CITY NATIONAL CORPORATION

Neil M. Barofsky
Special Inspector General
Office of the Special Inspector General - TARP
1500 Pennsylvania Ave., N.W., Suite 1064
Washington, D.C. 20220

Christopher J. Carey | Executive Vice President
Chief Financial Officer

Transmitted by Electronic mail to: SIGTARP.response@do.treas.gov

Re: City National Corporation Response to SIGTARP letter dated 2/6/09

Dear Mr. Barofsky: March 6, 2009

This letter constitutes the response provided by City National Corporation and City National Bank (collectively CNC) to your letter addressed to Russell Goldsmith and dated February 6, 2009.

Background Information: City National Bank, a wholly owned subsidiary of City National Corporation, is a double-A rated (Moody's Aa3), FDIC-insured financial institution backed by $16.5 billion in total assets. CNC provides banking, investment and trust services through 62 offices, including 15 full-service regional centers, in Southern California, the San Francisco Bay Area, Nevada and New York City. CNC includes eight majority-owned investment affiliates that manage or administer $47.5 billion in client investment assets, including approximately $30.8 billion under direct management.

CNC reported 2008 net income available to common shareholders of $102.5 million. We have no sub-prime or option-ARM loans. We have had no completed foreclosures on any residential mortgages since prior to 2005.

Timeline for TARP CPP Participation: [redacted]

b(8), b(4)

[redacted]

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b(4) [redacted] On October 22, 2008, CNC management submitted to its Board of Directors a proposal to participate in the TARP CPP program. Following a careful and thorough deliberation of the proposal, CNC's Board unanimously approved and authorized the immediate submission of an application to participate in the TARP CPP program. [redacted] b(4), and publicly announced its preliminary approval on Monday, October 27, 2008. Final TARP funding of $400 million occurred on November 21, 2008, following execution of all required investment and related documents.

At the end of the third quarter 2008, CNC's total risk-based capital ratio was 11.04%. When evaluating our potential for growth in assets at that time, we reviewed and explored a range of different sources of capital, including subordinated debt, a lower cost Tier II instrument. At December 31, 2008, including the infusion of the TARP capital, our Tier 1 capital ratio was 11.7% and total risk-based capital was 13.4%. We note that our Tier I ratio was 9.13% at September 30, 2008, prior to the receipt of TARP capital, a very strong capitalization level. Our tangible common capital ratios were 7.3% and 7.2%, respectively, at September 30, 2008 and December 31, 2008.

Request 1 (a) – Anticipated use of TARP funds: Prior to the receipt of TARP funds, CNC's management and Board of Directors considered a wide variety of factors in evaluating the anticipated and expected use of TARP funds. Among others, these included the following factors.

From the commencement of our discussions on the anticipated use of TARP funds, CNC took very seriously its responsibility to continue to carefully manage all of its capital resources as it has historically: prudently and transparently. We anticipated that the TARP capital would put us in a position to maintain, enhance and assure our strong capital position. The funds would increase our lending capabilities and our liquidity, and would provide us with greater resources and lending capacity to meet the needs of creditworthy clients and prospective clients throughout our communities. Consistent with the goals of TARP, our expectation was to serve in a meaningful role to help reinvigorate the economy by continuing to make creditworthy loans. We anticipated that the additional TARP funds would enhance our strong, conservative balance sheet and our ability to pursue our disciplined lending, investment, deposit taking, and overall growth strategy.

TARP capital was applied for with the expectation that it would add to an already strong core capital base of over $1.6 billion in common equity, bringing total capital to over $2.0 billion. On a pro forma basis, the TARP capital investment was expected to increase our strong Tier I capital ratio of 9.1% to an even stronger 12%. We anticipated that this would add to client confidence in our institution, provide us with added stability, and serve in a small way to help stabilize the financial system as a whole. Capital strength has long been a hallmark of our company, as it enables us to build strong relationships with solid and creditworthy borrowers, and depositors. We anticipated that TARP capital would further secure City National's position as one of the nation's most strongly capitalized banks, and this in turn would expand our ability to meet the needs of our clients, our shareholders and the communities we serve.

While TARP funds were expected to enhance our ability to make new and renewed loans to creditworthy borrowers, we also knew that our clients and communities were not immune from the current economic stresses and ongoing downturn. Our expectation to use TARP funds to remain active in our lending activities was informed by our increasing recognition that some exisiting clients and potential new clients, both individuals as well as businesses, were experiencing increasingly serious financial stress and economic hardship in the current economic cycle. We expected that a number of our clients and prospective new clients would continue to experience economic uncertainty and that some might experience potentially serious financial problems in the months and years ahead. CNC's acceptance of TARP funds, and our anticipated use of these funds to aid growth in lending and help stimulate the economy was appropriately tempered by the strong recognition of these harsh economic realities affecting our existing and prospective new clients.

In recognition of the increasingly adverse economic conditions in virtually all sectors of the communities we serve, we knew we would have to continue to carefully scrutinize the creditworthiness of new and existing lending clients to assure that existing loans and any new loans or investments would not create unreasonable risks of loss. We knew that if the economy continued to be under stress for an extended period of time, or if economic conditions deteriorated, our capital, including TARP capital, would be at risk of depletion through loan defaults, charge-offs, impairments and securities losses. Adoption of imprudent lending and investment practices in an uncertain economic environment would seriously impair our ability to repay TARP capital. We are responsible to our shareholders, clients, communities, and our colleagues to use all of our capital resources and funds, including the TARP funds, responsibly, prudently and transparently in our provision of banking, lending, deposit taking and other services.

As we considered the anticipated use of TARP capital, we did not plan to change our fundamental approach to credit underwriting. Our approach has been to adopt modifications to our credit policies, standards, practices and pricing to make appropriate adjustments based on external market conditions and any potential futher deterioration in general economic conditions. We anticipated the need to be flexible and adaptable to changing economic conditions in order to remain strong and able to serve our clients through disciplined and reasonable credit standards. As a result of these efforts over many years, we have managed to avoid most of the problems that have damaged or constrained other lenders and financial service providers. Our participation in TARP was a validation of our prudent, selective and disciplined lending and growth strategy. We therefore viewed it as critically important for us to not change our fundamental, disciplined business and growth strategy, or to undertake greater risk of credit loss by applying relaxed credit underwriting standards that would put our non-TARP as well as our TARP capital at higher risk.

We expected that the TARP funds would reinforce our longstanding strategy of expanding existing client relationships, and adding new clients. Although TARP capital was not needed for additional acquisitions, as core capital was generally sufficient for these purposes, if the right opportunities arose the added capital would moderately increase our flexibility in making selective acquisitions of banks or wealth advisory firms. In the current economic environment, we anticipated that acquisition activity would be limited and highly selective. Our expectations regarding the use of TARP funds did not include any allocation or use of the funds for compensation, bonuses, severance payments, dividend payments, repurchase of common stock, lobbying or government relations activities, or for marketing, advertising or corporate sponsorship activities. TARP funds were not intended to be used for the payment of expenses, which are covered as part of our cash flow. We anticipated using some of the TARP funds to better rationalize and more efficiently meet our overall funding and liquidity needs, which might include reductions in short-term debt, wholesale borrowings, and Fed Funds. We also anticipated the possible use of TARP funds opportunistically in our investment portfolio to invest in low risk-weighted assets, but only if consistent with the overall goals of the TARP CPP program.

Finally, as a part of our execution of the TARP CPP investment agreements, we acknowledged our expectation to expand the flow of credit to consumers and businesses on competitive terms in order to help promote sustained recovery, growth and vitality of our general economy. We also acknowledged that to do so we would need to work diligently, if appropriate, under any existing programs to modify the terms of residential mortgages to strengthen the health of the housing market. For the reasons summarized below, we are confident that our actual use of TARP capital is consistent with the goals to expand the flow of credit to consumers and businesses on competitive terms.

Request 1 (b) - Segregation of TARP Funds from other Institutional Funds: We did not intend to segregate TARP funds from other institutional funds, and no segregation of TARP funds from all other funds has occurred. Total TARP capital funds provided to us represent approximately 20% of all CNC capital resources. All of City National's capital resources, including TARP capital, are combined and used to support our ability to provide our full range of consumer, private, commercial, industrial, real estate, wealth management and other banking and investment services. TARP funds have not been segregated from general funds used in the conduct of our business.

Request 1 (c) - Actual use of TARP capital: Our strategy with respect to the actual use of the TARP capital has been to follow our proven, prudent and disciplined approach to growth, lending activities and sustainable long-term profitability. Our strategy for the use of TARP capital is fundamentally consistent with our use of all capital and shareholders equity. Our business strategies, which have proven effective over many years, have remained substantially unchanged.

The $400 million in TARP funds received by City National Corporation were immediately deposited with City National Bank. As a deposit, these funds became fungible with all of the sources and uses of cash by City National Bank. To date no capital contribution has been made by City National Corporation into City National Bank, and this possible action is still under evaluation. While TARP capital is clearly segregated in the capital accounts of City National Corporation, like all other deposits with City National Bank, the cash funds on deposit are not segregated. The funds provided us with a means to more efficiently manage and meet our short-term funding and liquidity needs, including paying down other short-term debt. As described above, we have not segregated or set asside any TARP funds for the payment of compensation, bonuses, severance payments, dividend payments, repurchase of common stock, lobbying or government relations activities, or marketing, advertising or corporate sponsorship activities.

Attached as **Appendix A**, which is incorporated into this response is a summary of Lending Activity of City National Bank during the four-month period ending January 31, 2009. During this period, we have renewed approximately $1.334 billion of loans and made approximately $501 million of loans to new and existing clients. This is compelling support for our belief that we are not only fulfilling, but exceeding all reasonable expectations to help expand the flow of credit in our markets, and we anticipate that we will continue to do so. In the context of our local markets and communities, our marginally expanded funding has incrementally enabled us to make more loans, provide more services, help our local economy by providing expanded flow of credit to consumers and businesses, and promote sustained growth and vitality. Lending highlights for this four-month period include the following:

1) Total loan originations, including Consumer loans (residential mortgage, home equity, credit cards, and other consumer non-revolving) and Commercial loans (commercial and industrial, as well as commercial real estate) during this period were $1,835,352,789. This represents 14.8% of total loans as of January 31, 2009.

2) Total renewed loans, including Consumer and Commercial, for existing client accounts represented $1,334,056,125 for this period while the total value of new loans to new and existing clients during this period was $501,296,654.

3) Although our average loan balances in residential mortgages increased steadily during this period, residential mortgage originations declined slightly in January 2009. The decline was driven largely by external market conditions, as no significant changes in marketing activities or underwriting standards for these loans took place. Though the four-month timeframe is fairly short, home equity loan balances, credit cards, and consumer non-revolving balances have remained stable or increased.

4) For Commercial & Industrial lending, total loan and lease balances remained steady over this four-month period, with $992,061,010 in total originations consisting of $749,544,439 in renewals of existing accounts, and $242,516,571 in new loan originations. Similar steady performance was achieved in this period in our Commercial Real Estate portfolio with $606,373,422 in total originations consisting of $514,685,864 in renewals of existing accounts, and $91,687,558 in new loan originations.

We believe that this recent lending performance is very positive when considered in the context of the current economic environment in which we operate. As reported by the state of California on February 27, 2009, there has been a dramatic increase in the jobless rate in California in December 2008. The reported 10.1% jobless rate is the highest in California since June 1983, and not far below the 11% record set in November 1982 at the worst point of a severe recession, according to the Governor's office. Further, as reported by the U.S. Commerce Department on February 27, 2009, the national economy as measured by the gross domestic product shrank at a dramatic annual pace of 6.2% in the final three months of 2008, the country's worst economic performance since 1982. Maintaining stable and consistent lending in these ecomomic conditions has taken great efforts on our part.

In our lending activities, we remain committed to acting responsibly in helping private banking and commercial clients find workable solutions that address their financial needs, so they can meet their obligations, and help their businesses grow. We will continue to lend responsibly to individuals and businesses based on their creditworthiness. A borrower's ability to repay, the size of a loan compared to the value of the underlying collateral, verifiable income, adequacy of cash flows to service debt, credit history, concentrations, industry risk and regional economic conditions, among many other factors, will continue to drive our lending process. Though some minor changes in our loan underwriting policies, procedures, practices and pricing have occurred in the last few quarters in response to market conditions, these changes are consistent with our fundamental and disciplined approach to lending.

In this difficult economic environment, City National will not, in the interest of taxpayers and its shareholders, take unwarranted or excessive risk with its capital, including the TARP capital which the public has entrusted to us. We will continue to adhere to our traditional sound lending principles in a way that balances our commitment to provide support for the nation's economy with our responsibility to manage risk appropriately, and by doing so, deliver value and return on capital for all our investors including the taxpayers.

CNC also reported loan origination volumes in its fourth quarter 2008 earnings news release in the "new" and "renewed" lending categories. We expect to continue the reporting of the loan originations for the same categories in our future earnings releases and SEC filings. The data in Appendix A is intended to be presented in a format generally consistent with the Lending Survey suggested by Treasury for the top 20 TARP recipient banks.

Request 1 (d) – Expected Use of Unspent TARP capital: CNC has not segregated TARP capital funds from funds generally available to lend, and all such TARP funds are already in use. See the response to Request 1(c).

Request 2 – Specific Plans & Status of Implementation for Executive Compensation Requirements: The following summarizes the actions taken to address the executive compensation requirements associated with the TARP capital funding under the regulations published on October 20, 2008. Prior to closing the TARP CPP investment, CNC was required to obtain waivers from Senior Executive Officers (SEOs) waiving any claims against Treasury and CNC and agreeing to the implementation of the required benefit plan amendments and other CPP executive compensation standards described above. These waivers and consents were executed on or about November 14, 2008 as a precondition to CNC participating in the TARP CPP program. The waivers and consents address the following executive compensation requirements applicable by virtue of our TARP CPP program participation:

1. Incentive compensation "clawback": Applicable regulations provide that CNC's SEO bonuses and incentive compensation paid while the Treasury holds an equity or debt position are subject to recovery if the payments were based on materially inaccurate financial statements or any other materially inaccurate performance criteria. Section 111(b)(2)(B) applies to the CEO and CFO and to the three most highly compensated executive officers. These regulations are self-implementing and no action has been required by CNC under these executive compensation requirements. We are compliant with these requirements.

2. Prohibitions on excess "Golden Parachute" payments: Under applicable regulations, CNC is prohibited from making excess "golden parachute" payments to any SEO while the Treasury holds an equity or debt position in CNC. For purposes of the TARP CPP, the Treasury uses the golden parachute definition in IRC Section 280G, which would be a payment of equal to or more than three times the SEO's average base compensation for

the preceding 5 years. As a result of the changes discussed in item 4 below, we are compliant with these requirements.

3. Changes to deductibility of compensation under IRC 162(m). As a precondition to participating in TARP CPP, CNC was required to agree that it will not claim a federal income tax deduction for executive compensation in excess of $500,000 for each SEO during the CPP period. Unlike current IRC Section 162(m) (which limits deductibility of non-performance based compensation in excess of $1,000,000), the new $500,000 deduction limit would apply to deferred compensation, as well as commissions pay and performance-based compensation traditionally excluded from the calculation. We are compliant with these requirements.

4. Compensation, Nominating & Governance Committee approval of amendments to SEO existing compensation, severance, and benefit arrangements: To effectuate the compensation amendments required by section 111 of EESA and the regulations promulgated thereunder, and consistent with its agreements in connection with the TARP CPP investment, CNC's Compensation, Nominating & Governance Committee adopted a resolution authorizing, directing, and effecting all necessary amendments to all City National benefit plans, severance and executive compensation arrangements in which SEO's participate in order to assure conformity of those plans and arrangement with these requirements and limitations. This resolution was adopted by unanimous consent on November 17, 2008. Our applicable executives executed the consents and waivers necessary to ensure the effectiveness of the Committee's actions on November 14, 2008. We are compliant with these requirements.

5. Compensation Committee required risk-assessment and certification requirements. Our Board and management have acknowledged that for as long as the Treasury holds any TARP investment in CNC, we are prohibited from entering into incentive compensation arrangements that encourage SEOs to take "unnecessary and excessive risks that threaten the value of the financial institution." Treasury does not provide any substantive guidance on what might constitute "unnecessary and excessive risks" other than that they may include long-term as well as short-term risks. Under the terms of the TARP CPP program, within 90 days after Treasury's purchase of CNC securities, the Compensation, Nominating & Governance Committee (Committee) directed the Senior Risk Management Officer of CNC to complete an independent review and risk assessment of our executive incentive compensation arrangements to ensure that these arrangements for our SEOs (CEO, President, CFO, Chief Credit Officer and General Counsel) do not encourage "unnecessary or excessive risks that threaten the value" of CNC as an institution.

   This review was timely conducted under the Committee's direction by our Senior Risk Management Officer and our Director of Internal Audit. The risk assessment was completed as required and approved by the Committee on 2/11/09. The Committee approved the risk assessment, and no changes to SEO incentive compensation arrangements were deemed necessary or appropriate as a result of the risk assessment. An updated risk assessment will be completed annually under the supervision of the Committee. The Committee has provided its required certification to be included in the

Compensation, Discussion and Analysis section of the 2009 Proxy Statement to provided to CNC's shareholders for the upcoming May 27, 2009 Annual Meeting of Shareholders.

In addition, CNC intends to fully comply with each of the requirements of the American Recovery and Reinvestment Act of 2009, and any related regulations promulgated thereunder.

In general terms, CNC's "Executive Committee Performance Standards & Performance Evaluation Criteria" establishes a framework that penalizes executives responsible for lending activities in cases where there are excessive loan risks. Performance ratings and compensation of executives are negatively impacted by adverse credit experience, and by failure to adhere to operational and credit policies and procedures as well as based on their conformity to regulatory, risk management, internal controls and compliance requirements.

The overall effectiveness of executives in terms of managing, lending and credit related risks are evaluated by CNCs independent internal examinations which are conducted by its Internal Audit Department and the Credit Risk Review Department. In addition, credit, operational, and compliance related risks, among others, are subject to examination and inspection results by our primary regulators the Comptroller of the Currency and the Federal Reserve Bank.

In general terms, there are no upward offsetting adjustments to long-term compensation elements when short-term compensation is adjusted downward. In fact, both short-term and long-term compensation elements are adjusted directionally consistent given a specific performance rating. Performance ratings are negatively impacted when excessive risk-taking behavior is detected within internal or external audits or examinations.

Additional Supporting Documentation: These responses to the 2/6/09 SIGTARP inquiry letter are the result of our review of pertinent documentation and communications on each of the topics identified. These responses are also based on discussions with senior officers of CNC on these specific topics. Documentation supporting these responses, including any relevant statements to the media, internal emails, budgets, memoranda, as well as the documentation supporting Appendix A, have been identified, segregated and preserved as requested.

We hereby certify to the accuracy of these responses to the best of our knowledge under 18 U.S.C 1001. We would be pleased to respond to any questions or requests for clarification you may have regarding this response.

Sincerely,

cc: Michael B. Cahill, EVP, General Counsel, City National Corporation

Attachments: Appendix A – City National Bank Lending Activity

Appendix A

City National Bank

Lending Activity

	2008				2009	
	OCT	NOV	DEC	Q4 Total	JAN	4 Mo Total
Consumer Lending ($)						
Residential Mortgage						
Average Loan Balance (daily average total outstanding)	3,364,065,654	3,387,594,043	3,406,497,614	3,386,035,680	3,413,164,783	3,392,873,096
Total Originations $	43,403,865	31,197,088	45,202,750	119,803,703	19,369,547	139,173,250
Renewals/Modifications	2,501,000	1,100,000	1,659,000	5,260,000	5,410,297	10,670,297
New Origination Volume ($)	40,902,865	30,097,088	43,543,750	114,543,703	13,959,250	128,502,953
Home Equity						
Average Total Loan Balance	560,303,827	593,449,551	619,091,927	590,921,249	629,863,609	600,735,990
Total Originations $	14,399,605	15,925,049	17,032,241	47,356,895	12,002,164	59,359,059
Renewal of Existing Accounts ($)	5,662,752	10,602,578	7,411,017	23,676,347	3,916,202	27,592,549
New Origination Volume ($)	8,736,853	5,322,471	9,621,224	23,680,548	8,085,962	31,766,510
US Card - Managed						
Average Total Balance	22,129,348	21,668,775	22,431,262	22,080,893	21,853,074	22,023,475
Total Used and Unused Commitments	155,651,425	157,347,907	157,937,318	158,685,176	174,545,048	161,403,128
Other Consumer (non-revolving)						
Average Total Loan Balance	142,321,636	141,620,830	149,357,296	144,463,824	151,935,525	146,346,936
Total Originations $	11,061,082	7,082,969	12,915,415	31,059,466	7,326,573	38,386,039
Renewal of Existing Accounts ($)	9,697,135	5,530,385	10,903,190	26,130,710	5,432,266	31,562,976
New Origination Volume ($)	1,363,947	1,552,584	2,012,225	4,928,756	1,894,307	6,823,063
Commercial Lending ($)						
C & I						
Average Total Loan and Lease Balance	4,819,445,267	4,788,944,327	4,763,173,185	4,790,538,063	4,730,409,136	4,775,383,618
Total Originations $	276,964,209	213,968,305	302,633,346	793,565,860	198,495,150	992,061,010
Renewal of Existing Accounts ($)	241,607,573	166,490,194	214,602,408	622,700,175	126,844,264	749,544,439
New Origination Volume ($)	35,356,636	47,478,111	88,030,938	170,865,685	71,650,886	242,516,571
Commercial Real Estate						
Average Total Loan and Lease Balance	3,455,950,476	3,414,444,876	3,440,894,232	3,437,342,742	3,446,283,880	3,439,596,199
Total Originations $	130,665,689	75,781,295	296,586,879	503,033,863	103,339,559	606,373,422
Renewal of Existing Accounts ($)	103,038,556	68,539,384	275,692,300	447,270,240	67,415,624	514,685,864
New Origination Volume ($)	27,627,133	7,241,911	20,894,579	55,763,623	35,923,935	91,687,558
Total Consumer and Commercial Lending ($)						
Average Total Loan and Lease Balance	12,364,216,208	12,347,722,402	12,401,445,516	12,371,382,451	12,393,510,006	12,376,959,315
Total Originations $	476,494,450	343,954,706	674,370,631	1,494,819,787	340,532,993	1,835,352,780
Renewal of Existing Accounts ($)	362,507,016	252,262,541	510,267,915	1,125,037,472	209,018,653	1,334,056,125
New Origination Volume ($)	113,987,434	91,692,165	164,102,716	369,782,314	131,514,340	501,296,654
Other Activities						
Purchases of Mortgage Backed Securities	-	-	60,846,257	60,846,257	46,100,399	106,946,656
CRA Lending- New Commitments	-	-	5,000,000	5,000,000	5,000,000	10,000,000