

CITY NATIONAL CORP
Form DEF 14A
March 21, 2006
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x
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Check the appropriate box:

- o Preliminary Proxy Statement
- o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

City National Corporation
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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CITY NATIONAL CORPORATION

City National Center

400 North Roxbury Drive

Beverly Hills, California 90210

(310) 888-6000

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TIME AND DATE: 4:30 P.M., LOCAL TIME ON WEDNESDAY, APRIL 26, 2006

PLACE: CITY NATIONAL PLAZA

555 SOUTH FLOWER STREET

THIRTEENTH FLOOR, LOS ANGELES ROOM

LOS ANGELES, CALIFORNIA

NOTE NEW MEETING LOCATION

TO THE STOCKHOLDERS:

City National Corporation (the Corporation) will hold its Annual Meeting of Stockholders at City National Plaza, our new administrative headquarters and metropolitan Los Angeles regional banking center. **Please note this change in location from prior annual meetings held at our City National Center location in Beverly Hills.** The meeting is being held for the following purposes:

1. To elect three Class I directors for terms expiring in 2009 or until their respective successors have been elected and qualified;
2. To ratify the selection of KPMG LLP as the Corporation's independent registered public accounting firm for the fiscal year ending December 31, 2006; and
3. To transact any other business that may be properly brought before the meeting or any postponement or adjournment of the meeting.

The Board of Directors recommends that stockholders vote FOR all proposals.

Stockholders of record at the close of business on March 1, 2006 are entitled to notice of, and to vote at, the annual meeting or any postponement or adjournment of the meeting.

You are cordially invited to attend the 2006 Annual Meeting of Stockholders of City National Corporation. **Whether you plan to attend the annual meeting or not, we urge you to sign, date and return the enclosed proxy card in the postage paid envelope provided, so that as many shares as possible may be represented at the annual meeting.** The vote of every stockholder is important and your cooperation in returning your executed proxy promptly will be appreciated. Each proxy is revocable and will not affect your right to vote in person if you attend the annual meeting.

We appreciate your continuing support and look forward to seeing you at City National Corporation's Annual Meeting in our new facility located in downtown Los Angeles at City National Plaza, 555 South Flower Street.

Sincerely,

BRAM GOLDSMITH
Chairman of the Board

RUSSELL GOLDSMITH
Chief Executive Officer and President

Beverly Hills, California

March 21, 2006

CITY NATIONAL CORPORATION

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CITY NATIONAL CORPORATION

ANNUAL MEETING OF STOCKHOLDERS ON APRIL 26, 2006

PROXY STATEMENT

**QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING,
PROXY MATERIALS AND VOTING**

Q. Why did you send me this proxy statement?

A. We sent you this proxy statement because the Board of Directors of the Corporation is soliciting your proxy to vote at the 2006 Annual Meeting of Stockholders to be held on April 26, 2006 at 4:30 pm. You are cordially invited to attend the Annual Meeting and are requested to vote on the Proposals described in this proxy statement. ***Please note that the location of the Annual Meeting this year is different than in prior years. The Annual Meeting is being held this year at our new facility in City National Plaza at 555 South Flower Street, Thirteenth Floor, Los Angeles Room, Los Angeles, California.***

Q. When is this proxy statement being mailed to stockholders?

A. This proxy statement and the accompanying proxy card are first being mailed to stockholders on or about March 21, 2006.

Q. What am I voting on?

A. The election of directors; and

Ratification of the selection of KPMG LLP as the Corporation's independent registered public accounting firm for 2006.

We will also consider any other business that properly comes before the meeting. (See ***Q: How will voting on any other business be conducted? below.***)

Q. How does the Board of Directors recommend I vote?

A. The Board of Directors recommends you vote:

FOR each of the nominees for Director; and

FOR ratification of KPMG LLP as the Corporation's independent registered public accounting firm for 2006.

Q. Who can vote at the annual meeting?

A. Stockholders of record on March 1, 2006 (the Record Date) may vote at the annual meeting. At the close of business on the Record Date, there were 49,771,543 shares of the Corporation's common stock outstanding, each of which is entitled to one vote with respect to each matter to be voted on at the Annual Meeting.

Q. How many votes are needed to hold the annual meeting?

A. The presence at the meeting, in person or by proxy, of the holders of a majority of the aggregate voting power of the common stock outstanding on the record date will constitute a quorum, permitting the Corporation to hold the meeting and conduct business. Proxies received but marked as abstentions will be included in the calculation of the number of votes considered to be present at the meeting.

Q. What do I have to do to vote?

A. You may vote by granting a proxy, or for shares held in street name, by submitting voting instructions to your broker or other nominee. If your shares are held by a broker or other nominee, you will receive instructions that you must follow to have your shares voted. See below for more information on voting your shares if held in the name of your broker.

If you hold your shares as the stockholder of record, you may vote by signing and dating each proxy card you receive and returning it in the enclosed postage paid envelope. If you mark the proxy card to show how you wish to vote, your shares will be voted as you direct. If you return a signed proxy card but do not mark the proxy card to show how you wish to vote, your shares will be voted FOR each of the Board of Directors nominees for election as director and FOR ratification of KPMG as the Corporation's independent registered public accounting firm. You may change or revoke your vote at any time before it is counted at the annual meeting by: (i) notifying our Secretary at the address shown above; (ii) attending the annual meeting and voting in person; or (iii) submitting a later dated proxy card.

Q. What do I have to do to vote my shares if they are held in the name of my broker?

A. If your shares are held by your broker, sometimes called "street name" shares, you must vote your shares through your broker. You should receive a form from your broker asking how you want to vote your shares. Follow the instructions on that form to give voting instructions to your broker. Under the rules that govern brokers who are voting with respect to shares held in street name, brokers have the discretion to vote such shares on routine matters (such as election of directors and ratification of public accounting firm), but not on non-routine matters. If you do not give instructions to your broker, with respect to the election of directors and/or ratification of public accounting firm, your broker will vote your shares at its discretion on your behalf. The voting instruction form will provide instructions for you to return it, including instructions for responding by telephone and internet.

Q. How do I vote my shares that I hold in the City National Profit Sharing Plan?

A. If you hold shares in your account under the City National Profit Sharing Plan (the "CNC 401-K Plan"), you will receive directions on how to submit your voting instructions as part of your proxy mailing. For any shares you hold in the CNC 401-K Plan, if your voting instructions are not received by 4:00 p.m. Eastern time on Friday, April 21, 2006, your shares will be voted in proportion to the way the other CNC 401-K Plan participants voted their shares, except as may be otherwise required by law.

Q. How is each proposal approved or disapproved?

A. (a) **Election of Directors:** Directors are elected by a plurality of votes cast. The three nominees who receive the most votes will be elected.

(b) **Ratification of Independent Registered Public Accounting Firm:** Stockholder ratification of the selection of KPMG LLP as the Corporation's independent registered public accounting firm is not required by the Corporation's bylaws or otherwise. However, the Board is submitting the selection of KPMG LLP to the stockholders for ratification as a matter of good corporate practice. The affirmative vote of a majority of the votes cast at the meeting, at which a quorum is present, either in

person or by proxy, is requested to approve this proposal. A properly executed proxy marked **ABSTAIN** will not be voted (and therefore will have the same effect as a negative vote), although it will be counted for purposes of determining whether there is a quorum.

Q. How will voting on any other business be conducted?

A. We do not know of any business to be considered at the annual meeting other than the proposals described in this proxy statement. Because we were not notified of any other business to be presented at the annual meeting on or before February 3, 2006, if any other business is presented at the annual meeting, the person named on the proxy card, your designated proxy, will vote on such matter at his or her discretion.

Q. Who can attend the annual meeting?

A. Any stockholder entitled to vote at the annual meeting may attend the annual meeting. If you hold street name shares and would like to attend the annual meeting, please write to our Secretary at the address shown above or e-mail investor_relations@cnb.com, identifying yourself as a beneficial owner of our common stock, and we will add your name to the guest list.

Q. How may I obtain a separate set of proxy materials or request a single set for my household? What should I do if I receive more than one set of voting materials?

A. If you share an address with another stockholder, you may receive only one set of proxy materials (including our 2005 Summary Annual Report, Form 10-K for the year ended December 31, 2005, and proxy statement) unless you have provided contrary instructions. If you wish to receive a separate set of proxy materials now and/or in the future, please request the additional copies by e-mail to investor_relations@cnb.com, by facsimile to (213) 833-4701 or by calling (213) 833-4715. Similarly, if you share an address with another stockholder and have received multiple copies of our proxy materials, you may contact us in the same manner or write us at the address set forth below in the last question to request delivery of a single copy of these materials.

Q. Why may I receive multiple voting instruction forms and/or proxy cards?

If you hold your shares in more than one brokerage account, you may receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a stockholder of record and your shares are registered in more than one name, you will receive more than one proxy card.

If you are an employee of City National Bank, you will receive a voting instruction card for all the shares you hold in the CNC 401-K Plan and you will receive a proxy card for the restricted shares you hold in the Corporation's Amended and Restated 2002 Omnibus Plan.

In each case, please complete, sign, date and return each proxy card and voting instruction form that you receive.

Q. Who is paying for this solicitation?

A. The Corporation will pay the cost of this proxy solicitation. In addition to soliciting proxies by mail, proxies may be solicited personally or by telephone, facsimile, the Internet or other means by certain directors, officers and employees who will receive no additional compensation for their services.

Q. How do I get more information about the Corporation?

A. With this proxy statement, we are also sending you our 2005 Summary Annual Report and our Form 10-K for the year ended December 31, 2005, which includes our financial statements. At your request, we will send you a copy of these reports without charge. The Form 10-K includes a list of exhibits filed with the Securities and Exchange

Commission but not the exhibits. If you wish to receive

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copies of the exhibits, we will send them to you upon payment of our expenses for doing so. Please write to: Investor Relations, City National Bank, 606 S. Olive Street, 5th Floor, Los Angeles, California 90014.

You may also send your request by facsimile to (213) 833-4701 or by e-mail to *investor_relations@cnb.com*. In addition, you can find out more information about the Corporation at our website at *www.cnb.com*. We make our website available for information purposes only and it should not be relied upon for investment purposes, nor is it incorporated by reference into this proxy statement. On the Investor Relations section of the website, you can access electronically filed copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, Section 16 filings, and amendments to those reports and filings, free of charge. The SEC also maintains a website at *www.sec.gov* that contains reports, proxy statements and other information regarding SEC registrants, including the Corporation.

PROPOSAL 1: Election of Directors

The Board of Directors of the Corporation is divided into three classes: Class I, Class II and Class III, with each class serving for a full three-year term, or until election and qualification of their successors. The terms of each class expire at successive annual meetings so that the stockholders elect approximately one-third of the Directors at each annual meeting. The authorized number of directors has been reduced from eleven to ten (due to the vacancy resulting from Bob Tuttle's resignation from the Board in July 2005 upon his confirmation as the new Ambassador of the United States to the Court of St. James). Effective prior to the 2006 annual meeting, Andrea Van de Kamp is retiring from the Board and the authorized number of directors will be reduced to nine.

The term of office of the current Class I directors will expire at the 2006 annual meeting or upon election and qualification of their successors. The Board of Directors has nominated each of the current Class I directors, other than Andrea Van de Kamp, to be elected at the annual meeting as Class I directors for a three year term expiring at our annual meeting in 2009 or until their successors have been elected and qualified. Set forth below is information as of January 31, 2006 about each of Kenneth L. Coleman, Peter M. Thomas and Christopher J. Warmuth (the nominees for election as Class I directors) and each of the Class II and Class III directors whose terms have not yet expired. Each of the current directors is also a director of City National Bank (the Bank), a wholly owned subsidiary of the Corporation (collectively, the Company).

If one or more of the nominees unexpectedly becomes unavailable to serve as a director, the proxies may be voted for one or more substitute nominees selected by the Board of Directors, or the authorized number of directors may be reduced. If the authorized number of directors is reduced for any reason, the proxies will be voted for the election of the remaining nominees named in this proxy statement. To the best of the Corporation's knowledge, all nominees are and will be available to serve as directors.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF MESSRS. COLEMAN, THOMAS, AND WARMUTH.

Nominees for Election as Class I Directors with Terms Expiring in 2006:

Name	Age	Principal Occupation and Other Directorships	Director of Bank Since	Director of Corporation Since
Kenneth L. Coleman	63	Non-executive Chairman of the Board, Accelrys, Inc., elected February 2006 (served as a director since May 2003). From May 2002 to January 2006, Chairman and Chief Executive Officer, ITM Software. From 1987 until June 2001, held various positions including Executive Vice President of Global Sales, Servicing and Marketing with Silicon Graphics, Inc. Director of Accelrys, Inc., MIPS Technologies and United Online.	2003	2003
Peter M. Thomas	56	Managing Partner, Thomas & Mack Co., a commercial real estate development company. From 1992 to 1995, President and Chief Operating Officer of Bank of America-Nevada; and from 1982 to 1992, President and Chief Operating Officer of Valley Bank of Nevada. Director of Boyd Gaming Corporation.	2003	2003
Christopher J. Warmuth	51	Executive Vice President, City National Corporation and President, City National Bank since May 2005. Executive Vice President and Chief Credit Officer, City National Bank from June 2002 to May 2005. Executive Vice President and Chief Commercial Credit Officer, Bank of the West, April 2002 to May 2002. Chief Credit Officer and Head of the Quality Management Division, United California Bank (formerly Sanwa Bank), March 1998 to March 2002.	2005	2005

Class II Directors (Terms Expire at 2007 Annual Meeting):

Name	Age	Principal Occupation and Other Directorships	Director of Bank Since	Director of Corporation Since
Russell Goldsmith(1)	56	President of City National Corporation since May 2005; Chief Executive Officer of City National Corporation and Chairman of the Board and Chief Executive Officer, City National Bank since October 1995. Vice Chairman of City National Corporation from October 1995 to May 2005.	1978	1979
Michael L. Meyer	67	Chief Executive Officer, Michael L. Meyer Company, a real estate consulting and investment company since October 1999. From 1974 to 1998, Managing Partner, Orange County, Ernst & Young LLP Real Estate Group. From 1998 to 2002, Principal in TransPac Partners LLC and Pacific Capital Investors, investor in loans and real estate in Japan; and from 2000 to 2003, Principal in Advantage 4, LLC, provider of telecommunications systems for real estate projects. Director of Paladin Realty Income Properties, Inc.	1999	1999
Ronald L. Olson	64	Partner, Munger, Tolles & Olson, law firm, for more than the past five years. Director, Edison International, Berkshire Hathaway, Inc., The Washington Post Company and Western Asset Trust.	2001	2001

Class III Directors (Terms Expire at 2008 Annual Meeting):

Name	Age	Principal Occupation and Other Directorships	Director of Bank Since	Director of Corporation Since
Richard L. Bloch	76	President, Piñon Farm, Inc., for more than the past five years, and co-management partner of CLB Partners since 1997. From December 1993 to October 1997, Real Estate Investor and former Chairman of the Board, Columbus Realty Trust.	1974	1979
Bram Goldsmith(1)	83	Chairman of the Board, City National Corporation, for more than the past five years.	1964	1969
Kenneth Ziffren	65	Partner, Ziffren, Brittenham, Branca, Fischer, Gilbert-Lurie, Stiffelman, Cook, Johnson, Lande & Wolf LLP, law firm, for more than the past five years. Director and Co-Chairman, Panavision, Inc.	1989	1989

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

PROPOSAL 2: Ratification of Selection of Independent Registered Public Accounting Firm

The Audit & Risk Committee of the Board of Directors has selected KPMG LLP (KPMG) as the Corporation's independent registered public accounting firm for the fiscal year ending December 31, 2006, and has further directed management to submit the selection of independent registered public accounting firm for ratification by the stockholders of the Corporation at the Annual Meeting. KPMG has audited the Corporation's financial statements since 1993. Representatives of KPMG will be present at the Annual Meeting, will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Stockholder ratification of the selection of KPMG as the Corporation's independent registered public accounting firm is not required by the Corporation's bylaws or otherwise. However, the Board is submitting the selection of KPMG to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit & Risk Committee will reconsider whether or not to retain that firm and reserves the discretion to retain KPMG as the Corporation's independent registered public accounting firm. Even if the selection is ratified, the Audit & Risk Committee in their discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if they determine that such change would be in the best interest of the Corporation and its stockholders.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF THE SELECTION OF KPMG LLP AS THE CORPORATION'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2006.

FEES PAID TO KPMG LLP**Policy on Audit & Risk Committee Pre-approval of Audit and Non-Audit Services of Independent Registered Public Accountant**

KPMG performs both audit and non-audit professional services for and on behalf of the Corporation and its subsidiaries. The Audit & Risk Committee's policy is to pre-approve all audit and non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services, and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is subject to a specific budget. The Audit & Risk Committee has delegated pre-approval authority to its Chairman when expedited approval of services is necessary. During 2005 and 2004, the audit services included examination of the consolidated financial statements of the Corporation, examination of the financial statements of the Corporation's subsidiaries and a review of certain filings with the Securities and Exchange Commission and other regulatory agencies.

Fees for Professional Services

The aggregate fees billed for professional services by KPMG in fiscal 2005 and 2004 for various services were:

	2005	2004
Audit Fees	\$ 1,234,000	\$ 1,280,000
Audit Related Service	138,000	325,325
Tax Compliance Fees	50,875	143,610
All Other Fees		
	\$ 1,422,875	\$ 1,748,935

GOVERNANCE OF THE COMPANY AND RELATED MATTERS

The Company is committed to maintaining the highest standards of business conduct and corporate governance, which we believe are essential to running our business efficiently, serving our stockholders and maintaining the Corporation's integrity in the marketplace. We regularly review our governance practices and update them, as appropriate, based upon Delaware law (the state in which we are incorporated), NYSE rules and listing standards, SEC regulations, as well as best practices recommended by recognized governance authorities. Based on our review in 2005, the Board adopted changes to certain corporate governance structures and practices which we believe are best practices for the Company. Included in the changes were adoption of select amendments to the Audit & Risk Committee charter to clarify and more formally elaborate the risk management and Enterprise Risk Management (ERM) scope and duties of the Committee. Consistent with this change, the name of the committee was changed from the Audit Committee to the Audit & Risk Committee. The Board also approved the creation of a Board committee for oversight of company-wide wealth management and fiduciary activities. The new Wealth Management & Fiduciary Committee subsumes the activities of the prior Directors' Trust Committee which had oversight of the Bank's wealth management and fiduciary activities.

The Board of Directors has adopted Corporate Governance Guidelines (the Guidelines) which set forth significant corporate governance policies and practices of the Company. In addition, the Board of Directors has implemented the Company's Code of Ethics for Senior Financial Officers and Principles of Business Conduct and Ethics for directors, officers and employees (collectively referred to herein as the Codes of Conduct). The Guidelines, Codes of Conduct, Board Committee Charters, including the Charters for the Audit & Risk Committee and the Compensation, Nominating & Governance Committee (CN&G Committee), the Restated Certificate of Incorporation and the Bylaws of the Corporation form the framework for governance of the Corporation. The Corporation's Codes of Conduct, Guidelines and Charters for the Audit & Risk Committee and CN&G Committee (the Charters) are available on the Corporation's website at www.cnb.com/ir/governance (the CNC Corporate Governance Web Page). The Corporation will post on this website any amendments to the Codes of Conduct or waivers of the Codes of Conduct for directors and executive officers. There were no waivers in 2005.

Stockholders may request printed copies of the Codes of Conduct, the Guidelines and the Charters from Investor Relations at the contact information set forth on the cover page of this proxy statement or by email to investor_relations@cnb.com. The charter for the Audit & Risk Committee is also attached as Appendix A to this proxy statement.

Director Independence. Our Board of Directors has adopted categorical standards of independence (the Independence Standards) to determine the independence of non-employee members of the Board. The Independence Standards are included as part of the Corporation's Guidelines and are attached to this proxy statement as Appendix B. The Board has designed the Independence Standards with a view towards (i) providing a framework for decisions by the Board that remains free of any relationships that may impair, or appear to impair, its ability to make independent collective judgments, and (ii) ensuring that all permitted transactions between the Corporation and a director or his/her family or their respective primary business affiliations will be on arms-length market terms. The Independence Standards seek to accomplish these goals by utilizing a combination of economic tests and confirmation that relationships are made on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliated persons.

The Board has reviewed the relationship of each of the non-employee directors with the Company in conjunction with the Independence Standards and has determined that the current Board has a majority of independent directors as defined by the listing standards of the NYSE and the Corporation's Independence Standards. Each of the following current directors is an independent director: Richard L. Bloch, Kenneth L. Coleman, Michael L. Meyer, Ronald L. Olson, Peter Thomas, Andrea Van de Kamp and Kenneth Ziffren.

In the case of any entities which transacted business with the Company over the past three years in which any of our independent directors (or any of their immediate family members) has served as an executive officer or is a partner, principal or greater than a 10% shareholder, the payments from the Company to such entities have been substantially under the dollar limits in our Independence Standards and the NYSE independence standards. Munger, Tolles & Olson LLP, a law firm of which Ron Olson is a partner, provided legal services to the Company during 2005 and in the past three years. In each case, the payments by the Company for the services were significantly less than 0.1% of either the law firm's or the Company's annual revenues. ITM Software Corporation, a non-public company of which Ken Coleman was Chairman and Chief Executive Officer through December 31, 2005 and continues as a member of its Board of Directors, entered into a software license with the Company in 2004, which license was renewed in 2005. The amount paid under this license in 2004 was less than \$150,000, and in 2005 was less than \$25,000, an amount that was immaterial relative to the annual revenues of the Company and ITM Software. As disclosed in the Company's 2005 annual proxy statement, the license agreement with ITM Software was approved by the disinterested members of the Company's Board of Directors when originally entered into by the Company.

BOARD OF DIRECTORS MEETINGS; CONTACTING THE BOARD; COMMITTEES

The Board of Directors held seventeen meetings during 2005. Each current director attended at least 75% percent of all Board and applicable committee meetings. In accordance with the Guidelines, directors are expected to attend all annual stockholder meetings. All then current Board members (and nominees) were present at the Corporation's 2005 annual meeting.

The non-employee directors meet in executive sessions of the Board without employee directors or management participation at least twice each calendar year and at such other times as they deem appropriate. The non-employee directors have currently selected Ken Ziffren, Chairman of the Audit & Risk Committee, to lead the non-employee director executive sessions.

An individual can contact the Corporation's Board, any Committee of the Board, or select Board members (including the non-management directors as a group) by sending an email to bdofdirectors@cnb.com or writing to: Board of Directors, Attention: Corporate Secretary, City National Corporation, 400 N. Roxbury Drive, Beverly Hills, California 90210. This contact information is provided on the CNC Corporate Governance Web Page. As further required by the SEC and the NYSE, the Audit & Risk Committee has established procedures for the receipt, retention and treatment of complaints regarding accounting and auditing matters or actual or potential corporate fraud or violation of applicable law. Procedures to submit a concern can also be found on the CNC Corporate Governance Web Page.

The Board of Directors has the following standing committees: the Compensation, Nominating & Governance Committee; the Audit & Risk Committee; the Wealth Management & Fiduciary Committee (replaced the prior Directors Trust Committee); the Community Reinvestment Act Committee; and the Special Matters Committee. Each of these committees operates pursuant to a written charter, which sets forth its functions. The charters for the Audit & Risk Committee and the CN&G Committee can be viewed on our website at www.cnb.com/ir/governance/committees.asp. The Audit & Risk Committee Charter is attached to this proxy statement as Appendix A.

Compensation, Nominating & Governance Committee

The current charter for the CN&G Committee, as reviewed and approved by the Board, contains a complete description of the powers and responsibilities of the CN&G Committee. The CN&G Committee is appointed by the Board to assist with director and officer compensation matters, recommend director nominees, and review and recommend appropriate policies and guidelines for governance matters. The CN&G Committee (which acts jointly as the CN&G Committee of the Bank) consists of the following

Board members, each of whom meets the NYSE and Board's independence requirements: Richard L. Bloch (Chairman), and Kenneth L. Coleman. The CN&G Committee met seven times during 2005.

In carrying out its responsibility to recommend nominees for election to the Board, the CN&G Committee is authorized to retain search firms, as well as obtain advice and assistance from internal or external legal, accounting or other advisors. The CN&G Committee identifies, screens and recommends to the Board candidates for membership on the Board, including nominees proposed by stockholders, on the basis of candidate guidelines established by the committee and approved by the Board as well as those qualifications for directors set forth in the Guidelines. A director candidate is expected to make a significant contribution to the membership of the Board by way of his or her range of skills, perspective, background (including education and experience), as well as serve as a significant and active resource for referrals and business development for the Corporation. Above all, director candidates must have the highest ethical standards, a strong sense of professionalism and dedication to serving the interests of all the stockholders and be able to make himself or herself available to the Board in the fulfillment of his or her duties.

Nominations for the election of directors may be made by a stockholder entitled to vote for the election of directors by submitting a notice in writing, delivered or mailed by first class United States mail, postage prepaid, to the Secretary of the Corporation not less than 60 days prior to the first anniversary of the date of the last meeting of the stockholders of the Corporation called for the election of directors. For the 2007 Annual Meeting of Stockholders, nominations must be received by February 25, 2007. The notice must include: (i) the name, age, business address and, if known, the residence address of the nominee, (ii) the principal occupation or employment of the nominee, (iii) the number of shares of stock of the Corporation beneficially owned by the nominee and (iv) other information that would be required by federal securities laws and regulations for an individual nominated by the Board of Directors. The Corporation did not receive any such nominations for the 2006 annual meeting.

Compensation Committee Interlocks and Insider Participation

None of the members of the CN&G Committee in 2005 has ever been an officer or employee of the Corporation or any subsidiary of the Corporation. During 2005, no executive officer or employee-director of the Corporation served as a director of an entity where a member of the CN&G Committee or any other independent Director of the Corporation is an executive officer. No member of the CN&G Committee was indebted to the Bank during 2005.

Audit & Risk Committee

In connection with the Board's review of the Company's corporate governance practices, on December 14, 2005, the Board of Directors approved the amended and restated charter for the Corporation's Audit & Risk Committee, which charter contains a description of the powers and responsibilities of the Committee and is attached as Appendix A. The Audit & Risk Committee is appointed by the Board of Directors to assist the Board in monitoring and oversight of the financial reporting process, including the effectiveness of internal accounting and financial controls and procedures; the Corporation's compliance with legal and regulatory requirements; the qualifications, independence and performance of the Corporation's independent registered public accounting firm and internal auditors; and all risk management activities, including audit, credit risk review and Enterprise Risk Management functions. The following directors are members of the Audit & Risk Committee, and each committee member is independent within the meaning of SEC regulations, the listing standards of the NYSE and the Corporation's Corporate Governance Guidelines and is financially literate as determined by the Board of Directors in its business judgment: Kenneth Ziffren (Chairman), Richard L. Bloch, and Michael L. Meyer. The Audit & Risk Committee has identified Michael L. Meyer as the Audit & Risk Committee Financial Expert as defined by the SEC and required by the charter. Audit & Risk

Committee members are not expected to simultaneously serve on the audit committees of more than two other public companies, unless the Board of Directors determines that such service is not otherwise prohibited and will not impair the effectiveness and ability of committee members to serve on the Audit & Risk Committee. During 2005, the Audit & Risk Committee met seventeen times. The Audit & Risk Committee also functions as the Audit & Risk Committee of the Bank and the Trust Audit Committee with audit oversight responsibility for all wealth management and fiduciary activities of the Company.

The following Report by the Audit & Risk Committee shall not be deemed soliciting material or incorporated by reference by any general statement incorporating this proxy statement into any filing under the Securities Act of 1933, as amended, or under the Securities Exchange Act of 1934, as amended, except to the extent that the Corporation specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.

REPORT BY THE AUDIT & RISK COMMITTEE

The charter of the Audit & Risk Committee of the Board, as revised and amended in December 2005 by the Board and attached as Appendix A, specifies that the purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities regarding the following:

- Monitoring and oversight of the integrity of the Corporation's financial statements and financial accounting practices;
- Monitoring and oversight of the effectiveness of the Company's internal control over financial reporting;
- Monitoring and oversight of the Corporation's compliance with legal and regulatory requirements;
- Monitoring and oversight of the qualifications and independence of the Corporation's internal auditors and independent registered public accounting firm;
- Monitoring and oversight of the performance of the Company's internal audit function and independent registered public accounting firm; and
- Monitoring and oversight of all risk management activities, including audit, credit risk review and Enterprise Risk Management functions, as well as all risk management functions, and Enterprise Risk Management activities of the Corporation and Bank performed by management, all management committees, as well as other Board Committees.

In carrying out these responsibilities, the Committee, among other things:

- discusses with management, the internal auditors and the independent registered public accounting firm the adequacy and effectiveness of the Corporation's and subsidiaries' internal controls regarding financial, accounting, regulatory and legal compliance;
- reviews and discusses with management and the independent registered public accounting firm financial results prior to the release of earnings and quarterly and annual financial statements, including Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) and the results of the independent registered public accounting firm's review of the quarterly and annual financial statements, prior to the filing of the Corporation's quarterly and annual reports on Forms 10-Q and 10-K;
- reviews disclosures made by the Corporation's Chief Executive Officer and Chief Financial Officer during their certification process for the annual and quarterly reports about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Corporation's internal controls;

- reviews reports from management, including as appropriate the managers of Risk Management, Internal Audit, Compliance and Credit Risk Review, to monitor and oversee the Corporation and its subsidiaries' conformity with applicable legal and regulatory requirements, and reviews material reports received from regulators or governmental agencies;
- discusses with management the Corporation's risk assessment and risk management policies; and
- reviews management's report on its assessment of the effectiveness of internal control over financial reporting as of the end of each fiscal year, and the independent registered public accounting firm's report on (i) management's assessment and (ii) the effectiveness of internal control over financial reporting.

During 2005, the Committee met seventeen times and conducted its meetings in a manner designed to facilitate effective and complete communication among the committee members, management, internal auditors, risk management and compliance officers and the Corporation's independent registered public accounting firm, KPMG. Among the matters discussed with the Corporation's internal audit, risk management and compliance officers, as well as KPMG, was the overall scope and plans for their respective audits. The Committee met separately with each of the internal and independent registered public accounting firm, without management, to discuss the result of their examinations and observations and recommendations regarding financial reporting practices and the effectiveness of the Corporation's internal controls. The Board of Directors has determined that (i) each of the members of the Committee is independent and financially literate, as required by the New York Stock Exchange and (ii) Michael L. Meyer qualifies as an audit committee Financial Expert within the meaning of the SEC's rules and regulations.

In performing its function, during the year ended December 31, 2005, the Audit & Risk Committee has:

- reviewed and discussed the audited financial statements of the Corporation as of and for the year ended December 31, 2005 with the Corporation's management;
- discussed with the Corporation's independent registered public accounting firm all matters required to be discussed by SAS 61 (Codification of Statements on Auditing Standards, AU § 380), as may be modified or supplemented;
- received the written disclosures and the letter from the independent registered public accounting firm required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), as may be modified or supplemented, and has discussed with the independent registered public accounting firm any relationship that may have an impact on their objectivity and independence, and satisfied itself as to the independent registered public accounting firm's independence; and
- in accordance with the Audit & Risk Committee's policy on Pre-Approval of Audit and Non-Audit Related Services, reviewed and approved all fees paid to KPMG for all audit and non-audit related services.

In addition, during 2005, the Committee reviewed key initiatives and programs aimed at strengthening the effectiveness of the Company's risk management policies and procedures. The Committee has also reviewed and overseen the Corporation's and KPMG's review and assessment process related to Section 404 of the Sarbanes-Oxley Act of 2002, including the Public Company Accounting Oversight Board's (PCAOB) Auditing Standard No. 2 regarding the audit of internal control over financial reporting.

Based on the foregoing review and discussions, the Audit & Risk Committee recommended to the Board of Directors that the Corporation's audited financial statements be included in the Corporation's

Annual Report on Form 10-K for the year ended December 31, 2005 for filing with the Securities and Exchange Commission.

KENNETH ZIFFREN, CHAIRMAN
RICHARD L. BLOCH
MICHAEL L. MEYER

DIRECTOR COMPENSATION AND STOCK OWNERSHIP GUIDELINES

Directors who are employees of the Company receive no compensation for service as Directors.

- **Fees.** The Company pays the following cash fees to its non-employee directors for attendance at Board and Committee meetings and for serving as Committee Chairs:

Board of Director Meeting Fees	\$2,000
Committee Meeting Fees	\$1,500
Annual Retainer for Chair of Board Committees(1)	\$3,000-\$10,000

- (1) The annual retainers for each of the Board Committee Chairs are as follows: Audit & Risk Committee Chair \$10,000 per year; CN&G Committee Chair and Directors Compliance Committee Chair (not a standing committee) \$5,000 per year; all other Board Committees \$3,000 per year. The retainers are paid bi-annually in January and July.

In addition, the Company reimburses non-employee directors for travel expenses incurred in connection with attending Board, Committee and stockholder meetings, and for other Company-business related expenses (including the travel expenses of spouses if they are specifically invited to attend the event for appropriate business purposes).

- **Annual Award.** On the date of each annual stockholders meeting, each non-employee director receives an Annual Award in cash in an amount equivalent to the value of 500 shares of the Corporation's common stock based on the closing price reported on the NYSE the prior business day. This cash payment is not eligible for deferral under the Director Deferred Compensation Plan. In order to align the directors' compensation with stockholders' interests, each director is required to use 50% percent of the gross amount of the Annual Award to purchase shares of the Corporation's stock on the open market within six months from the date of the annual meeting. This stock purchase requirement for non-employee directors is included in the Company's Corporate Governance Guidelines. Prior to 2005, a portion of the non-employee directors' compensation had included an automatic annual grant of 500 discounted stock options (DSOs) on the date of the annual shareholders' meeting at an exercise price of \$1.00 per share. However, due to the requirements of Section 409A of the Internal Revenue Code, enacted as part of the American Jobs Creation Act of 2004, after consultation with an independent consulting group, the CN&G Committee recommended to the Board that the automatic grants of DSOs be discontinued effective as of the 2005 annual shareholders meeting. The Board approved that recommendation in March 2005. In place of the DSO grants, the Board approved the payment of the Annual Award to each non-employee director with the requirement that the Annual Award be used to purchase shares of the Corporation's common stock, as described above. Each non-employee director received payment of an Annual Award at the 2005 annual shareholders meeting and has used 50% of the gross amount to purchase shares of Company common stock.
- **2000 City National Bank Director Deferred Compensation Plan.** The Bank's 2000 Director Deferred Compensation Plan (the Directors DCP) allows non-employee directors to elect each year to defer up to 100% of the cash amount of their standard director meeting fees and annual committee

chair retainers, instead of receiving these amounts as cash payments taxable in the year of receipt. Under the Directors DCP, standard Director meeting fees and retainers may be tax deferred, and Directors may designate select investment options in which the deferred director payments are deemed to be invested. This unfunded, non-qualified plan structure is required in order to preserve the beneficial tax deferral treatment for participating directors. Amounts in a director's deferral account represent unsecured claims against the Bank's assets, and all deferred amounts together with any credited investment returns are paid out to participating directors in accordance with their advance written election either a) in a lump sum or in installments commencing at a specified date during the director's service on the Board, or b) upon termination of service. There is no guaranteed return on any deferred payment amounts.

- **Director Stock Ownership.** It is the policy of the Board that each non-employee director, to enhance his or her ownership in the Corporation and to better align the Board with the interests of the stockholders, is required over three years to accumulate and own at least \$100,000 worth of the Corporation's stock. There are additional stock ownership requirements for employee-directors based on multiples of their salary, which requirements range from ownership of stock in an amount equal to 5 times the salary for the CEO to 3.5 times the salary for the other employee-directors. For more information about the stock ownership requirements for both directors and officers, see Appendix A to the Guidelines on the CNC Corporate Governance Web Page.

CERTAIN TRANSACTIONS AND RELATIONSHIPS

Certain directors, officers and stockholders of the Corporation, and their associates, were depositors, borrowers or customers of the Bank in the ordinary course of business during 2005. Similar transactions are expected to occur in the future. In the opinion of management, all such transactions were effected on substantially the same terms as those prevailing at the time for comparable transactions with other persons, including, as to any loans, interest rates, fees and collateral, and any loans did not involve more than normal risk of collection or present other unfavorable features.

Ronald L. Olson, a director of the Corporation, is a Partner with the law firm of Munger, Tolles & Olson LLP (MT&O) which provided legal services to the Corporation or the Bank during 2005 and may do so in the future. The fees paid for those services by the Company are an immaterial amount relative to the law firm's and Company's annual revenues. See Director Independence above for additional information.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 (the 1934 Act) requires directors and executive officers of the Corporation and persons who own more than ten percent of the Corporation's common stock (Ten Percent Owners) to file reports of initial ownership of the Corporation's common stock and subsequent changes in ownership with the SEC and the NYSE and to provide copies of such reports to the Corporation. Based solely upon the Corporation's review of the copies of such reports and written representations that no other reports were required to be filed during 2005, all Section 16(a) reporting requirements applicable to directors, officers and Ten Percent Owners were met in a timely manner.

STOCKHOLDER PROPOSALS

To be considered for inclusion in the Corporation's proxy statement for the 2007 Annual Meeting of Stockholders, a stockholder proposal must be submitted in writing to the Corporation's Secretary on or before November 21, 2006 and must satisfy the other requirements of Rule 14a-8 under the 1934 Act. The proxy card for the 2007 Annual Meeting of Stockholders will give the designated proxy holder authority to vote at his or her discretion on any matter which is not brought to the Corporation's attention on or before February 4, 2007.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Principal Owners of Common Stock

The following table sets forth information as of January 31, 2006 regarding the beneficial owners of more than five percent of the outstanding shares of the Corporation's common stock. To the Corporation's knowledge, based on the absence of filings which beneficial owners of more than five percent of the outstanding shares of the Corporation's common stock are required to make with the SEC, there are no other beneficial owners of more than five percent of the outstanding shares of the Corporation's common stock. Except as otherwise noted in the footnotes below, each of these persons or entities had sole voting and investment power with respect to the Common Stock beneficially owned by them.

Name and Address of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned(1)	Percent of Class(2)
Bram Goldsmith:		
400 North Roxbury Drive Beverly Hills, CA 90210		7.68 %
Bram and Elaine Goldsmith, Trustees of the Bram and Elaine Goldsmith Family Trust	2,937,514	
Elaine and Bram Goldsmith, Trustees of the Elaine Goldsmith Revocable Trust	567,989	
Bram Goldsmith	57,157 (3)	
Goldsmith Family Foundation	244,780 (4)	
Bram Goldsmith, Trustee of Oak Trust A	13,731 (5)	
Total	3,821,171 (11)	
Russell Goldsmith:		
400 North Roxbury Drive Beverly Hills, CA 90210		10.29 %
Goldsmith Family Partnership	2,860,000 (6)	
The Russell Goldsmith Trust	420,290 (7)	
Russell Goldsmith, Trustee of Maple Trusts I and II, Pine Trusts I and II and other family trusts	310,148	
Goldsmith Family Foundation	244,780 (4)	
Russell Goldsmith	1,219,138 (8)	
Russell Goldsmith, Trustee of the West LA Investment Trust No. 1-R	8	
B.N. Maltz Foundation	58,495 (9)	
MKB Co. Ltd.	7,500 (10)	
Total	5,120,359 (11)	

(1) Includes shares subject to options which are presently exercisable or which will become exercisable within 60 days after January 31, 2006. Does not include restricted stock units issued pursuant to the Amended 2002 Plan. Restricted stock units do not have voting rights and do not convert to shares until termination of employment.

(2) Based on 49,764,361 shares of Common Stock issued and outstanding at January 31, 2006.

(3) Shares allocated to Bram Goldsmith's account under the City National Corporation Profit Sharing Plan.

(4) The Goldsmith Family Foundation is a tax-exempt charitable foundation of which Bram Goldsmith and Russell Goldsmith are directors. Bram Goldsmith and Russell Goldsmith each disclaim beneficial ownership of these shares.

- (5) Shares held in a trust for the benefit of a family member for which Bram Goldsmith is the sole trustee.
- (6) The Goldsmith Family Partnership is a limited partnership whose general partners include the Russell Goldsmith Trust, of which Russell Goldsmith is the sole trustee and the West L.A. Investment Trust No. 1-R, of which Russell Goldsmith is the sole trustee. Russell Goldsmith disclaims beneficial ownership of the shares held by the Goldsmith Family Partnership except to the extent of Russell Goldsmith's respective pecuniary interest in the partnership.
- (7) Excludes the 2,860,000 shares identified as being held by the Goldsmith Family Partnership which the Russell Goldsmith Trust may be deemed to beneficially own as a general partner of the Goldsmith Family Partnership.
- (8) Includes 30,700 shares solely owned by Russell Goldsmith, 2,468 shares allocated to Russell Goldsmith's account under the City National Corporation Profit Sharing Plan and 1,185,970 stock options exercisable within 60 days after January 31, 2006.
- (9) The B. N. Maltz Foundation is a tax-exempt charitable foundation of which Russell Goldsmith is a director. Russell Goldsmith disclaims beneficial ownership of these shares.
- (10) MKB Co. Ltd. is a limited liability company whose managing members include Russell Goldsmith's spouse. The number of shares of City National Corporation held by MKB Co. Ltd. exceeds her pecuniary interest therein. Russell Goldsmith disclaims beneficial ownership of these shares.
- (11) After appropriate elimination of duplicate ownership attributable to both Russell Goldsmith and Bram Goldsmith under the Goldsmith Family Foundation (see footnote 4), Bram Goldsmith and Russell Goldsmith and their related interests beneficially own 8,696,750 shares which constitutes 17.48% of the outstanding shares.

SECURITY OWNERSHIP OF MANAGEMENT

City National Corporation

The information below sets forth the number of shares of the Corporation's common stock beneficially owned as of January 31, 2006 by each of the current directors, the nominees recommended by the Board of Directors for election as directors, each of the individuals included in the Summary Compensation Table below and all current directors, nominees and executive officers as a group. Except as otherwise noted in the footnotes below, each of these persons had sole voting and investment power with respect to the Common Stock beneficially owned by him or her.

(a)

(b)

(c)