

CITY NATIONAL CORP
Form 10-K
February 28, 2012

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2011

OR

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 1-10521

CITY NATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

95-2568550
(I.R.S. Employer Identification No.)

City National Plaza
555 South Flower Street,
Los Angeles, California, 90071
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (213) 673-7700

Securities registered pursuant to Section 12(b) of the Act:

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Title of each class	Name of each exchange on which registered
Common Stock, \$1.00 par value	New York Stock Exchange

No securities are registered pursuant to Section 12(g) of the Act

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes No

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 has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(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

As of June 30, 2011, the aggregate market value of the registrant's common stock ("Common Stock") held by non-affiliates of the registrant was approximately \$2,489,309,695 based on the June 30, 2011 closing sale price of Common Stock of \$54.25 per share as reported on the New York Stock Exchange.

As of January 31, 2012, there were 53,208,773 shares of Common Stock outstanding (including unvested restricted shares).

Documents Incorporated by Reference

The information required to be disclosed pursuant to Part III of this report either shall be (i) deemed to be incorporated by reference from selected portions of City National Corporation's definitive proxy statement for the 2012 annual meeting of stockholders, if such proxy statement is filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the Corporation's most recently completed fiscal year, or (ii) included in an amendment to this report filed with the Commission on Form 10-K/A not later than the end of such 120 day period.

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PART I

Item 1. Business

Overview

City National Corporation (the "Corporation"), a Delaware corporation organized in 1968, is a bank holding company and a financial holding company under the Gramm-Leach-Bliley Financial Modernization Act of 1999 (the "GLB Act"). The Corporation provides a wide range of banking, investing and trust services to its clients through its wholly-owned banking subsidiary, City National Bank (the "Bank" and together with the Corporation, its subsidiaries and its asset management affiliates the "Company"). The Bank, which has conducted business since 1954, is a national banking association headquartered in Los Angeles, California and operating through 79 offices, including 16 full-service regional centers, in Southern California, the San Francisco Bay area, Nevada, New York City, Nashville, Tennessee and Atlanta, Georgia. As of December 31, 2011, the Corporation had five consolidated asset management affiliates in which it held a majority ownership interest. The Corporation also had one unconsolidated subsidiary, Business Bancorp Capital Trust I. At year-end 2011, the Company had consolidated total assets of \$23.67 billion, total loan balances of \$13.79 billion, and assets under management or administration of \$54.49 billion. The Company focuses on providing affluent individuals and entrepreneurs, their businesses and their families with complete financial solutions. The organization's mission is to provide this banking and financial experience through an uncommon dedication to extraordinary service, proactive advice and total financial solutions. At December 31, 2011, the Company had 3,256 full-time equivalent employees.

Additional information regarding our business and our subsidiaries, as well as regarding our acquisitions, is included in the information set forth in pages 38 through 39 of Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) and Note 3, *Business Combinations*, of the Notes to Consolidated Financial Statements, and is incorporated herein by reference.

Our website is www.cnb.com and the investor relations section of our website may be reached through <https://www.cnb.com/investor-relations/investor-kit.asp>. We make available free of charge, on or through the investor relations links on our website, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, as well as any amendment to those reports, and proxy statements, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission ("SEC"). Information about our Board of Directors (the "Board") and its committees and our corporate governance policies and practices is available on the Corporate Governance section of the Investor Relations page of our web site. Our SEC filings are also available through the SEC's website at www.sec.gov.

Business Segments

The Company has three reportable segments, Commercial and Private Banking, Wealth Management, and Other. All investment advisory affiliates and the Bank's Wealth Management Services are included in the Wealth Management segment. All other subsidiaries, the unallocated portion of corporate departments and inter-segment eliminations are included in the Other segment. Information about the Company's segments is provided in Note 22 of the Notes to Consolidated Financial Statements as well as in the "Management's Discussion and Analysis" beginning on page 38 of this report. In addition, the following information is provided to assist the reader in understanding the Company's business segments:

The Bank's principal client base consists of small to mid-sized businesses, entrepreneurs, professionals, and affluent individuals. The Bank serves its clients through relationship banking. The Bank's value proposition is to provide the ultimate banking experience through depth of expertise,

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breadth of resources, focus and location, dedication to complete solutions, a relationship banking model and an integrated team approach. Through the use of private and commercial banking teams, product specialists and investment advisors, the Bank facilitates the use by the client, where appropriate, of multiple services and products offered by the Company. The Company offers a broad range of lending, deposit, cash management, international banking, equipment financing, and other products and services. The Company also lends, invests, and provides services in accordance with its Community Reinvestment Act ("CRA") commitments.

The Bank's wealth management division and the Corporation's asset management subsidiaries make available the following investment advisory and wealth management resources and expertise to the Company's clients:

investment management and advisory services and brokerage services, including portfolio management, securities trading and asset management;

personal and business trust and investment services, including employee benefit trust services, 401(k) and defined benefit plans; and

estate and financial planning and custodial services.

The Bank also advises and makes available mutual funds under the name of CNI Charter Funds. The Corporation's asset management subsidiaries and the Bank's wealth management division provide both proprietary and nonproprietary products to offer a full spectrum of asset classes and investment styles, including fixed-income instruments, mutual funds, domestic and international equities and alternative investments, such as hedge funds. Investment services are provided to institutional as well as individual clients.

Competition

There is significant competition among commercial banks and other financial institutions in the Company's market areas. California, New York, Nevada, Tennessee and Georgia are highly competitive environments for banking and other financial organizations providing private and business banking and wealth management services. The Bank faces competitive credit and pricing pressure as it competes with other banks and financial organizations. The Company's performance is also significantly influenced by California's economy. As a result of the GLB Act, the Company also competes with other providers of financial services such as money market mutual funds, securities firms, credit unions, insurance companies and other financial services companies. Furthermore, interstate banking legislation has promoted more intense competition by eroding the geographic constraints on the financial services industry.

Our ability to compete effectively is due to our provision of personalized services resulting from management's knowledge and awareness of its clients' needs and its market areas. We believe this relationship banking approach and knowledge provide a business advantage in providing high client satisfaction and serving the small to mid-sized businesses, entrepreneurs, professionals and other affluent individuals that comprise the Company's client base. Our ability to compete also depends on our ability to continue to attract and retain our senior management and other key colleagues. Further, our ability to compete depends in part on our ability to continue to develop and market new and innovative products and services and to adopt or develop new technologies that differentiate our products and services.

Economic Conditions, Government Policies, Legislation and Regulation

The Company's earnings and profitability, like most financial institutions, are highly sensitive to general business and economic conditions. These conditions include the yield curve, inflation, available money supply, the value of the U.S. dollar as compared to foreign currencies, fluctuations in both debt

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and equity markets, and the strength of the U.S. economy and the local economies in which we conduct business. The Company's financial performance generally, and in particular the ability of borrowers to pay interest on and repay principal of outstanding loans and the value of collateral securing those loans, is highly dependent upon the business environment in the States of California, Nevada, New York, Tennessee and Georgia, and in the United States as a whole. The Company is subject to the effects of the economic downturn which has affected our market in recent years. A continued decline in commercial real estate and home values in the Company's markets could have a further negative effect on the results of operations.

In general, the difference between the interest rates paid by the Bank on interest-bearing liabilities, such as deposits and other borrowings, and the interest rates received by the Bank on its interest-earning assets, such as loans extended to its clients and securities held in its investment portfolio, comprise the major portion of the Company's earnings. These rates are highly sensitive to many factors that are beyond the Company's control, such as inflation, recession, and unemployment. Energy and commodity prices and the value of the dollar are additional primary sources of risk and volatility. The impact that future changes in domestic and foreign economic conditions might have on the Company cannot be predicted. See Item 1A Risk Factors.

The Company's business and earnings are affected by the monetary and fiscal policies of the federal government and its agencies, particularly the Board of Governors of the Federal Reserve System (the "Federal Reserve"). The Federal Reserve regulates the supply of money and credit in the United States. Among the instruments of monetary policy available to the Federal Reserve are its open-market operations in U.S. Government securities, including adjusting the required level of reserves for depository institutions subject to its reserve requirements, and varying the target federal funds and discount rates applicable to borrowings by depository institutions. The actions of the Federal Reserve in these areas influence the growth of bank loans, investments, and deposits and also affect interest rates earned on interest-earning assets and paid on interest-bearing liabilities. Changes in the policies of the Federal Reserve may have an effect on the Company's business, results of operations and financial condition.

Proposals to change the laws and regulations governing the operations and taxation of banks, bank holding companies, and other financial institutions and financial services providers are frequently introduced in the U.S. Congress, in the state legislatures, and before various regulatory agencies. The likelihood and timing of any proposals or legislation and the impact they may have on the Company cannot be determined at this time.

Supervision and Regulation

General

The Corporation, the Bank and the Corporation's non-banking subsidiaries are subject to extensive regulation under both federal and state law. This regulation is intended primarily for the protection of depositors, the deposit insurance fund, and the banking system as a whole, and not for the protection of shareholders of the Corporation. Set forth below is a summary description of the significant laws and regulations applicable to the Corporation and the Bank. The description is qualified in its entirety by reference to the applicable laws and regulations.

Regulatory Agencies

The Corporation is a legal entity separate and distinct from the Bank and its other subsidiaries. As a financial holding company and a bank holding company, the Corporation is regulated under the Bank Holding Company Act of 1956 (the "BHC Act"), and is subject to supervision, regulation and inspection by the Federal Reserve. The Corporation is also under the jurisdiction of the SEC and is subject to the disclosure and regulatory requirements of the Securities Act of 1933 and the Securities

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Exchange Act of 1934, each administered by the SEC. The Corporation is listed on the New York Stock Exchange ("NYSE") under the trading symbol "CYN" and is subject to the rules of the NYSE for listed companies.

The Bank, as a national banking association, is subject to broad federal regulation and oversight extending to all its operations by the Office of the Comptroller of the Currency ("OCC"), its primary regulator, and also by the Federal Reserve, the Consumer Financial Protection Bureau ("CFPB") and the Federal Depository Insurance Corporation ("FDIC").

The Corporation's non-bank subsidiaries are also subject to regulation by the Federal Reserve and other federal and state agencies, including for those non-bank subsidiaries that are investment advisors, the SEC under the Investment Advisors Act of 1940. City National Securities, Inc. is regulated by the SEC, the Financial Industry Regulatory Authority and state securities regulators.

The Corporation

The Corporation is a bank holding company and a financial holding company. In general, the BHC Act limits the business of bank holding companies to banking, managing or controlling banks and other activities that the Federal Reserve has determined to be so closely related to banking as to be a proper incident thereto. As a result of the GLB Act, which amended the BHC Act, bank holding companies that are financial holding companies may engage in any activity, or acquire and retain the shares of a company engaged in any activity, that is either (i) financial in nature or incidental to such financial activity (as determined by the Federal Reserve in consultation with the OCC) or (ii) complementary to a financial activity, and that does not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally (as determined solely by the Federal Reserve). Activities that are financial in nature include securities underwriting and dealing, insurance underwriting and agency, and making merchant banking investments.

Currently, if a bank holding company seeks to engage in the broader range of activities that are permitted under the BHC Act for financial holding companies, (i) all of its depository institution subsidiaries must be "well capitalized" and "well managed" and (ii) it must file a declaration with the Federal Reserve that it elects to be a financial holding company. A depository institution subsidiary is considered to be "well capitalized" if it satisfies the requirements for this status discussed in the section captioned "Capital Adequacy and Prompt Corrective Action," included elsewhere in this item. A depository institution subsidiary is considered "well managed" if it received a composite rating and management rating of 1 or 2 (on a scale of 5, with 1 being the highest rating) in its most recent examination. In addition, the subsidiary depository institution must have received a rating of at least "satisfactory" in its most recent examination under the CRA. (See the section captioned "Community Reinvestment Act" included elsewhere in this item.) Under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), effective July 21, 2011, bank holding companies, as well as their depository institution subsidiaries, are also required to be "well capitalized" and "well managed" in order to engage in the broader range of activities that are permitted under the BHC Act for financial holding companies.

Financial holding companies that do not continue to meet all of the requirements for such status, depending on which requirement they fail to meet, face not being able to undertake new activities or acquisitions that are financial in nature, or losing their ability to continue those activities that are not generally permissible for bank holding companies. In addition, failure to satisfy conditions prescribed by the Federal Reserve to comply with any such requirements could result in orders to divest banking subsidiaries or to cease engaging in activities other than those closely related to banking under the BHC Act.

The BHC Act, the Federal Bank Merger Act, and other federal and state statutes regulate acquisitions of commercial banks. The BHC Act requires the prior approval of the Federal Reserve for

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the direct or indirect acquisition of control of a commercial bank or its parent holding company, whether by (i) the acquisition of 25 percent or more of any class of voting securities; (ii) controlling the election of a majority of the directors; or (iii) the exercise of a controlling influence over the management or policies of the banking organization, which can include the acquisition of as little as 5 percent of any class of voting securities together with other factors. Under the Federal Bank Merger Act, the prior approval of the OCC is required for a national bank to merge with another bank or purchase the assets or assume the deposits of another bank. In reviewing applications seeking approval of merger and acquisition transactions, the bank regulatory authorities will consider, among other things, the competitive effect and public benefits of the transactions, the capital position of the combined organization, the applicant's performance record under the CRA (see the section captioned "Community Reinvestment Act" included elsewhere in this item), fair housing laws and the effectiveness of the subject organizations in combating money laundering activities. Under the Dodd-Frank Act, bank regulatory authorities also review the potential risks of the transaction to the stability of the U.S. banking system or financial system.

Source of Strength Doctrine

Federal Reserve policy requires a bank holding company to serve as a source of financial and managerial strength to its subsidiary banks and does not permit a bank holding company to conduct its operations in an unsafe or unsound manner. Under this "source of strength doctrine," a bank holding company is expected to stand ready to use its available resources to provide adequate capital funds to its subsidiary banks during periods of financial stress or adversity, and to maintain resources and the capacity to raise capital that it can commit to its subsidiary banks. Any capital loans by a bank holding company to any of its subsidiary banks are subordinate in right of payment of deposits and to certain other indebtedness of such subsidiary banks. The BHC Act provides that, in the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to priority of payment. In addition, under the National Bank Act, if the capital stock of the Bank is impaired by losses or otherwise, the OCC is authorized to require payment of the deficiency by assessment upon the Corporation. If the assessment is not paid within three months, the OCC could order a sale of the Bank stock held by the Corporation to make good the deficiency. Furthermore, the Federal Reserve has the right to order a bank holding company to terminate any activity that the Federal Reserve believes is a serious risk to the financial safety, soundness or stability of any subsidiary bank. The Dodd-Frank Act codifies the "source of strength doctrine."

The Bank

The OCC has extensive examination, supervision and enforcement authority over all national banks, including the Bank. If, as a result of an examination of a bank, the OCC determines that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity, or other aspects of the bank's operations are unsatisfactory or that the bank or its management is violating or has violated any law or regulation, various remedies are available to the OCC. These remedies include the power to enjoin "unsafe or unsound" practices, to require affirmative action to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in capital, to restrict the growth of the Bank, to assess civil monetary penalties, to remove officers and directors, and ultimately to terminate the Bank's deposit insurance.

The OCC, as well as other federal banking agencies, has adopted regulations and guidelines establishing safety and soundness standards, including but not limited to such matters as loan underwriting and documentation, risk management, internal controls and audit systems, interest rate risk exposure, asset quality and earnings and compensation and other employee benefits.

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Various other requirements and restrictions under the laws of the United States affect the operations of the Bank. Statutes and regulations relate to many aspects of the Bank's operations, including reserves against deposits, ownership of deposit accounts, interest rates payable on deposits, loans, investments, mergers and acquisitions, borrowings, dividends, locations of branch offices, and capital requirements.

Recent Legislative Developments

The Dodd-Frank Act, which was signed into law on July 21, 2010, will have a broad impact on the financial services industry, imposing significant regulatory and compliance changes, increased capital, leverage and liquidity requirements and numerous other provisions designed to improve supervision and oversight of the financial services sector. The Dodd-Frank Act requires various federal agencies to adopt a broad range of new rules and regulations, and to prepare numerous studies and reports for Congress. The federal agencies are given significant discretion in drafting the rules and regulations, and, as a result, many of the details and much of the impact of the Dodd-Frank Act may not be known for many months or years.

The Dodd-Frank Act expands the base for FDIC insurance assessments. Assessments are now based on the average consolidated total assets less tangible equity capital of a financial institution. The Dodd-Frank Act also permanently increases the maximum amount of deposit insurance for banks, savings institutions and credit unions to \$250,000 per depositor, retroactive to January 1, 2009, and non-interest bearing transaction accounts have unlimited deposit insurance through December 31, 2012.

The Dodd-Frank Act establishes the new CFPB with broad powers to supervise and enforce consumer protection laws. The CFPB has broad rule-making authority for a wide range of consumer protection laws that apply to all banks and savings institutions, including the authority to prohibit "unfair, deceptive or abusive" acts and practices. The CFPB has examination and enforcement authority over all banking organizations with more than \$10 billion in assets. The Dodd-Frank Act also weakens the federal preemption rules that have been applicable for national banks and gives state attorneys general the ability to enforce federal consumer protection laws.

In addition, the Dodd-Frank Act, among other things:

Creates a financial stability oversight council that will recommend to the Federal Reserve increasingly strict rules for capital, leverage, liquidity, risk management and other requirements as companies grow in size and complexity;

Applies the same leverage and risk-based capital requirements that apply to insured depository institutions to most bank holding companies which, among other things, will, after a three-year phase-in period which begins January 1, 2013, remove trust preferred securities as a permitted component of a holding company's Tier 1 capital;

Requires the OCC to seek to make countercyclical its capital requirements for national banks, such as the Bank, so that the amount of capital required increases in times of economic expansion and decreases in times of economic contraction consistent with the safety and soundness of such institution;

Provides for a change in the FDIC assessment for depository institutions with assets of \$10 billion or more and increases the minimum reserve ratio for the Deposit Insurance Fund from 1.15% to 1.35%;

Repeals the federal prohibitions on the payment of interest on demand deposits, thereby permitting depository institutions to pay interest on business transaction and other accounts;

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Imposes comprehensive regulation of the over-the-counter derivatives market, which would include certain provisions that would effectively prohibit insured depository institutions from conducting certain derivatives businesses in the institution itself;

Authorizes the SEC to establish a fiduciary duty for broker-dealers when providing investment advice to retail customers, which standard would be no less stringent than the standard currently applied to investment advisors;

Prohibits banking entities from engaging in most proprietary trading or from acquiring or retaining any equity, partnership or other ownership interest in, or sponsorship of, a private equity or hedge fund, subject to certain limited exceptions;

Amends the Electronic Fund Transfer Act (EFTA) to, among other things, give the Federal Reserve the authority to issue rules limiting debit-card interchange fees;

Provides mortgage reform provisions regarding a customer's ability to repay, restricting variable-rate lending by requiring that the ability to repay be determined for variable-rate loans by using the maximum rate that will apply during the first five years of a variable-rate loan term, and making more loans subject to provisions for higher cost loans, new disclosures, and certain other revisions; and

Implements corporate governance revisions, including with regard to executive compensation and proxy access by stockholders, that apply to all public companies, not just financial institutions.

The environment in which banking organizations will operate after the financial crisis, including legislative and regulatory changes affecting capital, liquidity, supervision, permissible activities, corporate governance and compensation, changes in fiscal policy and steps to eliminate government support for banking organizations, may have long-term effects on the business model and profitability of banking organizations that cannot now be foreseen. Many aspects of the Dodd-Frank Act are subject to rulemaking and will take effect over several years, making it difficult to anticipate the overall financial impact on the Company, its customers or the financial industry more generally. Provisions in the legislation that affect deposit insurance assessments, payment of interest on demand deposits and interchange fees could increase the costs associated with deposits as well as place limitations on certain revenues those deposits may generate. Provisions in the legislation require revisions to the capital requirements of the Corporation and the Bank could require the Corporation and the Bank to seek other sources of capital in the future.

Anti-Money Laundering and OFAC Regulation

A major focus of governmental policy on financial institutions in recent years has been aimed at combating money laundering and terrorist financing. The Bank Secrecy Act of 1970 ("BSA") and subsequent laws and regulations require the Bank to take steps to prevent the use of the Bank or its systems from facilitating the flow of illegal or illicit money and to file suspicious activity reports. Those requirements include ensuring effective Board and management oversight, establishing policies and procedures, developing effective monitoring and reporting capabilities, ensuring adequate training and establishing a comprehensive internal audit of BSA compliance activities. The USA Patriot Act of 2001 ("Patriot Act") significantly expanded the anti-money laundering ("AML") and financial transparency laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. Regulations promulgated under the Patriot Act impose various requirements on financial institutions, such as standards for verifying client identification at account opening and maintaining expanded records (including "Know Your Customer" and "Enhanced Due Diligence" practices) and other obligations to maintain appropriate policies, procedures and controls to aid the process of preventing, detecting, and reporting money laundering and terrorist financing. The Patriot Act also applies BSA

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procedures to broker-dealers. An institution subject to the Patriot Act must provide AML training to employees, designate an AML compliance officer and annually audit the AML program to assess its effectiveness. The OCC continues to issue regulations and new guidance with respect to the application and requirements of BSA and AML. The United States has imposed economic sanctions that affect transactions with designated foreign countries, nationals and others. Based on their administration by Treasury's Office of Foreign Assets Control ("OFAC"), these are typically known as the "OFAC" rules. The OFAC-administered sanctions targeting countries take many different forms. Generally, however, they contain one or more of the following elements: (i) restrictions on trade with or investment in a sanctioned country, including prohibitions against direct or indirect imports from and exports to a sanctioned country and prohibitions on "U.S. persons" engaging in financial transactions relating to making investments in, or providing investment-related advice or assistance to, a sanctioned country; and (ii) a blocking of assets in which the government or specially designated nationals of the sanctioned country have an interest, by prohibiting transfers of property subject to U.S. jurisdiction (including property in the possession or control of U.S. persons). Blocked assets (e.g., property and bank deposits) cannot be paid out, withdrawn, set off or transferred in any manner without a license from OFAC.

Failure of a financial institution to maintain and implement adequate BSA, AML and OFAC programs, or to comply with all of the relevant laws or regulations, could have serious legal and reputational consequences for the institution.

Dividends and Other Transfers of Funds

The Corporation is a legal entity separate and distinct from the Bank. Dividends from the Bank constitute the principal source of cash revenues to the Corporation. The Bank is subject to various statutory and regulatory restrictions on its ability to pay dividends to the Corporation. The prior approval of the OCC is required if the total of all dividends declared by a national bank in any calendar year would exceed the sum of the bank's net profits for that year and its retained net profits for the preceding two calendar years, less any required transfers to surplus. Federal law also prohibits national banks from paying dividends that would be greater than the bank's undivided profits after deducting statutory bad debt in excess of the bank's allowance for loan and lease losses. In addition, federal bank regulatory authorities can prohibit the Bank from paying dividends, depending upon the Bank's financial condition and compliance with capital and non-capital safety and soundness standards established under the Federal Deposit Insurance Act, as described below. Federal regulatory authorities have indicated that paying dividends that deplete a bank's capital base to an inadequate level would be an unsafe and unsound banking practice and that banking organizations should generally pay dividends only out of current operating earnings. See Note 13 of Notes to Consolidated Financial Statements for additional information.

Federal law limits the ability of the Bank to extend credit to the Corporation or its other affiliates, to invest in stock or other securities thereof, to take such securities as collateral for loans, and to purchase assets from the Corporation or other affiliates. These restrictions prevent the Corporation and such other affiliates from borrowing from the Bank unless the loans are secured by marketable obligations of designated amounts. Further, such secured loans and investments by the Bank to or in the Corporation or to or in any other affiliate are limited individually to 10 percent of the Bank's capital stock and surplus and in the aggregate to 20 percent of the Bank's capital stock and surplus. See Note 13 of Notes to Consolidated Financial Statements for additional information.

Federal law also provides that extensions of credit and other transactions between the Bank and the Corporation or one of its non-bank subsidiaries must be on terms and conditions, including credit standards, that are substantially the same or at least as favorable to the Bank as those prevailing at the time for comparable transactions involving other non-affiliated companies, or, in the absence of comparable transactions, on terms and conditions, including credit standards, that in good faith would be offered to, or would apply to, non-affiliated companies. Further, a bank holding company and its

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subsidiaries are prohibited from engaging in certain tie-in arrangements in connection with any extension of credit, lease or sale of property, or furnishing of services.

Capital Adequacy and Prompt Corrective Action

Each federal banking regulatory agency has adopted risk-based capital regulations under which a banking organization's capital is compared to the risk associated with its operations for both transactions reported on the balance sheet as assets as well as transactions that are off-balance sheet items, such as letters of credit and recourse arrangements. Under the capital regulations, the nominal dollar amounts of assets and the balance sheet equivalent amounts of off-balance sheet items are multiplied by one of several risk adjustment percentages, which range from zero percent for asset categories with low credit risk, such as cash and certain Treasury securities, to 100 percent for asset categories with relatively high credit risk, such as commercial loans. In total, these balances comprise the company's risk-weighted assets (RWA) which are the basis for important regulatory capital ratios. Bank holding companies and national banks such as the Corporation and the Bank are currently required to maintain Tier 1 and Total capital equal to at least 4 percent and 8 percent, respectively, of their total RWA before they may be classified as "adequately capitalized." Banking organizations with Tier 1 and Total capital ratios above 6 percent and 10 percent, respectively, are eligible to be classified as "well capitalized" by the regulatory agencies. The risk-based capital rules reflect the credit-risk of the company's activities, not other risks such as interest rate, liquidity, business or operational risks. During volatile or turbulent market conditions, bank regulators may set higher capital requirements for individual banks or for categories of banks. In order to maintain a capital reserve sufficient to support normal banking operations during such turbulent episodes, the Company uses internal capital adequacy assessment and stress testing procedures to establish Board approved guidelines for capital management.

In addition to the risk-based capital guidelines, federal banking regulatory agencies require banking organizations to maintain a minimum amount of Tier 1 capital to total assets, referred to as the leverage ratio. For banks with low risk balance sheets, strong liquidity, earnings and capital, and the lowest level of supervisory concern, the minimum leverage ratio is 3 percent. For all other banks, the minimum leverage ratio is 4 percent. These minimum standards are necessary for a bank to be classified as "adequately capitalized." Banks with leverage capital ratios of 5 percent or more may be classified as "well capitalized." As with the risk-based capital requirements, banks with supervisory, financial, operational, or managerial weaknesses, as well as organizations that are anticipating or experiencing significant growth, are expected to maintain capital ratios above the minimum levels. In addition to these uniform risk-based capital guidelines and leverage ratios that apply across the industry, the federal banking agencies have the discretion to set individual minimum capital requirements for specific institutions at rates significantly above the minimum guidelines and ratios.

At December 31, 2011, the Corporation and the Bank each exceeded the required risk-based capital ratios for classification as "well capitalized" as well as the required minimum leverage ratios for the Bank. See "Management's Discussion and Analysis Balance Sheet Analysis Capital" of this report.

The Federal Deposit Insurance Corporation Improvement Act (FDICIA) requires federal bank regulatory agencies to take "prompt corrective action" with respect to FDIC-insured depository institutions that do not meet minimum capital requirements. A depository institution's treatment for purposes of the prompt corrective action provisions will depend on how its capital levels compare to various capital measures and certain other factors, as established by regulation. FDICIA imposes progressively more restrictive constraints on operations, management and capital distributions depending on the category in which an institution is classified. Failure to meet the capital guidelines could also subject a banking institution to capital raising requirements. An "undercapitalized" bank must develop a capital restoration plan and its parent holding company must guarantee that bank's

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compliance with the plan. The liability of the parent holding company under any such guarantee is limited to the lesser of five percent of the bank's assets at the time it became "undercapitalized" or the amount needed to comply with the plan. Furthermore, in the event of the bankruptcy of the parent holding company, such guarantee would take priority over the parent's general unsecured creditors. In addition, FDICIA requires the various regulatory agencies to prescribe certain non-capital standards for safety and soundness relating generally to operations and management, asset quality and executive compensation and permits regulatory action against a financial institution that does not meet such standards.

The current U.S. federal bank regulatory agencies' risk-based capital guidelines are based upon the 1988 capital accord ("Basel I") of the Basel Committee on Banking Supervision ("BIS"). The BIS is a committee of central banks and bank supervisors/regulators from the major industrialized countries that develops broad policy guidelines for use by each country's supervisors in determining the supervisory policies they apply.

For several years, the U.S. bank regulators have been preparing to implement a new framework for risk-based capital adequacy developed by BIS, sometimes referred to as "Basel II." In July 2007, the U.S. bank regulators announced an agreement reflecting their then-current plan for implementing the most advanced approach under Basel II for the largest, most internationally active financial institutions. The agreement also provides that the regulators will propose rules permitting other financial institutions, such as the Corporation, to choose between the current method of calculating risk-based capital ("Basel I") and the "standardized" approach under Basel II. The standardized approach under Basel II would lower risk weightings for certain categories of assets (including mortgages) from the weightings reflected in Basel I, but would also require an explicit capital charge for operational risk, which is not required by Basel I. In July 2008, the U.S. bank regulators proposed a new rule, which includes the previously mentioned methods to calculate risk-based capital, but for institutions using the "standardized" framework, modifies the method for determining the leverage ratio requirement. At this time, Basel II does not apply to either the Corporation or the Bank.

On September 12, 2010, the Group of Governors and Heads of Supervision, the oversight body of BIS, announced agreement on the calibration and phase-in arrangements for a strengthened set of capital requirements, known as Basel III. A key goal of the Basel III agreement is to strengthen the capital resources of banking organizations during normal and challenging business environments. Important elements of the Basel III capital management requirements include the following:

Increase minimum capital requirements,

Raise the quality of capital so banks are better able to absorb losses,

Implement a leverage ratio concept for international banks and U.S. bank holding companies,

Establish countercyclical capital buffers, and

Provide a more uniform supervisory standard for U.S and non-U.S. banking organizations

In January 2011, the Basel Committee issued further guidance on the qualification criteria for inclusion in Tier 1 capital. The revised text of the final Basel III capital and liquidity rules was published on June 1, 2011, and is now subject to individual adoption by member nations, including the United States. Banking regulators will likely implement changes to the capital adequacy standards applicable to the Corporation and the Bank in light of Basel III.

Basel III represents both an addition to, and a revision of, the approach of Basel II. As Basel III has not yet been finalized and implemented by the federal banking agencies, the Corporation cannot be certain as to how Basel III will impact the Corporation or the Bank, or how the requirements of the Dodd-Frank Act will be reconciled with those of Basel III.

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Premiums for Deposit Insurance

The Bank's deposits are insured to applicable limits by the FDIC, which insurance is funded through assessments on banks such as the Bank. The Dodd-Frank Act permanently increased the maximum deposit insurance amount from \$100,000 to \$250,000 retroactive to January 1, 2009. On October 13, 2008, the FDIC established a Temporary Liquidity Guarantee Program under which the FDIC fully guaranteed all non-interest-bearing transaction accounts until December 31, 2010 (the "Transaction Account Guarantee Program") and all senior unsecured debt of insured depository institutions or their qualified holding companies issued between October 14, 2008 and October 31, 2009 that matures prior to December 31, 2012 (the "Debt Guarantee Program"). The Bank participated in the Transaction Account Guarantee Program and did not participate in the Debt Guarantee Program. Under the Transaction Account Guarantee Program, the Bank paid a 10 basis point fee (annualized) on the balance of each covered account in excess of \$250,000 through December 31, 2009, and for 2010 paid an increased fee of 15 basis points. The Dodd-Frank Act extended the unlimited deposit insurance on non-interest bearing transaction accounts through December 31, 2012.

In June 2009, the FDIC imposed a special assessment equal to five basis points of assets less Tier 1 capital as of June 30, 2009 payable on September 30, 2009 and reserved the right to impose additional special assessments. In lieu of further special assessments, on November 12, 2009 the FDIC approved a final rule to require all insured depository institutions to prepay their estimated assessments for the fourth quarter of 2009, and for all of 2010, 2011, and 2012 on December 30, 2009. The prepaid assessment would be applied against the actual assessment until exhausted. Any funds remaining after June 30, 2013 would be returned to the institution. If the prepayment would impair an institution's liquidity or otherwise create significant hardship, it could apply for an exemption.

The Dodd-Frank Act expands the base for FDIC insurance assessments, requiring that assessments be based on the average consolidated total assets less tangible equity capital of a financial institution. On February 7, 2011, the FDIC approved a final rule to implement the foregoing provision of the Dodd-Frank Act and to make other changes to the deposit insurance assessment system applicable to insured depository institutions with over \$10 billion in assets, such as the Bank. Among other things, the final rule eliminates risk categories and the use of long-term debt issuer ratings in calculating risk-based assessments, and instead implements a scorecard method, combining CAMELS ratings and certain forward-looking financial measures to assess the risk an institution poses to the Deposit Insurance Fund. The final rule also revises the base assessment rate schedule for large institutions and highly complex institutions to provide assessments ranging from 2.5 to 45 basis points.

In addition, all FDIC-insured institutions are required to pay assessments to the FDIC to fund interest payments on bonds issued by the Financing Corporation ("FICO"), an agency of the Federal government established to recapitalize the Federal Savings and Loan Insurance Corporation. The FICO assessment rates, which are determined quarterly, ranged between .0068% and .0102% for calendar year 2011 and have been set at .0066% for the first quarter of 2012. These assessments will continue until the FICO bonds mature in 2017.

Depositor Preference

The Federal Deposit Insurance Act provides that, in the event of the "liquidation or other resolution" of an insured depository institution, the claims of depositors of the institutions, including the claims of the FDIC as subrogee of insured depositors, and certain claims for administrative expenses of the FDIC as a receiver, will have priority over other general unsecured claims against the institution. If an insured depository institution fails, insured and uninsured depositors, along with the FDIC, will have priority in payment ahead of unsecured non-deposit creditors, including the parent bank holding company, with respect to any extensions of credit they have made to such insured depository institution.

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Interstate Banking and Branching

The Riegle-Neal Interstate Banking and Branching Act permits banks and bank holding companies from any state to acquire banks located in any other state, subject to certain conditions, including certain nationwide and state-imposed concentration limits. The Company also has the ability, subject to certain restrictions, to acquire branches outside its home state by acquisition or merger. Under the Dodd-Frank Act, the establishment of new interstate branches is currently permitted. The Corporation has established or acquired banking operations outside its home state of California in the states of New York, Nevada, Tennessee and Georgia.

Community Reinvestment Act

Under the Community Reinvestment Act of 1977, the Bank has a continuing and affirmative obligation consistent with safe and sound banking practices to help meet the credit needs of its entire community, including low and moderate income neighborhoods. CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with CRA. CRA generally requires the federal banking agencies to evaluate the record of a financial institution in meeting the credit needs of its local communities and to take that record into account in its evaluation of certain applications by such institution, such as applications for charters, branches and other deposit facilities, relocations, mergers, consolidations and acquisitions or engage in certain activities pursuant to the GLB Act. An unsatisfactory rating may be the basis for denying the application. Based on its most recent examination report from July 2009, the Bank received an overall rating of "satisfactory." In arriving at the overall rating, the OCC rated the Bank's performance levels under CRA with respect to lending (high satisfactory), investment (outstanding) and service (high satisfactory).

Consumer Protection Laws

The Company is subject to a number of federal and state laws designed to protect borrowers and promote lending to various sectors of the economy and population. These laws include the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act, various state law counterparts, and the Consumer Financial Protection Act of 2010, which constitutes part of the Dodd-Frank Act and establishes the CFPB, as described above.

In addition, federal law and certain state laws (including California) currently contain client privacy protection provisions. These provisions limit the ability of banks and other financial institutions to disclose non-public information about consumers to affiliated companies and non-affiliated third parties. These rules require disclosure of privacy policies to clients and, in some circumstance, allow consumers to prevent disclosure of certain personal information to affiliates or non-affiliated third parties by means of "opt out" or "opt in" authorizations. Pursuant to the GLB Act and certain state laws (including California) companies are required to notify clients of security breaches resulting in unauthorized access to their personal information.

Securities and Exchange Commission

Pursuant to the Sarbanes-Oxley Act of 2002 ("SOX"), publicly-held companies such as the Corporation have significant requirements, particularly in the area of external audits, financial reporting and disclosure, conflicts of interest, and corporate governance at public companies. The Dodd-Frank Act has added new corporate governance and executive compensation requirements, including mandated resolutions for public company proxy statements such as an advisory vote on executive compensation, expanding disclosures for all public companies soliciting proxies and new stock exchange

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listing standards. The Company, like other public companies, has reviewed and reinforced its internal controls and financial reporting procedures in response to the various requirements of SOX and implementing regulations issued by the SEC and the New York Stock Exchange and will continue to do so with regard to the Dodd-Frank Act. The Company has emphasized best practices in corporate governance in compliance with SOX and will continue to do so in compliance with the Dodd-Frank Act.

The SEC regulations applicable to the Company's investment advisers cover all aspects of the investment advisory business, including compliance requirements, limitations on fees, record-keeping, reporting and disclosure requirements and general anti-fraud prohibitions.

Executive Officers of the Registrant

Shown below are the names and ages of all executive officers of the Corporation and officers of the Bank who are deemed to be executive officers of the Corporation as of February 1, 2012, with indication of all positions and offices with the Corporation and the Bank.

Name	Age	Present principal occupation and principal occupation during the past five years
Russell Goldsmith (1)	61	President, City National Corporation since May 2005; Chief Executive Officer, City National Corporation and Chairman of the Board and Chief Executive Officer, City National Bank since October 1995; Vice Chairman of City National Corporation October 1995 to May 2005.
Bram Goldsmith	88	Chairman of the Board, City National Corporation
Christopher J. Carey	57	Executive Vice President and Chief Financial Officer, City National Corporation and City National Bank since July 2004.
Christopher J. Warmuth	57	Executive Vice President, City National Corporation and President, City National Bank since May 2005
Michael B. Cahill	58	Executive Vice President, Corporate Secretary and General Counsel, City National Bank and City National Corporation since June 2001; Manager, Legal and Compliance Division since 2005.
Brian Fitzmaurice	51	Executive Vice President and Chief Credit Officer, City National Bank since February 2006
Olga Tsokova	38	Senior Vice President and Chief Accounting Officer, City National Corporation and City National Bank since July 2008 and SOX 404 Manager since March 2005; Controller, City National Bank, July 2008 to September 2008.

- (1) Russell Goldsmith is the son of Bram Goldsmith.

Item 1A Risk Factors**Forward-Looking Statements**

This report and other reports and statements issued by the Company and its officers from time to time contain forward-looking statements that are subject to risks and uncertainties. These statements are based on the beliefs and assumptions of our management, and on information currently available to our management. Forward-looking statements include information concerning our possible or assumed future results of operations, and statements preceded by, followed by, or that include the words "will," "believes," "expects," "anticipates," "intends," "plans," "estimates," or similar expressions.

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Our management believes these forward-looking statements are reasonable. However, you should not place undue reliance on the forward-looking statements, since they are based on current expectations. Actual results may differ materially from those currently expected or anticipated. Forward-looking statements are not guarantees of performance. By their nature, forward-looking statements are subject to risks, uncertainties, and assumptions. These statements speak only as of the date they are made. The Company does not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the date the forward-looking statements are made or to update earnings guidance including the factors that influence earnings. A number of factors, many of which are beyond the Company's ability to control or predict, could cause future results to differ materially from those contemplated by such forward-looking statements. These factors include, without limitation, the significant factors set forth below.

Factors That May Affect Future Results

General business and economic conditions may significantly affect our earnings. Our business and earnings are sensitive to general business and economic conditions. A favorable business environment is generally characterized by, among other factors, economic growth, efficient capital markets, low inflation, high business and investor confidence and strong business earnings. Unfavorable or uncertain economic and market conditions can be caused by: declines in economic growth, business activity or investor or business confidence; limitations on the availability or increases in the cost of credit and capital; increases in volatility, inflation or interest rates; political unrest, acts of war, terrorism, natural disasters; or a combination of these or other factors. A political, economic or financial disruption in a country or region could adversely impact our business by increasing volatility in financial markets generally.

The United States in recent years has faced a severe economic crisis including a major recession from which it is slowly recovering. Business activity across a wide range of industries and regions remains reduced and local governments and many businesses continue to experience financial difficulty. Unemployment levels remain elevated. There can be no assurance when these conditions will improve or whether those conditions will worsen. The resulting economic pressure on consumers and lack of confidence in the financial market could adversely affect our business, financial condition and results of operations. In addition, Europe and other global economies face continued economic stresses that impact the equity market generally, including impacts to the trading price of securities, such as our common stock, that do not have substantial direct exposure to foreign economies.

The Corporation's financial performance generally, and the demand for credit and other banking products and the ability of borrowers to pay interest on and repay principal of outstanding loans and the value of collateral securing those loans, is highly dependent upon the business environment in the markets where the Corporation operates and in the United States as a whole. Declines in real estate values in the Company's markets, including California, Nevada and New York, have impacted results of operations. Further decline in real estate values in the Company's markets could have a further negative effect on results of operations, and a significant decline in home values would likely lead to increased delinquencies and credit quality issues in the Company's residential mortgage loan portfolio and home-equity loan portfolio. In addition, economic conditions coupled with elevated unemployment and reduced consumer spending could have a further negative effect on results of the Company's operations through higher credit losses in the commercial loan, commercial real estate loan and commercial real estate construction loan portfolios.

Recent legislation regarding the financial services industry may have a significant adverse effect on our operations. On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act, which we refer to as the Dodd-Frank Act, was signed into law. The Dodd-Frank Act implements a variety of far-reaching changes and has been called the most sweeping reform of the financial services

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industry since the 1930s. Many of the provisions of the Dodd-Frank Act directly affect our ability to conduct our business, including, among other things:

Creation of a financial stability oversight council that will recommend to the Federal Reserve increasingly strict rules for capital, leverage, liquidity, risk management and other requirements as companies grow in size and complexity;

Application of the same leverage and risk-based capital requirements that apply to insured depository institutions to most bank holding companies, such as the Corporation, which, among other things, will, after a three-year phase-in period which begins January 1, 2013, remove trust preferred securities as a permitted component of a holding company's Tier 1 capital;

Requirement that the OCC seek to make countercyclical its capital requirements for national banks, such as the Bank;

Change in the FDIC assessment for depository institutions with assets of \$10 billion or more, such as the Bank, and increases the minimum reserve ratio for the Deposit Insurance Fund from 1.15% to 1.35%;

Repeal of the federal prohibitions on the payment of interest on demand deposits, thereby permitting depository institutions to pay interest on business transaction and other accounts;

Establishment of a consumer financial protection bureau with broad authority to implement new consumer protection regulations and, for banking organizations with \$10 billion or more in assets, to examine and enforce compliance with federal consumer laws;

Amendment of the Electronic Fund Transfer Act (EFTA) to, among other things, give the Federal Reserve the authority to issue rules limiting debit-card interchange fees; and

Establishment of mortgage reform provisions regarding a customer's ability to repay, restricting variable-rate lending by requiring that the ability to repay be determined for variable-rate loans by using the maximum rate that will apply during the first five years of a variable-rate loan term, and making more loans subject to provisions for higher cost loans, new disclosures, and certain other revisions.

Many provisions in the Dodd-Frank Act remain subject to regulatory rule-making and implementation, the effects of which are not yet known, including mandates requiring the Federal Reserve to establish compensation guidelines covering regulated financial institutions. The provisions of the Dodd-Frank Act and any rules adopted to implement those provisions as well as any additional legislative or regulatory changes may impact the profitability of our business activities, may require that we change certain of our business practices, may materially affect our business model or affect retention of key personnel, may require us to raise additional regulatory capital and could expose us to additional costs (including increased compliance costs). These and other changes may also require us to invest significant management attention and resources to make any necessary changes and may adversely affect our ability to conduct our business as previously conducted or our results of operations or financial condition.

Further significant changes in banking laws or regulations, the interpretation of those rules and regulations, and federal monetary policy could materially affect our business. In addition to the Dodd-Frank Act and related matters discussed above, the banking industry is subject to extensive federal and state regulation, and significant new laws or changes in, or repeals of, existing laws, including changes in the interpretations of those rules and regulations by regulators, courts or others, may cause results to differ materially. Also, federal monetary policy, particularly as implemented through the Federal Reserve System, significantly affects our credit conditions, primarily through open market operations in U.S. government securities, the discount rate for member bank borrowing, and bank reserve requirements. A material change in these conditions would affect our results. Parts of our

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business are also subject to federal and state securities laws and regulations. Significant changes in these laws and regulations would also affect our business. Federal and state regulatory agencies also frequently adopt changes to their regulations or change the manner in which existing regulations are applied. For further discussion of the regulation of financial services, see "Supervision and Regulation" and the discussion under Item 1, Business, "Economic Conditions, Government Policies, Legislation and Regulation."

We cannot predict the substance or impact of any change in regulation, whether by regulators or as a result of legislation, or in the way such statutory or regulatory requirements are interpreted or enforced. Compliance with such current and potential regulation and scrutiny may significantly increase our costs, impede the efficiency of our internal business practices, require us to increase our regulatory capital and limit our ability to pursue business opportunities in an efficient manner.

We may be subject to more stringent capital requirements. As discussed above, the Dodd-Frank Act creates a financial stability oversight council that will recommend to the Federal Reserve increasingly strict rules for capital requirements as companies grow in size and complexity, requires that the OCC seek to make countercyclical its capital requirements for national banks and applies the same leverage and risk-based capital requirements that apply to insured depository institutions to most bank holding companies, which, among other things, will, after a three-year phase-in period which begins January 1, 2013, remove trust preferred securities as a permitted component of a holding company's Tier 1 capital. These requirements, and any other new regulations, could adversely affect our ability to pay dividends, or could require us to reduce business levels or to raise capital, including in ways that may adversely affect our results of operations or financial condition.

In addition, on September 12, 2010, the Group of Governors and Heads of Supervision, the oversight body of BIS, announced agreement on the calibration and phase-in arrangements for a strengthened set of capital requirements, known as Basel III. A key goal of the Basel III agreement is to strengthen the capital resources of banking organizations during normal and challenging business environments. Important elements of the Basel III capital management requirements include the following:

Increase minimum capital requirements,

Raise the quality of capital so banks are better able to absorb losses,

Implement a leverage ratio concept for international banks and U.S. bank holding companies,

Establish countercyclical capital buffers, and

Provide a more uniform supervisory standard for U.S and non-U.S. banking organizations

In January 2011, the Basel Committee issued further guidance on the qualification criteria for inclusion in Tier 1 capital. The revised text of the final Basel III capital and liquidity rules was published on June 1, 2011, and is now subject to individual adoption by member nations, including the United States. Banking regulators will likely implement changes to the capital adequacy standards applicable to the Corporation and the Bank in light of Basel III.

Basel III represents both an addition to, and a revision of, the approach of Basel II. As Basel III has not yet been finalized and implemented by the federal banking agencies, the Corporation cannot be certain as to how Basel III will impact the Corporation or the Bank, or how the requirements of the Dodd-Frank Act will be reconciled with those of Basel III.

Changes in interest rates affect our profitability. We derive our income mainly from the difference or "spread" between the interest we earn on loans, securities, and other interest-earning assets, and interest we pay on deposits, borrowings, and other interest-bearing liabilities. In general, the wider this spread, the more we earn. When market rates of interest change, the interest we earn on our

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assets and the interest we pay on our liabilities fluctuate. This causes our spread to increase or decrease and affects our net interest income. Although we actively manage our asset and liability positions, we will periodically experience "gaps" in the interest rate sensitivities of our assets and liabilities, meaning that either our interest-bearing liabilities will be more sensitive to changes in market interest rates than our interest-earning assets, or vice versa. In either event, if market interest rates should move contrary to our position, this "gap" would work against us, and our earnings may be negatively affected. In addition, interest rates affect how much money we lend, and changes in interest rates may negatively affect deposit growth.

Our results may be adversely affected if we continue to suffer higher than expected losses on our loans due to a slow economy, real estate cycles or other economic events which could require us to increase our allowance for loan and lease losses. We assume credit risk from the possibility that we will suffer losses because borrowers, guarantors, and related parties fail to perform under the terms of their loans. We try to minimize and monitor this risk by adopting and implementing what we believe are effective underwriting and credit policies and procedures, including how we establish and review the allowance for loan and lease losses. We assess the likelihood of nonperformance, track loan performance, and diversify our credit portfolio. Those policies and procedures may still not prevent unexpected losses that could adversely affect our results. The Company continually monitors changes in the economy, particularly housing prices and unemployment rates. There are inherent risks in our lending activities, including flat or volatile interest rates and changes in the economic conditions in the markets in which we operate. Continuing weak economic conditions could adversely impact the ability of borrowers to repay outstanding loans or the value of collateral securing those loans. If the value of real estate in the Company's market declines materially, a significant portion of the loan portfolio could become under-collateralized which could have a further negative effect on results of operations. We monitor the value of collateral, such as real estate, for loans made by us. Deterioration in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of the Company's control, may require an increase in the allowance for loan and lease losses. See the section captioned "Loan and Lease Portfolio" and "Asset Quality" in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations located elsewhere in this report for further discussion related to our loan portfolio and our process for determining the appropriate level of the allowance for possible loan losses.

We may experience further impairments of loans covered under loss-sharing agreements with FDIC ("covered loans") that could negatively impact our earnings. The Company updates its cash flow projections for covered loans on a quarterly basis. If the expected cash flows decrease due to an anticipated deterioration of performance of covered loans and/or the timing of cash flows and credit losses, a provision expense and an allowance for loan losses could be recognized.

A portion of the income generated by our wealth management division and asset management affiliates is subject to market valuation risks. A substantial portion of trust and investment fee income is based on equity, fixed income and other market valuations. As a result, volatility in these markets can positively or negatively impact noninterest income. In addition, because of the low interest rate environment, the off-balance sheet money market funds managed by our wealth management business may be at a greater risk of being moved by our clients to another company or to the Bank's on-balance sheet money market funds. As a result, this may have an unfavorable impact overall on our earnings. However, this could enhance the Company's overall liquidity position.

We may experience further write-downs of our financial instruments and other losses related to volatile and illiquid market conditions. Market volatility, illiquid market conditions and disruptions in the credit markets have made it difficult to value certain of our securities. Subsequent valuations, in light of factors then prevailing, may result in significant changes in the values of these securities in

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future periods. In addition, at the time of any sales and settlements of these securities, the price we ultimately realize will depend on the demand and liquidity in the market at that time and may be materially lower than their current fair value. Any of these factors could require us to take further write-downs in the value of our securities portfolio, which may have an adverse impact on our results of operations in future periods.

Bank clients could move their money to alternative investments causing us to lose a lower cost source of funding. Demand deposits can decrease when clients perceive alternative investments, such as those available in our wealth management business, as providing a better risk/return tradeoff. Technology and other changes have made it more convenient for bank customers to transfer funds into alternative investments or other deposit accounts offered by other financial institutions or non-bank service providers. When clients move money out of bank demand deposits and into other investments, we lose a relatively low cost source of funds, increasing our funding costs and reducing our net interest income.

Increased competition from financial service companies and other companies that offer banking and wealth management services could negatively impact our business. Increased competition in our market may result in reduced loans, deposits and/or assets under management. Many competitors offer the banking services and wealth management services that we offer in our service area. These competitors, both domestic and foreign, include national, regional, and community banks. We also face intense competition from many other types of financial institutions, including, without limitation, savings and loans, finance companies, brokerage firms, insurance companies, credit unions, private equity funds, mortgage banks, and other financial intermediaries. Banks, trust companies, investment advisors, mutual fund companies, multi-family offices and insurance companies compete with us for trust and asset management business. In addition, technological advances and the growth of e-commerce have made it possible for non-depository institutions to offer products and services that were traditionally offered only by banks.

We also face intense competition for talent. Our success depends, in large part, on our ability to hire and retain key people. Competition for the best people in most businesses in which we engage can be intense. If we are unable to attract and retain talented people, our business could suffer. The Dodd-Frank Act includes mandates requiring the Federal Reserve to establish compensation guidelines covering regulated financial institutions. Restrictions on executive compensation could have an adverse effect on our ability to hire or retain our talent.

Our controls and procedures could fail or be circumvented. Management regularly reviews and updates our internal controls, disclosure controls and procedures and corporate governance policies and procedures. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, but not absolute, assurances of the effectiveness of these systems and controls, and that the objectives of these controls have been met. Any failure or circumvention of our controls and procedures, and any failure to comply with regulations related to controls and procedures could adversely affect our business, results of operations and financial condition.

Changes in accounting standards or tax legislation. Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. From time to time the Financial Accounting Standards Board and SEC change the financial accounting and reporting standards that govern the preparation of our financial statements or elected representatives approve changes to tax laws. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations.

Acquisition risks. We have in the past and may in the future seek to grow our business by acquiring other businesses. We cannot predict the frequency, size or timing of our acquisitions, and we

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typically do not comment publicly on a possible acquisition until we have signed a definitive agreement. There can be no assurance that our acquisitions will have the anticipated positive results, including results related to: the total cost of integration; the time required to complete the integration; the amount of longer-term cost savings; continued growth; or the overall performance of the acquired company or combined entity. Integration of an acquired business can be complex and costly. If we are not able to integrate successfully past or future acquisitions, there is a risk that results of operations could be adversely affected.

Impairment of goodwill or amortizable intangible assets associated with acquisitions would result in a charge to earnings. Goodwill is evaluated for impairment at least annually, and amortizable intangible assets are evaluated for impairment annually or when events or circumstances indicate that the carrying value of those assets may not be recoverable. We may be required to record a charge to earnings during the period in which any impairment of goodwill or intangibles is determined.

Our business and financial results could be impacted materially by adverse results in legal proceedings and governmental investigations and inquiries. Aspects of our business involve risk of legal liability. We have been named or threatened to be named as defendants in various legal proceedings arising from our business activities. In addition, we may be the subject of governmental investigations and other forms of regulatory inquiry from time to time. The results of these legal proceedings and governmental investigations and inquiries could lead to significant monetary damages or penalties, restrictions on the way in which we conduct our business, or reputational harm.

Although we establish accruals for legal proceedings when information related to the loss contingencies represented by those matters indicates both that a loss is probable and that the amount of loss can be reasonably estimated, we do not have accruals for all legal proceedings where we face a risk of loss. In addition, amounts accrued may not represent the ultimate loss to us from the legal proceedings in question. Thus, our ultimate losses may be higher or lower, and possibly significantly so, than the amounts accrued for legal loss contingencies.

Our business and financial performance could be adversely affected, directly or indirectly, by disasters, by terrorist activities or by international hostilities. Neither the occurrence nor the potential impact of disasters, terrorist activities and international hostilities can be predicted. However, these occurrences could impact us directly as a result of damage to our facilities or preventing us from conducting our business in the ordinary course, or indirectly as a result of their impact on our borrowers, depositors, other customers, suppliers or other counterparties. We could also suffer adverse consequences to the extent that disasters, terrorist activities or international hostilities affect the financial markets or the economy in general or in any particular region. These types of impacts could lead, for example, to an increase in delinquencies, bankruptcies or defaults that could result in our experiencing higher levels of nonperforming assets, net charge-offs and provisions for credit losses.

Our ability to mitigate the adverse consequences of such occurrences is in part dependent on the quality of our resiliency planning, and our ability, if any, to anticipate the nature of any such event that occurs. The adverse impact of disasters or terrorist activities or international hostilities also could be increased to the extent that there is a lack of preparedness on the part of national or regional emergency responders or on the part of other organizations and businesses that we deal with, particularly those that we depend upon but have no control over.

Disruptions to our information systems and security breaches could adversely affect our business and reputation. In the ordinary course of business we rely on electronic communications and information systems to conduct our businesses and to store sensitive data, including financial information regarding our customers. While we work to implement and maintain appropriate systems and security measures, our information technology and infrastructure could fail or be breached by hackers or as a result of employee error, malfeasance or otherwise. Any such failure or breach could

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compromise our networks and result in failures of or disruptions to our accounting, deposit, loan and other systems, and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such failure or unauthorized access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, and regulatory penalties, and could disrupt our operations and damage our reputation, which could adversely affect our business and financial results.

Operational risks. The potential for operational risk exposure exists throughout our organization. Integral to our performance is the continued efficacy of our technology and information systems, operational infrastructure, and relationships with third parties and our colleagues in our day-to-day and ongoing operations. Failure by any or all of these resources subjects us to risks that may vary in size, scale and scope. This includes but is not limited to operational or systems failures, disruption of client operations and activities, ineffectiveness or exposure due to interruption in third party support as expected, as well as, the loss of key colleagues or failure on the part of key colleagues to perform properly.

Negative public opinion could damage our reputation and adversely affect our earnings. Reputational risk, or the risk to our earnings and capital from negative public opinion, is inherent in our business. Negative public opinion can result from the actual or perceived manner in which we conduct our business activities, including activities in our private and business banking operations and investment and trust operations; our management of actual or potential conflicts of interest and ethical issues; and our protection of confidential client information. Negative public opinion can adversely affect our ability to keep and attract clients and can expose us to litigation and regulatory action. We take steps to minimize reputation risk in the way we conduct our business activities and deal with our clients, communities and vendors.

The soundness of other financial institutions could adversely affect us. Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. We have exposure to many different industries and counterparties, and we routinely execute transactions with counterparties in the financial industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. Many of these transactions expose us to credit risk in the event of default of our counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by us cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the financial instrument exposure due us. Any such losses could have a material adverse effect on our financial condition and results of operations.

Item 1B Unresolved Staff Comments

The Company has no written comments regarding its periodic or current reports from the staff of the Securities and Exchange Commission that were issued 180 days or more preceding the end of its 2011 fiscal year and that remain unresolved.

Item 2. Properties

The Bank leases approximately 417,000 rentable square feet of commercial office space in downtown Los Angeles in the office tower located at 555 S. Flower Street ("City National Plaza"). City National Plaza serves as both the Corporation's and the Bank's headquarters. In addition, City National Plaza houses the Company's Downtown Los Angeles Regional Center, offering extensive private and business banking and wealth management capabilities.

As of December 31, 2011, the Bank owned five banking office properties in Beverly Hills, Riverside and Sun Valley, California and in North Las Vegas and Minden, Nevada. In addition to the

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properties owned, the Company maintained operations in 83 other locations, comprised of 74 banking offices and 9 other operations and general office properties as of December 31, 2011.

The non-owned banking offices and other properties are leased by the Bank. Total annual net rental payments (exclusive of operating charges and real property taxes) are approximately \$32 million, with lease expiration dates for office facilities ranging from 2012 to 2022, exclusive of renewal options.

The wealth management affiliates lease a total of 11 offices (excluding offices that are being subleased). Total annual net rental payments (exclusive of operating charges and real property taxes) for all affiliates are approximately \$4.7 million.

Item 3. Legal Proceedings

The Corporation and its subsidiaries are defendants in various pending lawsuits. Based on present knowledge, management, including in-house counsel, does not believe that the outcome of such lawsuits will have a material adverse effect upon the Company.

The Corporation is not aware of any material proceedings to which any director, officer, or affiliate of the Corporation, any owner of record or beneficially of more than 5 percent of the voting securities of the Corporation as of December 31, 2011, or any associate of any such director, officer, affiliate of the Corporation, or security holder is a party adverse to the Corporation or any of its subsidiaries or has a material interest adverse to the Corporation or any of its subsidiaries.

Item 4. Mine Safety Disclosures

Not applicable.

Table of Contents**PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

The Corporation's common stock is listed and traded principally on the New York Stock Exchange under the symbol "CYN." Information concerning the range of high and low sales prices for the Corporation's common stock, and the dividends declared, for each quarterly period within the past two fiscal years is set forth below.

Quarter Ended	High	Low	Dividends Declared
2011			
March 31	\$ 62.90	\$ 55.65	\$ 0.20
June 30	58.75	52.02	0.20
September 30	55.54	37.76	0.20
December 31	45.10	36.01	0.20
2010			
March 31	\$ 54.86	\$ 45.81	\$ 0.10
June 30	64.13	51.23	0.10
September 30	58.00	47.91	0.10
December 31	62.91	51.57	0.10

The Company's common stock is traded on the New York Stock Exchange (ticker symbol CYN). As of January 31, 2012, the closing price of the Corporation's stock was \$45.88 per share. As of that date, there were approximately 1,748 holders of record of the Corporation's common stock. On January 19, 2012, the Board of Directors authorized a regular quarterly cash dividend on its common stock at a rate of \$0.25 per share payable on February 15, 2012 to all shareholders of record on February 1, 2012.

For a discussion of dividend restrictions on the Corporation's common stock, see the *Dividends and Other Transfers of Funds* section of Part I and Note 13 of the Notes to Consolidated Financial Statements.

On January 24, 2008, the Company's Board of Directors authorized the Corporation to repurchase 1 million additional shares of the Corporation's stock following the completion of its previously approved initiative. Unless terminated earlier by resolution of the Board of Directors, the program will expire when the Corporation has repurchased all shares authorized for repurchase thereunder. There were no issuer repurchases of the Corporation's common stock as part of its repurchase plan in the fourth quarter of the year ended December 31, 2011. As of December 31, 2011, there were 1,140,400 shares remaining to be purchased.

The information required by this item regarding purchases by the Company during the quarter ended December 31, 2011 of equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act appears under Note 12 of the Notes to Consolidated Financial Statements and is incorporated herein by reference.

Item 6. Selected Financial Data

The information required by this item appears on page 37 under the caption "Selected Financial Information," and is incorporated herein by reference.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information required by this item appears on pages 38 through 101, under the caption "Management's Discussion and Analysis," and is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The information required by this item appears on pages 66 through 72, under the caption "Management's Discussion and Analysis," and is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

The information required by this item appears on page 101 under the captions "2011 Quarterly Operating Results" and "2010 Quarterly Operating Results," and on page A-4 through A-82 and is incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rules 13a-15(e) under the Securities and Exchange Act of 1934 (the "Exchange Act")). Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective.

Internal Control over Financial Reporting

Management's Report on Internal Control over Financial Reporting.

Management's Report on Internal Control Over Financial Reporting appears on page A-1 of this report. The Company's independent registered public accounting firm, KPMG LLP, has issued an audit report on the effectiveness of the Company's internal control over financial reporting. That report appears on page A-2.

Changes in Internal Controls

There was no change in the Company's internal control over financial reporting that occurred during the Company's fourth fiscal quarter that has materially affected, or was reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information.

None.

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PART III

Item 10. Directors and Executive Officers of the Registrant

Information regarding executive officers is included in Part I of this Form 10-K as permitted by General Instruction G (3).

The additional information required by this item will appear in the Corporation's definitive proxy statement for the 2012 Annual Meeting of Stockholders (the "2012 Proxy Statement"), and such information either shall be (i) deemed to be incorporated herein by reference from that portion of the 2012 Proxy Statement, if filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the Corporation's most recently completed fiscal year, or (ii) included in an amendment to this report filed with the Commission on Form 10-K/A not later than the end of such 120 day period.

Item 11. Executive Compensation

The information required by this item will appear in the 2012 Proxy Statement, and such information either shall be (i) deemed to be incorporated herein by reference from the 2012 Proxy Statement, if filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the Corporation's most recently completed fiscal year, or (ii) included in an amendment to this report filed with the Commission on Form 10-K/A not later than the end of such 120 day period.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this item will appear in the 2012 Proxy Statement, and such information either shall be (i) deemed to be incorporated herein by reference from the 2012 Proxy Statement, if filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the Corporation's most recently completed fiscal year, or (ii) included in an amendment to this report filed with the Commission on Form 10-K/A not later than the end of such 120 day period.

Item 13. Certain Relationships and Related Transactions

The information required by this item will appear in the 2012 Proxy Statement, and such information either shall be (i) deemed to be incorporated herein by reference from the 2012 Proxy Statement, if filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the Corporation's most recently completed fiscal year, or (ii) included in an amendment to this report filed with the Commission on Form 10-K/A not later than the end of such 120 day period. Also see Note 7 to Notes to Consolidated Financial Statements.

Item 14. Principal Accountant Fees and Services.

The information required by this item will appear in the 2012 Proxy Statement, and such information either shall be (i) deemed to be incorporated herein by reference from the 2012 Proxy Statement, if filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the Corporation's most recently completed fiscal year, or (ii) included in an amendment to this report filed with the Commission on Form 10-K/A not later than the end of such 120 day period.

Table of Contents**PART IV****Item 15. Exhibits and Financial Statement Schedules**

(a)

The following documents are filed as part of this report:

1. Financial Statements:

<u>Management's Report on Internal Control Over Financial Reporting</u>	<u>A-1</u>
<u>Report of Independent Registered Public Accounting Firm</u>	<u>A-2</u>
<u>Report of Independent Registered Public Accounting Firm</u>	<u>A-3</u>
<u>Consolidated Balance Sheets at December 31, 2011 and 2010</u>	<u>A-4</u>
<u>Consolidated Statements of Income for each of the years in the three-year period ended December 31, 2011</u>	<u>A-5</u>
<u>Consolidated Statements of Cash Flows for each of the years in the three-year period ended December 31, 2011</u>	<u>A-6</u>
<u>Consolidated Statements of Changes in Equity and Comprehensive Income for each of the years in the three-year period ended December 31, 2011</u>	<u>A-7</u>
<u>Notes to Consolidated Financial Statements</u>	<u>A-8</u>

2. All other schedules and separate financial statements of 50 percent or less owned companies accounted for by the equity method have been omitted because they are not applicable.

3. Exhibits

Exhibit No.	Description	Location
2.1	Purchase and Assumption Agreement Whole Bank All Deposits, among the Federal Deposit Insurance Corporation, Receiver of Imperial Capital Bank, La Jolla, California, the Federal Deposit Insurance Corporation and City National Bank, dated as of December 18, 2009.	Incorporated by reference from the Registrant's Current Report on Form 8-K filed December 22, 2009.
3.1	Restated Certificate of Incorporation.	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009.
3.2	Form of Certificate of Designations of Series A Junior Participating Cumulative Preferred Stock.	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009.
3.3	Certificate of Designations of Fixed Rate Cumulative Perpetual Preferred Stock, Series B.	Incorporated by reference from the Registrant's Current Report on Form 8-K filed November 24, 2008.
3.4	Bylaws, as amended to date.	Incorporated by reference from the Registrant's Current Report on Form 8-K filed December 15, 2011.

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4.1	Specimen Common Stock Certificate for Registrant.	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2010.
4.2	Indenture dated as of February 13, 2003 between Registrant and U.S. Bank National Association, as Trustee pursuant to which Registrant issued its 5.125 percent Senior Notes due 2013 in the principal amount of \$225.0 million and form of 5.125 percent Senior Note due 2013.	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2007.
4.3	Indenture, dated as of September 13, 2010 between the Registrant and The Bank of New York Mellon Trust Company, N.A., as Trustee pursuant to which Registrant issued its 5.250 percent Senior Notes due 2020 in the principal amount of \$300.0 million and form of 5.250 percent Senior Note due 2020.	Incorporated by reference from the Registrant's Current Report on Form 8-K filed on September 14, 2010.
10.1*	Employment Agreement made as of May 15, 2003, by and between Bram Goldsmith, and the Registrant and City National Bank.	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008.
10.2*	Amendment to Employment Agreement dated as of May 15, 2005 by and between Bram Goldsmith, Registrant, and City National Bank.	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2010.
10.3*	Second Amendment to Employment Agreement for Bram Goldsmith dated as of May 15, 2007, among Bram Goldsmith, Registrant and City National Bank.	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.
10.4*	Third Amendment to Employment Agreement, dated as of March 3, 2008, by and between Bram Goldsmith, Registrant and City National Bank.	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.
10.5*	Fourth Amendment to Employment Agreement, dated as of December 22, 2008, by and between Bram Goldsmith, Registrant and City National Bank.	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008.
10.6*	Fifth Amendment to Employment Agreement dated as of April 3, 2009, by and between Bram Goldsmith, Registrant and City National Bank.	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009.
10.7*	Sixth Amendment to Employment Agreement dated as of February 9, 2010, by and between Bram Goldsmith, Registrant and City National Bank.	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2010.

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10.8*	Seventh Amendment to Employment Agreement dated as of February 17, 2011 by and between Bram Goldsmith, Registrant and City National Bank.	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2010.
10.9*	Eighth Amendment to Employment Agreement dated as of February 13, 2012 by and between Bram Goldsmith, Registrant and City National Bank.	Filed herewith.
10.10*	Amended and Restated Employment Agreement between the Company and Russell Goldsmith dated June 24, 2010.	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2010.
10.11*	1995 Omnibus Plan.	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2010.
10.12*	Amendment to 1995 Omnibus Plan regarding Section 7.6(a).	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008.
10.13*	Amended and Restated Section 2.8 of 1995 Omnibus Plan.	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2007.
10.14*	Amendment to City National Corporation 1995 Omnibus Plan dated December 31, 2008.	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008.
10.15*	1999 Omnibus Plan.	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009.
10.16*	Amended and Restated 2002 Omnibus Plan.	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009.
10.17*	First Amendment to the City National Corporation Amended and Restated 2002 Omnibus Plan.	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2010.
10.18*	Amendment to City National Corporation Amended and Restated 2002 Omnibus Plan dated December 31, 2008.	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008.

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10.19*	City National Corporation 2011 Variable Bonus Plan.	Incorporated by reference from Appendix B to the Registrant's Proxy Statement filed with the SEC for the Annual Meeting of Stockholders held on April 20, 2011.
10.20*	Amended and Restated City National Corporation 2008 Omnibus Plan.	Filed herewith.
10.21*	2000 City National Bank Executive Deferred Compensation Plan.	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2010.
10.22*	Amendment Number 3 to 2000 City National Bank Executive Deferred Compensation Plan.	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2007.
10.23*	Amendment Number 4 to 2000 City National Bank Executive Deferred Compensation Plan (As in Effect Immediately Prior to January 1, 2009).	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008.
10.24*	2000 City National Bank Executive Deferred Compensation Plan (Amended and Restated for Plan Years 2004/05 and Later Effective on January 1, 2009).	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008.
10.25*	Amendment Number 1 to 2000 City National Bank Executive Deferred Compensation Plan (Amended and Restated for Plan Years 2004/05 and Later Effective on January 1, 2009).	Filed herewith.
10.26*	Amendment Number 2 to 2000 City National Bank Executive Deferred Compensation Plan (Amended and Restated for Plan Years 2004/05 and Later Effective on January 1, 2009).	Filed herewith.
10.27*	City National Corporation Strategy and Planning Committee Change in Control Severance Plan.	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008.
10.28*	City National Corporation Executive Committee Change in Control Severance Plan.	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008.
10.29*	2000 City National Bank Director Deferred Compensation Plan.	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2010.

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10.30*	Amendment Number 2 to 2000 City National Bank Director Deferred Compensation Plan.	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2007.
10.31*	Amendment Number 3 to 2000 City National Bank Director Deferred Compensation Plan (As In Effect Immediately Prior to January 1, 2009).	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008.
10.32*	2000 City National Bank Director Deferred Compensation Plan (Amended and Restated for Plan Years 2005 and Later Effective on January 1, 2009).	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008.
10.33*	Amendment No. 1 to 2000 City National Bank Director Deferred Compensation Plan (Amended and Restated for Plan Years 2004/5 and Later Effective on January 1, 2009).	Filed herewith.
10.34*	Amendment No. 2 to 2000 City National Bank Director Deferred Compensation Plan (Amended and Restated for Plan Years 2004/5 and Later Effective January 1, 2009)	Filed herewith.
10.35*	Executive Management Incentive Compensation Plan.	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008.
10.36*	Key Officer Incentive Compensation Plan.	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008.
10.37*	City National Corporation 2001 Stock Option Plan.	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2010.
10.38*	Form of Restricted Stock Unit Award Agreement Under the City National Corporation 2002 Amended and Restated Omnibus Plan.	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009.
10.39*	Form of Stock Option Award Agreement Under the City National Corporation 2002 Amended and Restated Omnibus Plan (Compensation Committee and Board Approval).	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009.
10.40*	Form of Stock Option Award Agreement Under the City National Corporation 2002 Amended and Restated Omnibus Plan (Compensation Committee Approval).	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009.

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10.41*	Form of Restricted Stock Award Agreement Under the City National Corporation 2002 Amended and Restated Omnibus Plan.	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009.
10.42*	Form of Director Stock Option Agreement Under the City National Corporation Amended and Restated 2002 Omnibus Plan.	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009.
10.43*	Form of Stock Option Award Agreement Under the City National Corporation Amended and Restated 2002 Omnibus Plan (2006 and later grants).	Filed herewith.
10.44*	Form of Restricted Stock Award Agreement Under the City National Corporation Amended and Restated 2002 Omnibus Plan (2006 and later grants).	Filed herewith.
10.45*	Form of Restricted Stock Unit Award Agreement Under the City National Corporation Amended and Restated 2002 Omnibus Plan and Restricted Stock Unit Award Agreement Addendum (2006 and later grants).	Filed herewith.
10.46*	Form of Restricted Stock Unit Award Agreement (Cash Only Award) Under the City National Corporation Amended and Restated 2002 Omnibus Plan and Restricted Stock Unit Award Agreement (Cash Only Award) Addendum.	Filed herewith.
10.47*	Form of Restricted Stock Award Agreement Under the City National Corporation 2008 Omnibus Plan.	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011.
10.48*	Form of Restricted Stock Unit Award Agreement under the City National Corporation 2008 Omnibus Plan.	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011.
10.49*	Form of Restricted Stock Unit Award Agreement Addendum under the City National Corporation 2008 Omnibus Plan.	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008.
10.50*	Form of Stock Option Award Agreement Under the City National Corporation 2008 Omnibus Plan.	Incorporated by reference from the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2008.
10.51*	Form of Restricted Stock Unit Award Agreement (Cash Only) under the City National Corporation 2008 Omnibus Plan.	Filed herewith.

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10.52*	Form of Restricted Stock Unit Award Agreement (Cash Only) Addendum under the City National Corporation 2008 Omnibus Plan.	Filed herewith.
10.53*	Summary Brian Fitzmaurice.	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2010.
10.54	Lease dated November 19, 2003 between TPG Plaza Investments and City National Bank (Portions of this exhibit have been omitted pursuant to a request for confidential treatment).	Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008.
21	Subsidiaries of the Registrant.	Filed herewith.
23	Consent of KPMG LLP.	Filed herewith.
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14 (a) or 15d-14 (a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14 (a) or 15d-14 (a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32.0	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
101.INS	XBRL Instance Document.	Filed herewith.
101.SCH	XBRL Taxonomy Extension Schema Document.	Filed herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.	Filed herewith.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.	Filed herewith.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.	Filed herewith.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.	Filed herewith.

*
Management contract or compensatory plan or arrangement

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CITY NATIONAL CORPORATION
(Registrant)

By /s/ RUSSELL GOLDSMITH

Russell Goldsmith,
President and Chief Executive Officer

February 28, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u> /s/ RUSSELL GOLDSMITH </u> Russell Goldsmith (Principal Executive Officer)	President/Chief Executive Officer/Director	February 28, 2012
<u> /s/ CHRISTOPHER J. CAREY </u> Christopher J. Carey (Principal Financial Officer)	Executive Vice President and Chief Financial Officer	February 28, 2012
<u> /s/ OLGA TSOKOVA </u> Olga Tsokova (Principal Accounting Officer)	Senior Vice President and Chief Accounting Officer	February 28, 2012
<u> /s/ BRAM GOLDSMITH </u> Bram Goldsmith	Chairman of the Board/Director	February 28, 2012
<u> /s/ CHRISTOPHER J. WARMUTH </u> Christopher J. Warmuth	Executive Vice President/Director	February 28, 2012
<u> /s/ RICHARD L. BLOCH </u> Richard L. Bloch	Director	February 28, 2012

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Signature	Title	Date
<hr/> <i>/s/ KENNETH L. COLEMAN</i> Kenneth L. Coleman	Director	February 28, 2012
<hr/> <i>/s/ ASHOK ISRANI</i> Ashok Israni	Director	February 28, 2012
<hr/> <i>/s/ RONALD L. OLSON</i> Ronald L. Olson	Director	February 28, 2012
<hr/> <i>/s/ BRUCE ROSENBLUM</i> Bruce Rosenblum	Director	February 28, 2012
<hr/> <i>/s/ PETER M. THOMAS</i> Peter M. Thomas	Director	February 28, 2012
<hr/> <i>/s/ ROBERT H. TUTTLE</i> Robert H. Tuttle	Director	February 28, 2012
<hr/> <i>/s/ KENNETH ZIFFREN</i> Kenneth Ziffren	Director	February 28, 2012

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**CAUTIONARY STATEMENT FOR PURPOSES OF THE "SAFE HARBOR" PROVISIONS
OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995**

We have made forward-looking statements in this document about the Company, for which the Company claims the protection of the safe harbor provisions contained in the Private Securities Litigation Reform Act of 1995.

Forward-looking statements are based on management's knowledge and belief as of today and include information concerning the Company's possible or assumed future financial condition, and its results of operations, business and earnings outlook. These forward-looking statements are subject to risks and uncertainties. A number of factors, many of which are beyond the Company's ability to control or predict, could cause future results to differ materially from those contemplated by such forward-looking statements. These factors include (1) changes in general economic, political, or industry conditions and the related credit and market conditions and the impact they have on the Company and its customers, (2) the impact on financial markets and the economy of the level of U.S. and European debt, (3) changes in the pace of economic recovery and related changes in employment levels, (4) the effect of the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and the new rules and regulations to be promulgated by supervisory and oversight agencies implementing the new legislation, taking into account that the precise timing, extent and nature of such rules and regulations and the impact on the Company is uncertain, (5) significant changes in applicable laws and regulations, including those concerning taxes, banking and securities, (6) volatility in the municipal bond market, (7) changes in the level of nonperforming assets, charge-offs, other real estate owned and provision expense, (8) incorrect assumptions in valuing the loans acquired in FDIC-assisted acquisitions resulting in greater than anticipated losses in the acquired loan portfolios exceeding the losses covered by the loss-sharing agreements with the FDIC, (9) the effects of and changes in trade and monetary and fiscal policies and laws, including the interest rate policies of the Federal Reserve Board, (10) changes in inflation, interest rates, and market liquidity which may impact interest margins and impact funding sources, (11) adequacy of the Company's enterprise risk management framework, (12) the Company's ability to increase market share and control expenses, (13) the Company's ability to attract new employees and retain and motivate existing employees, (14) increased competition in the Company's markets, (15) changes in the financial performance and/or condition of the Company's borrowers, including adverse impact on loan utilization rates, delinquencies, defaults and customers' ability to meet certain credit obligations, changes in customers' suppliers, and other counterparties' performance and creditworthiness, (16) a substantial and permanent loss of either client accounts and/or assets under management at the Company's investment advisory affiliates or its wealth management division, (17) changes in consumer spending, borrowing and savings habits, (18) soundness of other financial institutions which could adversely affect the Company, (19) protracted labor disputes in the Company's markets, (20) earthquake, fire or other natural disasters affecting the condition of real estate collateral, (21) the effect of acquisitions and integration of acquired businesses and de novo branching efforts, (22) the impact of changes in regulatory, judicial or legislative tax treatment of business transactions, (23) changes in accounting policies or procedures as may be required by the Financial Accounting Standards Board or regulatory agencies, and (24) the success of the Company at managing the risks involved in the foregoing.

Forward-looking statements speak only as of the date they are made, and the Company does not undertake to update forward-looking statements to reflect circumstances or events that occur after the date the statements are made, or to update earnings guidance, including the factors that influence earnings.

For a more complete discussion of these risks and uncertainties, see Part I, Item 1A, titled "Risk Factors."

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CITY NATIONAL CORPORATION

FINANCIAL HIGHLIGHTS

(in thousands, except per share amounts)	2011	2010	Percent change
FOR THE YEAR			
Net income attributable to City National Corporation	\$ 172,421	\$ 131,177	31%
Net income available to common shareholders	172,421	125,475	37
Net income per common share, basic	3.24	2.38	36
Net income per common share, diluted	3.21	2.36	36
Dividends per common share	0.80	0.40	100
AT YEAR END			
Assets	\$ 23,666,291	\$ 21,353,118	11
Securities	8,101,556	5,976,072	36
Loans and leases, excluding covered loans	12,309,385	11,386,628	8
Covered loans (1)	1,481,854	1,857,522	(20)
Deposits	20,387,582	18,176,862	12
Common shareholders' equity	2,144,849	1,959,579	9
Total equity	2,144,849	1,984,718	8
Book value per common share	40.86	37.51	9
AVERAGE BALANCES			
Assets	\$ 22,527,750	\$ 21,156,661	6
Securities	6,634,547	4,677,306	42
Loans and leases, excluding covered loans	11,698,388	11,576,380	1
Covered loans (1)	1,699,182	1,940,316	(12)
Deposits	19,305,703	17,868,392	8
Common shareholders' equity	2,058,269	1,902,846	8
Total equity	2,076,721	1,961,109	6
SELECTED RATIOS			
Return on average assets	0.77%	0.62%	24
Return on average common shareholders' equity	8.38	6.59	27
Corporation's tier 1 leverage	6.77	6.74	0
Corporation's tier 1 risk-based capital	10.26	10.52	(2)
Corporation's total risk-based capital	12.83	13.28	(3)
Period-end common shareholders' equity to period-end assets	9.06	9.18	(1)
Period-end equity to period-end assets	9.06	9.29	(2)
Dividend payout ratio, per common share	24.64	16.75	47
Net interest margin	3.79	3.86	(2)
Expense to revenue ratio (2)	65.53	62.45	5
ASSET QUALITY RATIOS (3)			
Nonaccrual loans to total loans and leases	0.91%	1.68%	(46)
Nonaccrual loans and OREO to total loans and leases and OREO	1.16	2.17	(47)
Allowance for loan and lease losses to total loans and leases	2.13	2.26	(6)
Allowance for loan and lease losses to nonaccrual loans	234.37	134.61	74
Net charge-offs to average total loans and leases	(0.05)	(1.13)	(96)
AT YEAR END			
Assets under management (4)	\$ 31,326,318	\$ 36,753,673	(15)
Assets under management or administration (4)	54,492,355	58,470,832	(7)

(1) Covered loans represent acquired loans that are covered under loss-sharing agreements with the Federal Deposit Insurance Corporation ("FDIC").

(2) The expense to revenue ratio is defined as noninterest expense excluding other real estate owned ("OREO") expense divided by total revenue (net interest income on a fully taxable-equivalent basis and noninterest income).

- (3) Excludes covered assets, which consist of acquired loans and OREO that are covered under loss-sharing agreements with the FDIC.
- (4) Excludes \$15.95 billion and \$21.32 billion of assets under management for asset managers in which the Company held a noncontrolling ownership interest as of December 31, 2011 and December 31, 2010, respectively.

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SELECTED FINANCIAL INFORMATION

(in thousands, except per share amounts) (1)	As of or for the year ended December 31,				
	2011	2010	2009	2008	2007
Statement of Income Data:					
Interest income	\$ 843,090	\$ 830,196	\$ 709,077	\$ 784,688	\$ 894,101
Interest expense	70,100	99,871	85,024	184,792	285,829
Net interest income	772,990	730,325	624,053	599,896	608,272
Provision for credit losses on loans and leases, excluding covered loans	12,500	103,000	285,000	127,000	20,000
Provision for losses on covered loans	43,646	76,218			
Noninterest income	341,867	361,375	292,197	266,984	303,202
Noninterest expense	805,095	751,330	581,087	587,763	534,931
Income before taxes	253,616	161,152	50,163	152,117	356,543
Income taxes	77,561	26,055	(1,886)	41,783	124,974
Net income	\$ 176,055	\$ 135,097	\$ 52,049	\$ 110,334	\$ 231,569
Less: Net income attributable to noncontrolling interest	3,634	3,920	710	5,378	8,856
Net income attributable to City National Corporation	\$ 172,421	\$ 131,177	\$ 51,339	\$ 104,956	\$ 222,713
Less: Dividends and accretion on preferred stock		5,702	25,903	2,445	
Net income available to common shareholders	\$ 172,421	\$ 125,475	\$ 25,436	\$ 102,511	\$ 222,713
Per Common Share Data:					
Net income per common share, basic	3.24	2.38	0.50	2.12	4.58
Net income per common share, diluted	3.21	2.36	0.50	2.11	4.50
Dividends per common share	0.80	0.40	0.55	1.92	1.84
Book value per common share	40.86	37.51	34.74	33.52	33.66
Shares used to compute net income per common share, basic	52,439	51,992	50,272	47,930	48,234
Shares used to compute net income per common share, diluted	52,849	52,455	50,421	48,196	49,069
Balance Sheet Data At Period End:					
Assets	\$ 23,666,291	\$ 21,353,118	\$ 21,078,757	\$ 16,455,515	\$ 15,889,290
Securities	8,101,556	5,976,072	4,461,060	2,440,468	2,756,010
Loans and leases, excluding covered loans	12,309,385	11,386,628	12,146,908	12,444,259	11,630,638
Covered loans (2)	1,481,854	1,857,522	1,851,821		
Interest-earning assets	22,090,781	19,667,137	19,055,189	15,104,199	14,544,176
Core deposits	19,727,968	17,294,342	15,728,847	11,210,091	10,515,697
Deposits	20,387,582	18,176,862	17,379,448	12,652,124	11,822,505
Common shareholders' equity	2,144,849	1,959,579	1,790,275	1,614,904	1,610,139
Total equity	2,144,849	1,984,718	2,012,764	2,030,434	1,635,722
Balance Sheet Data Average Balances:					
Assets	\$ 22,527,750	\$ 21,156,661	\$ 17,711,495	\$ 16,028,821	\$ 15,370,764
Securities	6,634,547	4,677,306	3,327,235	2,398,285	2,833,489
Loans and leases, excluding covered loans	11,698,388	11,576,380	12,296,619	12,088,715	11,057,411
Covered loans (2)	1,699,182	1,940,316	66,470		
Interest-earning assets	20,842,016	19,269,707	16,315,487	14,670,167	14,054,123
Core deposits	18,512,261	16,757,396	13,048,724	10,600,180	10,360,199
Deposits	19,305,703	17,868,392	14,351,898	11,899,642	12,236,383
Common shareholders' equity	2,058,269	1,902,846	1,745,101	1,636,597	1,564,080
Total equity	2,076,721	1,961,109	2,160,922	1,706,092	1,588,480
Asset Quality:					
Nonaccrual loans, excluding covered nonaccrual loans	\$ 112,026	\$ 190,923	\$ 388,707	\$ 211,142	\$ 75,561
Covered nonaccrual loans	422	2,557			
OREO, excluding covered OREO	30,790	57,317	53,308	11,388	
Covered OREO	98,550	120,866	60,558		
Total nonaccrual loans and OREO	\$ 241,788	\$ 371,663	\$ 502,573	\$ 222,530	\$ 75,561
Performance Ratios:					
Return on average assets	0.77%	0.62%	0.29%	0.65%	1.45%

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Return on average common shareholders' equity	8.38	6.59	1.46	6.26	14.24
Net interest spread	3.47	3.45	3.41	3.27	2.91
Net interest margin	3.79	3.86	3.91	4.20	4.45
Period-end common shareholders' equity to period-end assets	9.06	9.18	8.49	9.81	10.13
Period-end equity to period-end assets	9.06	9.29	9.55	12.34	10.29
Dividend payout ratio, per common share	24.64	16.75	107.80	90.61	40.13
Expense to revenue ratio	65.53	62.45	61.70	66.80	57.87
Asset Quality Ratios (3):					
Nonaccrual loans to total loans and leases	0.91%	1.68%	3.20%	1.70%	0.65%
Nonaccrual loans and OREO to total loans and leases and OREO	1.16	2.17	3.62	1.79	0.65
Allowance for loan and lease losses to total loans and leases	2.13	2.26	2.38	1.80	1.45
Allowance for loan and lease losses to nonaccrual loans	234.37	134.61	74.22	106.11	223.03
Net charge-offs to average total loans and leases	(0.05)	(1.13)	(1.84)	(0.57)	(0.08)

- (1) Certain prior period balances have been reclassified to conform to current period presentation.
- (2) Covered loans represent acquired loans that are covered under loss-sharing agreements with the FDIC.
- (3) Excludes covered assets, which consists of acquired loans and OREO that are covered under loss-sharing agreements with the FDIC.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

City National Corporation (the "Corporation"), through its primary subsidiary, City National Bank (the "Bank"), provides private and business banking services, including investment and trust services to mid-size businesses, entrepreneurs, professionals and affluent individuals. The Bank is the largest independent commercial bank headquartered in Los Angeles. For 58 years, the Bank has served clients through relationship banking. The Bank seeks to build client relationships with a high level of personal service and tailored products through private and commercial banking teams, product specialists and investment advisors to facilitate clients' use, where appropriate, of multiple services and products offered by the Company. The Company offers a broad range of lending, deposit, cash management, international banking and other products and services. The Company also lends, invests and provides services in accordance with its Community Reinvestment Act commitment. Through the Company's asset management firms, subsidiaries of the Corporation, and Wealth Management Services, a division of the Bank, the Company offers 1) investment management and advisory services and brokerage services, including portfolio management, securities trading and asset management; 2) personal and business trust and investment services, including employee benefit trust services; 401(k) and defined benefit plan administration, and; 3) estate and financial planning and custodial services. The Bank also advises and markets mutual funds under the name of CNI Charter Funds.

The Corporation is the holding company for the Bank. References to the "Company" mean the Corporation and its subsidiaries including the Bank. The financial information presented herein includes the accounts of the Corporation, its non-bank subsidiaries, the Bank, and the Bank's wholly owned subsidiaries. All material transactions between these entities are eliminated.

See "Cautionary Statement for Purposes of the 'Safe Harbor' Provisions of the Private Securities Litigation Reform Act of 1995," on page 35 in connection with "forward-looking" statements included in this report.

Over the last three years, the Company's total assets have grown by 44 percent. Total loans, excluding loans covered by loss-sharing agreements with the Federal Deposit Insurance Corporation ("FDIC"), were down 1 percent. Deposit balances grew 61 percent for the same period.

On May 7, 2010, the Bank acquired the banking operations of 1st Pacific Bank of California ("FPB") in a purchase and assumption agreement with the FDIC. Excluding the effects of acquisition accounting adjustments, the Bank acquired approximately \$318.6 million in assets and assumed \$264.2 million in liabilities. The Bank acquired most of FPB's assets, including loans with a fair value of \$202.8 million, and assumed deposits with a fair value of \$237.2 million. In connection with the acquisition, the Company entered into a loss-sharing agreement with the FDIC with respect to acquired loans ("covered loans") and other real estate owned ("covered other real estate owned" or "covered OREO") (collectively, "covered assets").

On May 28, 2010, the Bank acquired the banking operations of Sun West Bank ("SWB") in Las Vegas, Nevada in a purchase and assumption agreement with the FDIC. Excluding the effects of acquisition accounting adjustments, the Bank acquired approximately \$340.0 million in assets and assumed \$310.1 million in liabilities. The Bank acquired most of SWB's assets, including loans with a fair value of \$127.6 million, and assumed deposits with a fair value of \$304.3 million. The acquired loans and OREO are subject to a loss-sharing agreement with the FDIC.

On November 15, 2010, the Company completed a relatively small, but strategically important acquisition of a Los Angeles, California-based accounting software firm, Datafaction, which complements the Bank's proprietary cash management solutions available to its business clients.

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On February 11, 2011, the Company purchased a branch banking office in San Jose, California from another financial institution. The Company acquired approximately \$8.4 million in deposits.

On April 8, 2011, the Bank acquired the banking operations of Nevada Commerce Bank ("NCB"), based in Las Vegas, Nevada, in a purchase and assumption agreement with the FDIC. Excluding the effects of acquisition accounting adjustments, the Bank acquired approximately \$138.9 million in assets and assumed \$121.9 million in liabilities. The Bank acquired most of NCB's assets, including loans with a fair value of \$56.4 million, and assumed deposits with a fair value of \$118.4 million. The acquired loans and OREO are subject to a loss-sharing agreement with the FDIC.

CAPITAL ACTIVITY

On January 24, 2008, the Board of Directors authorized the repurchase of 1 million shares of City National Corporation stock, following the completion of its previously approved stock buyback initiative. The shares purchased under the buyback programs may be reissued for acquisitions, upon the exercise of stock options, and for other general corporate purposes. The Corporation did not repurchase any shares under the stock buyback program in 2010 and 2011. At January 31, 2012, additional shares of 1,140,400 could be repurchased under the existing authority.

The Corporation paid dividends of \$0.80 per share of common stock in 2011 and \$0.40 per share of common stock in 2010. On January 19, 2012, the Board of Directors authorized a quarterly cash dividend on common stock at a rate of \$0.25 per share to shareholders of record on February 1, 2012, payable on February 15, 2012.

On November 21, 2008, City National Corporation received aggregate proceeds of \$400 million from the United States Department of the Treasury ("Treasury") under the Troubled Asset Relief Program ("TARP") Capital Purchase Program ("CPP") in exchange for 400,000 shares of cumulative perpetual preferred stock and a 10-year warrant to purchase up to 1,128,668 shares of the Company's common stock at an exercise price of \$53.16 per share. On December 30, 2009, the Corporation repurchased \$200 million, or 200,000 shares, of preferred stock from the Treasury. On March 3, 2010, the Corporation repurchased the remaining shares of preferred stock, which resulted in an accelerated accretion charge of \$3.8 million in 2010. On April 8, 2010, the Corporation repurchased the outstanding common stock warrant. The repurchase price of \$18.5 million was recorded as a charge to additional paid-in capital.

Dividends on preferred stock were paid on a quarterly basis. The Corporation paid dividends of \$1.7 million to the Treasury and accreted \$4.0 million of discount on preferred stock in 2010. The discount accretion includes the accelerated accretion due to the repurchase of preferred stock in 2010.

On October 16, 2010, the Company used net proceeds from a September 2010 issue of senior notes to redeem \$250.0 million of trust preferred securities. The Company recognized a \$6.8 million charge on the early redemption of the trust preferred securities in noninterest income in 2010.

CRITICAL ACCOUNTING POLICIES

The accounting and reporting policies of the Company conform with U.S. generally accepted accounting principles. The Company's accounting policies are fundamental to understanding management's discussion and analysis of results of operations and financial condition. The Company has identified 11 policies as being critical because they require management to make estimates, assumptions and judgments that affect the reported amount of assets and liabilities, contingent assets and liabilities, and revenues and expenses included in the consolidated financial statements. The judgments and assumptions used by management are based on historical experience and other factors, which are believed to be reasonable under the circumstances. Circumstances and events that differ

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significantly from those underlying the Company's estimates, assumptions and judgments could cause the actual amounts reported to differ significantly from these estimates.

The Company's critical accounting policies include those that address accounting for business combinations, financial assets and liabilities reported at fair value, securities, acquired impaired loans, allowance for loan and lease losses and reserve for off-balance sheet credit commitments, other real estate owned ("OREO"), goodwill and other intangible assets, noncontrolling interest, share-based compensation plans, income taxes, and derivatives and hedging activities. The Company, with the concurrence of the Audit & Risk Committee, has reviewed and approved these critical accounting policies, which are further described in Management's Discussion and Analysis and Note 1 of the Notes to Consolidated Financial Statements included in this Form 10-K. Management has applied its critical accounting policies and estimation methods consistently in all periods presented in these financial statements.

Business Combinations

The Company applies the acquisition method of accounting for business combinations. Under the acquisition method, the acquiring entity in a business combination recognizes 100 percent of the assets acquired and liabilities assumed at their acquisition date fair values. Management utilizes valuation techniques appropriate for the asset or liability being measured in determining these fair values. Any excess of the purchase price over amounts allocated to assets acquired, including identifiable intangible assets, and liabilities assumed is recorded as goodwill. Where amounts allocated to assets acquired and liabilities assumed is greater than the purchase price, a bargain purchase gain is recognized. Acquisition-related costs are expensed as incurred.

Fair Value Measurements

Accounting guidance defines fair value for financial reporting purposes as the price that would be received to sell an asset or paid to transfer a liability in an orderly market transaction between market participants at the measurement date (reporting date). Fair value is based on an exit price in the principal market or most advantageous market in which the reporting entity could transact.

For each asset and liability required to be reported at fair value, management has identified the unit of account and valuation premise to be applied for purposes of measuring fair value. The unit of account is the level at which an asset or liability is aggregated or disaggregated for purposes of applying fair value measurement. The valuation premise is a concept that determines whether an asset is measured on a standalone basis or in combination with other assets. The Company measures its assets and liabilities on a standalone basis then aggregates assets and liabilities with similar characteristics for disclosure purposes.

Fair Value Hierarchy

Management employs market standard valuation techniques in determining the fair value of assets and liabilities. Inputs used in valuation techniques are based on assumptions that market participants

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would use in pricing an asset or liability. The inputs used in valuation techniques are prioritized as follows:

Level 1 Quoted market prices in an active market for identical assets and liabilities.

Level 2 Observable inputs including quoted prices (other than Level 1) in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability such as interest rates, yield curves, volatilities and default rates, and inputs that are derived principally from or corroborated by observable market data.

Level 3 Unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

If the determination of fair value measurement for a particular asset or liability is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Management's assessment of the significance of a particular input to the fair value measurement requires judgment and considers factors specific to the asset or liability measured.

The Company records securities available-for-sale, trading securities and derivative contracts at fair value on a recurring basis. Certain assets such as impaired loans, OREO, securities held-to-maturity, goodwill, customer-relationship intangibles and investments carried at cost are recorded at fair value on a nonrecurring basis. Nonrecurring fair value measurements typically involve assets that are periodically evaluated for impairment and for which any impairment is recorded in the period in which the remeasurement is performed.

A description of the valuation techniques applied to the Company's major categories of assets and liabilities measured at fair value follows.

Securities Available-for-Sale and Trading Securities Fair values for U.S. Treasury securities, marketable equity securities and trading securities, with the exception of agency and municipal securities held in the trading account, are based on quoted market prices. Securities with fair values based on quoted market prices are classified in Level 1 of the fair value hierarchy. Level 2 securities include the Company's portfolio of federal agency, mortgage-backed, state and municipal securities for which fair values are calculated with models using quoted prices and other inputs directly or indirectly observable for the asset or liability. Prices for the significant majority of these securities are obtained through a third-party valuation source. Management reviewed the valuation techniques and assumptions used by the provider and determined that the provider utilizes widely accepted valuation techniques based on observable market inputs appropriate for the type of security being measured. Prices for the remaining securities are obtained from dealer quotes. Securities classified in Level 3 include certain collateralized debt obligation instruments for which the market has become inactive. Fair values for these securities were determined using internal models based on assumptions that are not observable in the market. Securities held-to-maturity are not measured at fair value on a recurring basis.

Loans The Company does not record loans at fair value on a recurring basis. Nonrecurring fair value adjustments are periodically recorded on impaired loans. Loans measured for impairment based on the fair value of collateral or observable market prices are reported at fair value for disclosure purposes. The majority of loans reported at fair value are measured for impairment by valuing the underlying collateral based on third-party appraisals. These loans are classified in Level 2 of the fair value hierarchy. In certain circumstances, appraised values or broker quotes are adjusted based on

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management's assumptions regarding current market conditions to determine fair value. These loans are classified in Level 3 of the fair value hierarchy.

Derivatives The fair value of non-exchange traded (over-the-counter) derivatives is obtained from third party market sources that use conventional valuation algorithms. The Company provides client data to the third party sources for purposes of calculating the credit valuation component of the fair value measurement of client derivative contracts. The fair values of interest rate contracts include interest receivable and cash collateral, if any. Although the Company has determined that the majority of the inputs used to value derivative contracts fall within Level 2 of the fair value hierarchy, the credit valuation adjustments utilize Level 3 inputs, such as estimates of credit spreads. The Company has determined that the impact of the credit valuation adjustments is not significant to the overall valuation of these derivatives. As a result, the Company has classified the derivative contract valuations in their entirety in Level 2 of the fair value hierarchy.

The fair value of foreign exchange options and transactions is derived from market spot and/or forward foreign exchange rates and is classified in Level 1 of the fair value hierarchy.

Other Real Estate Owned The fair value of OREO is generally based on third-party appraisals performed in accordance with professional appraisal standards and Bank regulatory requirements under the Financial Institutions Reform Recovery and Enforcement Act of 1989. Appraisals are reviewed and approved by the Company's appraisal department. OREO measured at fair value based on third party appraisals or observable market data is classified in Level 2 of the fair value hierarchy. In certain circumstances, fair value may be determined using a combination of inputs including appraised values, broker price opinions and recent market activity. The weighting of each input in the calculation of fair value is based on management's assumptions regarding market conditions. These assumptions cannot be observed in the market. OREO measured at fair value using non-observable inputs is classified in Level 3 of the fair value hierarchy.

Securities

Securities are classified based on management's intention on the date of purchase. Securities classified as available-for-sale or trading are presented at fair value and securities classified as held-to-maturity are presented at amortized cost. Unrealized gains or losses on securities available-for-sale are excluded from net income but are included as a separate component of other comprehensive income, net of taxes. Premiums or discounts on securities are amortized or accreted into income using the interest method over the expected lives of the individual securities. The Company performs a quarterly assessment of available-for-sale and held-to-maturity debt securities to determine whether a decline in fair value below amortized cost is other than temporary. Amortized cost includes adjustments made to the cost of an investment for accretion, amortization, collection of cash and previous other-than temporary impairment recognized in earnings. Other-than-temporary impairment exists when it is probable that the Company will be unable to recover the entire amortized cost basis of the security. If the decline in fair value is judged to be other than temporary, the security is written down to fair value which becomes the new cost basis and an impairment loss is recognized.

For debt securities, the classification of other-than-temporary impairment depends on whether the Company intends to sell the security or it more likely than not will be required to sell the security before recovery of its cost basis, and on the nature of the impairment. If the Company intends to sell a security or it is more likely than not it will be required to sell a security prior to recovery of its cost basis, the entire amount of impairment is recognized in earnings. If the Company does not intend to sell the security or it is not more likely than not it will be required to sell the security prior to recovery of its cost basis, the credit loss component of impairment is recognized in earnings and impairment associated with non-credit factors, such as market liquidity, is recognized in other comprehensive income net of tax. A credit loss is the difference between the cost basis of the security and the present

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value of cash flows expected to be collected, discounted at the security's effective interest rate at the date of acquisition. The cost basis of an other-than-temporarily impaired security is written down by the amount of impairment recognized in earnings. The new cost basis is not adjusted for subsequent recoveries in fair value.

Realized gains or losses on sales of securities are recorded using the specific identification method. Trading securities are valued at fair value with any unrealized gains or losses included in net income.

Acquired Impaired Loans

Loans acquired for which it is probable that all contractual payments will not be received are accounted for under Accounting Standards Codification ("ASC") Topic 310-30, *Loans and Debt Securities Acquired with Deteriorated Credit Quality* ("ASC 310-30"). These loans are recorded at fair value at the time of acquisition. Fair value of acquired impaired loans is determined using discounted cash flow methodology based on assumptions about the amount and timing of principal and interest payments, principal prepayments and principal defaults and losses, and current market rates. As estimated credit and market risks are included in the determination of fair value, no allowance for loan losses is established on the acquisition date. The excess of expected cash flows at acquisition over the initial investment in acquired loans ("accretable yield") is recorded as interest income over the life of the loans if the timing and amount of the future cash flows is reasonably estimable. Subsequent to acquisition, the Company aggregates loans into pools of loans with common risk characteristics. The Company updates its cash flow projections for covered loans accounted for under ASC 310-30 on a quarterly basis. Increases in estimated cash flows over those expected at the acquisition date and subsequent measurement periods are recognized as interest income, prospectively. Decreases in expected cash flows after the acquisition date and subsequent measurement periods are recognized by recording a provision for loan losses. Loans accounted for under ASC 310-30 are generally considered accruing and performing loans as the loans accrete interest income over the estimated life of the loan when cash flows are reasonably estimable. Accordingly, acquired impaired loans that are contractually past due are still considered to be accruing and performing loans. If the timing and amount of future cash flows is not reasonably estimable, the loans may be classified as nonaccrual loans and interest income is not recognized until the timing and amount of future cash flows can be reasonably estimated.

Covered Loans Covered loans consist of acquired loans that are covered under loss-sharing agreements with the FDIC. Covered loans are reported separately in the loan section of the consolidated balance sheets.

Allowance for Loan and Lease Losses and Reserve for Off-Balance Sheet Credit Commitments

The Company accounts for the credit risk associated with lending activities through its allowance for loan and lease losses, reserve for off-balance sheet credit commitments and provision for credit losses. The provision is the expense recognized in the consolidated statements of income to adjust the allowance and reserve to the levels deemed appropriate by management, as determined through application of the Company's allowance methodology procedures. The provision for credit losses reflects management's judgment of the adequacy of the allowance for loan and lease losses and the reserve for off-balance sheet credit commitments. It is determined through quarterly analytical reviews of the loan and commitment portfolios and consideration of such other factors as the Company's loan and lease loss experience, trends in problem loans, concentrations of credit risk, underlying collateral values, and current economic conditions, as well as the results of the Company's ongoing credit review process. As conditions change, our level of provisioning and the allowance for loan and lease losses and reserve for off-balance sheet credit commitments may change.

For commercial, non-homogenous loans that are not impaired, the Bank derives loss factors via a process that begins with estimates of probable losses inherent in the portfolio based upon various

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statistical analyses. The factors included in the analysis include loan type, migration analysis, in which historical delinquency and credit loss experience is applied to the current aging of the portfolio, as well as analyses that reflect current trends and conditions. Each portfolio of smaller balance homogeneous loans, including residential first mortgages, installment, revolving credit and most other consumer loans, is collectively evaluated for loss potential. Management also establishes a qualitative reserve that considers overall portfolio indicators, including current and historical credit losses; delinquent, nonperforming and criticized loans; portfolio concentrations, trends in volumes and terms of loans; and economic trends in the broad market and specific industries.

The allowance for loan and lease losses attributed to impaired loans considers all available evidence, including as appropriate, the probability that a specific loan will default, the expected exposure of a loan at default, an estimate of loss given default, the present value of the expected future cash flows discounted using the loan's contractual effective rate, the secondary market value of the loan and the fair value of collateral.

The quantitative portion of the allowance for loan and lease losses is adjusted for qualitative factors to account for model imprecision and to incorporate the range of probable outcomes inherent in the estimates used for the allowance. The qualitative portion of the allowance attempts to incorporate the risks inherent in the portfolio, economic uncertainties, competition, regulatory requirements and other subjective factors including industry trends, changes in underwriting standards, and existence of concentrations.

The relative significance of risk considerations vary by portfolio segment. For commercial loans, the primary risk consideration is a borrower's ability to generate sufficient cash flows to repay their loan. Secondary considerations include the creditworthiness of guarantors and the valuation of collateral. In addition to the creditworthiness of a borrower, the type and location of real estate collateral is an important risk factor for commercial real estate and real estate construction loans. The primary risk considerations for consumer loans are a borrower's personal cash flow and liquidity, as well as collateral value.

The allowance for loan and lease losses is increased by the provision for credit losses charged to operating expense and is decreased by the amount of charge-offs, net of recoveries.

Reserve for Off-Balance Sheet Credit Commitments Off-balance sheet credit commitments include commitments to extend credit and letters of credit. The reserve for off-balance sheet credit commitments is established by converting the off-balance sheet exposures to a loan equivalent amount and then applying the methodology used for loans described above. The reserve for off-balance sheet credit commitments is recorded as a liability in the Company's consolidated balance sheets. Increases and decreases in the reserve for off-balance sheet credit commitments are reflected as an allocation of provision expense from the allowance for loan and lease losses.

Allowance for Loan Losses on Covered Loans The Company updates its cash flow projections for covered loans accounted for under ASC 310-30 on a quarterly basis. Decreases in expected cash flows after the acquisition date and subsequent measurement periods are recognized by recording a provision for loan losses. See *Acquired Impaired Loans* for further discussion.

Other Real Estate Owned

OREO includes real estate acquired in full or partial satisfaction of a loan and is recorded at fair value less estimated costs to sell at the acquisition date. The excess of the carrying amount of a loan over the fair value of real estate acquired (less costs to sell) is charged to the allowance for loan and lease losses. If the fair value of OREO at initial acquisition exceeds the carrying amount of the loan, the excess is recorded either as a recovery to the allowance for loan and lease losses if a charge-off had previously been recorded, or as a gain on initial transfer in noninterest income. The fair value of

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OREO is generally based on a third party appraisal or, in certain circumstances, may be based on a combination of an appraised value, broker price opinions and recent sales activity. Declines in the fair value of OREO that occur subsequent to acquisition are charged to OREO expense in the period in which they are identified. Expenses for holding costs are charged to OREO expense as incurred.

Covered OREO consists of acquired OREO that is covered under loss-sharing agreements with the FDIC. These assets were recorded at their fair value on acquisition date. Covered OREO is reported in Other real estate owned in the consolidated balance sheets.

Goodwill and Other Intangibles Assets

Under the acquisition method of accounting, the acquiring entity in a business combination recognizes 100 percent of the assets acquired and liabilities assumed, including contingent consideration, at their acquisition date fair values. Management utilizes valuation techniques based on discounted cash flow analysis to determine these fair values. Any excess of the purchase price over amounts allocated to acquired assets, including identifiable intangible assets, and liabilities assumed is recorded as goodwill. Where amounts allocated to assets acquired and liabilities assumed is greater than the purchase price, a bargain purchase gain is recognized. Intangible assets include core deposit intangibles and client advisory contract intangibles (combined, customer-relationship intangibles) originating from acquisitions of financial services firms. Core deposit intangibles are amortized over a range of four to eight years and client advisory contract intangibles are amortized over various periods ranging from four to 20 years.

Goodwill and customer-relationship intangibles are evaluated for impairment at least annually or more frequently if events or circumstances, such as changes in economic or market conditions, indicate that potential impairment exists. Impairment exists when the carrying amount of goodwill exceeds its implied fair value. Goodwill is tested for impairment at the reporting unit level. A reporting unit is an operating segment or one level below an operating segment for which discrete financial information is available and regularly reviewed by management. Fair values of reporting units are determined using methods consistent with current market practices for valuing similar types of businesses. Valuations are generally based on market multiples of net income or gross revenues combined with an analysis of expected near and long-term financial performance. Management utilizes market information including market comparables and recent merger and acquisition transactions to validate the reasonableness of its valuations. The first step of the impairment evaluation process involves an assessment of qualitative factors to determine whether it is "more likely than not" that the fair value of a reporting unit is less than its carrying amount. The qualitative factors considered include, but are not limited to, industry and market conditions and trends, the Company's financial performance and any Company-specific events relevant to the assessment. If the assessment of qualitative factors indicates that it is not "more likely than not" that impairment exists, no further testing is performed. If there is an indication that impairment exists, a quantitative test is performed to determine whether the fair value of each reporting unit, including goodwill, is less than the carrying amount of the reporting unit. If so, a further test is required to measure the amount of impairment. If an impairment loss exists, the carrying amount of the goodwill is adjusted to a new cost basis. Subsequent reversal of a previously recognized goodwill impairment loss is prohibited.

Impairment testing of customer-relationship intangibles is performed at the individual asset level. Impairment exists when the carrying amount of an intangible asset is not recoverable and exceeds its fair value. The carrying amount of an intangible asset is not recoverable when the carrying amount of the asset exceeds the sum of undiscounted cash flows (cash inflows less cash outflows) associated with the use and/or disposition of the asset. An impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value. The fair value of core deposit intangibles is determined using market-based core deposit premiums from recent deposit sale transactions. The fair value of client advisory and other client service contracts is based on discounted expected future cash

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flows. Management makes certain estimates and assumptions in determining the expected future cash flows from customer-relationship intangibles including account attrition, expected lives, discount rates, interest rates, servicing costs and other factors. Significant changes in these estimates and assumptions could adversely impact the anticipated cash flows for these intangible assets. If an impairment loss exists, the carrying amount of the intangible asset is adjusted to a new cost basis. The new cost basis is amortized over the remaining useful life of the asset.

Noncontrolling Interest

Noncontrolling interest is the portion of equity in a subsidiary not attributable to a parent, and is reported as a separate component of equity in the consolidated balance sheets, with the exception of noncontrolling ownership interests that are redeemable at the option of the holder or outside the control of the issuer. These redeemable noncontrolling interests are not considered to be permanent equity and are reported in the mezzanine section of the consolidated balance sheets at fair value. Consolidated net income is attributed to controlling and noncontrolling interest in the consolidated statements of income.

Share-based Compensation Plans

The Company measures the cost of employee services received in exchange for an award of equity instruments, such as stock options or restricted stock, based on the fair value of the award on the grant date. This cost is recognized in the consolidated statements of income over the vesting period of the award.

The fair value of each option award is estimated on the date of grant using a Black-Scholes option valuation model into which the Company inputs its assumptions. The Company evaluates exercise behavior and values options separately for executive and non-executive employees. The Company uses historical data to predict option exercise and employee termination behavior. Expected volatilities are based on the historical volatility of the Company's stock. The expected term of options granted is derived from actual historical exercise activity and represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The dividend yield is equal to the dividend yield of the Company's stock at the time of the grant. As a practice, the exercise price of the Company's stock option grants equals the closing market price of the Company's common stock on the date of the grant.

The Company issues restricted stock awards which generally vest over a five-year period during which time the holder receives dividends and has full voting rights. Restricted stock is valued at the closing price of the Company's stock on the date of award.

Income Taxes

The calculation of the Company's income tax provision and related tax accruals requires the use of estimates and judgments. The provision for income taxes includes current and deferred income tax expense on net income adjusted for permanent and temporary differences in the tax and financial accounting for certain assets and liabilities. Deferred tax assets and liabilities are recognized for the expected future tax consequences of existing temporary differences between the financial reporting and tax reporting basis of assets and liabilities using enacted tax laws and rates and tax carryforwards. On a quarterly basis, management evaluates its deferred tax assets to determine if these tax benefits are expected to be realized in future periods. This determination is based on facts and circumstances, including the Company's current and future tax outlook. To the extent a deferred tax asset is no longer considered "more likely than not" to be realized, a valuation allowance is established.

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Accrued income taxes represent the estimated amounts due to or received from the various taxing jurisdictions where the Company has established a business presence. The balance also includes a contingent reserve for potential taxes, interest and penalties related to uncertain tax positions. On a quarterly basis, management evaluates the contingent tax accruals to determine if they are sufficiently reserved based on a probability assessment of potential outcomes. The determination is based on facts and circumstances, including the interpretation of existing law, new judicial or regulatory guidance and the status of tax audits. From time to time, there may be differences in opinion with respect to the tax treatment accorded transactions. If a tax position which was previously recognized on the financial statements is no longer "more likely than not" to be sustained upon a challenge from the taxing authorities, the tax benefit from the tax position will be derecognized. The Company recognizes accrued interest and penalties relating to uncertain tax positions as an income tax provision expense.

Derivatives and Hedging

As part of its asset and liability management strategies, the Company uses interest-rate swaps to mitigate interest-rate risk associated with changes to (1) the fair value of certain fixed-rate deposits and borrowings (fair value hedges) and (2) certain cash flows related to future interest payments on variable rate loans (cash flow hedges). Interest-rate swap agreements involve the exchange of fixed and variable rate interest payments between counterparties based upon a notional principal amount and maturity date. The Company evaluates the creditworthiness of counterparties prior to entering into derivative contracts, and has established counterparty risk limits and monitoring procedures to reduce the risk of loss due to nonperformance. The Company recognizes derivatives as assets or liabilities on the consolidated balance sheets at their fair value. The treatment of changes in the fair value of derivatives depends on the character of the transaction. The Company's interest-rate risk management contracts qualify for hedge accounting treatment under ASC Topic 815, *Derivatives and Hedging*.

The Company documents its hedge relationships, including identification of the hedging instruments and the hedged items, as well as its risk management objectives and strategies for undertaking the hedge transaction at the time the derivative contract is executed. This includes designating each derivative contract as either (i) a "fair value hedge" which is a hedge of a recognized asset or liability or (ii) a "cash flow hedge" which hedges a forecasted transaction or the variability of the cash flows to be received or paid related to a recognized asset or liability. All derivatives designated as fair value or cash flow hedges are linked to specific hedged items or to groups of specific assets and liabilities on the balance sheet.

Both at inception and at least quarterly thereafter, the Company assesses whether the derivatives used in hedging transactions are highly effective (as defined in the guidance) in offsetting changes in either the fair value or cash flows of the hedged item. Retroactive effectiveness is assessed, as well as the continued expectation that the hedge will remain effective prospectively.

For cash flow hedges, in which derivatives hedge the variability of cash flows (interest payments) on loans that are indexed to U.S. dollar LIBOR or the Bank's prime interest rate, the effectiveness is assessed prospectively at the inception of the hedge, and prospectively and retrospectively at least quarterly thereafter.

Ineffectiveness of the cash flow hedges is measured using the hypothetical derivative method described in Derivatives Implementation Group Issue G7, *"Measuring the Ineffectiveness of a Cash Flow Hedge of Interest Rate Risk under Paragraph 30(b) When the Shortcut Method is not Applied."* For cash flow hedges, the effective portion of the changes in the derivatives' fair value is not included in current earnings but is reported as Accumulated other comprehensive income (loss) ("AOCI"). When the cash flows associated with the hedged item are realized, the gain or loss included in AOCI is recognized on the same line in the consolidated statements of income as the hedged item, i.e., included in Interest

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income on loans and leases. Any ineffective portion of the changes of fair value of cash flow hedges is recognized immediately in Other noninterest income in the consolidated statements of income.

For fair value hedges, the Company uses interest-rate swaps to hedge the fair value of certain certificates of deposit, subordinated debt and other long-term debt. The certificates of deposit are single maturity, fixed-rate, non-callable, negotiable certificates of deposit. The certificates cannot be redeemed early except in the case of the holder's death. The interest-rate swaps are executed at the time the deposit transactions are negotiated. Interest-rate swaps are structured so that all key terms of the swaps match those of the underlying deposit or debt transactions, therefore ensuring there is no hedge ineffectiveness at inception. The Company ensures that the interest-rate swaps meet the requirements for utilizing the short cut method in accordance with the accounting guidance and maintains appropriate documentation for each interest-rate swap. On a quarterly basis, fair value hedges are analyzed to ensure that the key terms of the hedged items and hedging instruments remain unchanged, and the hedging counterparties are evaluated to ensure that there are no adverse developments regarding counterparty default, thus ensuring continuous effectiveness. For fair value hedges, the effective portion of the changes in the fair value of derivatives is reflected in current earnings, on the same line in the consolidated statements of income as the related hedged item. For both fair value and cash flow hedges, the periodic accrual of interest receivable or payable on interest rate swaps is recorded as an adjustment to net interest income for the hedged items.

The Company discontinues hedge accounting prospectively when (i) a derivative is no longer highly effective in offsetting changes in the fair value or cash flows of a hedged item, (ii) a derivative expires or is sold, terminated or exercised, (iii) a derivative is un-designated as a hedge, because it is unlikely that a forecasted transaction will occur or (iv) the Company determines that designation of a derivative as a hedge is no longer appropriate. If a fair value hedge derivative instrument is terminated or the hedge designation removed, the previous adjustments to the carrying amount of the hedged asset or liability would be subsequently accounted for in the same manner as other components of the carrying amount of that asset or liability. For interest-earning assets and interest-bearing liabilities, such adjustments would be amortized into earnings over the remaining life of the respective asset or liability. If a cash flow derivative instrument is terminated or the hedge designation is removed, related amounts reported in other comprehensive income are reclassified into earnings in the same period or periods during which the hedged forecasted transaction affects earnings.

The Company also offers various derivative products to clients and enters into derivative transactions in due course. These transactions are not linked to specific Company assets or liabilities in the consolidated balance sheets or to forecasted transactions in a hedge relationship and, therefore, do not qualify for hedge accounting. The contracts are marked-to-market each reporting period with changes in fair value recorded as part of Other noninterest income in the consolidated statements of income. Fair values are determined from verifiable third-party sources that have considerable experience with the derivative markets. The Company provides client data to the third party source for purposes of calculating the credit valuation component of the fair value measurement of client derivative contracts.

The Company enters into foreign currency option contracts with clients to assist them in hedging their economic exposures arising out of foreign-currency denominated commercial transactions. Foreign currency options allow the counterparty to purchase or sell a foreign currency at a specified date and price. These option contracts are offset by paired trades with third-party banks. The Company also takes proprietary currency positions within risk limits established by the Company's Asset/Liability Management Committee. Both the realized and unrealized gains and losses on foreign exchange contracts are recorded in Other noninterest income in the consolidated statements of income.

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2011 HIGHLIGHTS

In 2011, consolidated net income attributable to City National Corporation was \$172.4 million, or \$3.21 per diluted common share. In 2010, consolidated net income attributable to City National Corporation was \$131.2 million and consolidated net income available to common shareholders was \$125.5 million, or \$2.36 per diluted common share. The increase in net income is primarily due to lower provision for losses on all loans and leases and higher net interest income. The Company recorded \$12.5 million of provision expense on non-covered loans in 2011, down from \$103.0 million in 2010. Provision expense for covered loans was \$43.6 million in 2011, compared to \$76.2 million in 2010. The increase in net income was partially offset by higher FDIC loss sharing expense and noninterest expense.

Revenue, which consists of net interest income and noninterest income, was \$1.11 billion, an increase of 2 percent from \$1.09 billion in 2010.

Fully taxable-equivalent net interest income, including dividend income, amounted to \$790.3 million in 2011, up 6 percent from \$743.5 million in 2010.

The Company's net interest margin was 3.79 percent in 2011, compared with 3.86 percent in 2010.

Noninterest income was \$341.9 million for 2011, down 5 percent from \$361.4 million for 2010, due principally to higher FDIC loss sharing expense from the Company's FDIC-assisted acquisitions. Noninterest income accounted for 31 percent of the Company's revenue in 2011, compared to 33 percent in 2010.

Noninterest expense for 2011 was \$805.1 million, up 7 percent from \$751.3 million in 2010. The increase was due largely to higher compensation costs, as well as increased expenses for OREO, marketing and advertising, and legal and professional services. Approximately 90 percent of OREO expenses for 2011 are related to covered assets, and a significant portion of these expenses is reimbursable by the FDIC and reflected in noninterest income.

The Company's effective tax rate for 2011 was 30.6 percent compared to 16.2 percent in the prior year, due in part to higher pretax income. The 2010 rate also reflects a favorable tax litigation settlement.

Total assets were \$23.67 billion at December 31, 2011, up 11 percent from \$21.35 billion at the end of 2010. Total average assets increased 6 percent to \$22.53 billion for 2011 from \$21.16 billion for 2010.

Loans and leases, excluding covered loans, were \$12.31 billion, up 8 percent from \$11.39 billion at 2010. Average loans for 2011, on the same basis, were \$11.70 billion, up 1 percent from \$11.58 billion in 2010. Average commercial loan balances for 2011 grew 10 percent from the prior year.

Net loan charge-offs were \$5.4 million for 2011, down 96 percent from \$130.3 million for 2010. Net loan charge-offs for 2011 were 0.05 percent of average total loans and leases, excluding covered loans, down from 1.13 percent in 2010. Nonaccrual loans, excluding covered loans, totaled \$112.0 million at December 31, 2011, down from \$190.9 million at December 31, 2010. At December 31, 2011, nonperforming assets, excluding covered assets, were \$142.8 million, compared with \$248.2 million at December 31, 2010.

The allowance for loan and lease losses on non-covered loans was \$262.6 million for 2011, compared with \$257.0 million for 2010. The Company remains adequately reserved at 2.13 percent of total loans and leases, excluding covered loans, compared with 2.26 percent at the end of 2010.

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Average securities for 2011 totaled \$6.63 billion, up 42 percent from 2010, as deposit growth continued to outpace loan growth.

Period-end deposits at December 31, 2011 were \$20.39 billion, up 12 percent from \$18.18 billion for 2010. Average deposits grew to \$19.31 billion for 2011, an 8 percent increase from \$17.87 billion in 2010. Average core deposits totaled \$18.51 billion for 2011, a 10 percent increase from \$16.76 billion in 2010, and now amount to approximately 96 percent of total average deposit balances.

The Company's ratio of Tier 1 common shareholders' equity to risk-based assets was 10.2 percent at December 31, 2011 compared to 10.3 percent in 2010. Refer to the "Capital" section of Management's Discussion and Analysis for further discussion of this non-GAAP measure.

OUTLOOK

The Company's management anticipates continuing net income growth in 2012. Loans, deposits and capital ratios are expected to increase, and credit quality will likely continue to improve, though rising loan balances are expected to require appropriately higher loan-loss provisions. This outlook reflects management's expectations for moderate economic growth in 2012. Interest rates are expected to remain low for the entire year.

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A summary of the Company's results of operations on a fully taxable-equivalent basis for each of the last five years ended December 31 follows:

(in thousands, except per share amounts) (1)	Year Ended			Year Ended			Year Ended December 31,		
	2011	Amount	%	2010	Amount	%	2009	2008	2007
Interest income (2)	\$ 857,600	\$ 17,027	2	\$ 840,573	\$ 120,378	17	\$ 720,195	\$ 796,879	\$ 907,083
Interest expense	70,100	(29,771)	(30)	99,871	14,847	17	85,024	184,792	285,829
Net interest income	787,500	46,798	6	740,702	105,531	17	635,171	612,087	621,254
Provision for credit losses on loans and leases, excluding covered loans	12,500	(90,500)	(88)	103,000	(182,000)	(64)	285,000	127,000	20,000
Provision for losses on covered loans	43,646	(32,572)	(43)	76,218	76,218	NM			
Noninterest income	341,867	(19,508)	(5)	361,375	69,178	24	292,197	266,984	303,202
Noninterest expense:									
Staff expense	448,702	38,879	9	409,823	89,547	28	320,276	354,513	328,672
Other expense	356,393	14,886	4	341,507	80,696	31	260,811	233,250	206,259
Total	805,095	53,765	7	751,330	170,243	29	581,087	587,763	534,931
Income before income taxes	268,126	96,597	56	171,529	110,248	180	61,281	164,308	369,525
Income taxes	77,561	51,506	198	26,055	27,941	(1,481)	(1,886)	41,783	124,974
Less: Adjustments (2)	14,510	4,133	40	10,377	(741)	(7)	11,118	12,191	12,982
Net income	\$ 176,055	\$ 40,958	30	\$ 135,097	\$ 83,048	160	\$ 52,049	\$ 110,334	\$ 231,569
Less: Net income attributable to noncontrolling interest	3,634	(286)	(7)	3,920	3,210	452	710	5,378	8,856
Net income attributable to City National Corporation	\$ 172,421	\$ 41,244	31	\$ 131,177	\$ 79,838	156	\$ 51,339	\$ 104,956	\$ 222,713
Less: Dividends and accretion on preferred stock		(5,702)	(100)	5,702	(20,201)	(78)	25,903	2,445	
Net income available to common shareholders	\$ 172,421	\$ 46,946	37	\$ 125,475	\$ 100,039	393	\$ 25,436	\$ 102,511	\$ 222,713
Net income per common share, diluted	\$ 3.21	\$.85	36	\$ 2.36	\$ 1.86	372	\$.50	\$ 2.11	\$ 4.50

(1) Certain prior period balances have been reclassified to conform to the current period presentation.

(2) Includes amounts to convert nontaxable income to a fully taxable-equivalent yield. To compare tax-exempt asset yields to taxable yields, amounts are adjusted to pre-tax equivalents based on the applicable statutory tax rate.

Net Interest Income

Net interest income is the difference between interest income (which includes yield-related loan fees) and interest expense. Net interest income on a fully taxable-equivalent basis expressed as a percentage of average total earning assets is referred to as the net interest margin, which represents the average net effective yield on earning assets.

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The following tables present the components of net interest income on a fully taxable-equivalent basis for the last five years:

Net Interest Income Summary

(in thousands)	Average balance	2011 Interest income/ expense (2)(4)	Average interest rate	Average balance	2010 Interest income/ expense (2)(4)	Average interest rate
Assets						
Interest-earning assets						
Loans and leases						
Commercial	\$ 4,818,081	\$ 198,225	4.11%	\$ 4,390,834	\$ 194,568	4.43%
Commercial real estate mortgages	1,962,740	106,076	5.40	2,059,680	114,542	5.56
Residential mortgages	3,670,996	172,714	4.70	3,553,347	186,526	5.25
Real estate construction	379,136	18,335	4.84	660,603	26,132	3.96
Equity lines of credit	731,425	26,142	3.57	742,862	26,567	3.58
Installment	136,010	6,631	4.88	169,054	8,775	5.19
Total loans and leases, excluding covered loans (3)	11,698,388	528,123	4.51	11,576,380	557,110	4.81
Covered loans	1,699,182	161,064	9.48	1,940,316	138,451	7.14
Total loans and leases	13,397,570	689,187	5.14	13,516,696	695,561	5.15
Due from banks interest-bearing	523,429	1,504	0.29	678,929	1,890	0.28
Federal funds sold and securities purchased under resale agreements	154,395	422	0.27	249,381	634	0.25
Securities	6,634,547	166,487	2.51	4,677,306	142,488	3.05
Other interest-earning assets	132,075	2,757	2.09	147,395	2,787	1.89
Total interest-earning assets	20,842,016	860,357	4.13	19,269,707	843,360	4.38
Allowance for loan and lease losses	(333,312)			(315,228)		
Cash and due from banks	196,864			237,853		
Other non-earning assets	1,822,182			1,964,329		
Total assets	\$ 22,527,750			\$ 21,156,661		
 Liabilities and Equity						
Interest-bearing deposits						
Interest checking accounts	\$ 1,767,775	\$ 2,755	0.16	\$ 1,998,990	\$ 4,308	0.22
Money market accounts	6,626,365	23,278	0.35	5,911,058	31,591	0.53
Savings deposits	325,882	911	0.28	317,263	1,508	0.48
Time deposits under \$100,000	293,545	1,513	0.52	430,557	2,448	0.57
Time deposits \$100,000 and over	793,442	5,228	0.66	1,110,996	9,175	0.83
Total interest-bearing deposits	9,807,009	33,685	0.34	9,768,864	49,030	0.50
Federal funds purchased and securities sold under repurchase agreements	3,145	2	0.07	163,309	5,292	3.24
Other borrowings	803,948	36,413	4.53	846,513	45,549	5.38
Total interest-bearing liabilities	10,614,102	70,100	0.66	10,778,686	99,871	0.93
Noninterest-bearing deposits	9,498,694			8,099,528		
Other liabilities	338,233			317,338		
Total equity	2,076,721			1,961,109		
Total liabilities and equity	\$ 22,527,750			\$ 21,156,661		
Net interest spread			3.47%			3.45%
Fully taxable-equivalent net interest and dividend income		\$ 790,257			\$ 743,489	

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Net interest margin	3.79%	3.86%
Less: Dividend income included in other income	2,757	2,787
Fully taxable-equivalent net interest income	\$ 787,500	\$ 740,702

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- (1) Certain prior period balances have been reclassified to conform to the current period presentation.
 - (2) Net interest income is presented on a fully taxable-equivalent basis.
 - (3) Includes average nonaccrual loans of \$145,825, \$278,705, \$351,215, \$128,296 and \$28,512 for 2011, 2010, 2009, 2008 and 2007, respectively.
 - (4) Loan income includes loan fees of \$18,740, \$20,555, \$18,381, \$17,008 and \$15,684 for 2011, 2010, 2009, 2008 and 2007, respectively.

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Net Interest Income Summary

2009			2008			2007		
Average balance	Interest income/expense (2)(4)	Average interest rate	Average balance	Interest income/expense (2)(4)	Average interest rate	Average balance	Interest income/expense (2)(4)	Average interest rate
\$ 4,701,386	\$ 199,647	4.25%	\$ 4,662,641	\$ 252,911	5.42%	\$ 4,279,523	\$ 310,869	7.26%
2,171,353	121,515	5.60	2,057,459	134,511	6.54	1,878,671	136,446	7.26
3,481,227	192,774	5.54	3,293,166	184,818	5.61	3,020,316	166,823	5.52
1,094,332	37,154	3.40	1,406,181	76,039	5.41	1,291,708	110,483	8.55
674,459	23,417	3.47	503,428	22,340	4.44	404,493	30,456	7.53
173,862	8,842	5.09	165,840	9,841	5.93	182,700	13,539	7.41
12,296,619	583,349	4.74	12,088,715	680,460	5.63	11,057,411	768,616	6.95
66,470	4,052	6.10			0.00			0.00
12,363,089	587,401	4.75	12,088,715	680,460	5.63	11,057,411	768,616	6.95
361,571	1,486	0.41	96,872	1,896	1.96	88,787	2,604	2.93
186,123	264	0.14	10,037	161	1.61	13,066	686	5.25
3,327,235	131,044	3.94	2,398,285	114,362	4.77	2,833,489	135,177	4.77
77,469	2,743	3.54	76,258	4,297	5.63	61,370	3,771	6.14
16,315,487	722,938	4.43	14,670,167	801,176	5.46	14,054,123	910,854	6.48
(254,610)			(178,587)			(157,012)		
320,010			370,468			423,526		
1,330,608			1,166,773			1,050,127		
\$ 17,711,495			\$ 16,028,821			\$ 15,370,764		
\$ 1,540,496	\$ 3,980	0.26	\$ 851,029	\$ 5,688	0.67	\$ 784,293	\$ 4,739	0.60
4,084,090	32,068	0.79	3,760,516	72,212	1.92	3,654,508	111,827	3.06
239,441	1,590	0.66	137,779	556	0.40	147,764	715	0.48
239,680	3,222	1.34	220,259	6,695	3.04	240,388	9,518	3.96
1,303,174	19,569	1.50	1,299,462	37,840	2.91	1,876,184	87,881	4.68
7,406,881	60,429	0.82	6,269,045	122,991	1.96	6,703,137	214,680	3.20
414,672	8,292	2.00	1,098,731	27,591	2.51	662,928	32,491	4.90
542,521	16,303	3.01	1,068,491	34,210	3.20	644,633	38,658	6.00
8,364,074	85,024	1.02	8,436,267	184,792	2.19	8,010,698	285,829	3.57
6,945,017			5,630,597			5,533,246		
241,482			255,865			238,340		
2,160,922			1,706,092			1,588,480		
\$ 17,711,495			\$ 16,028,821			\$ 15,370,764		
		3.41%			3.27%			2.91%
	\$ 637,914			\$ 616,384			\$ 625,025	
		3.91%			4.20%			4.45%

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2,743

4,297

3,771

\$ 635,171

\$ 612,087

\$ 621,254

53

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Net interest income is impacted by the volume (changes in volume multiplied by prior rate), interest rate (changes in rate multiplied by prior volume) and mix of interest-earning assets and interest-bearing liabilities. The following table provides a breakdown of the changes in net interest income on a fully taxable-equivalent basis and dividend income due to volume and rate between 2011 and 2010, as well as between 2010 and 2009. The impact of interest rate swaps, which affect interest income on loans and leases and interest expense on deposits and borrowings, is included in rate changes.

Changes In Net Interest Income

(in thousands) (1)	2011 vs 2010			2010 vs 2009		
	Increase (decrease) due to		Net increase (decrease)	Increase (decrease) due to		Net increase (decrease)
	Volume	Rate		Volume	Rate	
Interest earned on:						
Total loans and leases (2)	\$ (6,129)	\$ (245)	\$ (6,374)	\$ 56,852	\$ 51,308	\$ 108,160
Securities	52,230	(28,231)	23,999	45,396	(33,952)	11,444
Due from banks interest-bearing	(445)	59	(386)	987	(583)	404
Federal funds sold and securities purchased under resale agreements	(256)	44	(212)	112	258	370
Other interest-earning assets	(305)	275	(30)	1,715	(1,671)	44
Total interest-earning assets	45,095	(28,098)	16,997	105,062	15,360	120,422
Interest paid on:						
Interest checking deposits	(457)	(1,096)	(1,553)	1,028	(700)	328
Money market deposits	3,481	(11,794)	(8,313)	11,961	(12,438)	(477)
Savings deposits	40	(637)	(597)	424	(506)	(82)
Time deposits	(3,048)	(1,834)	(4,882)	(19)	(11,149)	(11,168)
Total borrowings	(9,508)	(4,918)	(14,426)	1,426	24,820	26,246
Total interest-bearing liabilities	(9,492)	(20,279)	(29,771)	14,820	27	14,847
	\$ 54,587	\$ (7,819)	\$ 46,768	\$ 90,242	\$ 15,333	\$ 105,575

(1) Certain prior period balances have been reclassified to conform to the current period presentation.

(2) Includes covered loans.

Comparison of 2011 with 2010

Net interest income was \$773.0 million for 2011, an increase of 6 percent from \$730.3 million for 2010. Interest income on securities was \$159.3 million in 2011, a 16 percent increase from 2010 due primarily to a 42 percent increase in average securities over the prior year. Interest income on total loans was \$681.9 million in 2011, down 1 percent from 2010, reflecting lower yields on non-covered loans in 2011, partially offset by an increase in interest income on covered loans. Interest income from covered loans includes \$55.7 million of income from the accelerated accretable yield recognition on covered loans that were paid off or fully charged off during the current year, compared to \$20.6 million in 2010.

Total interest expense was \$70.1 million in 2011, down from \$99.9 million in 2010. Interest expense on deposits was \$33.7 million in 2011, down 31 percent from \$49.0 million in 2010 as a result of lower interest rates. Interest expense on borrowings decreased 28 percent to \$36.4 million in 2011, compared to \$50.8 million in 2010. The lower interest expense reflects a decrease in average borrowings due to the extinguishment of structured repurchase agreements in the third quarter of 2010 and the redemption of trust preferred securities in the fourth quarter of 2010.

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The net settlement of interest-rate swaps increased net interest income by \$15.1 million for 2011 and \$25.8 million for 2010.

The fully taxable net interest margin declined to 3.79 percent for 2011, from 3.86 percent for 2010. The average yield on earning assets for 2011 was 4.13 percent, down 25 basis points from 4.38 percent in 2010. The average cost of interest-bearing liabilities decreased to 0.66 percent, or by 27 basis points, from 0.93 percent for 2010. Fully taxable-equivalent net interest income, which includes amounts to convert nontaxable income to fully taxable-equivalent amounts, was \$787.5 million for 2011 compared with \$740.7 million for 2010. Fully taxable-equivalent net interest and dividend income was \$790.3 million and \$743.5 million in 2011 and 2010, respectively. The \$46.8 million increase in fully taxable-equivalent net interest and dividend income from the prior year was primarily generated through securities growth and lower interest-bearing liabilities (volume variance) and was partially offset by a decrease in net interest income largely due to lower yields on securities (rate variance).

Average loans and leases, excluding covered loans, were \$11.70 billion, a 1 percent increase from \$11.58 billion for 2010. The increase was primarily driven by a growth in commercial loans, which grew 10 percent from 2010, partially offset by lower commercial real estate mortgage and real estate construction loans. Average covered loans were \$1.70 billion in 2011, a decrease of 12 percent from \$1.94 billion in 2010.

Average total securities, which include trading securities, were \$6.63 billion in 2011, a 42 percent increase from 2010. The increase reflects the Company's strong deposit growth which continues to outpace loan growth.

Average deposits were \$19.31 billion for 2011, an 8 percent increase from \$17.87 billion in 2010. Average core deposits, which do not include certificates of deposits of \$100,000 or more, were \$18.51 billion and represented 96 percent of the total average deposit balance, compared to \$16.76 billion and 94 percent in 2010. Average interest-bearing deposits were \$9.81 billion in 2011, up slightly from \$9.77 billion for 2010, and average noninterest-bearing deposits increased 17 percent to \$9.50 billion from \$8.10 billion in 2010.

Comparison of 2010 with 2009

Net interest income was \$730.3 million for 2010, an increase of 17 percent from \$624.1 million for 2009. The increase is primarily attributable to interest income on the Company's covered loan portfolio from its acquisition of ICB in December 2009 and FPB and SWB in May 2010. Interest income on covered loans was \$138.5 million in 2010, a 33 percent increase from 2009, and included \$20.6 million of income from the accelerated accretable yield recognition on covered loans that were paid off or fully charged off during the year. The increase was partially offset by lower interest income on the Company's non-covered loan portfolio, which decreased from an average balance of \$12.30 billion in 2009 to \$11.58 billion in 2010. The low levels of non-covered loan growth reflect relatively weak loan demand due to challenging business and economic conditions, along with the Company's continued progress in reducing the number of problem loans. The increase in net interest income was also a result of higher interest income on securities, which increased 10 percent to \$136.8 million in 2010 from 2009, driven by a 41 percent increase in average securities.

Total interest expense was \$99.9 million in 2010 and \$85.0 million in 2009. Interest expense on deposits was \$49.0 million in 2010, and decreased 19 percent from \$60.4 million in 2009. The decline in interest expense on deposits was a result of lower interest rates, partially offset by a 32 percent increase in average interest-bearing deposit balances from 2009 to 2010. Interest expense on borrowings increased to \$50.8 million in 2010, compared to \$24.6 million in 2009, and was primarily due to an increase in higher-cost borrowings resulting from the issuance of \$180 million of subordinated debt in the third quarter of 2009 and \$250 million of trust preferred securities in December 2009, which was

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later redeemed in October 2010. The Company also issued \$300 million of senior notes in September 2010.

The net settlement of interest-rate swaps increased interest income by \$25.8 million for 2010 and \$27.5 million for 2009.

Fully taxable-equivalent net interest income, which includes amounts to convert nontaxable income to fully taxable-equivalent amounts, increased to \$740.7 million for 2010 compared with \$635.2 million for 2009. Fully taxable-equivalent net interest and dividend income was \$743.5 million and \$637.9 million in 2010 and 2009, respectively. The average yield on earning assets for 2010 decreased to 4.38 percent, or by 5 basis points, compared with 4.43 percent for 2009. The average cost of interest-bearing liabilities decreased to 0.93 percent, or by 9 basis points, from 1.02 percent for 2009. The fully taxable net interest margin declined to 3.86 percent for 2010 from 3.91 percent for 2009. Of the total \$105.6 million increase in fully taxable-equivalent net interest and dividend income, approximately \$90.2 million was generated through covered loans and securities growth, offset by an increase in deposits (volume variance). The remaining \$15.3 million increase was primarily attributable to higher yields from the covered loan portfolio and lower rates earned on the remaining interest-earning assets and paid on interest-bearing deposits (rate variance). The higher yields on the covered loan portfolio were largely due to the acceleration of accretable yield on acquired loans as discussed above.

Average loans and leases, excluding covered loans, were \$11.58 billion, a 6 percent decrease from average loans and leases of \$12.30 billion for 2009. Average commercial loans and commercial real estate mortgage loans were 7 percent and 5 percent lower from 2009, respectively. Average residential mortgage loans increased 2 percent from 2009. Average construction loans decreased 40 percent from prior year. Average covered loans increased to \$1.94 billion in 2010 from \$66.5 million in 2009.

Average total securities, which include trading securities, were \$4.68 billion in 2010, a 41 percent increase from 2009. The increase in average securities from prior year reflects the Company's strong deposit growth and relatively weak loan demand.

Average deposits increased 25 percent to \$17.87 billion in 2010 from \$14.35 billion for 2009. Average core deposits, which do not include certificates of deposits of \$100,000 or more, increased 28 percent to \$16.76 billion from \$13.05 billion for 2009. Average core deposits represented 94 percent of the total average deposit balance for the year, compared to 91 percent for the prior year. Average interest-bearing deposits increased 32 percent to \$9.77 billion from \$7.41 billion for 2009, and average noninterest-bearing deposits increased 17 percent to \$8.10 billion from \$6.95 billion in 2009.

Provision for Credit Losses

The Company accounts for the credit risk associated with lending activities through its allowance for loan and lease losses, reserve for off-balance sheet credit commitments and provision for credit losses. The provision for credit losses on loans and leases, excluding covered loans, is the expense recognized in the consolidated statements of income to adjust the allowance and the reserve for off-balance sheet credit commitments to the levels deemed appropriate by management, as determined through application of the Company's allowance methodology procedures. See "Critical Accounting Policies Allowance for Loan and Lease Losses and Reserve for Off-Balance Sheet Credit Commitments."

The provision reflects management's continuing assessment of the credit quality of the Company's loan portfolio, which is affected by a broad range of economic factors. Additional factors affecting the provision include net loan charge-offs, nonaccrual loans, specific reserves, risk rating migration and changes in the portfolio size and composition. See "Balance Sheet Analysis Allowance for Loan and Lease Losses and Reserve for Off-Balance Sheet Credit Commitments" for further information on factors considered by the Company in assessing the credit quality of the loan portfolio and establishing

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the allowance for loan and lease losses. The Company recorded expense of \$12.5 million, \$103.0 million and \$285.0 million through the provision for credit losses on loans and leases, excluding covered loans, in 2011, 2010 and 2009, respectively.

Nonaccrual loans, excluding covered loans, decreased to \$112.0 million at December 31, 2011, down from \$190.9 million at December 31, 2010. Net loan charge-offs on non-covered loans were \$5.4 million, or 0.05 percent of total loans and leases, excluding covered loans, for the year ended December 31, 2011, compared with net loan charge-offs of \$130.3 million and \$225.9 million for the years ended December 31, 2010 and 2009, respectively. The decrease in net charge-offs in 2011 compared to 2010 occurred primarily in the Company's commercial, commercial real estate mortgage and real estate construction loan portfolios.

Covered loans represent loans acquired from the FDIC that are subject to loss-sharing agreements, and are primarily accounted for as acquired impaired loans under ASC 310-30. The provision for losses on covered loans is the expense recognized in the consolidated statements of income related to impairment losses resulting from the Company's quarterly review and update of cash flow projections on its covered loan portfolio. The Company recorded provision for losses on covered loans of \$43.6 million and \$76.2 million in 2011 and 2010, respectively. Approximately \$0.3 million and \$0.4 million of the provision in 2011 and 2010, respectively, related to a small population of acquired loans that are outside the scope of ASC 310-30. The provision for losses on covered loans is the result of changes in expected cash flows, both amount and timing, due to loan payments and the Company's revised loss forecasts. The revisions of the loss forecasts were based on the results of management's review of the credit quality of the outstanding covered loans and the analysis of the loan performance data since the acquisition of covered loans. The Company will continue updating cash flow projections on covered loans on a quarterly basis. Due to the uncertainty in the future performance of the covered loans, additional impairments may be recognized in the future.

Credit quality will be influenced by underlying trends in the economic cycle, particularly in California and Nevada, and other factors which are beyond management's control. Consequently, no assurances can be given that the Company will not sustain loan or lease losses, in any particular period, that are sizable in relation to the allowance for loan and lease losses.

Refer to "Loans and Leases Asset Quality" on page 84 for further discussion of credit quality.

Noninterest Income

Noninterest income for the year totaled \$341.9 million, a decrease of 5 percent, from \$361.4 million in 2010. Noninterest income increased 24 percent between 2010 and 2009. Noninterest income represented 31 percent of total revenues in 2011, a decrease from 33 percent and 32 percent in 2010 and 2009, respectively.

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A breakdown of noninterest income by category is provided in the table below:

Analysis of Changes in Noninterest Income

(in thousands) (1)	Increase (Decrease)			Increase (Decrease)			2009
	2011	Amount	%	2010	Amount	%	
Trust and investment fees	\$ 140,732	\$ 6,005	4.5	\$ 134,727	\$ 17,665	15.1	\$ 117,062
Brokerage and mutual fund fees	20,440	(3,302)	(13.9)	23,742	(4,190)	(15.0)	27,932
Total wealth management fees	161,172	2,703	1.7	158,469	13,475	9.3	144,994
Cash management and deposit transaction fees	44,305	(3,288)	(6.9)	47,593	(4,076)	(7.9)	51,669
International services fees	36,466	5,169	16.5	31,297	290	0.9	31,007
FDIC loss sharing (expense) income, net	(8,637)	(71,972)	(113.6)	63,335	62,612	8,660.0	723
Other noninterest income	75,682	43,539	135.5	32,143	5,662	21.4	26,481
Total noninterest income before gain (loss)	308,988	(23,849)	(7.2)	332,837	77,963	30.6	254,874
Gain on disposal of assets	20,300	17,463	615.5	2,837	1,561	122.3	1,276
Gain on acquisition	8,164	(19,175)	(70.1)	27,339	(10,867)	(28.4)	38,206
Gain on sale of securities	5,066	4,673	1,189.1	393	(13,893)	(97.2)	14,286
Impairment loss on securities	(651)	1,380	67.9	(2,031)	14,414	87.6	(16,445)
Total noninterest income	\$ 341,867	\$ (19,508)	(5.4)	\$ 361,375	\$ 69,178	23.7	\$ 292,197

(1) Certain prior period balances have been reclassified to conform to the current period presentation.

Wealth Management

The Company provides various trust, investment and wealth advisory services to its individual and business clients. The Company delivers these services through the Bank's wealth management division as well as through its wealth management affiliates. Trust services are provided only by the Bank. Trust and investment fee revenue includes fees from trust, investment and asset management, and other wealth advisory services. The majority of these fees are based on the market value of client assets managed, advised, administered or held in custody. The remaining portion of these fees is based on the specific service provided, such as estate and financial planning services, or may be fixed fees. For those fees based on market valuations, the mix of assets held in client accounts, as well as the type of managed account, impacts how closely changes in trust and investment fee income correlate with changes in the financial markets. Changes in market valuations are reflected in fee income primarily on a trailing-quarter basis. Also included in total trust and investment fees is the Company's portion of income from certain investments accounted for under the equity method. Trust and investment fees were \$140.7 million, an increase of 4 percent from \$134.7 million for 2010. Money market mutual fund and brokerage fees were \$20.4 million, down 14 percent from \$23.7 million for 2010, due primarily to the impact of extraordinarily low short-term interest rates and narrowing spreads.

Assets under management ("AUM") include assets for which the Company makes investment decisions on behalf of its clients and assets under advisement for which the Company receives advisory fees from its clients. Assets under administration ("AUA") are assets the Company holds in a fiduciary

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capacity or for which it provides non-advisory services. The table below provides a summary of AUM and AUA for the dates indicated:

(in millions)	December 31,		% Change
	2011	2010	
Assets Under Management	\$ 31,326	\$ 36,754	(15)
Assets Under Administration			
Brokerage	5,320	5,929	(10)
Custody and other fiduciary	17,846	15,788	13
Subtotal	23,166	21,717	7
Total assets under management or administration (1)	\$ 54,492	\$ 58,471	(7)

(1) Excludes \$15.95 billion and \$21.32 billion of assets under management for asset managers in which the Company held a noncontrolling ownership interest as of December 31, 2011 and December 31, 2010, respectively.

AUM decreased 15 percent and assets under management or administration decreased 7 percent from December 31, 2010. The decline in AUM was primarily attributable to the divestiture of certain institutional assets by one of the Company's wealth management affiliates, as well as the deconsolidation of another affiliate in 2011.

A distribution of AUM by type of investment is provided in the following table:

Investment	% of AUM	
	December 31, 2011	December 31, 2010
Equities	38%	40%
U.S. fixed income	28	25
Cash and cash equivalents	21	19
Other (1)	13	16
	100%	100%

(1) Includes private equity and other alternative investments.

Other Noninterest Income

Cash management and deposit transaction fees for 2011 were \$44.3 million, down 7 percent from 2010, compared with an 8 percent decrease in 2010 from 2009. The decreases were due to higher deposit balances used to offset service charge fees.

International services income for 2011 was \$36.5 million compared to \$31.3 million in 2010 and \$31.0 million in 2009. International services income includes foreign exchange fees, fees on commercial letters of credit and standby letters of credit, foreign collection fees and gains and losses associated with fluctuations in foreign currency exchange rates. The 17 percent increase from 2010 largely reflected increased client activity and the addition of new clients.

Net FDIC loss sharing expense was \$8.6 million in 2011, compared to net FDIC loss sharing income of \$63.3 million in 2010 and \$0.7 million in 2009. See "Noninterest Income and Expense Related to Covered Assets" for further discussion of FDIC loss sharing income and expense.

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The Company recognized \$5.1 million of net gains on the sale of securities in 2011, compared with net gains of \$0.4 million for 2010 and \$14.3 million for 2009.

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Impairment losses on securities available-for-sale recognized in earnings were \$0.7 million in 2011, a decrease from \$2.0 million in 2010 and \$16.4 million in 2009. See "Balance Sheet Analysis Securities" for further discussion of impairment loss on securities available-for-sale.

Net gain on disposal of assets was \$20.3 million in 2011, compared to \$2.8 million in 2010 and \$1.3 million in 2009. The increase in net gain in 2011 is primarily attributable to higher gains recognized on the sale of covered and non-covered OREO, in addition to a \$5.0 million charge for the write-off of a Community Reinvestment Act-related receivable in 2010.

The Company recognized an \$8.2 million pretax gain on the FDIC-assisted acquisition of NCB in 2011, compared to a \$27.3 million gain on the acquisitions of FPB and SWB in 2010 and \$38.2 million gain on the acquisition of ICB in 2009.

Other income was \$75.7 million in 2011 compared to \$32.1 million in 2010 and \$26.5 million in 2009. The increase in other income in 2011 was primarily attributable to higher net gains on the transfer of covered loans to OREO. In addition, other income for 2010 included total charges of \$19.1 million on the early extinguishment of debt and a \$5.9 million loss related to one of the Company's affiliated investment advisors.

Noninterest Expense

Noninterest expense was \$805.1 million in 2011, an increase of 7 percent from \$751.3 million in 2010. Noninterest expense increased 29 percent in 2010 compared to 2009. The increase from 2010 to 2011 was due largely to higher compensation costs, as well as increased expenses for OREO, marketing and advertising, and legal and professional services. The increase from 2009 to 2010 was primarily attributable to FDIC-assisted acquisitions. It also reflected higher compensation costs, legal and professional fees, and OREO expenses.

The following table provides a summary of noninterest expense by category:

Analysis of Changes in Noninterest Expense

(in thousands) (1)	Increase (Decrease)			Increase (Decrease)			2009
	2011	Amount	%	2010	Amount	%	
Salaries and employee benefits	\$ 448,702	\$ 38,879	9.5	\$ 409,823	\$ 89,547	28.0	\$ 320,276
All other:							
Net occupancy of premises	54,340	(1,227)	(2.2)	55,567	5,144	10.2	50,423
Legal and professional fees	49,955	2,314	4.9	47,641	10,631	28.7	37,010
Information services	32,097	1,273	4.1	30,824	2,989	10.7	27,835
Depreciation and amortization	27,596	1,751	6.8	25,845	(374)	(1.4)	26,219
Amortization of intangibles	7,727	(1,309)	(14.5)	9,036	1,679	22.8	7,357
Marketing and advertising	28,920	5,808	25.1	23,112	2,986	14.8	20,126
Office services and equipment	17,968	1,587	9.7	16,381	1,386	9.2	14,995
Other real estate owned	65,044	1,933	3.1	63,111	54,186	607.1	8,925
FDIC assessments	29,480	425	1.5	29,055	1,002	3.6	28,053
Other operating	43,266	2,331	5.7	40,935	1,067	2.7	39,868
Total all other	356,393	14,886	4.4	341,507	80,696	30.9	260,811
Total noninterest expense	\$ 805,095	\$ 53,765	7.2	\$ 751,330	\$ 170,243	29.3	\$ 581,087

(1)

Certain prior period balances have been reclassified to conform to the current period presentation.

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Salaries and employee benefits expense for 2011 increased to \$448.7 million, or 9 percent, from \$409.8 million in 2010, primarily due to an increase in employee headcount and higher