

CITY NATIONAL CORP
Form 8-K
July 17, 2002

[QuickLinks](#) -- Click here to rapidly navigate through this document

United States
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): **July 16, 2002**

CITY NATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

1-10521
(Commission
file number)

95-2568550
(IRS employer
identification no.)

City National Center
400 North Roxbury Drive,
Beverly Hills, California
(Address of principal executive offices)

90210
(Zip code)

Registrant's telephone number, including area code **(310) 888-6000**

Not applicable
(former name or former address, if changed since last report)

Item 5. OTHER EVENTS.

On July 16, 2002, City National Corporation issued a press release reporting its financial results for the quarter and six months ended June 30, 2002.

Item 7. FINANCIAL STATEMENTS AND EXHIBITS.

(c) Exhibits.

99.1

Edgar Filing: CITY NATIONAL CORP - Form 8-K

Press release dated July 16, 2002 reporting financial results for the quarter and six months ended June 30, 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CITY NATIONAL CORPORATION

July 17, 2002

/s/ Frank P. Pekny

 Frank P. Pekny
 Executive Vice President and
 Chief Financial Officer/Treasurer
 (Authorized Officer and
 Principal Financial Officer)

CITY NATIONAL CORPORATION CONSOLIDATED BALANCE SHEET (unaudited) (Dollars in thousands, except per share amount)

| | June 30, | | |
|---|-----------------------------|-----------------------------|-----------|
| | 2002 | 2001 | % Change |
| Assets | | | |
| Cash and due from banks | \$ 442,343 | \$ 441,665 | |
| Federal funds sold | 165,000 | 10,000 | N/M |
| Securities | 1,988,817 | 1,681,233 | 18 |
| Loans (net of allowance for credit losses of \$157,647 and \$133,883) | 7,696,883 | 6,433,487 | 20 |
| Other assets | 689,377 | 557,208 | 24 |
| | <u> </u> | <u> </u> | |
| Total assets | \$ 10,982,420 | \$ 9,123,593 | 20 |
| Liabilities and Shareholders' Equity | | | |
| Noninterest-bearing deposits | \$ 3,973,435 | \$ 3,134,792 | 27 |
| Interest-bearing deposits | 4,823,732 | 3,945,842 | 22 |
| | <u> </u> | <u> </u> | |
| Total deposits | 8,797,167 | 7,080,634 | 24 |
| Federal funds purchased and securities sold under repurchase agreements | 110,665 | 261,849 | (58) |
| Other short-term borrowed funds | 421,125 | 653,125 | (36) |
| Subordinated debt | 282,043 | 118,939 | 137 |
| Other long-term debt | 169,144 | 94,255 | 79 |
| Other liabilities | 128,938 | 98,951 | 30 |
| | <u> </u> | <u> </u> | |
| Total liabilities | 9,909,082 | 8,307,753 | 19 |
| Shareholders' equity | 1,073,338 | 815,840 | 32 |
| | <u> </u> | <u> </u> | |
| Total liabilities and shareholders' equity | \$ 10,982,420 | \$ 9,123,593 | 20 |

Edgar Filing: CITY NATIONAL CORP - Form 8-K

June 30,

| | | | | | |
|--------------------------------|----|------------|----|------------|----|
| Book value per share | \$ | 21.41 | \$ | 17.04 | 26 |
| Number of shares at period end | | 50,122,921 | | 47,888,923 | 5 |

CONSOLIDATED STATEMENT OF INCOME (unaudited) (Dollars in thousands, except per share amount)

| | For the three months ended June 30, | | | For the six months ended June 30, | | |
|---|-------------------------------------|------------|----------|-----------------------------------|------------|----------|
| | 2002 | 2001 | % Change | 2002 | 2001 | % Change |
| Interest income | \$ 155,511 | \$ 156,490 | (1) | \$ 303,869 | \$ 320,682 | (5) |
| Interest expense | (24,937) | (51,441) | (52) | (51,600) | (110,716) | (53) |
| Net interest income | 130,574 | 105,049 | 24 | 252,269 | 209,966 | 20 |
| Provision for credit losses | (18,000) | (6,500) | 177 | (29,000) | (14,000) | 107 |
| Net interest income after provision for credit losses | 112,574 | 98,549 | 14 | 223,269 | 195,966 | 14 |
| Noninterest income | 38,738 | 32,894 | 18 | 74,681 | 64,155 | 16 |
| Noninterest expense | (82,959) | (79,012) | 5 | (161,732) | (155,616) | 4 |
| Income before taxes | 68,353 | 52,431 | 30 | 136,218 | 104,505 | 30 |
| Income taxes | (22,593) | (16,087) | 40 | (46,222) | (34,570) | 34 |
| Net income | 45,760 | 36,344 | 26 | 89,996 | 69,935 | 29 |
| Amortization of goodwill | | 3,220 | (100) | | 6,427 | (100) |
| Net income new GAAP | \$ 45,760 | \$ 39,564 | 16 | \$ 89,996 | \$ 76,362 | 18 |
| Net income new GAAP per share, diluted | \$ 0.88 | \$ 0.80 | 10 | \$ 1.75 | \$ 1.56 | 12 |
| Net income per share, basic | \$ 0.92 | \$ 0.76 | 21 | \$ 1.82 | \$ 1.47 | 24 |
| Net income per share, diluted | \$ 0.88 | \$ 0.74 | 19 | \$ 1.75 | \$ 1.43 | 22 |
| Dividends paid per share | \$ 0.20 | \$ 0.19 | 5 | \$ 0.39 | \$ 0.37 | 5 |
| Cash net income | \$ 46,952 | \$ 40,300 | 17 | \$ 92,067 | \$ 77,832 | 18 |
| Cash net income per share, basic | \$ 0.94 | \$ 0.84 | 12 | \$ 1.87 | \$ 1.63 | 15 |
| Cash net income per share, diluted | \$ 0.90 | \$ 0.82 | 10 | \$ 1.79 | \$ 1.59 | 13 |
| Shares used to compute per share net income, basic | 49,963,388 | 47,768,235 | | 49,326,706 | 47,725,720 | |
| Shares used to compute per share net income, diluted | 52,082,511 | 49,218,635 | | 51,442,779 | 49,026,705 | |

CITY NATIONAL CORPORATION
SELECTED FINANCIAL INFORMATION (unaudited) (Dollars in thousands)

| Period end | June 30, | | |
|--|---------------------|---------------------|-----------|
| | 2002 | 2001 | % Change |
| Loans | | | |
| Commercial | \$ 3,552,800 | \$ 3,013,343 | 18 |
| Residential first mortgage | 1,730,589 | 1,407,621 | 23 |
| Real estate mortgage | 1,866,086 | 1,582,691 | 18 |
| Real estate construction | 635,218 | 490,146 | 30 |
| Installment | 69,837 | 73,569 | (5) |
| Total loans | \$ 7,854,530 | \$ 6,567,370 | 20 |
| Deposits | | | |
| Noninterest-bearing | \$ 3,973,435 | \$ 3,134,792 | 27 |
| Interest-bearing, core | 3,530,798 | 2,587,181 | 36 |
| Total core deposits | 7,504,233 | 5,721,973 | 31 |
| Time deposits \$100,000 and over | 1,292,934 | 1,358,661 | (5) |
| Total deposits | \$ 8,797,167 | \$ 7,080,634 | 24 |
| Credit Quality | | | |
| Nonaccrual loans and ORE | | | |
| Nonaccrual loans | \$ 64,432 | \$ 37,085 | 74 |
| ORE | 460 | 1,212 | (62) |
| Total nonaccrual loans and ORE | \$ 64,892 | \$ 38,297 | 69 |
| Total nonaccrual loans and ORE to total loans and ORE | 0.83 | 0.58 | 43 |
| Loans past due 90 days or more on accrual status | \$ 3,257 | \$ 13,107 | (75) |
| Restructured loans on accrual status | \$ | \$ 1,463 | (100) |

| Allowance for Credit Losses | For the three months ended June 30, | | | For the six months ended June 30, | | |
|-----------------------------|-------------------------------------|------------|----------|-----------------------------------|------------|----------|
| | 2002 | 2001 | % Change | 2002 | 2001 | % Change |
| Beginning balance | \$ 155,657 | \$ 134,727 | 16 | \$ 142,862 | \$ 135,435 | 5 |
| Additions from acquisition | | | | 8,787 | | N/M |
| Provision for credit losses | 18,000 | 6,500 | 177 | 29,000 | 14,000 | 107 |
| Charge-offs | (17,861) | (10,838) | 65 | (27,157) | (22,922) | 18 |

Edgar Filing: CITY NATIONAL CORP - Form 8-K

| | For the three months ended June 30, | | | For the six months ended June 30, | | |
|---|-------------------------------------|------------|------|-----------------------------------|------------|------|
| | | | | | | |
| Recoveries | 1,851 | 3,494 | (47) | 4,155 | 7,370 | (44) |
| Net charge-offs | (16,010) | (7,344) | 118 | (23,002) | (15,552) | 48 |
| Ending Balance | \$ 157,647 | \$ 133,883 | 18 | \$ 157,647 | \$ 133,883 | 18 |
| Total net charge-offs to average loans (annualized) | (0.81) | (0.45) | 80 | (0.60) | (0.48) | 25 |
| Allowance for credit losses to total loans | | | | 2.01 | 2.04 | (1) |
| Allowance for credit losses to nonaccrual loans | | | | 244.67 | 361.02 | (32) |

CITY NATIONAL CORPORATION
SELECTED FINANCIAL INFORMATION (unaudited) (Dollars in thousands)

| | For the three months ended June 30, | | | For the six months ended June 30, | | |
|--|-------------------------------------|--------------|----------|-----------------------------------|--------------|----------|
| | 2002 | 2001 | % Change | 2002 | 2001 | % Change |
| Average Balances | | | | | | |
| Loans | | | | | | |
| Commercial | \$ 3,687,873 | \$ 3,082,786 | 20 | \$ 3,560,880 | \$ 3,124,734 | 14 |
| Residential first mortgage | 1,718,680 | 1,338,909 | 28 | 1,676,088 | 1,315,175 | 27 |
| Real estate mortgage | 1,791,314 | 1,594,040 | 12 | 1,754,779 | 1,557,778 | 13 |
| Real estate construction | 622,223 | 446,949 | 39 | 616,582 | 457,939 | 35 |
| Installment | 68,915 | 74,691 | (8) | 70,059 | 73,961 | (5) |
| Total loans | \$ 7,889,005 | \$ 6,537,375 | 21 | \$ 7,678,388 | \$ 6,529,587 | 18 |
| Securities | \$ 2,029,742 | \$ 1,690,786 | 20 | \$ 1,977,433 | \$ 1,624,282 | 22 |
| Interest-earning assets | 10,068,002 | 8,308,244 | 21 | 9,795,351 | 8,212,922 | 19 |
| Assets | 10,934,265 | 9,132,024 | 20 | 10,640,826 | 9,026,738 | 18 |
| Core deposits | 7,238,807 | 5,510,106 | 31 | 6,921,521 | 5,322,092 | 30 |
| Deposits | 8,551,230 | 6,975,066 | 23 | 8,244,062 | 6,881,386 | 20 |
| Shareholders' equity | 1,047,042 | 797,398 | 31 | 996,690 | 781,146 | 28 |
| Noninterest income | | | | | | |
| Trust and investment fee revenue | \$ 15,736 | \$ 14,779 | 6 | \$ 30,010 | \$ 28,452 | 5 |
| Cash management and deposit transaction fees | 10,025 | 7,583 | 32 | 20,394 | 14,131 | 44 |
| International services | 4,719 | 3,840 | 23 | 8,510 | 7,399 | 15 |
| Bank owned life insurance | 719 | 697 | 3 | 1,392 | 1,421 | (2) |
| Other | 6,035 | 4,565 | 32 | 10,504 | 9,588 | 10 |
| Subtotal core | 37,234 | 31,464 | 18 | 70,810 | 60,991 | 16 |
| Gain on sale of loans and assets/debt repurchase | 1,320 | 891 | 48 | 2,999 | 1,648 | 82 |
| Gain on sale of securities | 184 | 539 | (66) | 872 | 1,516 | (42) |
| Total | \$ 38,738 | \$ 32,894 | 18 | \$ 74,681 | \$ 64,155 | 16 |

Edgar Filing: CITY NATIONAL CORP - Form 8-K

| | For the three months ended June 30, | | | For the six months ended June 30, | | |
|---|-------------------------------------|------------------|------------|-----------------------------------|-------------------|------------|
| Noninterest expense | | | | | | |
| Salaries and employee benefits | \$ 49,642 | \$ 42,711 | 16 | \$ 97,112 | \$ 85,485 | 14 |
| All Other | | | | | | |
| Net occupancy of premises | 6,495 | 6,628 | (2) | 12,675 | 12,972 | (2) |
| Professional | 5,182 | 6,358 | (18) | 10,411 | 12,122 | (14) |
| Information services | 4,661 | 4,088 | 14 | 9,021 | 7,917 | 14 |
| Depreciation | 3,336 | 3,413 | (2) | 6,728 | 6,750 | |
| Marketing and advertising | 3,311 | 3,316 | | 6,099 | 5,897 | 3 |
| Office services | 2,731 | 2,424 | 13 | 4,829 | 4,634 | 4 |
| Amortization of core deposit intangibles | 2,056 | 1,405 | 46 | 3,571 | 2,809 | 27 |
| Amortization of goodwill | | 3,220 | (100) | | 6,427 | (100) |
| Acquisition integration | | | | 1,300 | | NM |
| Equipment | 789 | 603 | 31 | 1,271 | 1,099 | 16 |
| Other operating | 4,756 | 4,846 | (2) | 8,715 | 9,504 | (8) |
| Total all other | 33,317 | 36,301 | (8) | 64,620 | 70,131 | (8) |
| Total | 82,959 | 79,012 | 5 | 161,732 | 155,616 | 4 |
| Less amortization of goodwill | | (3,220) | (100) | | (6,427) | (100) |
| Adjusted total | \$ 82,959 | \$ 75,792 | 9 | \$ 161,732 | \$ 149,189 | 8 |
| Selected Ratios | | | | | | |
| For the Period | | | | | | |
| Return on average assets new GAAP | 1.68% | 1.74% | (3) | 1.71% | 1.71% | |
| Return on average shareholders' equity new GAAP | 17.53 | 19.90 | (12) | 18.21 | 19.71 | (8) |
| Return on average assets | 1.68 | 1.60 | 5 | 1.71 | 1.56 | 10 |
| Return on average shareholders' equity | 17.53 | 18.28 | (4) | 18.21 | 18.05 | 1 |
| Net interest margin | 5.35 | 5.23 | 2 | 5.35 | 5.32 | 1 |
| Efficiency ratio new GAAP | 47.95 | 53.59 | (11) | 47.95 | 53.31 | (10) |
| Efficiency ratio | 47.95 | 55.87 | (14) | 48.40 | 55.60 | (13) |
| Dividend payout ratio | 21.34 | 24.39 | (13) | 21.30 | 25.28 | (16) |
| Cash return on average assets | 1.76 | 1.81 | (3) | 1.78 | 1.78 | |
| Cash return on average shareholders' equity | 23.05 | 26.40 | (13) | 23.23 | 26.19 | (11) |
| Cash efficiency ratio | 46.76 | 52.60 | (11) | 47.34 | 52.31 | (10) |
| Period End | | | | | | |
| Tier 1 risk-based capital ratio | | | | 9.74 | 8.76 | 11 |
| Total risk-based capital ratio | | | | 14.24 | 11.64 | 22 |
| Tier 1 leverage ratio | | | | 7.44 | 6.97 | 7 |
| (Released to Business Wire this date) | | | | | | |

Edgar Filing: CITY NATIONAL CORP - Form 8-K

FORM 8-K

Item 5. OTHER EVENTS.

Item 7. FINANCIAL STATEMENTS AND EXHIBITS.

SIGNATURES

CITY NATIONAL CORPORATION CONSOLIDATED BALANCE SHEET (unaudited) (Dollars in thousands, except per share amount)

CONSOLIDATED STATEMENT OF INCOME (unaudited) (Dollars in thousands, except per share amount)

CITY NATIONAL CORPORATION SELECTED FINANCIAL INFORMATION (unaudited) (Dollars in thousands)

CITY NATIONAL CORPORATION SELECTED FINANCIAL INFORMATION (unaudited) (Dollars in thousands)