

CITY NATIONAL CORP
Form 10-K
March 15, 2005

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2004

OR

**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)

Delaware

(State or other jurisdiction of
incorporation or organization)

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

95-2568550

(I.R.S. Employer
Identification No.)

90210

(Zip code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$1.00 par value	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

a

No securities are registered pursuant to Section 12(g) of the Act

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

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required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES x NO o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). YES x NO o

The aggregate market value of the registrant's common stock (Common Stock) held by non-affiliates is approximately \$2,709,226,750 (based on the June 30, 2004 closing price of Common Stock of \$65.70 per share).

As of March 1, 2005, there were 49,585,393 shares of Common Stock outstanding.

Documents Incorporated by Reference

The information required to be disclosed pursuant to Part III of this report either shall be (i) deemed to be incorporated by reference from selected portions of City National Corporation's definitive proxy statement for the 2005 annual meeting of stockholders, if such proxy statement is filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the Corporation's most recently completed fiscal year, or (ii) included in an amendment to this report filed with the Commission on Form 10-K/A not later than the end of such 120 day period.

PART I

Item 1. Business

General

City National Corporation (the Corporation) was organized in Delaware in 1968 to acquire the outstanding capital stock of City National Bank (the Bank). References to the Company reflect all of the activities of the Corporation and its subsidiaries, including the Bank. The Corporation owns all the outstanding shares of the Bank.

The Bank, which was founded in 1953 and opened for business in January 1954, conducts business in California and New York City. The Bank is a national banking association providing banking, investment and trust services through 52 offices, including 12 full-service regional centers, in Southern California, the San Francisco Bay Area and New York City. As of December 31, 2004, the Company had total assets of \$14.2 billion.

At December 31, 2004, the Company had 2,397 full-time equivalent employees.

In the three years ended December 31, 2004, the Company acquired two financial services institutions. On April 1, 2003, the Corporation acquired Convergent Capital Management, LLC, (CCM) a privately held Chicago-based company, and substantially all of its asset management holdings, including its majority ownership interests in eight asset management firms and minority interests in two additional firms. Combined, these 10 firms manage assets of approximately \$10.0 billion as of December 31, 2004. On February 28, 2002, the Company completed the acquisition of Civic BanCorp (Civic) headquartered in Oakland, California with total assets at December 31, 2001 of \$524.0 million. Subsequently, two former Civic BanCorp branches with combined deposits of approximately \$37.0 million were sold. See Note 2 to Notes to Consolidated Financial Statements on page A-51 of this report.

The Company is engaged in one operating segment: providing private and business banking, including investment and trust services. The Bank is the second largest independent commercial bank headquartered in California. The Bank's principal client base comprises small-to mid-sized businesses, entrepreneurs, professionals, and affluent individuals. For more than 50 years, the Bank has served its clients through relationship banking. The Bank seeks to build client relationships with a high level of personal service and tailored products through private and commercial banking teams, product specialists and investment advisors to facilitate the use by the client, where appropriate, of multiple services and products offered by the Company. The Company offers a broad range of lending, deposit, cash management, international banking, and other products and services. The Company also lends, invests, and provides services in accordance with its Community Reinvestment Act (CRA) commitment. Through the Bank's Wealth Management division, as well as the Corporation's investment advisor subsidiaries, the Company offers: 1) investment management and advisory services and brokerage services, including portfolio management, securities trading and asset management, 2) personal and business trust and investment services, including employee benefit trust services, 401(k) and defined benefit plans and 3) estate and financial planning and custodial services. The Bank also advises and makes available mutual funds under the name of CNI Charter Funds.

Competition

The banking business is highly competitive. The Bank competes with domestic and foreign banks for deposits, loans, and other banking and investment business. In addition, other financial intermediaries, such as savings and loans, money market mutual funds, securities firms, credit unions, insurance companies and other financial services companies, compete with the Bank. Legislation has facilitated the ability of non-depository institutions to act as financial intermediaries. Furthermore, interstate banking legislation has eroded the geographic constraints on the financial services industry.

The Bank seeks to provide personalized and responsive services through management's knowledge and awareness of its market areas, key industries and clients. The Bank believes this relationship approach and knowledge provide a business advantage in serving the small to mid-sized businesses, entrepreneurs, professionals and other individuals that comprise the Company's client base.

Economic Conditions, Government Policies, Legislation, and Regulation

The Company's profitability, like most banking institutions, is highly dependent on interest rate differentials. In general, the difference between the interest rates paid by the Bank on interest-bearing liabilities, such as deposits and other borrowings, and the interest rates received by the Bank on its interest-earning assets, such as loans extended to its clients and securities held in its investment portfolio, comprise the major portion of the Company's earnings. These rates are highly sensitive to many factors that are beyond the Company's control, such as inflation, recession, and unemployment. The impact future changes in domestic and foreign economic conditions might have on the Company cannot be predicted.

The Company's business is also influenced by the monetary and fiscal policies of the federal government and the policies of regulatory agencies, particularly the Board of Governors of the Federal Reserve System (the Federal Reserve). The Federal Reserve implements national monetary policies (with objectives such as curbing inflation and combating recession) through its open-market operations in U.S. Government securities, by adjusting the required level of reserves for depository institutions subject to its reserve requirements, and by varying the target federal funds and discount rates applicable to borrowings by depository institutions. The actions of the Federal Reserve in these areas influence the growth of bank loans, investments, and deposits and also affect interest rates earned on interest-earning assets and paid on interest-bearing liabilities. The nature and impact on the Company of any future changes in monetary and fiscal policies cannot be predicted.

Proposals to change the laws and regulations governing the operations and taxation of banks, bank holding companies, and other financial institutions and financial services providers are frequently introduced in the U.S. Congress, in the state legislatures, and before various regulatory agencies. The likelihood and timing of any proposals or legislation and the impact they may have on the Company cannot be determined at this time.

Supervision and Regulation

General

Bank holding companies and banks are extensively regulated under both federal and state law. This regulation is intended primarily for the protection of depositors, the deposit insurance fund, and other clients of the Bank, and not for the benefit of shareholders of the Corporation. Set forth below is a summary description of the material laws and regulations that relate to the operations of the Corporation and the Bank. The description is qualified in its entirety by reference to the applicable laws and regulations.

The Corporation

The Corporation, as a registered bank holding company under the Bank Holding Company Act of 1956, as amended (the BHCA), is subject to supervision, regulation and inspection by the Federal Reserve.

Under the BHCA, the Corporation is required to obtain the prior approval of the Federal Reserve before (i) acquiring, directly or indirectly, ownership or control of any voting shares of another bank holding company or a bank if, after such acquisition, it would own or control more than 5% of such shares (unless it already owns or controls the majority of such shares); (ii) acquiring all or substantially all of the

assets of another bank or bank holding company; or (iii) merging or consolidating with another bank holding company. The BHCA also prohibits the Corporation, except in certain statutorily prescribed instances, from engaging in, or acquiring direct or indirect ownership or control of more than 5% of the voting shares of any company engaged in non-banking activities, other than any activities that are deemed by the Federal Reserve to be so closely related to banking or managing or controlling banks as to be a proper incident thereto (See Gramm-Leach Bliley Act of 1999). The Federal Reserve can also limit the Corporation's ability to repurchase or redeem its equity securities under certain circumstances.

Under Federal Reserve regulations, a bank holding company is required to serve as a source of financial and managerial strength to its subsidiary banks and may not conduct its operations in an unsafe or unsound manner. Under this policy, the Federal Reserve may require a holding company to contribute additional capital to an undercapitalized subsidiary bank.

The Bank

The Bank, as a national banking association, is subject to broad federal regulation and oversight extending to all its operations, by the Office of the Comptroller of the Currency (the Comptroller), its primary regulator, and also by the Federal Reserve and the Federal Deposit Insurance Corporation. As part of this authority, the Bank is required to file periodic reports with the Comptroller and is subject to periodic examination by the Comptroller.

The Comptroller has extensive enforcement authority over all national banks, including the Bank. If, as a result of an examination of a bank, the Comptroller determines that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity, or other aspects of the bank's operations are unsatisfactory or that the bank or its management is violating or has violated any law or regulation, various remedies are available to the Comptroller. These remedies include the power to enjoin unsafe or unsound practices, to require affirmative action to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in capital, to restrict the growth of the bank, to assess civil monetary penalties, to remove officers and directors, and ultimately to terminate the bank's deposit insurance.

The Comptroller, as well as the other federal agencies, have adopted regulations and guidelines establishing safety and soundness standards, including but not limited to such matters as loan underwriting and documentation, internal controls and audit systems, interest rate risk exposure, asset quality and earnings and compensation and other employee benefits.

Various other requirements and restrictions under the laws of the United States affect the operations of the Bank. Statutes and regulations relate to many aspects of the Bank's operations, including reserves against deposits, ownership of deposit accounts, interest rates payable on deposits, loans, investments, mergers and acquisitions, borrowings, dividends, locations of branch offices, and capital requirements.

Gramm-Leach Bliley Act of 1999

The Gramm-Leach-Bliley Act of 1999 (the GLB Act) permits qualifying bank holding companies to elect to become financial holding companies and engage in other activities that are financial in nature or are complementary to financial activity and do not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally. These activities include insurance underwriting and brokerage, securities activities, merchant banking and additional activities that the Federal Reserve has determined to be closely related to banking. A qualifying national bank also may engage, subject to limitations on investment, in activities that are financial in nature, other than insurance underwriting, insurance company portfolio investment, real estate development, and real estate investment through a financial subsidiary of the bank.

Pursuant to the GLB Act, federal banking regulators have adopted rules that limit the ability of banks and other financial institutions to disclose non-public information about consumers to nonaffiliated third parties. These rules require disclosure of privacy policies to consumers and, in some circumstance, allow consumers to prevent disclosure of certain personal information to a nonaffiliated third party.

Anti-Money Laundering

A major focus of governmental policy on financial institutions in recent years has been aimed at combating money laundering and terrorist financing. The Bank Secrecy Act of 1970 (BSA) and subsequent laws and regulations require the Bank to take steps to prevent the use of the Bank or its systems from facilitating the flow of illegal or illicit money and to file suspicious activity reports. Those requirements include ensuring effective Board and management oversight, establishing policies and procedures, developing effective monitoring and reporting capabilities, ensuring adequate training and establishing a comprehensive internal audit of BSA compliance activities. The USA Patriot Act of 2001 (Patriot Act) significantly expanded the anti-money laundering (AML) and financial transparency laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. Regulations propounded under the Patriot Act impose various requirements on financial institutions, such as standards for verifying customer identification at account opening and maintaining expanded records (including Know Your Customer and Enhanced Due Diligence practices) and other obligations to maintain appropriate policies, procedures and controls to aid the process of preventing, detecting, and reporting money laundering and terrorist financing. The Patriot Act also applies BSA procedures to broker-dealers. An institution subject to the Patriot Act must provide AML training to employees, designate an AML compliance officer and annually audit the AML program to assess its effectiveness.

Dividends and Other Transfers of Funds

The Corporation is a legal entity separate and distinct from the Bank. Dividends from the Bank constitute the principal source of income to the Corporation. The Bank is subject to various statutory and regulatory restrictions on its ability to pay dividends to the Corporation. Under such restrictions, at December 31, 2004, the Bank could have paid dividends of \$333.0 million to the Corporation without obtaining prior approval of its banking regulators. In addition, federal bank regulatory authorities can prohibit the Bank from paying dividends, depending upon the Bank's financial condition, if such payment is deemed to constitute an unsafe or unsound practice.

Federal law limits the ability of the Bank to extend credit to the Corporation or its other affiliates, to invest in stock or other securities thereof, to take such securities as collateral for loans, and to purchase assets from the Corporation or other affiliates. These restrictions prevent the Corporation and such other affiliates from borrowing from the Bank unless the loans are secured by marketable obligations of designated amounts. Further, such secured loans and investments by the Bank to or in the Corporation or to or in any other affiliate are limited individually to 10.0 percent of the Bank's capital and surplus and in the aggregate to 20.0 percent of the Bank's capital and surplus. See Note 10 to Notes to Consolidated Financial Statements on page A-62 of this report. Further, a bank holding company and its subsidiaries are prohibited from engaging in certain tie-in arrangements in connection with any extension of credit, lease or sale of property, or furnishing of services.

Capital Standards

Each federal banking agency has adopted risk-based capital regulations under which a banking organization's capital is compared to the risk associated with its operations for both transactions reported on the balance sheet as assets as well as transactions which are off-balance sheet items, such as letters of credit and recourse arrangements. Under the capital regulations, the nominal dollar amounts of assets and

the balance sheet equivalent amounts of off-balance sheet items are multiplied by one of several risk adjustment percentages, which range from 0 percent for asset categories with low credit risk, such as certain U.S. Treasury securities, to 100 percent for asset categories with relatively high credit risk, such as commercial loans.

In addition to the risk-based capital guidelines, federal banking agencies require banking organizations to maintain a minimum amount of Tier 1 capital to total assets, referred to as the leverage ratio. For a banking organization rated composite 1 under the Composite Uniform Financial Institutions Rating System (CAMELS) for banks, which rating is the lowest level of supervisory concern of the five categories used by the federal banking agencies to rate banking organizations (5 being the highest level of supervisory concern), the minimum leverage ratio of Tier 1 capital to total assets is 3 percent. For all banking organizations other than those rated composite 1 under the CAMELS system, the minimum leverage ratio of Tier 1 capital to total assets is 4 percent. Banking organizations with supervisory, financial, operational, or managerial weaknesses, as well as organizations that are anticipating or experiencing significant growth, are expected to maintain capital ratios above the minimum levels. In addition to these uniform risk-based capital guidelines and leverage ratios that apply across the industry, the federal banking agencies have the discretion to set individual minimum capital requirements for specific institutions at rates significantly above the minimum guidelines and ratios.

At December 31, 2004, the Corporation and the Bank each exceeded the required risk-based capital ratios for classification as well capitalized as well as the required minimum leverage ratios. See Management's Discussion and Analysis Balance Sheet Analysis Capital on page A-35 of this report.

The Federal Deposit Insurance Act requires federal bank regulatory agencies to take prompt corrective action with respect to FDIC-insured depository institutions that do not meet minimum capital requirements. A depository institution's treatment for purposes of the prompt corrective action provisions will depend on how its capital levels compare to various capital measures and certain other factors, as established by regulation.

The existing U.S. federal bank regulatory agencies' risk-based capital guidelines are based upon the 1988 capital accord of the Basel Committee on Banking Supervision (BIS). In June 2004, BIS issued a revised framework for measuring capital adequacy (Basel II) including setting capital requirements for operational risk. Basel II promotes risk management practices and includes a greater use of assessments of risk provided by banks' internal systems as inputs to capital calculations. Federal regulators are currently preparing regulations on compliance with Basel II in the United States. U.S. banking regulators have stated that only the 10 largest U.S. bank holding companies will be required to adopt the new standards, and that others may do so voluntarily. The Corporation continues to monitor and analyze Basel II and its implementation, including what effect the new capital requirements of Basel II may have on the Corporation's minimum capital requirements and on its risk management policies.

Premiums for Deposit Insurance

The Bank's deposit accounts are insured by the Bank Insurance Fund (BIF), as administered by the Federal Deposit Insurance Corporation (the FDIC), up to the maximum permitted by law. Insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order, or condition imposed by the FDIC or the institution's primary regulator.

The FDIC charges an annual assessment for the insurance of deposits, which as of December 31, 2004 ranged from 0 to 27 cents per \$100 of insured deposits, based on the risk a particular institution poses to its deposit insurance fund. The risk classification is based on an institution's capital group and supervisory subgroup assignment. An institution's capital group is based on the FDIC's determination of whether the

institution is well capitalized, adequately capitalized, or less than adequately capitalized. An institution's supervisory subgroup assignment is based on the FDIC's assessment of the financial condition of the institution and the probability that FDIC intervention or other corrective action will be required. In addition to its normal deposit insurance premium as a member of the BIF, the Bank must pay an additional premium toward the retirement of the Financing Corporation bonds (Fico Bonds) issued in the 1980s to assist in the recovery of the savings and loan industry. In 2004, this premium was approximately 1.5 cents per \$100 of insured deposits.

Interstate Banking and Branching

The Riegle-Neal Interstate Banking and Branching Act permits banks and bank holding companies from any state to acquire banks located in any other state, subject to certain conditions, including certain nationwide-and state-imposed concentration limits. The Company also has the ability, subject to certain restrictions, to acquire branches outside its home state by acquisition or merger. The establishment of new interstate branches is also possible in those states with laws that expressly permit de novo branching. Interstate branches are subject to certain laws of the states in which they are located. In December 2002, the Company purchased an existing branch in New York and opened a private banking facility. From time to time, the Company may engage in additional interstate branch acquisitions.

Community Reinvestment Act

Under the Community Reinvestment Act (CRA), the Bank has a continuing and affirmative obligation consistent with safe and sound banking practices to help meet the credit needs of its entire community, including low and moderate income neighborhoods. CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with CRA. CRA generally requires the federal banking agencies to evaluate the record of a financial institution in meeting the credit needs of its local communities and to take that record into account in its evaluation of certain applications by such institution, such as applications to grant charters, branches and other deposit facilities, relocations, mergers, consolidations and acquisitions or engage in certain activities pursuant to the GLB Act. An unsatisfactory rating may be the basis for denying the application. Based on the most current examination report dated January 13, 2003, the Bank was rated satisfactory.

Securities and Exchange Commission

Under the Investment Advisers Act of 1940 (Advisers Act), investment advisers who manage \$25 million or more in client assets or who act as an adviser to a registered investment company, such as Reed, Conner & Birdwell, LLC (RCB) and the asset management firms owned by CCM, must register with the Securities and Exchange Commission (SEC). The regulations applicable to investment advisers cover all aspects of the investment advisory business, including compliance requirements, limitations on fees, record-keeping, reporting and disclosure requirements and general anti-fraud prohibitions.

On July 30, 2002, the Sarbanes-Oxley Act (SOX) was enacted. This measure addresses corporate governance and securities reporting requirements. The SEC has adopted a substantial number of new rules and regulations pursuant to SOX. They include rules relating to changes in auditing and accounting, executive compensation, certifications by Chief Executive Officers and Chief Financial Officers of certain securities filings, expanded reporting of information in current reports filed with the SEC, more detailed reporting information in securities disclosure documents and more timely filings of corporate information. The New York Stock Exchange has also issued corporate governance rules that the Company has adopted, which rules are intended to enable stockholders to more easily and efficiently monitor the performance of companies and directors.

2005 Regulatory Developments

During the first quarter of 2005, the Bank announced that it had entered into a written agreement with the Comptroller. The agreement arose out of certain previously disclosed compliance activities regarding the BSA and the Patriot Act and requires the Bank to take appropriate actions to continue to improve its policies and procedures for complying with the BSA and the Patriot Act. The Bank has taken significant corrective actions, and adopted and implemented a number of policies and procedures, to address the concerns of the OCC and these actions will continue in 2005. In connection with the agreement, the Bank paid a monetary assessment of \$750,000.

Available Information

The Company's home page on the Internet is www.cnb.com. The Company makes its web site content available for information purposes only. It should not be relied upon for investment purposes, nor is it incorporated by reference into this Form 10-K.

The Company makes its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and proxy statement for its annual shareholder meetings, as well as any amendment to those reports, available free of charge through the Investor Relations page of its web site as soon as reasonably practicable after it electronically files such material with, or furnishes it to, the SEC. More information about the Company can be obtained by reviewing the Company's SEC filings on its web site. Information about the Corporation's Board of Directors (the Board) and its committees and the Company's corporate governance policies and practices is available on the Corporate Governance section of the Investor Relations page of the Corporation's web site. The SEC also maintains a web site at www.sec.gov that contains reports, proxy statements and other information regarding SEC registrants, including the Corporation.

Item 2. Properties

The Company has its principal offices in the City National Center, 400 North Roxbury Drive, Beverly Hills, California 90210, which the Company owns and occupies. The property has a market value in excess of its depreciated value included in the Company's financial statements. As of December 31, 2004, the Bank owned one other banking office property in Riverside, California. The Company actively maintains operations in 52 banking offices and certain other properties.

On November 19, 2003, the Bank entered into a lease for up to 310,055 rentable square feet of commercial office space in downtown Los Angeles in the office tower located at 555 S. Flower Street and plaza building at 525 S. Flower Street, commonly known as the ARCO Plaza complex. Occupancy began in the south office tower in the third quarter of 2004 and the building has been renamed City National Tower. The new City National Tower will serve as the Bank's new administrative center, bringing together more than 20 departments, from Product Management, Cash Management, International and Finance to Human Resources, Marketing, Community Reinvestment and select areas of Wealth Management. The Bank also relocated its nearby Library Tower banking office to an interim facility in the City National Tower building pending renovation of a 6,600-square-foot facility in a three-story building that is located adjacent to the City National Tower. The new City National Tower and the plaza banking office together will form the Company's expanded Downtown Los Angeles Regional Center, offering extensive private and business banking and wealth management capabilities. It was renamed City National Plaza in January 2005.

The remaining banking offices and other properties are leased by the Bank. Total annual rental payments (exclusive of operating charges and real property taxes) are approximately \$25 million, with lease expiration dates ranging from 2005 to 2020, exclusive of renewal options.

Item 3. Legal Proceedings

The Corporation and its subsidiaries are defendants in various pending lawsuits. Based on present knowledge, management, including in-house counsel, does not believe that the outcome of such lawsuits will have a material adverse effect upon the Company.

The Corporation is not aware of any material proceedings to which any director, officer, or affiliate of the Corporation, any owner of record or beneficially of more than 5 percent of the voting securities of the Corporation as of December 31, 2004, or any associate of any such director, officer, affiliate of the Corporation, or security holder is a party adverse to the Corporation or any of its subsidiaries or has a material interest adverse to the Corporation or any of its subsidiaries.

Item 4. Submission of Matters to a Vote of Security Holders

There was no submission of matters to a vote of security holders during the fourth quarter of the year ended December 31, 2004.

PART II**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

The Corporation's common stock is listed and traded principally on the New York Stock Exchange under the symbol CYN. Information concerning the range of high and low sales prices for the Corporation's common stock, and the dividends declared, for each quarterly period within the past two fiscal years is set forth below.

Quarter Ended	High	Low	Dividends Declared
2004			
March 31	\$ 63.55	\$ 57.69	\$ 0.320
June 30	65.95	57.36	0.320
September 30	68.65	61.87	0.320
December 31	70.99	64.34	0.320
2003			
March 31	\$ 47.04	\$ 42.84	\$ 0.205
June 30	45.98	38.70	0.205
September 30	52.83	43.50	0.280
December 31	64.49	50.97	0.280

As of March 1, 2005, the closing price of the Corporation's stock on the New York Stock Exchange was \$69.98 per share. As of that date, there were approximately 1,510 holders of record of the Corporation's common stock. On January 19, 2005, the Board of Directors authorized a regular quarterly cash dividend on its common stock at a rate of \$0.36 per share payable on February 15, 2005 to all shareholders of record on February 2, 2005.

For a discussion of dividend restrictions on the Corporation's common stock, see Note 10 to Notes to Consolidated Financial Statements on page A-63 of this report.

There were no issuer repurchases of the Corporation's common stock in the fourth quarter of the year ended December 31, 2004. However, we received 3,235 shares in payment of the exercise of stock options as shown below.

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
10/01/04 - 10/31/04	2,235	\$ 66.08		1,009,500
11/01/04 - 11/30/04	500	68.66		1,009,500
12/01/04 - 12/31/04	500	69.39		1,009,500
	3,235	66.53		1,009,500

Item 6. Selected Financial Data

The information required by this item appears on page A-2, under the caption Selected Financial Information, and is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information required by this item appears on pages A-3 through A-38, under the caption Management's Discussion and Analysis, and is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The information required by this item appears on pages A-16 through A-22, under the caption Management's Discussion and Analysis, and is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

The information required by this item appears on page A-38 under the captions 2004 Quarterly Operating Results and 2003 Quarterly Operating Results, and on pages A-42 through A-74, and is incorporated herein by reference.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Under SEC rules, the Company is required to maintain disclosure controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. As part of the Company's system of disclosure controls and procedures, we have created a disclosure committee which consists of certain members of the Company's senior management. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to management, including the chief executive officer, chief financial officer and other members of the disclosure committee, as appropriate, to allow timely decisions regarding required disclosure.

The Company has carried out an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures as of the end of the period covered by this report. The Company's management, including the Company's Disclosure Committee and its chief executive officer and chief financial officer, supervised and participated in the evaluation. Based on the evaluation, the chief executive officer and the chief financial officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

Internal Control Over Financial Reporting

Management's Report on Internal Control Over Financial Reporting.

Management's Report on Internal Control Over Financial Reporting appears on page A-39 of this report. The Company's independent auditors, KPMG LLP, have issued an attestation report on management's assessment of the Company's internal control over financial reporting. That report appears on page A-40.

Changes in Internal Controls

There have not been any changes in the Company's internal control over financial reporting during the Company's fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART III

Item 10. Directors and Executive Officers of the Registrant

Executive Officers of the Registrant

Shown below are the names and ages of