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Comptroller of the Currency  
Administrator of National Banks

SMALL BANK

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## **PUBLIC DISCLOSURE**

**March 8, 1999**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**INTERNATIONAL CITY BANK, NATIONAL ASSOCIATION  
Charter Number 18383**

**249 East Ocean Boulevard  
Long Beach, California 90802**

**Comptroller of the Currency  
50 Fremont Street, Suite 3900  
San Francisco, California 94105**

**NOTE:** This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

## GENERAL INFORMATION

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **International City Bank, National Association (N.A.)**, prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, **as of March 8, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

**INSTITUTION'S CRA RATING:** This institution's *Record of Meeting Community Needs* is rated "**Satisfactory**." The rating is based on the following conclusions:

- C The loan to deposit ratio exceeds the standard for satisfactory performance. The ratio compares very favorably with similarly situated banks in Southern California.
- C The majority of loan originations are within the bank's assessment area.
- C The bank lends to businesses of different sizes.
- C Lending patterns reasonably reflect the local demographics.

**DESCRIPTION OF INSTITUTION:**

International City Bank, N.A., is a full-service commercial bank headquartered in Long Beach, California. The majority of the bank's stock is owned by an investment group. On December 31, 1997, the bank acquired a federal savings bank in San Diego, California. As a result, two branch offices in San Diego were added to the bank's existing office in Long Beach. The bank is now able to provide community access to credit by maintaining three branches within its assessment areas: the main office in Los Angeles County, and the newly acquired University City and Ruffin Road branches in San Diego County. There are automatic teller machines at all three branch locations.

There are no financial or legal impediments that hinder the bank's ability to meet the credit needs of its communities. As of December 31, 1998, the bank reported total assets of \$86 million, 80% of which consisted of loans. The primary lending focus is business and construction lending. Although residential loans comprise 44% of the outstanding portfolio, these loans were nearly all acquired when the bank purchased the federal savings bank in 1997. Residential lending is not a primary focus of the bank's ongoing business strategy. The following chart reflects the current loan portfolio by major product type.

**OUTSTANDING LOANS BY MAJOR PRODUCT TYPE  
AS OF DECEMBER 31, 1998**

<b>Loan Type</b>	<b>\$ Volume (000)</b>	<b>% Total Loans by \$</b>
<b>Commercial/Business</b>	24,342	34%
<b>Small Business Administration</b>	4,017	6%
<b>Residential Real Estate</b>	18,347	26%
<b>Multi-Family Real Estate</b>	12,332	18%
<b>Construction</b>	10,999	16%
<b>Installment/Consumer</b>	314	<1%
<b>Total</b>	70,351	100%

The last CRA performance evaluation in December 1996 rated the bank as "Satisfactory."

**DESCRIPTION OF INTERNATIONAL CITY BANK’S ASSESSMENT AREAS:**

International City Bank has two assessment areas. The *Los Angeles-Long Beach Assessment Area* is comprised of 135 census tracts located within the Los Angeles-Long Beach Metropolitan Statistical Area (4480). The *San Diego Assessment Area* is comprised of the 445 census tracts that constitute the entire San Diego Metropolitan Statistical Area (7320). The two assessment areas comply with regulatory requirements and do not arbitrarily exclude low- or moderate-income geographies. A description of each area follows.

**LOS ANGELES-LONG BEACH ASSESSMENT AREA  
COMPOSITION BY INCOME LEVEL OF CENSUS TRACTS  
DEMOGRAPHIC DATA**

<b>Census Tract Income Level</b>	<b>Number</b>	<b>Percent of Tracts</b>	<b>Families Percent</b>	<b>Businesses Percent</b>
<b>Low</b>	12	9%	23%	9%
<b>Moderate</b>	19	14%	17%	15%
<b>Middle</b>	45	33%	21%	35%
<b>Upper</b>	55	41%	39%	39%
<b>NA</b>	4	3%	0%	2%
<b>Total</b>	135	100%	100%	100%

[Note: The tracts for which there is no reported income consist mainly of the Long Beach Airport, California State University at Long Beach, U.S. naval shipyards, and Terminal Island shipping terminals.]

The population of the *Los Angeles-Long Beach Assessment Area* is approximately 705,140. Median family income is \$49,800 according to the most recent Department of Housing and Urban Development data. Median housing value is \$219,113 based on 1990 U.S. Census data. The area includes the City of Long Beach, as well as portions of adjacent communities commonly known as *greater Long Beach*. Small businesses with annual revenue less than \$500,000 represent the majority of businesses in the area. The local economy is strong. It is centered in retail and wholesale trade, and business and health services. Economic studies project continued growth over the next four years with emphasis in tourism, trade, and technology. Locally, the port area continues to grow significantly. The recently opened Long Beach

Aquarium of the Pacific, as well as the Queensway Bay Waterfront Development, is estimated to bring \$165 million annually to the local economy.

**SAN DIEGO ASSESSMENT AREA  
COMPOSITION BY INCOME LEVEL OF CENSUS TRACTS  
DEMOGRAPHIC DATA**

<b>Census Tract Income Level</b>	<b>Number</b>	<b>Percent of Tracts</b>	<b>Families Percent</b>	<b>Businesses Percent</b>
<b>Low</b>	26	6%	20%	4%
<b>Moderate</b>	96	22%	19%	24%
<b>Middle</b>	193	43%	22%	44%
<b>Upper</b>	117	26%	39%	27%
<b>NA</b>	13	3%	0%	1%
<b>Total</b>	445	100%	100%	100%

[Note: The census tracts for which there is no reported income consist mainly of U.S. naval stations, the U.S. Marine Corps Depot, railroad and warehouse yards, county administration buildings, and the Embarcadero.]

The population of the *San Diego Assessment Area* is approximately 2,498,016. Median family income is \$50,800 according to the most recent Department of Housing and Urban Development data. Median housing value is \$198,213 based on 1990 U.S. Census data. Small businesses with annual revenue less than \$500,000 represent the majority of businesses in the defined area. The area economy is diverse and robust. It is centered in retail and wholesale trade, construction, financial and health services, technology, and tourism. Recent trends reflect increasing retail sales and manufacturing. Economists project continued growth over the next four years, particularly in bio-technology. San Diego currently has the third largest concentration of bioscience companies in the world. The local economy has also recently benefitted from increased defense spending and the relocation of the nation's Space and Naval Warfare Systems Command (SPAWAR) from Washington D.C. to San Diego.

Numerous banks and financial institutions serve both assessment areas, resulting in strong competition for market share. These include branches of large banks, community banks, and savings and loan associations. We contacted an economic development agency in the Long Beach area and a community redevelopment agency in the San Diego area. These agencies determined that there is an ongoing need for small loans with flexible underwriting criteria for businesses in both assessment areas. There is also an ongoing need for affordable multifamily rental housing, especially in low- and moderate-income areas in San Diego.



## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The bank's commitment to the Community Reinvestment Act is reflected in the performance criteria explained below.

### LOAN TO DEPOSIT RATIO

The bank's loan to deposit ratio exceeds the standards for satisfactory performance. The average loan to deposit ratio since the last CRA examination is 93%, which compares very favorably with the performance of other local financial institutions with total assets of less than \$150 million. Their average ratio for the same period is 71%. The bank's ratio ranged upward from 61% in March 1997 to a high of 117% in June 1998, and was 99% in December 1998. This compares favorably with the performance of other local banks whose ratio has remained fairly static. Their ratio ranged upward from 71% in March 1997 to a high of 77% in December 1997, and was 71% in December 1998.

### LENDING IN ASSESSMENT AREAS

The bank's lending in the assessment areas meets the standards for satisfactory performance. The bank originated a majority of the *dollar volume* and the *number* of loans within the combined assessment areas. We prepared this analysis based on the bank's data, which we tested for accuracy. The chart which follows reflects all loan originations during 1998.

#### 1998 LENDING INSIDE AND OUTSIDE THE ASSESSMENT AREAS

	# Loans	% Loans by #	\$ Loans	% Loans by \$
In Assessment Areas	86	57%	30,430,901	56%
Out Of Area	64	43%	24,165,432	44%
Total	150	100%	54,596,333	100%

### LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS AND TO BUSINESSES OF DIFFERENT SIZES

Lending to businesses of different sizes in both the Los Angeles-Long Beach and San Diego areas meets the standard for satisfactory performance. Business lending in both areas is reasonably distributed among businesses of different revenue size. The majority of the *number* and *dollar amount* of loans in both areas were granted to businesses with annual revenue of less than \$1 million.



For this analysis, we reviewed 100% of the commercial loans originated in 1998 in both assessment areas. We did not sample consumer loans because they did not constitute a significant volume of loan originations during the review period. Lending to businesses by annual revenue size is reflected in the charts which follow.

**LENDING TO BUSINESSES OF DIFFERENT SIZES**  
**LOS ANGELES-LONG BEACH AREA**  
**Commercial Loans Originated in 1998**  
**Distribution By Annual Revenue**

Revenue Size	Number of Loans	Percent	Dollar Amount (\$1000)	Percent
\$0 - \$50,000	1	5%	128,000	3%
\$50,001 - \$100,000	1	5%	50,000	2%
\$100,001 - \$250,000	3	15%	1,068,288	25%
\$250,001 - \$500,000	5	25%	615,300	15%
\$500,001 - \$1,000,000	5	25%	1,323,475	31%
Greater than \$1,000,000	5	25%	1,023,350	24%
Total in Sample	20	100%	4,208,413	100%

**LENDING TO BUSINESSES OF DIFFERENT SIZES**  
**LOS ANGELES-LONG BEACH AREA**  
**Commercial Loans Originated in 1998**  
**By Business Revenue of Greater Than \$1 Million and Less Than \$1 Million**

	# Loans	% Total (#)	\$ Loans	% Total (\$)
<b>Loans to Small Businesses (Revenue &lt; \$1 Million)</b>	15	75%	3,185,063	76%
<b>Loans to Large Businesses (Revenue &gt;\$1 Million)</b>	5	25%	1,023,350	24%

<b>Total Business Loans</b>	20	100%	4,208,413	100%
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**LENDING TO BUSINESSES OF DIFFERENT SIZES**  
**SAN DIEGO AREA**  
**Commercial Loans Originated in 1998**  
**Distribution By Revenue Size**

<b>Revenue Size</b>	<b>Number of Loans</b>	<b>Percent</b>	<b>Dollar Amount (\$1000)</b>	<b>Percent</b>
\$0 - \$50,000	2	9%	160,000	2%
\$50,001 - \$100,000	2	9%	216,000	3%
\$100,001 - \$250,000	5	21%	2,127,000	31%
\$250,001 - \$500,000	4	17%	1,221,000	17%
\$500,001 - \$1,000,000	8	35%	2,617,238	37%
Greater than \$1,000,000	2	9%	700,000	10%
<b>Total in Sample</b>	<b>23</b>	<b>100%</b>	<b>7,041,238</b>	<b>100%</b>

**LENDING TO BUSINESSES OF DIFFERENT SIZES**  
**SAN DIEGO AREA**  
**Commercial Loans Originated in 1998**  
**By Business Revenue of Greater Than \$1 Million and Less Than \$1 Million**

	<b># Business Loans</b>	<b>% Total (#)</b>	<b>\$ Business Loans</b>	<b>% Total (\$)</b>
<b>Loans to Small Businesses (Revenue &lt; \$1 Million)</b>	21	91%	6,341,238	90%
<b>Loans to Large Businesses (Revenue &gt;\$1 Million)</b>	2	9%	700,000	10%
<b>Total Business Loans</b>	<b>23</b>	<b>100%</b>	<b>7,041,238</b>	<b>100%</b>

Enhancing its record of lending to small businesses, the bank has actively participated in a loan consortium through the City of Long Beach. The consortium provides loan funds to help meet the credit needs of businesses that are unable to obtain financing elsewhere, particularly businesses in low- or moderate-income areas. Since the last CRA examination, the bank participated in 39 of these loans which totaled approximately \$1.1 million. The bank's share was \$126,125. Bank management also serves on the consortium loan committee.

## **GEOGRAPHIC DISTRIBUTION OF LOANS**

The geographic distribution of loans meets the standard for satisfactory performance. Business lending activity in the Los Angeles-Long Beach area compares very favorably with area business demographics. Although lending activity in the San Diego area does not reflect the local demographics, particularly in moderate-income census tracts, the performance is reasonably explained and mitigated.

In the Los Angeles-Long Beach area, 9% of area businesses are located in low-income census tracts. Favorably, the bank originated 25% of the number of loans and 32% of the dollar volume in those tracts. Also, 15% of area businesses are located in moderate-income census tracts, and the bank originated 20% of the number of loans and 13% of the dollar volume in those tracts.

In the San Diego area, 4% of area businesses are located in low-income census tracts. The bank originated 4% of the number of loans and 2% of the dollar volume in those tracts. Although 24% of area businesses are located in moderate-income census tracts, the bank originated 9% of the number of loans and 13% of the dollar volume in those tracts. These results are mitigated by the bank's comparatively recent presence in the San Diego area. International City Bank is well-established in the Long Beach area and has been able to successfully focus its reinvestment activities in low- and moderate-income communities there. The bank has not had the benefit of similar lending opportunities as yet in its new San Diego assessment area. However, management plans to increase the bank's lending to businesses in low- and moderate-income communities there in the near future.

For this analysis, we reviewed 100% of the commercial loans originated in 1998 in both assessment areas. The distribution of commercial loans compared with the local demographics for both areas is reflected in the charts that follow.

**GEOGRAPHIC DISTRIBUTION  
LOS ANGELES-LONG BEACH AREA  
Commercial Loans Originated in 1998  
Distribution By Census Tract Income Level**

<b>Census Tract Income Level</b>	<b>Percent of Businesses in Tract Category</b>	<b>Number of Loans</b>	<b>Percent of Number</b>	<b>Dollar Amount</b>	<b>Percent of Dollar Amount</b>
<b>Low</b>	9%	5	25%	1,333,588	32%

<b>Moderate</b>	15%	4	20%	550,000	13%
<b>Middle</b>	35%	5	25%	1,226,350	29%
<b>Upper</b>	39%	3	15%	850,000	20%
<b>NA</b>	2%	3	15%	248,475	6%
<b>Total</b>	100%	20	100%	4,208,413	100%

**GEOGRAPHIC DISTRIBUTION**  
**SAN DIEGO AREA**  
**Commercial Loans Originated in 1998**  
**Distribution By Census Tract Income Level**

<b>Census Tract Income Level</b>	<b>Percent of Businesses in Tract Category</b>	<b>Number of Loans</b>	<b>Percent of Number</b>	<b>Dollar Amount</b>	<b>Percent of Dollar Amount</b>
<b>Low</b>	4%	1	4%	110,000	2%
<b>Moderate</b>	24%	2	9%	916,000	13%
<b>Middle</b>	44%	13	57%	4,044,738	57%
<b>Upper</b>	27%	7	30%	1,970,500	28%
<b>NA</b>	1%	0	0	0	0
<b>Total</b>	100%	23	100%	7,041,238	100%

Demonstrating commitment to community reinvestment, the bank participated in a *multifamily affordable housing project* in San Diego County since the last CRA examination. The project involved the acquisition, rehabilitation, and conversion of existing properties into a 42-unit apartment complex. Once completed, rents will be affordably priced with 31 units reserved for low- or moderate-income families. Cost of the project is \$3.2 million. The bank's loan participation was \$300,000.

As a community service, the bank was instrumental in obtaining a \$350,000 subsidy from the Federal Home Loan Bank's *Affordable Housing Program*. The funds will be used for 116 affordable rental units, as well as for social services that promote community stability in the low-income area of Spring Valley in San Diego County.

**RESPONSES TO COMPLAINTS**

The bank has received no CRA-related complaints since the last CRA performance evaluation.

**FAIR LENDING ANALYSIS**

The OCC conducted a technical review of fair lending laws and regulations concurrently with this CRA examination. A comparative file test was not performed because there were too few consumer loan applications during the review period for a meaningful analysis. Based on the technical review, however, we found no evidence of discriminatory practices.