

CITY NATIONAL CORP  
Form 10-Q  
November 08, 2012  
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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 September 30, 2012

☐ **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 such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate 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 October 31, 2012, there were 53,795,583 shares of Common Stock outstanding (including unvested restricted shares).



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**CITY NATIONAL CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

(in thousands, except share amounts)	September 30, 2012 (Unaudited)	December 31, 2011
<b>Assets</b>		
Cash and due from banks	\$ 235,038	\$ 168,376
Due from banks - interest-bearing	335,300	76,438
Federal funds sold	19,500	
Securities available-for-sale - cost \$7,710,762 and \$7,445,999 at September 30, 2012 and December 31, 2011, respectively:		
Securities pledged as collateral	50,820	37,861
Held in portfolio	7,821,244	7,534,040
Securities held-to-maturity - fair value \$1,222,721 and \$473,903 at September 30, 2012 and December 31, 2011, respectively	1,174,161	467,680
Trading securities	64,749	61,975
Loans and leases, excluding covered loans	13,724,651	12,309,385
Less: Allowance for loan and lease losses	268,440	262,557
Loans and leases, excluding covered loans, net	13,456,211	12,046,828
Covered loans, net of allowance for loan losses	1,099,359	1,417,289
Net loans and leases	14,555,570	13,464,117
Premises and equipment, net	147,621	143,641
Deferred tax asset	139,829	155,529
Goodwill	641,694	486,383
Customer-relationship intangibles, net	50,071	36,370
Affordable housing investments	156,982	121,039
Customers acceptance liability	2,573	1,702
Other real estate owned (\$83,618 and \$98,550 covered by FDIC loss share at September 30, 2012 and December 31, 2011, respectively)	110,673	129,340
FDIC indemnification asset	160,991	204,259
Other assets	584,712	577,541
Total assets	\$ 26,251,528	\$ 23,666,291
<b>Liabilities</b>		
Demand deposits	\$ 13,432,413	\$ 11,146,627
Interest checking deposits	1,979,580	2,034,815
Money market deposits	5,826,708	5,954,886
Savings deposits	374,197	339,858
Time deposits-under \$100,000	214,620	251,782
Time deposits-\$100,000 and over	684,798	659,614
Total deposits	22,512,316	20,387,582
Short-term borrowings	211,739	50,000
Long-term debt	706,035	697,778
Reserve for off-balance sheet credit commitments	25,260	23,097
Acceptances outstanding	2,573	1,702
Other liabilities	421,895	316,640

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Total liabilities	23,879,818	21,476,799
<b>Redeemable noncontrolling interest</b>	<b>41,386</b>	<b>44,643</b>
<b>Commitments and contingencies</b>		
<b>Shareholders' Equity</b>		
Common stock, par value \$1.00 per share; 75,000,000 shares authorized; 53,885,886 shares issued at September 30, 2012 and December 31, 2011	53,886	53,886
Additional paid-in capital	485,975	489,200
Accumulated other comprehensive income	93,924	72,372
Retained earnings	1,732,417	1,611,969
Treasury shares, at cost - 695,872 and 1,386,705 shares at September 30, 2012 and December 31, 2011, respectively	(35,878)	(82,578)
<b>Total shareholders' equity</b>	<b>2,330,324</b>	<b>2,144,849</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 26,251,528</b>	<b>\$ 23,666,291</b>

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 September 30,		For the nine months ended September 30,	
	2012	2011	2012	2011
<b>Interest income</b>				
Loans and leases	\$ 180,349	\$ 175,435	\$ 534,521	\$ 508,366
Securities	44,182	40,893	133,118	117,951
Due from banks - interest-bearing	163	474	429	1,179
Federal funds sold and securities purchased under resale agreements	74	90	181	342
Total interest income	224,768	216,892	668,249	627,838
<b>Interest expense</b>				
Deposits	3,316	8,535	10,914	28,742
Federal funds purchased and securities sold under repurchase agreements	9		42	2
Subordinated debt	6,125	4,419	14,494	13,701
Other long-term debt	5,396	4,622	15,685	13,960
Total interest expense	14,846	17,576	41,135	56,405
<b>Net interest income</b>	209,922	199,316	627,114	571,433
Provision for credit losses on loans and leases, excluding covered loans	2,000	7,500	3,000	7,500
Provision for losses on covered loans	18,089	5,147	38,848	25,979
Net interest income after provision	189,833	186,669	585,266	537,954
<b>Noninterest income</b>				
Trust and investment fees	43,477	35,412	111,198	107,737
Brokerage and mutual fund fees	9,059	5,079	19,380	15,604
Cash management and deposit transaction charges	11,526	10,986	34,169	33,616
International services	9,819	10,352	28,621	27,683
FDIC loss sharing income (expense), net	1,667	(14,191)	(3,493)	(16,270)
Gain on disposal of assets	3,199	5,191	8,401	16,037
Gain on sale of securities	856	3,520	1,026	5,339
Gain on acquisition				8,164
Other	27,693	13,479	58,640	58,206
Impairment loss on securities:				
Total other-than-temporary impairment loss on securities	(1,510)	(4,549)	(1,688)	(5,007)
Less: Portion of loss recognized in other comprehensive income	1,471	4,356	1,471	4,356
Net impairment loss recognized in earnings	(39)	(193)	(217)	(651)
Total noninterest income	107,257	69,635	257,725	255,465
<b>Noninterest expense</b>				
Salaries and employee benefits	120,210	112,729	355,490	335,880
Net occupancy of premises	16,238	13,713	43,980	40,724
Legal and professional fees	11,757	14,242	34,996	39,109
Information services	8,660	7,906	25,348	23,738
Depreciation and amortization	8,324	6,930	23,765	20,582
Amortization of intangibles	1,932	2,105	5,336	6,377
Marketing and advertising	7,141	6,675	21,554	20,819
Office services and equipment	4,673	4,456	13,113	13,734

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Other real estate owned	8,749	13,160	28,384	49,811
FDIC assessments	4,616	6,670	13,618	25,000
Other operating	15,586	9,051	37,538	31,092
Total noninterest expense	207,886	197,637	603,122	606,866
Income before income taxes	89,204	58,667	239,869	186,553
Income taxes	29,052	16,267	78,042	54,803
<b>Net income</b>	<b>\$ 60,152</b>	<b>\$ 42,400</b>	<b>\$ 161,827</b>	<b>\$ 131,750</b>
Less: Net income attributable to noncontrolling interest	372	1,002	1,024	3,189
<b>Net income attributable to City National Corporation</b>	<b>\$ 59,780</b>	<b>\$ 41,398</b>	<b>\$ 160,803</b>	<b>\$ 128,561</b>
Net income per share, basic	\$ 1.10	\$ 0.78	\$ 2.98	\$ 2.41
Net income per share, diluted	\$ 1.10	\$ 0.77	\$ 2.97	\$ 2.39
Shares used to compute net income per share, basic	53,425	52,481	53,092	52,422
Shares used to compute net income per share, diluted	53,711	52,720	53,376	52,882
Dividends per share	\$ 0.25	\$ 0.20	\$ 0.75	\$ 0.60

See accompanying Notes to the Unaudited Consolidated Financial Statements.



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**CITY NATIONAL CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(Unaudited)**

**For the three months ended**

**For the nine months ended**