan losses is a critical accounting policy and is maintained at a level determined by management to be adequate to provide for probable losses inherent in the loan portfolio. The reserve is increased by provisions charged to operations and recoveries of loan charge-offs. The allowance is based on management's evaluation of the loan portfolio and several other factors, including past loan loss experience, general business and economic conditions, concentrations of credit and the possibility that there may be inherent losses in the portfolio which cannot currently be identified. Although management uses the best information available, the level of the allowance for loan losses remains an estimate which is subject to significant judgment and short-term change. The provision for loan losses rose substantially in both the third quarter and first nine months of 2008 due to collectibility concerns regarding an impaired loan and higher loan charge-offs.

Table of Contents

	September 30, 2008	December 31, 2007	September 30, 2007
Allowance for loan losses as a percentage of:			
Total loans	1.27%	1.29%	1.17%
Total nonperforming loans	43.07%	37.67%	38.26%
Total nonperforming assets (nonperforming loans and OREO)	43.07%	37.67%	38.26%
Net charge-offs as a percentage of average loans (year-to-date)	.11%	.08%	.05%

Nonperforming loans

Nonperforming loans include loans on which the accrual of interest has been discontinued or loans which are contractually past due 90 days or more as to interest or principal payments on which interest income is still being accrued. Delinquent interest payments are credited to principal when received. The following table presents the principal amounts of nonperforming loans.

(Dollars in thousands)	September 30, 2008	December 31, 2007	September 30, 2007
Loans past due 90 days or more and still accruing			
Commercial	$ —	$ 43	$ 398
Real estate	511	377	330
Installment	8	18	21
Total	519	438	749
Nonaccrual loans			
Commercial	2,032	1,996	1,604
Real estate	5,203	5,485	4,386
Installment	24	45	57
Total	7,259	7,526	6,047
Total nonperforming loans	$ 7,778	$ 7,964	$ 6,796

Nonperforming loans declined to $7.8 million at September 30, 2008 from $10.2 million at the end of the previous quarter due primarily to a substantial reduction in commercial real estate loans past due 90 days or more and still accruing due primarily to a $1.8 million loan being brought current. Nonperforming loans totaled $8 million at the end of 2007. Impaired loans totaled $1.2 million at September 30, 2008, compared to $1 million at year-end 2007. The average balance of impaired loans for the 2008 third quarter and first three quarters was $1.2 million, while there were no impaired loans during the third quarter or first nine months of 2007.

Nonperforming mortgage loans includes $3 million of loans to religious organizations, which management believes have been impacted by reductions in tithes and collections from congregation members due to the deterioration in the economy. Such loans located in the State of New York may require significantly longer to collect because approval is required by the state of New York before the underlying property may be encumbered. In the opinion of management, all of those loans appear to be well-secured by real estate collateral.

Deposits

The Bank's deposit levels may change significantly on a daily basis because deposit accounts maintained by municipalities represent a significant part of the Bank's deposits and are more volatile than commercial or retail deposits. These municipal accounts represent a substantial part of the Bank's deposits, and tend to have high balances and comprised most of the Bank's accounts with balances of $100,000 or more at September 30, 2008 and December 31, 2007. These accounts are used for operating and short-term investment purposes by the municipalities. All the foregoing deposits require collateralization with readily marketable U.S. Government securities or Federal Home Loan Bank of New York municipal letters of credit. During the third quarter of 2008, a significant municipal deposit was withdrawn and deposited in a concentration account at another bank. As a result, the Bank utilized the wholesale funding market to replace the funds until their return in mid-September. This pattern has also occurred in recent years and is expected to continue, necessitating the Bank's reliance on the wholesale funding market during this time.

Table of Contents

While the collateral maintenance requirements associated with the Bank's municipal and U.S. Government account relationships might limit the ability to readily dispose of investment securities used as such collateral, management does not foresee any need for such disposal, and in the event of the withdrawal of any of these deposits, these securities are readily marketable.

Total deposits were virtually unchanged at $394.4 million at September 30, 2008 compared to the end of 2007, while average deposits rose 3.7% to $379.8 million for the first nine months of 2008 from $366.5 million for the similar period of 2007. The deposits acquired in a March 2007 branch acquisition was the primary contributor to the average balance increase.

Total noninterest bearing demand deposits rose to $43.2 million at September 30, 2008 from $34.5 million at the end of 2007, while average demand deposits of $38.1 million for the first nine months of 2008 were down slightly from $38.5 million for the first nine months of 2007. Theses changes occurred due to the activity in a few large municipal deposit accounts.

Money market deposit accounts declined to $90.1 million at September 30, 2008 from $106.6 at the end of 2007, while the related average balance also declined to $97.3 million for the first nine months of 2008 from $100.8 million in the same period of 2007. The decreases resulted from changes in municipal account balances.

Interest-bearing demand deposit account balances fell to $37.6 million at September 30, 2008 compared to $66.3 million at the end of 2007, and averaged $44.5 million for the first nine months of 2008 compared to $36.8 million for the first nine months of 2007. Theses changes occurred due to the activity in a few large municipal deposit accounts.

Passbook and statement savings accounts totalled $25.2 million at September 30, 2008 compared to $28.1 million at December 31, 2007 and averaged $27.2 million for the first nine months of 2008, down from $30.2 million for the same period in 2007. Both declines resulted from the movement of account balances into higher earning deposit products.

Time deposits totalled $198.2 million at September 30, 2008 compared to $159.3 million at December 31, 2007, while average time deposits rose to $172.7 million for the first nine months of 2008 from $160.2 million for the similar 2007 period. Most of the increases resulted from higher municipal account balances.

Short-term borrowings

Short-term borrowings of $1.2 million at the end of the third quarter of 2008 were unchanged from December 31, 2007, while the related average balances were $3.5 million for the first nine months of 2008 compared to $498,000 for the first nine months of 2007. The increase resulted primarily from higher Federal funds purchased balances.

Long-term debt

Long-term debt rose from $19.8 million at December 31, 2007 to $44.7 million at September 30, 2008, while the related average balance was $35.6 million for the first nine months of 2008 compared to $22.2 million for the same period in 2007. The increases resulted from the addition of Federal Home Loan Bank advances used to fund leveraged investment purchases.

Capital

Risk-based capital ratios are expressed as a percentage of risk-adjusted assets, and relate capital to the risk factors of a bank's asset base, including off-balance sheet risk exposures. Various weights are assigned to different asset categories as well as off-balance sheet exposures depending on the risk associated with each. In general, less capital is required for less risk. Capital levels are managed through asset size and composition, issuance of debt and equity instruments, treasury stock activities, dividend policies and retention of earnings.

At September 30, 2008, CNBC's leverage, core capital (Tier 1) and total (Tier 1 plus Tier 2) risked-based capital ratios were 7.06%, 10.38% and 13.17%, respectively, while the Bank's ratios were 6.54%, 9.59% and 12.30%. All the ratios exceed those required to be considered well capitalized. The Corporation expects to apply for the sale of approximately $9 million of preferred stock and related warrants to the U.S. Treasury Department under their Capital Purchase Program ("CPP"), the maximum amount allowable. This program was authorized under the provisions of the Troubled Asset Relief Program ("TARP") enacted under the Emergency Economic Stabilization Act of 2008. This legislation was enacted to restore liquidity and stability to the U.S. financial system. Generally, any domestic bank is eligible to participate in the CPP.

Table of Contents

The Corporation adopted FIN 46R as of December 31, 2003 and elected to retroactively restate all periods presented. FIN 46R required the Corporation to deconsolidate its investment in the subsidiary trust formed in connection with the issuance of trust-preferred securities. The deconsolidation of the subsidiary trusts results in the Corporation reporting on its balance sheet the subordinated debentures that have been issued from City National Bancshares to the subsidiary trusts. The adoption of FIN 46R did not have a significant effect on the Corporation's consolidated financial statements. In July 2003, the Board of Governors of the Federal Reserve System instructed bank holding companies to continue to include the trust preferred securities in their Tier 1 capital for regulatory capital purposes until notice is given to the contrary. There can be no assurance that the Federal Reserve will continue to allow institutions to include trust preferred securities in Tier 1 capital for regulatory capital purposes. As of September 30, 2008, assuming the Corporation was not allowed to include the $4 million in trust preferred securities issued by the subsidiary trust in Tier 1 capital, the Corporation would remain "well capitalized.

Results of Operations

As a result of the aforementioned $1.4 million writedown of investment securities, the Corporation recorded a slight gain for the third quarter of 2008 compared to net income of $544,000 for the same 2007 period. Related earnings (loss) per share on a diluted basis were $(.75) and $2.66. Net income was $1.4 million for both the first nine months of 2008 and the same 2007 period. Related earnings per share on a diluted basis were $5.72 and $5.88. Results of both periods were also impacted by $253,000 of nonrecurring gains and expense reversals resulting in part from the writedown. Excluding the writedown and other nonrecurring items, net income from operations totaled $2.4 million, with most of the increase from 2007 resulting from a higher net interest margin resulting from the continued short-term interest rate environment coupled with the steep yield curve.

Net interest income

On a fully taxable equivalent ("FTE") basis, net interest income rose 27.3% to $10.7 million in the nine months of 2008 from $8.9 million for the comparable period in 2007, while the related net interest margin increased 48 basis points, to 3.45% from 2.97%. Both improvements resulted from the continued short-term interest rate environment coupled with the steep yield curve.

Interest income on a FTE basis increased .9% in the first nine months of 2008 due to a 7.4% increase in earning assets, more than offsetting a decrease in the related yield from 6.49% to 6.08%.

Interest income from Federal funds sold declined due to both a lower average balance and a reduction in the related yield from 5.13% to 2.77%.

Interest income on taxable investment securities was 11.2% higher in the first nine months of 2008 compared to the comparable 2007 period due to a higher average balance, partially offset by a lower average rate, which declined from 5.21% to 5.07%. Tax-exempt income declined 8.5% due primarily to sales of securities to reduce excess tax-exempt income levels.

Interest income on loans rose 4.8% due to higher loan volume partially offset by a lower average rate earned, which declined from 7.41% to 6.49%.

Interest expense fell 19.8% in the first nine months of 2008, as the average rate paid to fund interest earning assets declined 142 basis points, from 4.05 to 2.63%. This decline was due to lower rates paid on all interest-bearing liabilities. The most significant reduction occurred in interest expense on money market accounts, which comprised 25.6% of total average deposits for the first three quarters of 2008. Even though these balances averaged only 3% less than in 2007, the average rate paid declined from 4.18% to 2.24%, resulting in a reduction in related interest expense from $3.1 million to $1.6 million. Also contributing to the lower expense was the repayment of $7.5 million of advances during the second quarter of 2008 with an average rate of 5.63%.

Provision for loan losses

The provision rose in the third quarter of 2008 to $189,000 from $10,000 for the similar quarter in 2007, and increased to $622,000 in the first nine months of 2008 from $306,000 in the comparable 2007 period. The increases occurred due to higher loan chargeoffs and nonperforming loan levels, along with growth in the loan portfolio.

Other operating income

Table of Contents

Other operating income, excluding the results of investment securities transactions, rose by 19.6% to $804,000 in the third quarter of 2008 compared to $672,000 in the similar 2007 period, while such income increased by 14.7% to $2,235,000 for the first nine months of 2008 compared to $1,948,000 in the year-earlier period. The third quarter increase resulted primarily from a $94,000 increase in earnings from an unconsolidated leasing company in which the Bank owns a minority interest along with a $63,000 gain on the sale of a non-investment security investment, while the nine-month increase occurred for the same reasons along with higher overdraft fees due to the implementation of an overdraft protection program.

Other operating expenses

Other operating expenses declined 5.1% in the third quarter of 2008 due primarily to various expense accrual reversals. $100,000 of bonus accruals were reversed as a result of a decrease in anticipated net income due to the investment writeoff taken. $76,000 of supplemental executive retirement plan expense was reversed primarily due to actual salaries on which the accruals are based being less than expected, along with a covered executive reaching normal retirement age, further reducing expense requirements. Finally, $26,000 of director retirement plan expense was reversed due to their actual fees also being less than expected, as well as a covered director reaching retirement age. Partially offsetting these expense reductions were increases in FDIC insurance expense and marketing expense.

For the first nine months of 2008, other operating expenses, which were impacted by the aforementioned reversals, rose 9.2% to $9.1 million from $8.4 million a year earlier primarily for the same reasons, along with higher higher merchant card charges audit fees and loan collection expense.

Income tax expense

Because of the low level of pre-tax income, income tax expense as a percentage of pretax income was not meaningful in the third quarter of 2008 compared to 14.9% in the third quarter of 2007. For the first nine months of 2008, the percentage was 18.5% compared to 16.8% a year earlier. The higher effective rate resulted from an expected increase in taxable income.

Liquidity

The liquidity position of the Corporation is dependent on the successful management of its assets and liabilities so as to meet the needs of both deposit and credit customers. Liquidity needs arise primarily to accommodate possible deposit outflows and to meet borrowers' requests for loans. Such needs can be satisfied by investment and loan maturities and payments, along with the ability to raise short-term funds from external sources.

It is the responsibility of the Asset/Liability Management Committee ("ALCO") to monitor and oversee all activities relating to liquidity management and the protection of net interest income from fluctuations in interest rates.

The Bank depends primarily on deposits as a source of funds and also provides for a portion of its funding needs through short-term borrowings, such as Federal Funds purchased, securities sold under repurchase agreements and borrowings under the U.S. Treasury tax and loan note option program. The Bank also utilizes the Federal Home Loan Bank for longer-term funding purposes, as well as the capital markets when necessary. Additionally, the Bank utilizes the wholesale deposit market to attract deposits, which may be used to fund loan growth, replace volatile municipal deposits, or more recently, to fund investment leverage transactions. Organic retail deposit growth has continued to lag, as it has industry-wide, resulting in greater use of municipal and wholesale deposits for funding sources.

The major contribution during the first nine months of 2008 from operating activities to the Corporation's liquidity came from net income while the highest use of cash was for the origination of residential mortgage loans available for sale and an increase in bank-owned life insurance. Net cash used in investing activities was primarily for purchases of investments available for sale, while sources of cash provided by investing activities were derived primarily from proceeds from maturities, principal payments and early redemptions of investment securities available for sale. The highest source of cash provided by financing activities resulted from the issuance of long-term debt, while there were no significant uses of funds.

Item 3

Quantitative and Qualitative Disclosures about Market Risk

Due to the nature of the Corporation's business, market risk consists primarily of its exposure to interest rate risk. Interest rate risk is the impact that changes in interest rates have on earnings. The principal objective in managing interest rate

Table of Contents

risk is to maximize net interest income within the acceptable levels of risk that have been established by policy. There are various strategies which may be used to reduce interest rate risk, including the administration of liability costs, the reinvestment of asset maturities and the use of off-balance sheet financial instruments. The Corporation does not presently utilize derivative financial instruments to manage interest rate risk.

Interest rate risk is monitored through the use of simulation modeling techniques, which apply alternative interest rate scenarios to periodic forecasts of changes in interest rates, projecting the related impact on net interest income. The use of simulation modeling assists management in its continuing efforts to achieve earnings growth in varying interest rate environments.

Key assumptions in the model include anticipated prepayments on mortgage-related instruments, contractual cash flows and maturities of all financial instruments, deposit sensitivity and changes in interest rates.

These assumptions are inherently uncertain, and as a result, these models cannot precisely estimate the effect that higher or lower rate environments will have on net interest income. Actual results may differ from simulated projections due to the timing, magnitude or frequency of interest rate changes, as well as changes in management's strategies.

Based on the results of the most recent interest simulation model, the Corporation is more sensitive in a rates-up environment. If interest rates rose 200 basis points from current rates in an immediate and parallel shock, net interest income would decrease 8.6%; if rates decreased 200 basis points, net interest income would decline by 4.9%. Accordingly, the Corporation is more liability-sensitive since the interest rate risk is greater in a rising rate environment.

PART II Other information

Item 1. Legal Proceedings

In the normal course of business, the Corporation or its subsidiary may, from time to time, be party to various legal proceedings relating to the conduct of its business. In the opinion of management, the consolidated financial statements will not be materially affected by the outcome of any pending legal proceedings.

Item 1a. Risk Factors

For a summary of risk factors relevant to the corporation and its subsidiary's operations, please refer to Part I, Item 1a in the Corporation's December 31, 2007 Annual Report to Stockholders. Additionally, the following risk factor has been included as of September 30, 2008.

Changes in the fair value of securities may reduce stockholders' equity and net income

At September 30, 2008, the Company maintained a securities portfolio of $179.8 million, of which $123.8 was classified as available for sale ("AFS"). The estimated fair value of the available for sale securities portfolio may increase or decrease depending on the credit quality of the underlying issuer, market liquidity, changes in interest rates and other factors. Stockholders' equity is increased or decreased by the amount of the change in the unrealized gain or loss (difference between the estimated fair value and the amortized cost) of the available for sale securities portfolio, net of the related tax benefit, under the category of accumulated other comprehensive income/loss. Therefore, a decline in the estimated fair value of this portfolio will result in a decline in reported stockholders' equity, as well as book value per common share. The decrease will occur even though the securities are not sold.

The Corporation conducts a periodic review and evaluation of the securities portfolio to determine if the decline in the fair value of any security below its cost basis is other-than-temporary. Factors which are considered in the analysis include, but are not limited to, the severity and duration of the decline in fair value of the security, the financial condition and near-term prospects of the issuer, whether the decline appears to be related to issuer conditions or general market or industry conditions, the intent and ability to retain the security for a period of time sufficient to allow for any anticipated recovery in fair value and the likelihood of any near-term fair value recovery. If such decline is deemed to be other-than-temporary, the security is written down to a new cost basis and the resulting loss is charged to earnings as a component of non-interest income.

Item 6. Exhibits

(a) Exhibits

(3)(a) The Corporation's Restated Articles of Incorporation (incorporated herein by reference to Exhibit (3)(d) of the Corporation's Current Report on Form 8-K dated July 28, 1992).

Table of Contents

(3)(b) Amendments to the Corporation's Articles of Incorporation establishing the Corporation's Non-cumulative Perpetual Preferred Stock, Series A (incorporated herein by reference to Exhibit (3)(b) of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1995).

(3)(c) Amendments to the Corporation's Articles of Incorporation establishing the Corporation's Non-cumulative Perpetual Preferred Stock, Series B (incorporated herein by reference to Exhibit (3)(c) of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1995).

(3)(d) Amendments to the Corporation's Articles of Incorporation establishing the Corporation's Non-cumulative Perpetual Preferred Stock, Series C (incorporated herein by reference to Exhibit (3(i) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1996).

(3)(e) Amendments to the Corporation's Articles of Incorporation establishing the Corporation's Non-cumulative Perpetual Preferred Stock, Series D (incorporated herein by reference to Exhibit (3)(i) filed with the Corporation's Quarterly Report on
Form 10-Q for the quarter ended June 30, 1997).

(3)(f) Amendments to the Corporation's Articles of Incorporation establishing the Corporation's Non-cumulative Perpetual Preferred Stock, Series E (incorporated herein by reference to Exhibit (3)(i) filed with the Corporation's Quarterly
Report on Form 10-Q filed on March 4, 2005).

(3)(g) Amendments to the Corporation's Articles of Incorporation establishing the Corporation's MultiMode Series F Non-cumulative Redeemable Preferred Stock (incorporated herein by reference to Exhibit (3)(f) to the Corporation's Quarterly
Report on Form 10-Q for the quarter ended September 30, 2005).

(3)(h) The amendment to the By-Laws of the Corporation (incorporated herein by reference to Exhibit (3)(c) of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1991).

(3)(i) The By-Laws of the Corporation (incorporated herein by reference to Exhibit (3)(b) of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1988).

(10)(a) The Employees' Profit Sharing Plan of City National Bank of New Jersey (incorporated herein by reference to Exhibit (10) of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1988).

(10)(b) The Employment Agreement among the Corporation, the Bank and Louis E. Prezeau dated May 26, 2006 (incorporated herein by reference to Exhibit (10.1) to the Corporation's Current Report on Form 8-K dated December 4, 2006).

(10)(d) Amended and Restated Asset Purchase and Sale Agreement between the Bank and Carver Federal Savings Bank dated as of February 27, 2001 (incorporated by reference to Exhibit 10(d) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2000).

(10)(f) Loan Agreement dated December 28, 2001 by and between the Corporation and National Community Investment Fund (incorporated by reference to Exhibit 10(f) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2001).

(10)(g) Pledge Agreement dated December 28, 2001 by and between the Corporation and National Community Investment Fund (incorporated by reference to Exhibit (g) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 2001).

(10)(h) Asset Purchase and Sale Agreement between City National Bank of New Jersey and Carver Federal Savings Bank dated as of January 26, 1998 (incorporated by reference to Exhibit 10(h) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1998).

(10)(i) Promissory Note dated May 6, 2002 payable to United Negro College Fund, Inc., in the principal amount of $200,000 (incorporated by reference to Exhibit 10(i) to the Corporation's Quarterly Report on Form 10-Q for quarter ended March 31, 2002).

Table of Contents

(10)(l) Purchase and Assumption Agreement dated as of March 31, 2004, by and among The Prudential Savings Bank, F.S.B., The Prudential Bank and Trust Company and City National Bank of New Jersey (incorporated herein by reference to Exhibit 10(l) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004).

(10)(m) Guarantee Agreement dated March 17, 2004 from the Corporation in favor of U.S. Bank, N.A., as trustee for holders of securities issued by City National Bank of New Jersey Capital Statutory Trust II (incorporated herein by reference to Exhibit (10)(m) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004).

(10)(n) Purchase Agreement dated September 27, 2005 by and between Sandler O'Neil & Partners, L.P., and the Corporation with respect to issue and sale of 7,000 shares of the Corporation's MultiMode Series F Non-cumulative Redeemable Preferred Stock (incorporated herein by reference to Exhibit (10)(n) to the Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005).

(10)(o) Credit Agreement dated February 21, 2007 by and between The Prudential Insurance Company of America and the Corporation with respect to a $5,000,000 loan to the Corporation (incorporated by reference to Exhibit 10.1 to the Corporation's Current Report on Form 8-K dated February 23, 2007).

(10)(p) Branch Purchase and Assumption Agreement, dated as of November 1, 2006, by and between City National Bank of New Jersey ("CNB") and Sun National Bank ("Sun"), as amended by Amendment to Branch Purchase and Assumption Agreement, dated as of March 8, 2007, by and between CNB and Sun (incorporated by reference to Exhibit 10.1 to the Corporation's Current Report on Form 8-K dated March 14, 2007).

(11) Statement regarding computation of per share earnings. The required information is included on page 6.

(31) Certifications of Principal Executive Officer and Principal Financial Officer (Section 302 of the Sarbanes-Oxley Act of 2002).

(32) Certifications of Principal Executive Officer and Principal Financial Officer under 18 U.S.C.Section 1350 (Section 906 of the Sarbanes-Oxley Act of 2002).

(c) Reports on Form 8-K.

No reports on Form 8-K were filed during the quarter ended September 30, 2008.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CITY NATIONAL BANCSHARES CORPORATION
(Registrant)

November 12, 2008 /s/ Edward R. Wright

Edward R. Wright
Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)