

 **CITY NATIONAL CORPORATION**

**1997 Summary Annual Report**

## Financial Highlights

Dollars in thousands, except per share data

	1997	1996	Increase (Decrease) Amount
<b>For The Year</b>			
Net income	\$ 80,133	\$ 66,563	\$ 13,570
Net income, per common share, basic	1.74	1.52	0.22
Net income per common share, diluted	1.68	1.47	0.21
Dividends, per common share	0.44	0.36	0.08
<b>At Year End</b>			
Assets	\$ 5,252,032	\$ 4,216,496	\$ 1,035,536
Deposits	4,228,348	3,386,523	841,825
Loans	3,825,224	2,839,435	985,789
Securities	833,122	811,092	22,030
Shareholders' equity	508,670	400,747	107,923
Book value, per common share	11.03	9.13	1.90
<b>Average Balances</b>			
Assets	\$ 4,703,886	\$ 3,821,314	\$ 882,572
Deposits	3,614,068	2,871,870	742,198
Loans	3,387,784	2,539,323	848,461
Securities	829,557	839,564	(10,007)
Shareholders' equity	472,843	373,491	99,352
<b>Selected Ratios</b>			
Return on average assets	1.70%	1.74%	(0.04)%
Return on average shareholders' equity	16.95	17.82	(0.87)
Tier 1 leverage	9.19	9.75	(0.56)
Tier 1 risk-based capital	10.99	13.26	(2.27)
Total risk-based capital	12.27	14.55	(2.28)
Dividend payout ratio, per share	26.19	24.49	1.70
Net interest margin	6.13	5.87	0.26
Efficiency ratio	58.22	58.00	0.22

In 1997, we launched an innovative new advertising campaign that speaks to our clients' needs and positions City National as "The way up"—which is symbolized by our blue ladder.



**The way up.**<sup>SM</sup>

## To Our Shareholders

One year ago we wrote to you that City National Corporation's record year in 1996 positioned us for an even better year in 1997. We are pleased to report that 1997 was, in fact, the second consecutive record-setting year for City National with net income of \$80.1 million, a 20% increase over 1996 and assets growing 25% to \$5.25 billion at year-end.

Over the past three years, net income has more than doubled and assets have grown 74%. At the same time, City National has become both the largest independent bank headquartered in the region with 37 offices in five counties, and also the premier private and business bank for Southern California.

City National has become the right bank in the right place at the right time. We are positioned better than ever before in a robust region that is the 11th largest economy in the world—a diverse, strong, entrepreneurial region that continues to favor small- to mid-size businesses and features successful, growing industries that hold even greater promise for the future, such as entertainment, technology, international trade, professional services, commercial and residential real estate and tourism.

In 1997, we achieved record results while simultaneously taking a number of significant steps to enhance our capabilities and potential for the future. By investing in our people, products and infrastructure, we created even greater momentum for City National in 1998 and beyond.

In 1997, we took a number of actions which culminated in our achieving what we consider "critical mass" in four key areas of Southern California: Orange County, Riverside County, Ventura County, and the Long Beach/South Bay area. In each of these areas we now have about \$250 million in assets, three to five offices, an outstanding, local Board of Advisors and a full complement of excellent bankers in our regional offices able to execute our full range of products and services in an integrated, responsive, relationship-driven manner. We are also well on our way to building that critical mass in San Diego County as well.

At the beginning of 1997, we successfully merged Ventura County National Bank, Frontier Bank and Riverside National Bank into City National. A fourth merger was accomplished on January 9, 1998, when we successfully completed our acquisition of Harbor Bancorp. This bank, with \$242 million in assets and a particularly strong Long Beach client base, adds five new branches to our system, enhances our critical mass in Orange County and substantially strengthens our long-standing presence in the South Bay area of Los Angeles County with a new regional headquarters in Long Beach.

While expanding into new areas and adding new capabilities in 1997, City National also achieved very solid growth in its traditional areas of strength: West Los Angeles, the entertainment and real estate industries, our deposit-rich branch system and our trust and investment business.

Another significant step was to enhance our outstanding banking team with a number of talented

# Right bank.

**CITY NATIONAL BANK**



In 1997, City National's traditional areas of strength achieved very solid growth — while the bank also expanded into new markets and added new capabilities.

professionals. We have added two new members to the Executive Committee, John Beale and Caren Roberson, to head our expanded efforts in information systems and marketing, respectively. We've brought new private banking teams into downtown Los Angeles and Orange County, plus new units specializing in media and the technology industries. Also, we have new leadership in our regional banking centers in San Diego and Ventura.

We also strengthened our Board of Directors in 1997 with the election of Barry Meyer, the chief operating officer and executive vice-president of Warner Bros. Barry brings a wealth of business experience and expertise to our Board.

Community leadership has become an increasingly important component to City National's success and last year our corporate contributions, colleague volunteerism and Bank Sponsorships reached all-time highs. We realize that working within the community—both professionally and personally—is critical to our well-being not only as an organization, but as individuals as well. We encourage and support our colleagues' involvement in professional, civic and philanthropic activities.

Since April 1996, when City National Bank became the largest independent bank in Southern California, we have had a much clearer and more distinguished identity. That has raised our profile and increasingly has made us the logical first alternative for many of the region's business and private banking opportunities.

We have built on that position aggressively with an increased commitment to advertising and marketing. In the fourth quarter of 1997, we launched an innovative new advertising campaign that speaks to our clients' needs, positions City National Bank as "The way up" and symbolizes those messages with our new blue ladder, which is on the cover of this report.

In 1997, no step was more important than our investment of countless hours and over \$20 million to convert and transform our bankwide technology and information systems (along with those for Riverside, Ventura and Frontier banks) into our new state-of-the-art systems. Incredibly, we purchased 1,100 new personal computers as a part of that investment in our future.

This technology transformation is effectively completed and is producing many benefits: now lowering our costs, improving our products and services and creating many other capabilities for the future.

Increasingly, we have the ability and the objective to be our clients' "one-stop shop" for all of their financial needs. With our remarkable client base and regional economy, this is an important long-term opportunity. Whether it's cash management or a diversified investment portfolio; whether our clients need financing for software or strawberries, airplanes or apartments, receivables or real estate, we've got the specialists who can get the job done and the capabilities to meet all of our clients' many financial needs.

We are positioned so well in Southern California in part because we are almost unique in our

# Right place.



Now with 37 offices in five counties, City National is positioned better than ever before as both the largest independent and the premier business and private bank headquartered in Southern California.

region in having the resources to provide the wide range of financial products and services, as well as our considerable lending capacity, that many entrepreneurs and small- to mid-size businesses need and cannot find at community banks. At the same time, we provide those world-class capabilities in the context of a personal banking relationship with expert professionals that generally cannot be obtained at the much larger multi-state or international banks.

In 1997, our outstanding team of effective and dedicated professionals truly fulfilled our mission by delivering premier performances for our clients and our shareholders while enhancing our long-term position and potential.

This was reflected in the market value of the Corporation increasing 70% in 1997. The annual dividend, which rose 22% in January 1997, was raised by the Board another 27% to \$0.56 per share in January 1998, our fourth dividend increase since April 1995.

Net income for 1997 was also reported on a cash basis for the first time, consistent with the growing practice among public companies. On a cash basis, City National Corporation earned \$84.1 million, a 25% increase over 1996. Cash earnings per diluted common share increased 18%, to \$1.76, compared with \$1.49 per diluted common share in the prior year. (Cash basis earnings exclude the impact of amortization of core deposit intangibles and goodwill.)

Net interest income on a fully taxable-equivalent basis rose 28% to \$263.2 million compared with \$205.7 million in 1996. Our net interest margin increased to 6.13% from 5.87% a year earlier. Non-interest income, excluding sales of securities and assets, was \$52.9 million for 1997, up 24% from \$42.7 million a year earlier. Investment services income, trust fees, international service income, and service charges on deposit accounts all contributed to the increase.

Total average assets rose to \$4.7 billion in 1997, an increase of 23% over the \$3.8 billion reported in the previous year.

As one benchmark, if you compare City National's year-end 1997 results with the 50 largest U.S. banks (CYN is #79), we rank extremely well: leverage ratio #5, return on assets #6, net interest margin #1, earnings growth #17, and ratio of reserve for credit losses-to-loans #2.

These results were built on a foundation of a healthy balance sheet and strong credit quality. Last year our total of non-performing assets was reduced dramatically to \$29.7 million. This is 0.78% of total loans plus OREO, which compares very favorably to the \$56.7 million, or 1.98%, reported on December 31, 1996. The Corporation remains well capitalized with a Tier 1 capital ratio at December 31, 1997, of 10.99%, while a capitalization of 6.0% is required to be classified as a "well-capitalized" institution. The leverage ratio was 9.19%, compared with a regulatory minimum for a "well-capitalized" institution of 5.0%.

In March 1997, we announced a new 1.5 million-share common stock buyback program. A total of 943,300 shares were repurchased during 1997. These repurchased shares were used in

# Right time.



As the 11th largest economy in the world, Southern California is a diverse, strong entrepreneurial region that holds even greater promise for the future.



**Strategy and Planning Committee**

(left to right): Frank P. Pekny, Bram Goldsmith, Russell Goldsmith, George H. Benter Jr.

connection with the acquisition of Harbor Bancorp and the exercise of stock options.

We were rewarded for this overall performance for the first time with solid debt ratings from Standard & Poor's and Moody's Investor Services. Thomson's Bank Watch Service again renewed its favorable rating. These ratings facilitated our successful, first-ever issuance of \$125 million of ten-year subordinated debt in January 1998. This expands our funding sources and enhances our ability to grow.

For 1998, we will continue to strive to achieve our strong financial goals to grow net earnings 15%+, to achieve a return on assets of 160-180 basis points, to deliver a return on equity of 18-22%, and to improve our efficiency ratio.

These financial targets are integral to our Corporation's Statement of Strategic Intent, "Fulfill City National's promise, potential and opportunity as Southern California's leading independent financial institution by continuing to add and improve products and services for our growing client base, while achieving breakthrough profit growth."

Our 1997 success was due largely to the exceptional work done by our excellent team of now 1,700 colleagues building on our unique 44-year-old California franchise. We are grateful for all that they have accomplished and their continued dedication. We are also very appreciative of the commitment to City National of our clients, shareholders and our outstanding Board of Directors.

With all of City National's enhanced capabilities, improved positioning in a dynamic region, and an even more outstanding team, we believe City National's future is extremely promising in a competitive, challenging region — for City National today is truly the right bank in the right place at the right time.

Sincerely,

**Bram Goldsmith**

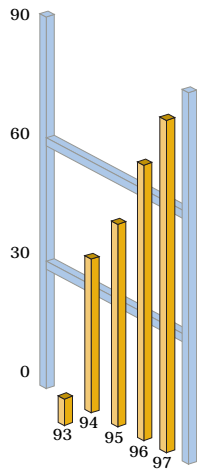
Chairman, City National Corporation

**Russell Goldsmith**

Vice Chairman and CEO, City National Corporation  
Chairman and CEO, City National Bank

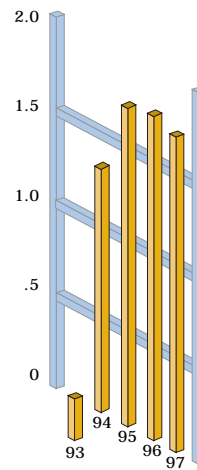
March 6, 1998

**Net Income**  
(\\$ millions)



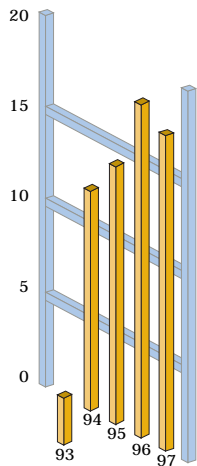
1997 was our second consecutive record-setting year with net income of \$80.1 million.

**Return on Assets**  
(percent)



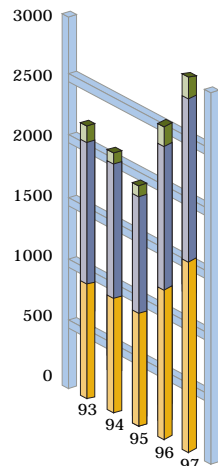
Return on average assets was 1.70% in 1997.

**Return on Equity**  
(percent)



Return on average common equity was 16.95% in 1997.

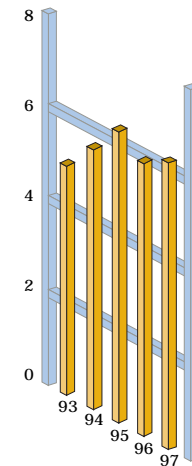
**Average Core Deposits**  
(\\$ millions)



- Demand Deposit
- Savings/Money Market and Interest Checking
- CDs less than \$100,000

Total average core deposits increased to \$3.1 billion in 1997.

**Net Interest Margin**  
(percent)



A slightly higher average prime rate in 1997 contributed to a higher net interest margin of 6.13% in 1997.

## Selected Financial Data

Dollars in thousands, except per share data

As of or for the Year Ended December 31,

1997                      1996                      1995                      1994                      1993

### Statement of Operations Data

Interest income	\$ 357,996	\$ 282,123	\$ 217,594	\$ 181,825	\$ 169,792
Interest expense	104,328	82,389	55,331	38,414	41,996
Net interest income	253,668	199,734	162,263	143,411	127,796
Provision for credit losses	—	—	—	7,535	60,163
Noninterest income (other than gains and losses on securities transactions)	54,466	43,808	35,162	36,180	45,810
Gains (losses) on securities transactions	(1,048)	187	(596)	(3,383)	—
Noninterest expense (other than ORE and consolidation charge)	184,324	144,795	118,684	121,296	129,226
Consolidation charge	—	—	—	—	12,000
ORE income	(2,567)	(200)	(608)	(5,297)	(4,489)
Income (loss) from continuing operations before taxes	125,329	99,134	78,753	52,674	(23,294)
Income taxes (benefit)	45,196	32,571	29,961	15,511	(9,260)
Income (loss) from continuing operations	80,133	66,563	48,792	37,163	(14,034)
Income from discontinued operations	—	—	—	—	7,128
Net income (loss)	\$ 80,133	\$ 66,563	\$ 48,792	\$ 37,163	\$ (6,906)

### Per Share Data

Income (loss) per share, diluted, from continuing operations	\$ 1.68	\$ 1.47	\$ 1.06	\$ 0.81	\$ (0.35)
Net income (loss) per share, basic	1.74	1.52	1.08	0.83	(0.17)
Net income (loss) per share, diluted	1.68	1.47	1.06	0.81	(0.17)
Cash dividends declared	0.44	0.36	0.26	0.05	—
Book value per share	11.03	9.13	8.19	7.32	6.62
Shares used to compute income (loss) per share, basic	46,018	43,888	45,198	44,725	39,580
Shares used to compute income (loss) per share, diluted	47,809	45,146	45,886	45,626	39,685

### Balance Sheet Data — At Period End

Assets	\$ 5,252,032	\$ 4,216,496	\$ 4,157,551	\$ 3,012,775	\$ 3,100,626
Loans	3,825,224	2,839,435	2,346,611	1,643,918	1,628,803
Securities	833,122	811,092	975,407	749,435	904,481
Interest-earning assets	4,838,926	3,844,834	3,784,245	2,716,524	2,838,698
Deposits	4,228,348	3,386,523	3,248,035	2,417,762	2,526,767
Shareholders' equity	508,670	400,747	366,957	330,721	298,074

### Asset Quality

Nonaccrual loans	\$ 27,566	\$ 41,543	\$ 48,124	\$ 58,801	\$ 79,303
ORE	2,126	15,116	7,439	4,726	2,052
Total nonaccrual loans and ORE	\$ 29,692	\$ 56,659	\$ 55,563	\$ 63,527	\$ 81,355
Assets held for accelerated disposition	\$ —	\$ —	\$ —	\$ —	\$ 17,450

### Asset Quality Ratios

Nonaccrual loans to total loans	0.72%	1.46%	2.05%	3.58%	4.87%
Nonaccrual loans and ORE to total assets	0.57	1.34	1.34	2.11	2.62
Allowance for credit losses to total loans	3.60	4.58	5.60	6.41	6.78
Allowance for credit losses to nonaccrual loans	499.75	313.14	273.28	179.15	139.34
Net charge offs (recoveries) to average loans	(0.02)	0.06	(0.40)	0.83	4.78

### Performance Ratios

Return on average assets	1.70%	1.74%	1.71%	1.31%	(0.23)%
Return on average shareholders' equity	16.95	17.82	13.92	11.87	(2.65)
Net interest spread	4.64	4.47	4.84	4.60	4.12
Net interest margin	6.13	5.87	6.26	5.57	4.92
Average shareholders' equity to average assets	10.05	9.77	12.30	11.06	8.85

## Condensed Consolidated Balance Sheet

Dollars in thousands, except share amounts

December 31,

1997

1996

### Assets

Cash and due from banks	\$ 327,398	\$ 331,046
Federal funds sold	150,000	151,200
Interest-bearing deposits in other banks	301	10,978
Investment securities (fair value \$227,465 in 1997 and \$194,655 in 1996)	225,934	195,229
Securities available-for-sale (cost \$597,910 in 1997 and \$619,580 in 1996)	607,188	615,863
Trading account securities	30,279	32,129
Loans	3,825,224	2,839,435
Less allowance for credit losses	137,761	130,089
Net loans	3,687,463	2,709,346
Leveraged leases	5,471	6,147
Premises and equipment, net	43,402	24,196
Customers' acceptance liability	1,553	2,339
Other real estate	2,126	15,116
Deferred tax asset	58,815	65,291
Goodwill and core deposit intangibles	54,921	10,083
Other assets	57,181	47,533
Total assets	\$ 5,252,032	\$ 4,216,496

### Liabilities

Demand deposits	\$ 2,027,014	\$ 1,642,558
Interest checking deposits	439,071	386,211
Money market deposits	773,291	714,127
Savings deposits	171,100	136,691
Time deposits - under \$100,000	204,744	146,076
Time deposits - \$100,000 and over	613,128	360,860
Total deposits	4,228,348	3,386,523
Federal funds purchased and securities sold under repurchase agreements	206,427	194,549
Other short-term borrowings	212,575	148,642
Long-term debt	50,000	34,800
Other liabilities	44,459	48,896
Acceptances outstanding	1,553	2,339
Total liabilities	4,743,362	3,815,749

### Commitments and Contingencies

#### Subsequent Events

#### Shareholders' Equity

Preferred Stock authorized - 5,000,000, none outstanding	—	—
Common Stock-par value - \$1.00; authorized - 75,000,000 issued - 46,700,891 shares in 1997 and 46,302,782 shares in 1996	46,701	46,303
Additional paid-in capital	297,654	275,610
Unrealized gain (loss) on available-for-sale securities	5,349	(2,149)
Retained earnings	173,089	113,266
Treasury shares, at cost - 563,928 shares in 1997 and 2,394,600 shares in 1996	(14,123)	(32,283)
Total shareholders' equity	508,670	400,747
Total liabilities and shareholders' equity	\$ 5,252,032	\$ 4,216,496

## Condensed Consolidated Statement of Income

In thousands, except per share amounts

For the year ended December 31,

	1997	1996	1995
<b>Interest Income</b>			
Interest and fees on loans	\$ 304,057	\$ 224,702	\$ 168,862
Interest on federal funds sold and securities purchased under resale agreements	1,301	3,562	7,013
Interest on investments securities:			
U. S. Treasury and federal agency securities	7,023	6,829	25,853
Municipal securities	4,753	2,607	1,091
Other securities	758	2,089	2,280
Interest on securities available-for-sale	37,539	40,485	10,480
Interest on trading account	2,565	1,849	2,015
<b>Total</b>	<b>357,996</b>	<b>282,123</b>	<b>217,594</b>
<b>Interest Expense</b>			
Interest on deposits	73,289	54,756	32,039
Interest on federal funds purchased and securities sold under repurchase agreements	11,731	12,835	16,404
Interest on other short-term borrowings	16,470	12,835	5,829
Interest on long-term debt	2,838	1,963	1,059
<b>Total</b>	<b>104,328</b>	<b>82,389</b>	<b>55,331</b>
Net interest income	253,668	199,734	162,263
Provision for credit losses	—	—	—
Net interest income after provision for credit losses	253,668	199,734	162,263
<b>Noninterest Income</b>			
Service charges on deposit accounts	14,321	10,798	8,073
Investment services	13,221	11,453	8,779
Trust fees	8,304	7,176	6,496
International services	7,271	5,181	3,939
Gain (loss) on sale of assets	1,604	1,124	(83)
Gain (loss) on sale of securities	(1,048)	187	(596)
All other income	9,745	8,076	7,958
<b>Total</b>	<b>53,418</b>	<b>43,995</b>	<b>34,566</b>
<b>Noninterest Expense</b>			
Salaries and other employee benefits	97,634	77,011	65,375
Professional	21,509	13,698	8,836
Net occupancy of premises	10,659	8,976	7,923
Data processing	9,052	8,659	7,476
Promotion	7,972	5,563	4,419
Depreciation	6,144	5,143	4,120
Office supplies	7,286	4,828	3,955
FDIC insurance	419	2	2,486
Equipment	2,460	2,249	2,272
Amortization of goodwill and core deposit intangibles	5,619	1,522	—
Other operating	15,570	17,144	11,822
ORE income	(2,567)	(200)	(608)
<b>Total</b>	<b>181,757</b>	<b>144,595</b>	<b>118,076</b>
<b>Income before income taxes</b>	<b>125,329</b>	<b>99,134</b>	<b>78,753</b>
Income tax expense	45,196	32,571	29,961
<b>Net income</b>	<b>\$ 80,133</b>	<b>\$ 66,563</b>	<b>\$ 48,792</b>
<b>Net income per share, basic</b>	<b>\$ 1.74</b>	<b>\$ 1.52</b>	<b>\$ 1.08</b>
<b>Net income per share, diluted</b>	<b>\$ 1.68</b>	<b>\$ 1.47</b>	<b>\$ 1.06</b>
Shares used to compute income per share, basic	46,018	43,888	45,198
Shares used to compute income per share, diluted	47,809	45,146	45,886
Dividends per share	\$ 0.44	\$ 0.36	\$ 0.26

## Condensed Consolidated Statement of Cash Flows

Dollars in thousands

For the year ended December 31,

	1997	1996	1995
<b>Cash Flows From Operating Activities</b>			
Net income	\$ 80,133	\$ 66,563	\$ 48,792
Adjustments to net income:			
Writedowns on ORE	—	229	96
Gain on sales of ORE	(3,730)	(325)	(1,055)
Depreciation	6,144	5,143	4,120
Amortization of goodwill and core deposit intangibles	5,619	1,522	—
Net (increase) decrease in trading securities	1,850	(2,401)	(4,197)
Deferred income tax expense (benefit)	4,288	(8,996)	(9,310)
Prepaid income taxes	—	(4,932)	—
Net increase in other liabilities (assets)	16,446	(24,699)	(6,277)
Other, net	(16,475)	24,965	9,280
Net cash provided by operating activities	94,275	57,069	41,449
<b>Cash Flows From Investing Activities</b>			
Net (increase) decrease in short-term investments	10,677	69,718	(80,022)
Purchase of securities available-for-sale	(322,392)	(418,339)	(184,905)
Sales of securities available-for-sale	340,762	327,456	150,861
Maturities of securities available-for-sale	58,089	328,644	9,552
Maturities of investment securities	15,993	34,819	181,615
Purchase of investment securities	(46,147)	(123,706)	(32,951)
Purchase of residential mortgage loans	(74,681)	(250,726)	(178,084)
Sale of residential mortgage loans	47,513	62,717	—
(Loan originations) and principal collections, net	(634,616)	(340,802)	(206,580)
Proceeds from sales of ORE	26,473	5,730	6,489
Proceeds from sale of leveraged leases	—	1,824	329
Purchase of premises and equipment	(17,695)	(1,444)	(5,828)
Net cash from acquisitions	42,876	—	95,624
Other, net	908	32,493	23,516
Net cash used by investing activities	(552,240)	(271,616)	(220,384)
<b>Cash Flows From Financing Activities</b>			
Net increase (decrease) in federal funds purchased and securities sold under repurchase agreements	11,878	(63,804)	83,633
Net increase in deposits	390,646	138,488	33,717
Net increase (decrease) in short-term borrowings	54,133	(46,458)	145,000
Proceeds from issuance of long-term debt	50,000	9,800	25,000
Repayment of long-term debt	(25,000)	—	—
Proceeds from exercise of stock options	11,365	7,847	3,131
Stock repurchases	(22,503)	(22,384)	(9,899)
Cash dividends paid	(20,310)	(15,815)	(11,755)
Other, net	2,908	(2,421)	5,967
Net cash provided by financing activities	453,117	5,253	274,794
Net increase (decrease) in cash and cash equivalents	(4,848)	(209,294)	95,859
Cash and cash equivalents at beginning of year	482,246	691,540	595,681
Cash and cash equivalents at end of year	\$ 477,398	\$ 482,246	\$ 691,540

### Supplemental Disclosures of Cash Flow Information

Cash paid during the year for:

Interest	\$ 103,392	\$ 82,535	\$ 53,198
Income taxes	38,502	31,750	36,248
Non-cash investing activities:			
Transfer from loans to foreclosed assets	11,885	15,608	2,465
Transfers from investment securities to securities available-for-sale	—	—	402,304

## Condensed Consolidated Statement of Changes in Shareholders' Equity

Dollars in thousands

	Shares issued	Common stock	Additional paid-in capital	Unrealized gain (loss) on securities available- for-sale	Retained earnings	Treasury stock	Total share- holders' equity
Balances, December 31, 1994	45,192,678	\$ 45,193	\$263,611	\$ (3,564)	\$ 25,481	\$ —	\$330,721
Net income	—	—	—	—	48,792	—	48,792
Stock options exercised	361,046	361	2,770	—	—	—	3,131
Tax benefit from stock options	—	—	448	—	—	—	448
Cash dividends	—	—	—	—	(11,755)	—	(11,755)
Change in unrealized gain (loss) on securities available-for-sale	—	—	—	5,519	—	—	5,519
Repurchased shares	—	—	—	—	—	(9,899)	(9,899)
Balances, December 31, 1995	45,553,724	45,554	266,829	1,955	62,518	(9,899)	366,957
Net income	—	—	—	—	66,563	—	66,563
Stock options exercised	749,058	749	7,098	—	—	—	7,847
Tax benefit from stock options	—	—	1,683	—	—	—	1,683
Cash dividends	—	—	—	—	(15,815)	—	(15,815)
Change in unrealized gain (loss) on securities available-for-sale	—	—	—	(4,104)	—	—	(4,104)
Repurchased shares	—	—	—	—	—	(22,384)	(22,384)
Balances, December 31, 1996	46,302,782	46,303	275,610	(2,149)	113,266	(32,283)	400,747
Net income	—	—	—	—	80,133	—	80,133
Stock options exercised	398,109	398	5,004	—	—	—	5,402
Tax benefit from stock options	—	—	2,908	—	—	—	2,908
Cash dividends	—	—	—	—	(20,310)	—	(20,310)
Change in unrealized gain (loss) on securities available-for-sale	—	—	—	7,498	—	—	7,498
Repurchased shares	—	—	—	—	—	(22,503)	(22,503)
Issuance of treasury shares for acquisitions	—	—	18,187	—	—	30,643	48,830
Issuance of treasury shares for stock options	—	—	(4,055)	—	—	10,020	5,965
Balances, December 31, 1997	46,700,891	\$ 46,701	\$297,654	\$ 5,349	\$173,089	\$ (14,123)	\$508,670

### Form 10-K

For information beyond that shown in this report, Shareholders also receive the Company's Annual Report on Form 10-K for 1997, which is required to be filed with the Securities and Exchange Commission. Others interested may obtain a copy without charge by writing to:

Heng Chen  
Senior Vice President  
Finance Division, City National Bank  
City National Center  
400 North Roxbury Drive  
Beverly Hills, CA 90210  
Phone (213) 347-2646  
Fax (213) 347-2620

Or by visiting our Web Site at:  
<http://www.cityntl.com>

## Market Data on Common Stock

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
<b>1997</b>			
March 31	\$ 25.38	\$ 20.38	\$ .11
June 30	25.50	20.88	.11
September 30	32.25	24.25	.11
December 31	37.50	28.00	.11
<b>1996</b>			
March 31	\$ 14.13	\$ 12.63	\$ .09
June 30	16.50	15.50	.09
September 30	19.00	14.63	.09
December 31	22.25	17.38	.09

## Independent Auditors' Report



The Board of Directors  
City National Corporation

We have audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of City National Corporation and subsidiaries as of December 31, 1997 and 1996, and the related consolidated statements of income, changes in shareholders' equity and cashflows for each of the years in the three-year period ended December 31, 1997 (not presented herein) and in our report dated January 15, 1998, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

*KPMG Peat Marwick LLP*

Los Angeles, California  
January 15, 1998

## Officers and Directors

### Board of Directors

**Bram Goldsmith**  
Chairman of the Board  
City National Corporation

**Russell Goldsmith**  
Chairman of the Board and  
Chief Executive Officer  
City National Bank  
Vice Chairman and  
Chief Executive Officer  
City National Corporation

**George H. Benter Jr.**  
President and  
Chief Operating Officer  
City National Bank  
President  
City National Corporation

**Richard L. Bloch**  
President  
Piñon Farms, Inc.

**Mirion P. Bowers, M.D.**  
Owner, Perry and Associates

**Stuart D. Buchalter**  
Of Counsel, Buchalter,  
Nemer, Fields & Younger

**Burton S. Horwitch**  
Chairman  
Deena, Inc.

**Barry M. Meyer**  
Executive Vice President and  
Chief Operating Officer  
Warner Bros.

**Charles E. Rickershauser Jr.**  
Chairman of the Board  
PS Group, Inc.

**Edward Sanders**  
Attorney and Principal  
Sanders, Barnet, Goldman,  
Simons & Mosk

**Andrea L. Van de Kamp**  
West Coast Chairman  
Sotheby's

**Kenneth Ziffren**  
Partner  
Ziffren, Brittenham,  
Branca & Fischer

### Executive Committee

**Russell Goldsmith**  
Chairman of the Board and  
Chief Executive Officer  
City National Bank  
Vice Chairman and  
Chief Executive Officer  
City National Corporation

**Bram Goldsmith**  
Chairman of the Board  
City National Corporation

**George H. Benter Jr.**  
President and  
Chief Operating Officer  
City National Bank  
President  
City National Corporation

**John Beale**  
Executive Vice President and  
Chief Information Officer

**Robert Brant**  
Executive Vice President  
Los Angeles Metropolitan  
Region, Orange and San Diego  
County Commercial Banking  
Centers

**Heng W. Chen**  
Senior Vice President, Finance  
and Controller

**Kate Dwyer**  
Senior Vice President  
Human Resources

**Martha Henderson**  
Executive Vice President  
Entertainment Banking

**Stanley J. Kafka**  
Executive Vice President  
Real Estate

**Vernon C. Kozlen**  
Executive Vice President  
City National Investments

**Robert A. Moore**  
Executive Vice President  
Credit Group

**Robert D. Patterson**  
Regional Senior Vice President  
San Fernando Valley and  
Ventura County Commercial  
Banking Centers

**Frank P. Pekny**  
Vice Chairman and  
Chief Financial Officer  
City National Bank

Executive Vice President  
and Chief Financial Officer  
City National Corporation

**Jeffery L. Puchalski**  
Executive Vice President and  
Senior Risk Management  
Officer

**John R. Ricci**  
Senior Vice President  
Core Banking Division

**Caren Roberson**  
Senior Vice President and  
Director of Marketing

**James Robinson**  
Executive Vice President  
Inland Empire Commercial  
Banking Center

**Richard H. Sheehan Jr.**  
Senior Vice President, Secretary  
and General Counsel  
City National Bank and  
City National Corporation

**Fredrick Taff**  
Executive Vice President,  
Westside Commercial Banking  
Center

## Regional Offices

### Commercial Banking Centers

**Downtown Los Angeles  
Commercial Banking Center**  
606 S. Olive St.  
Los Angeles, CA 90014  
Steve Duffy, SVP  
(213) 347-2250

**Inland Empire Commercial  
Banking Center**  
3484 Central Avenue  
Riverside, CA 92506  
James Robinson, EVP  
(909) 276-8865

**Long Beach Commercial  
Banking Center**  
11 Golden Shore  
Long Beach, CA 90802  
Dallas Haun, RSVP  
(562) 624-8600

**Orange County Commercial  
Banking Center**  
One Centerpointe Dr. Suite 150  
La Palma, CA 90623  
Lee Boles, RSVP  
(714) 228-7750

**San Diego Commercial  
Banking Center**  
4275 Executive Square  
Suite 750  
La Jolla, CA 92037  
Fred Baranowski, SVP  
(619) 642-4950

**San Fernando Valley  
Commercial Banking Center**  
16133 Ventura Blvd.  
Encino, CA 91436  
Dennis Isleib, SVP  
(818) 905-4135

**San Gabriel Valley  
Commercial Banking Center**  
13191 Crossroads Parkway North  
City of Industry, CA 91746  
Richard Dean, SVP  
(562) 463-2000

**South Orange County  
Commercial Banking Center**  
4685 MacArthur Court  
Newport Beach, CA 92660  
Lee Boles, RSVP  
(714) 440-7670

**Ventura County  
Commercial Banking Center**  
500 Esplanade Drive  
Oxnard, CA 93030  
Jeff Paul, SVP  
(805) 981-2780

**Westside Commercial  
Banking Center  
City National Center**  
400 N. Roxbury Drive  
Beverly Hills, CA 90210  
Rick Taff, EVP  
(310) 888-6150

### Specialized Banking Services

**Agribusiness Unit**  
606 South Olive Street  
Los Angeles, CA 90014  
Debbie Jett Kessel, SVP  
(213) 347-2231

**Cash Management**  
606 South Olive Street  
Los Angeles, CA 90014  
Dorcas Shaktman, VP  
(213) 347-2600

**City National Investments  
City National Center**  
400 North Roxbury Drive  
Beverly Hills, CA 90210  
Vernon Kozlen, EVP  
(800) 750-5471

**Entertainment Banking  
City National Center**  
400 North Roxbury Drive  
Beverly Hills, CA 90210  
Martha Henderson, EVP  
(310) 888-6200

**International**  
606 South Olive Street  
Third Floor  
Los Angeles, CA 90014  
Robert Krant, SVP  
(213) 347-2300

**Private Banking-  
Orange County**  
4685 MacArthur Court  
Newport Beach, CA 92660  
Betty Mower, SVP  
(714) 440-7631

**Private Banking-  
Downtown Los Angeles**  
633 West Fifth Street  
Los Angeles, CA 90071  
Pauline R. Schiff, SVP  
(213) 553-8234

**Real Estate  
City National Center**  
400 North Roxbury Drive  
Beverly Hills, CA 90210  
Stanley Kafka, EVP  
(310) 888-6500

**Residential Mortgage Center**  
12555 West Jefferson Boulevard  
Los Angeles, CA 90066  
Herschel Ritzman, SVP  
(310) 302-7300

**Small Business  
Administration Loans**  
606 South Olive Street  
Los Angeles, CA 90014  
Kristine Chung, SVP  
(213) 347-2434

**Specialty Deposits**  
5601 East Slauson Avenue  
City of Commerce, CA 90040  
Phil Petrozzi, SVP  
(213) 838-4040

## Branches

### Los Angeles County

#### Avenue of the Stars

1950 Avenue of the Stars  
Los Angeles, CA 90067  
Nicolette Schwartz, Manager  
(310) 282-7850

#### Beverly Hills

Head Office Banking  
400 N. Roxbury Drive  
Beverly Hills, CA 90210  
Janice Geringer, Manager  
(310) 888-6000

#### Century City

1800 Century Park East  
Los Angeles, CA 90067  
Dottie Patterson, Manager  
(310) 888-6850

#### City of Commerce

5601 E. Slauson Ave.  
City of Commerce, CA 90040  
Sean Townley, Manager  
(213) 838-4000

#### City of Industry

13191 Crossroads Parkway North  
City of Industry, CA 91746  
Gini Loop, Manager  
(562) 463-2000

#### Encino

16133 Ventura Blvd.  
Encino, CA 91436  
Scott McCurdy, Manager  
(818) 905-4100

#### Fairfax

6100 Wilshire Blvd.  
Los Angeles, CA 90048  
Fernando Linares, Manager  
(213) 634-7200

#### Golden Shore

11 Golden Shore  
Long Beach, CA 90802  
David Nathan, Manager  
(562) 624-8600

#### Library Tower

633 West Fifth Street  
Main Lobby  
Los Angeles, CA 90071  
Debbie Robbins, Manager  
(213) 553-8200

#### Los Angeles Airport

6033 W. Century Blvd.  
Los Angeles, CA 90045  
Janet Brickett, Manager  
(310) 342-4500

#### Marina

6265 E. Second St.  
Long Beach, CA 90803  
Belinda Moffatt, Manager  
(562) 936-5800

#### Olympic/Burlington

1730 W. Olympic Blvd.  
Los Angeles, CA 90015  
Mel Merrick, Manager  
(213) 427-5357

#### Olympic Plaza

11500 W. Olympic Blvd.  
Los Angeles, CA 90064  
Delilah Gamatero, Manager  
(310) 888-6900

### Pasadena

215 N. Marengo Ave.  
Pasadena, CA 91101  
Roger Swart, Manager  
(626) 432-7100

### Pershing Square

606 S. Olive St.  
Los Angeles, CA 90014  
Mel Merrick, Manager  
(213) 347-2200

### Plaza Towers

2029 Century Park East  
B-Level  
Los Angeles, CA 90067  
A. J. Kroener, Manager  
(310) 282-7800

### Santa Monica

1801 Wilshire Blvd.  
Santa Monica, CA 90403  
Charles Nelson, Manager  
(310) 264-2900

### Sherman Oaks

4955 Van Nuys Blvd.  
Sherman Oaks, CA 91403  
Kathleen Atkinson, Manager  
(818) 380-7000

### Studio City

12515 Ventura Blvd.  
Studio City, CA 91604  
Kathleen Atkinson, Manager  
(818) 380-7070

### Sunset/Doheny

9229 Sunset Blvd.  
West Hollywood, CA 90069  
Jeri O'Shea, Manager  
(310) 888-6800

### Torrance

3424 Carson St.  
Torrance, CA 90503  
Patrick Pearson, Manager  
(310) 793-5700

### Wilshire/Westwood

10889 Wilshire Blvd.  
Los Angeles, CA 90024  
Bonnie Snyder Rubin, Manager  
(310) 888-6950

### Woodland Hills

21800 Oxnard St.  
Woodland Hills, CA 91367  
John Batiste, Manager  
(818) 227-4300

### Orange County

#### Fountain Valley

10760 Warner Avenue  
Fountain Valley, CA 92708  
Julie Graham, Manager  
(714) 593-7900

#### Irvine

9 Executive Circle  
Irvine, CA 92614  
Sal Mokdad, Manager  
(714) 440-7680

#### La Palma

One Centerpointe Drive  
La Palma, CA 90623  
Marla Young, Manager  
(714) 228-7700

### Los Alamitos

5252 Katella Avenue  
Los Alamitos, CA 90720  
Marty Hartsock, Manager  
(562) 936-5840

### MacArthur Court

4685 MacArthur Court  
Newport Beach, CA 92660  
James McCloskey, Manager  
(714) 440-7600

### Riverside County

#### Arlington

10725 Magnolia Ave.  
Riverside, CA 92505  
Manny King, Manager  
(909) 343-5500

#### Magnolia

6814 Magnolia Ave.  
Riverside, CA 92506  
Susan Daries, Manager  
(909) 774-4400

#### Riverside Main

3484 Central Ave.  
Riverside, CA 92506  
David Fisher, Manager  
(909) 276-8800

#### University

1485 University Ave.  
Riverside, CA 92507  
Cinthy Howard, Manager  
(909) 774-4460

### San Diego County

#### La Jolla

4275 Executive Square  
Suite 101  
La Jolla, CA 92037  
Marla King, Manager  
(619) 642-4900

### Ventura County

#### Camarillo

502 N. Las Posas Rd.  
Camarillo, CA 93010  
John Tarazon, Manager  
(805) 384-2100

#### Oxnard

500 Esplanade Drive  
Oxnard, CA 93030  
Mark Dufresne, Manager  
(805) 981-2700

#### Ventura

1220 South Victoria Ave.  
Ventura, CA 93003  
Maribeth Butler, Manager  
(805) 677-4200

#### Westlake Village

2655 Townsgate Rd.  
Westlake Village, CA 91361  
Denis Weber, Manager  
(805) 777-8740

 **CITY NATIONAL CORPORATION**

City National Center  
400 N. Roxbury Drive  
Beverly Hills, CA 90210



**The way up.<sup>SM</sup>**