

CITY NATIONAL CORP
Form 10-Q
May 06, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED

For the quarterly period ended March 31, 2011

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

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER: 1-10521

CITY NATIONAL CORPORATION

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

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Delaware
(State of Incorporation)

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

City National Plaza

555 South Flower Street, Los Angeles, California, 90071

(Address of principal executive offices)(Zip Code)

(213) 673-7700

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for at least the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act). (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of April 30, 2011, there were 53,178,300 shares of Common Stock outstanding (including unvested restricted shares).

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CITY NATIONAL CORPORATION
CONSOLIDATED BALANCE SHEETS

(in thousands, except share amounts)	March 31, 2011 (Unaudited)	December 31, 2010	March 31, 2010 (Unaudited)
Assets			
Cash and due from banks	\$ 203,600	\$ 126,882	\$ 293,855
Due from banks - interest-bearing	743,569	142,807	429,157
Federal funds sold	100,000	165,000	50,000
Securities available-for-sale - cost \$5,803,623, \$5,658,120, and \$3,897,750 at March 31, 2011, December 31, 2010 and March 31, 2010, respectively:			
Securities pledged as collateral			198,349
Held in portfolio	5,849,390	5,720,675	3,730,132
Trading securities	81,287	255,397	68,405
Loans and leases, excluding covered loans	11,269,684	11,386,628	11,689,536
Less: Allowance for loan and lease losses	263,356	257,007	292,799
Loans and leases, excluding covered loans, net	11,006,328	11,129,621	11,396,737
Covered loans, net of allowance for loan losses	1,684,068	1,790,133	1,803,048
Net loans and leases	12,690,396	12,919,754	13,199,785
Premises and equipment, net	131,345	128,426	123,178
Deferred tax asset	113,231	105,398	149,397
Goodwill	486,403	486,070	479,982
Customer-relationship intangibles, net	41,016	42,564	43,153
Affordable housing investments	111,583	99,670	90,304
Customers acceptance liability	1,571	1,715	3,267
Other real estate owned (\$121,822, \$120,866 and \$77,526 covered by FDIC loss share at March 31, 2011, December 31, 2010 and March 31, 2010, respectively)	178,164	178,183	135,551
FDIC indemnification asset	270,576	295,466	325,356
Other assets	633,801	685,111	746,604
Total assets	\$ 21,635,932	\$ 21,353,118	\$ 20,066,475
Liabilities			
Demand deposits	\$ 8,756,877	\$ 8,457,178	\$ 7,881,959
Interest checking deposits	1,771,234	1,863,004	2,202,703
Money market deposits	6,521,767	6,344,749	4,939,662
Savings deposits	308,612	291,299	382,994
Time deposits-under \$100,000	312,658	338,112	421,808
Time deposits-\$100,000 and over	806,791	882,520	1,134,603
Total deposits	18,477,939	18,176,862	16,963,729
Short-term borrowings	151,663	153,444	9,614
Long-term debt	703,173	704,971	986,585
Reserve for off-balance sheet credit commitments	21,707	21,529	18,498
Acceptances outstanding	1,571	1,715	3,266
Other liabilities	223,239	264,203	174,707

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Total liabilities	19,579,292	19,322,724	18,156,399
Redeemable noncontrolling interest	46,013	45,676	46,665
Commitments and contingencies			
Equity			
Common stock, par value \$1.00 per share; 75,000,000 shares authorized; 53,885,886 shares issued at March 31, 2011, December 31, 2010 and March 31, 2010			
	53,886	53,886	53,886
Additional paid-in capital	480,918	487,868	505,330
Accumulated other comprehensive income	26,535	36,853	23,927
Retained earnings	1,511,153	1,482,037	1,382,421
Treasury shares, at cost - 1,446,355, 1,639,203 and 1,997,480 shares at March 31, 2011, December 31, 2010 and March 31, 2010, respectively			
	(86,954)	(101,065)	(127,342)
Total shareholders' equity	1,985,538	1,959,579	1,838,222
Noncontrolling interest	25,089	25,139	25,189
Total equity	2,010,627	1,984,718	1,863,411
Total liabilities and equity	\$ 21,635,932	\$ 21,353,118	\$ 20,066,475

See accompanying Notes to the Unaudited Consolidated Financial Statements.

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CITY NATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(in thousands, except per share amounts)	For the three months ended March 31,	
	2011	2010
Interest Income		
Loans and leases	\$ 162,939	\$ 169,549
Securities available-for-sale	37,333	32,200
Trading securities	87	(51)
Due from banks - interest-bearing	297	346
Federal funds sold and securities purchased under resale agreements	154	22
Total interest income	200,810	202,066
Interest Expense		
Deposits	10,190	13,164
Federal funds purchased and securities sold under repurchase agreements		1,936
Subordinated debt	4,648	4,639
Other long-term debt	4,682	6,822
Total interest expense	19,520	26,561
Net interest income	181,290	175,505
Provision for credit losses on loans and leases, excluding covered loans		55,000
Provision for losses on covered loans	19,116	
Net interest income after provision	162,174	120,505
Noninterest Income		
Trust and investment fees	35,638	33,509
Brokerage and mutual fund fees	5,661	5,281
Cash management and deposit transaction charges	11,725	12,576
International services	8,316	6,508
FDIC loss sharing income, net	8,605	9,086
Gain on disposal of assets	2,424	1,391
Gain on sale of securities	130	2,134
Other	21,558	7,391
Impairment loss on securities:		
Total other-than-temporary impairment loss on securities	(4,510)	(15,208)
Less: Portion of loss recognized in other comprehensive income	4,346	14,205
Net impairment loss recognized in earnings	(164)	(1,003)
Total noninterest income	93,893	76,873
Noninterest Expense		
Salaries and employee benefits	111,012	95,459
Net occupancy of premises	13,346	12,905
Legal and professional fees	10,077	9,183
Information services	7,497	7,516
Depreciation and amortization	6,748	6,347
Amortization of intangibles	2,168	2,447
Marketing and advertising	6,518	5,248
Office services and equipment	4,606	3,798
Other real estate owned	14,489	17,197
FDIC assessments	9,806	6,521
Other operating	11,130	9,313
Total noninterest expense	197,397	175,934

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Income before income taxes		58,670		21,444
Income taxes		17,886		4,418
Net income	\$	40,784	\$	17,026
Less: Net income attributable to noncontrolling interest		1,092		1,328
Net income attributable to City National Corporation	\$	39,692	\$	15,698
Less: Dividends and accretion on preferred stock				5,702
Net income available to common shareholders	\$	39,692	\$	9,996
Net income per share, basic	\$	0.75	\$	0.19
Net income per share, diluted	\$	0.74	\$	0.19
Shares used to compute net income per share, basic		52,320		51,690
Shares used to compute net income per share, diluted		52,894		52,092
Dividends per share	\$	0.20	\$	0.10

See accompanying Notes to the Unaudited Consolidated Financial Statements.

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CITY NATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(in thousands)	For the three months ended	
	2011	2010
	March 31,	
Cash Flows From Operating Activities		
Net income	\$ 40,784	\$ 17,026
Adjustments to net income:		
Provision for credit losses on loans and leases, excluding covered loans		55,000
Provision for losses on covered loans	19,116	
Amortization of intangibles	2,168	2,447
Depreciation and amortization	6,748	6,347
Share-based employee compensation expense	4,678	3,872
Deferred income tax benefit	(811)	(1,050)
Gain on disposal of assets	(2,424)	(1,391)
Gain on sale of securities	(130)	(2,134)
Impairment loss on securities	164	1,003
Other, net	(12,700)	12,914
Net change in:		
Trading securities	174,171	85,897
Other assets and other liabilities, net	35,560	4,406
Net cash provided by operating activities		