

BANKING AHEAD

City National Bank, the largest locally-based bank, welcomed a new chief executive last year. CEO **Howard Hammond** now has his eyes on the future as the downtown-based bank plans a new branch in Whittier, distances itself from lower-yielding assets and expands its Ladder Up Home Loan Grant Program.



Rendering: Whittier outpost will be the first new CNB branch in the Los Angeles area since 2021.

Finance: City National Bank Plans a New Branch

By **KENNEDY ZAK** Staff Reporter

Narrowing in on his one-year mark at **City National Bank**, Chief Executive **Howard Hammond** has his eyes on the future of the institution which will soon celebrate its 70th anniversary. Under his leadership, the downtown-based bank is opening a new branch in Whittier, expanding its mortgage grant program and continuing investment in the entertainment industry.



Hammond

Hammond said because CNB is in a comfortable position with liquidity, capital and credit, the bank is able to focus on growth.

One manifestation of this is CNB's forthcoming branch in Whittier, expected to open in January. The development will feature a branch building as well as a separate annex dedicated to community events and financial education seminars.

This will be the first branch CNB has opened in the Los Angeles area since 2021 during a period where branch closures are prevalent across the country and in California specifically.

More than one-fifth of bank branches that closed in the U.S. in 2023 were in California, according to **S&P Global**. Branch closures peaked in 2021 with a net of 2,928 nationwide – accounting for openings and closings – and have been on a downward trend with decreases of 1,854 in 2022 and 1,409 in 2023.

While Hammond believes branches will always have a presence, he said there will be fewer and those that remain are going to look and function differently. Rather than focusing on completing transactions that can for the most part be done digitally, Hammond said banks would take on a “more advice-driven” approach and would be tailored to the needs of the community.

While online banking is changing the role of physical branches, Hammond views the Whittier project as an opportunity for CNB to conform to what people truly want out of a local branch.

“During those big financial decision points in your life, people still want to talk to someone and get validation, because if you make a mistake, it can impact your family for the next 25 years. That’s the evolution I think we’re going to see,” Hammond said.

Erica Xuewei Jiang, an assistant professor of finance and business economics at **USC**, said another factor in whether a branch will thrive lies in the demographics of the area it’s located. In places with a heavier presence of tech savvy consumers, mobile and online banking developments are the “most disruptive” to branches continuing operations, Jiang said.

Banks can respond to this disruption in a number of ways. They can close branches and place more emphasis on an online presence; they can cater their branches specifically to demographics who will continue to utilize them such as older people, wealthy individuals and non-tech savvy people; or they can do a combination of both.

“In an area with a lot of young people, having a branch is no longer valuable and banks can save costs by closing those branches. That then gives a bank more financial capacity to open another branch in an area with more demand for branches, or in an area where they didn’t have any branch presence before,” Jiang said.

Putting Whittier under this lens, as a suburban city with a population of about 84,000 as of 2022, there could be more opportunity for that community to find value in a branch than opening a new location in the city of Los Angeles.



Leader: City National Bank CEO Howard Hammond at the bank’s downtown headquarters.

RICH SCHMITT

Further driving the concept of community, CNB is setting out to connect with and make an impact on Whittier. One way Hammond plans to act on this goal is to hire as many Whittier residents to work at the new branch as possible instead of outsourcing.

Volunteers from the bank also recently hosted an event at Ada S. Nelson Elementary, a local school in Whittier, where they donated more than 400 backpacks filled with school supplies and 15 classroom care packages.

“We’re known as the bank of the stars, but we’re a lot more than that,” Hammond said.

Responding to the economic climate

CNB reported its total assets at \$92 billion in July and saw a 9.8% increase in its assets under management/administration since January 2023 – though its overall assets are down 4.1% during the same period.

David McKay, president and chief executive of CNB’s parent company, **Royal Bank of Canada**, discussed changes in CNB’s assets during an Aug. 28 conference call. Calling the runoff in CNB’s balance sheet “intentional,” McKay said City National is distancing itself from lower-yielding assets

and replacing them with higher-yielding assets “and more importantly, with deeper relationship clients.”

Cutting out loans of a smaller size in favor of catering to bigger business borrowers is a

“The higher rate environment suppressed overall investment and demand among the sector as you would expect. As rates start to come down, you would expect that growth to restart again,” McKay said.

With lower interest rates on the horizon, Hammond said he looks forward to pursuing more lending activity for homeownership as well as opportunities on the commercial and industrial side of things. The Federal Reserve Board is expected to meet on Tuesday and Wednesday to discuss the state of rates.

Additionally, during RBC’s most recent earnings call, RBC’s interim Chief Financial Officer **Katherine Gibson** pointed to City National’s push toward forward hedges as a method of protection for the bank once interest rates go down and as a way to make CNB less asset sensitive.

Hammond feels “fortunate” that CNB has the kind of relationship with RBC where City National can leverage RBC as a resource as well as to bounce ideas off of its leadership. Chalking the partnership up to “mutual respect,” Hammond said he appreciates the amount of freedom RBC gives him to run the company.

Especially now as more and more small and mid-size banks are being acquired by larger banks, Hammond said he values CNB’s ability to maintain a regional bank feel in terms of offering clients a personalized touch, while being backed by one of the largest financial services companies in the world.

“With the parent RBC, we can behave a lot like an intimate bank. That’s really important because especially as times get tougher and more opportunity comes up if rates go down, the client remembers who was there for them,” Hammond said.

Moreover, Hammond said size matters more than it used to in the banking industry when it comes to an institution’s survival. In 2023, the Federal Deposit Insurance Corp. listed 4,470 commercial banks in the U.S. compared to 5,847 a decade prior.

“I would expect in five to 10 years, that number will be 2,000 or maybe even less. Because to do the proper investment in technology and in the regulatory environment, if you don’t have size, it’s going to get harder and harder for financial institutions,” Hammond said.

Jiang said while banks have historically had to wield their branches to compete locally against other banks, the push toward online banking has transformed that competition to be more at the national level.

In addition to banks competing with each other at a larger scale, they are also up against non-bank financial institutions and fintech lenders more so than has been seen before, Jiang added.

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HOWARD HAMMOND
City National Bank

Bank to the stars

A longtime pillar of City National Bank’s foundation is its entertainment division, led by former bank Chief Executive **Kelly Coffey**, who preceded Hammond.

In the wake of industry strikes wrapping up, Hammond finds himself “very optimistic” about a new dawn of activity in the entertainment space.

common trend among banks recently in an effort to increase profitability, Jiang said.

For quarter three of this year, City National totaled \$77 million in adjusted earnings, taking into account losses on non-core investments which was around \$38 million.

As far as City National’s overall growth, McKay attributed a slower period to high interest rates.



City National will open a Whittier branch in 2025.

Whittier Chamber of Commerce Chair Shannon Hammer helped Hammond and David Cameron, Head of Consumer Banking, unveil plans for new City National Bank branch in Whittier Calif.



Community: CNB donated more than 400 backpacks with supplies to Ada S. Nelson Elementary School in Whittier, Calif.

With clients who are individual entertainers, business managers, production companies and beyond, Hammond said CNB's entertainment involvement runs across the spectrum. "From start to finish, we have a piece in almost every phase of the entertainment industry," Hammond said.

Hammond has noticed a shift in the roles of entertainers as they break more into the business side of the industry in addition to being performers.

Whether it's taking a stake in a company they represent in a commercial, starting their own production companies and talent agencies, or taking more control of their personal brands, Hammond described entertainers today as "a lot more investment savvy" than they have been historically.

Areas of expansion

Along with new developments in the entertainment sphere, CNB is expanding its home loan program.

Last year, CNB launched its Ladder Up Home Loan Program, where the bank pledged to deploy home loan grants of up to \$15,000 to residents or homebuyers in majority Black and Hispanic neighborhoods in L.A. County.

This initiative came at the hands of the Department of Justice after it levied a complaint against CNB for discriminatory lending practices. As a result, the bank paid \$31 million to the DOJ and had to agree to a number of terms in the settlement.

One year later, City National chose to expand this program, increasing grant amounts to \$50,000. The program also provides loan

grant opportunities of \$20,000 to residents in other qualifying areas in Southern California, New Jersey and New York.

Hammond recalled recently meeting someone who participated in Ladder Up. The man had just closed on his first house and told Hammond that Ladder Up made the difference for his family to become homeowners.

"Sometimes, when you're in a company, not everybody gets to see the impact. Not all colleagues get to talk to clients. It really connects when you see the end (result) of things that we've invested in and done for the community and the passion and the excitement on (a client's) face moving into a home for the first time," Hammond said.

CNB looks ahead

Hammond inherited the reins of City National Bank at a crucial and taxing time for the institution.

Along with the 2023 DOJ settlement, in January CNB was issued a fine of \$65 million by the Office of the Comptroller of the Currency due to "systemic deficiencies" in risk and investment management as well as internal controls. Currently, the bank is dealing with fallout from a 2021 securities fraud case in which former CNB client, actor **Zachary Horwitz**, was sentenced to 20 years in prison. A lawsuit filed in February, which has not yet been settled, alleges that the bank aided the Ponzi scheme led by Horwitz.

While Hammond declined to comment specifically on this pending litigation, he said moving the bank forward from these shake ups boils down to "heightening standards."

Coming off of rapid growth when the bank nearly doubled its assets in 2019, there had been some catching up to do in updating processes and procedures to manage such growth.

To that end, Jiang pointed out that the larger a bank is, the more frequently it will be examined for compliance and the higher the

threshold of meeting that compliance will be.

During RBC's August earnings call, McKay noted that the company has allocated "significant costs" to "building out our operational infrastructure, our risk infrastructure (and) remediating the public consent order."

As CNB continues to make progress on these fronts, Hammond stressed how proud he is of CNB's nearly 70-year-long history and its status as the largest bank headquartered in L.A. County.

With the largest economy in the U.S. and the fifth largest in the world, the state of California is exactly where Hammond wants to be.

"The concentration of wealth and opportunity here is incredible and the diversity of business is tremendous," Hammond said.

Despite a number of large companies moving their headquarters out of California in recent years, Hammond is confident the tides will turn for the Golden State.

"California is too big and beautiful to not eventually get it right and strike that balance between regulation and the ability for businesses to flourish and grow. So we want to be here and we want to be a part of the solution," Hammond said.



CITY NATIONAL BANK

HEADQUARTERS: Downtown
YEAR FOUNDED: 1954
BUSINESS: Bank
CEO: Howard Hammond
EMPLOYEES: More than 6,000
TOTAL ASSETS: \$92 billion
NOTABLE: City National Bank is the largest bank headquartered in Los Angeles.