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ANY OTHER BUSINESS CELEBRITY BANKING

## Making New York an offer it can't refuse

Hollywood's private bank sets its sights on the east coast media industry, says **Kathryn Tully**

On a Thursday night at the beginning of June, about 30 clients and prospective clients turned up at a private dinner in Manhattan at the exclusive 21 Club on West 52nd Street. The host was City National Bank, an independent bank headquartered in Beverly Hills, which wants to increase its presence on the east coast.

The 21 Club boasts a list of celebrity customers that would make most society event planners blush. Hillary Clinton and George Clooney are both fans. Carrie Bradshaw had dinner with Mr. Big here in *Sex and the City*. And this soirée had rather more cachet than the average weeknight client event. The guest speaker was film director Martin Scorsese, who chatted about how City National had helped finance his company dedicated to the restoration and distribution of classic films.

A New Yorker by birth, with a collection of New York classic films such as *Taxi Driver*, *Goodfellas* and *Gangs of New York* under his belt, the bank could hardly have found a more compelling endorsement from the east coast entertainment industry if it had enlisted Woody Allen.

The event represented City National well – discreet, prestigious and well connected. Traditionally, it will do anything for its entertainment industry clients.

In 1963, the bank stumped up \$240,000 in ransom money when Frank Sinatra's 19-year-old son, Frank Junior, was kidnapped at gunpoint at a motel. Sinatra's son was released after two days and the money was returned but the model of specialised services for the entertainment industry has remained intact ever since.

Established in Beverly Hills in 1954, it was founded by Columbia Pictures board member Al Hart. By the 1960s, it was already a Hollywood institution to the extent that the fictional bank where the

Clampett family stashed its cash after striking oil in its front yard in the hit 1960s TV series *The Beverly Hillbillies* was said to be inspired by City National. (Bankers at City National say the story is widespread but they are not sure whether it is true.)

With many entertainers' business managers using their services, City National is still a dominant force. "It has very good relationships with the business managers who each have lots of deposit relationships they can bring to the bank," says Manuel Ramirez, bank analyst at Keefe, Bruyette & Woods. "In traditional private banking, they still have the lion's share of the entertainment market on the west coast. For investment management, it's harder to tell."

But will this model work back east? It is now four years since it started its attempt to move outside California by setting up an office on Park Avenue in New York. The Scorsese soirée shows it is fighting hard for business in the other American media capital. But its assets in New York are still pretty modest. It does not have storefront space and still does not broadcast its presence from billboards. "They haven't been overly aggressive in hiring or marketing on the east coast compared with other banks such as Signature Bank and First Republic," says Ramirez.

When you are a private bank for the elite, however, a big splash is almost the last thing you want. With such high-profile clients, discretion is everything and the bank refuses to reveal clients' identities. In its entertainment division, the bulk of client growth is by referral. When you are offering membership to an exclusive club, and existing members such as Scorsese will vouch for you, advertising is not necessary and might even be counter-productive.

Entertainment is not City National's

only focus. It provides a full range of private banking services to a variety of high net worth individuals and entrepreneurs. In addition to the entertainment and real estate sectors, its business clients range from medical businesses to wine producers. Its parent company, City National Corporation, has nearly \$27bn in assets under management and a growing portfolio of specialist asset managers serving the needs of its wealthy clients.

But its entertainment bankers still spend about 30 per cent of their time on film, television, music catalogue and post-production finance and the remaining 70 per cent on specialist private client services. And they do not just deal with the entertainers themselves but with their business entourage – business managers, personal managers, talent agencies and entertainment lawyers.

If a business manager phones the bank and says it has a client leaving on a private jet in two hours and that he or she needs to take \$10m-worth of Italian lira, City National will make sure the money gets there in time. If an entertainment client is not scheduled to shoot his or her next film until the end of the year but wants to borrow money to buy a house or jet immediately, City National will check with its talent agency clients to check they are in contract, and make the loan.

For Russell Goldsmith, City National's chairman and chief executive, this is run-of-the-mill business. "When it comes to financing \$20m new homes or the full or fractional ownership of private jets, we see those sorts of deals every week," he says.

In fact, 15 per cent to 20 per cent of the loans the bank advances are entertainment-related. "We work with such a large percentage of the entertainment professionals, we have the ability to understand how people are doing and to verify their repu-

tation and financial and career progress when it comes to advancing credit," he says. The strategy appears to be working. According to analysts, City National has never taken a loss on a mortgage.

Russell Goldsmith inherited the chief executive role from his father, Bram Goldsmith. Before joining City National in 1985, his career was almost entirely in the entertainment industry. He was chief executive of independent production and distribution company, Republic Pictures Corporation, most famous for producing classic westerns and launching the careers of John Wayne and Roy Rogers. He also ventured into baseball as the vice-chairman of the San Diego Padres and before that was chief operating officer at TV production company Lorimar, which produced the hit 1970s shows *The Waltons* and *Dallas*. "Coming in almost 11 years ago, and knowing the people and the companies already, was very useful for me and the bank," he says.

Does that mean that City National is effectively an entertainment company? He is keen to establish that there is a difference. "We do not take box office risk," he says. "All our production finance is done against secure receivables."

However, the bank does have a highly customized service in film finance as well as private banking. Goldsmith cites a recent deal the bank worked on for a production company client. "The client asked us, 'I'm going to shoot this movie in Australia and I'm borrowing x dollars from you now, but how do I lock in my expense? I know today what it will cost me in US dollars but we are starting production in three months and we'll be shooting for 24 weeks'." So City National set up a

series of forward contracts on the Australian dollar to remove the company's exchange rate risk once it was filming on location.

A long history of client hand-holding like this, however, is not enough to retain business and certainly not enough to expand in a tough market such as New York. It is not the only bank offering services to entertainers, and competition in US wealth management has increased since the 1950s with the expansion of family offices and with far more aggressive courting of the high net worth market by the biggest universal banks.

Even on its specialist patch, City National has competition. Private banking heavyweights such as JPMorgan and UBS, for example, also target the entertainment sector. What is so special about City National's client service to keep it competitive against such powerhouses?

Goldsmith argues that other institutions lack a sophisticated understanding of the needs of entertainment clients. There might be something in this. Another New York-based bank analyst puts it differently: City National excels as much for massaging the egos of entertainment clients as for catering for their every financial whim.

After all, Hollywood stars are not just ultra high net worth; they can be ultra high maintenance. "Sure entertainers could bank with a UBS or Citigroup, but the chances are that they are not going to love you, stroke you or hug you in quite the same way," Goldsmith says.

The hard evidence lies in the fact the bank is still increasing its entertainment business. Its private banking office in New York, aimed at serving entertainers and entrepreneurs, has grown over four years

to include 33 staff. City National says its Hollywood clients were saying that no one understood the business well enough on the east coast. "We opened in New York because entertainment clients that operate on both coasts were saying 'hey, we wish you were here in New York'," says Goldsmith.

A few years on and the bank also has local clients with no dealings on the west coast, but with Tony award-winning Broadway shows on the east. Analysts think that although its New York expansion has been cautious to date, it will continue to make headway.

Goldsmith is no stranger to generating business. During the past decade, City National has quadrupled its assets and shareholders have seen a compound annual growth in the stock of 20 per cent. Its share price weakened this year but analysts consider this to be a blip.

Its impressive financial record and the fact the Goldsmith family still owns about 15 per cent of the stock, help explain why it has yet to be swallowed by rivals looking for a bigger foothold in the highly lucrative California market. There might be candidates: Wachovia and BNP Paribas have been making acquisitions on the west coast.

The bank is unlikely to succumb in a hurry. It is already thinking about opening private banking offices elsewhere on the east coast and in July announced an alliance with the Bank of East Asia in Hong Kong to help clients tap into opportunities in China. In New York, Goldsmith says its entertainment bankers are just scratching the surface.



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