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BANKING Strong start to earnings season

City National reverses trend with \$9.2M in net income

by Wayne Tompkins, DBR. City National Bank of Florida posted a \$9.2 million profit in the first quarter, a significant improvement over the same 2010 period.

The latest results also reversed three consecutive quarters of losses that led to a \$256 million yearly loss in 2010, much of it a \$223 million fourth-quarter loss due mostly to noncash charges.

Other key numbers also pointed in the right direction during the most recent quarter: Operating income was \$14.8 million, up from \$12.5 million a year earlier, due in part to a \$5 million gain on an investment in securities in the bank's investment portfolio.

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City National Bank of Florida posted a profit in the first quarter as it kicked off earnings season among South Florida-based banks.

BANKING Strong start to earnings season

City National Bank reverses trend with net income of \$9.2 million

by **Wayne Tompkins**
wtompkins@alm.com

City National Bank of Florida kicked off the earnings season for local community banks on a positive note, reporting first-quarter net income of \$9.2 million, up from \$2.9 million for the same period in 2010.

The latest results also reversed three consecutive quarters of losses that led to a \$256 million yearly loss in 2010, much of it a \$223 million fourth-quarter loss due mostly to noncash charges.



Gonzalez

Jorge Gonzalez, president and chief executive officer of the Miami-based bank, credited the positive first quarter to improved credit quality and its "exceptional" capitalization and liquidity among Florida banks. Asset quality has improved to the point that the bank did not require a loan loss provision in the quarter, and property values have begun to stabilize, he said.

"We're keeping an eye on expenses, and our margins are continuing to hold up," he said.

The bank's big loss in the final quarter of last year was from an impairment to the goodwill that was put on the books when Spanish savings bank Caja Madrid acquired City National in November 2008.

BY THE NUMBERS

\$9.2 million

City National Bank's first-quarter net income, compared with \$2.9 million a year earlier

\$51.6 million

Nonaccrual loans

3%

Percentage of nonperforming loans

"When you write down goodwill, it does not impact capital whatsoever," Gonzalez noted.

Other key numbers also pointed in the right direction during the most recent quarter: Operating income was \$14.8 million, up from \$12.5 million a year earlier, due in part to a \$5 million gain on an investment in securities in the bank's investment portfolio.

"Every quarter, we amortize some of that intangible, and it sums up to about \$4 million a quarter," Gonzalez said. "That's why when you look at our earnings, it's important to look at not just our net income, but our core earnings because that amortization is noncash and actually adds back to our capital on a

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CITY NATIONAL: Cleaning up balance sheet key for bank

quarterly basis.”

Nonaccrual loans fell by more than half over the past year and now stand at \$51.6 million, down from \$113.3 million. That has reduced the percentage of nonperforming loans to just under 3 percent.

“One of the things we did last year is we really tried to clean up our balance sheet as much as possible, and we were fortunate to have more than adequate capital to be able to do so,” Gonzalez said. “We went ahead and provisioned heavily so that we could put the bulk of this behind us.”

In many instances, properties were sold and came out of nonaccrual status.

“We’re starting to see recoveries in terms of loans that we had charged off or provisioned,” he said. “We had about \$5 million in recoveries in the first quarter of 2011, which is an indication that the market appears to be heading in the right direction.”

City National is the fourth-largest financial institution in the state with more than \$3.8 billion in assets, \$2.8 billion in deposits and \$1.8 billion in loans. Its Spanish parent Caja Madrid recently merged with six other Spanish savings banks to form a new entity, Bankia.

Wayne Tompkins can be reached at (305) 347-6645.