



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

October 29, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

International City Bank, National Association
Charter Number: 18383

249 East Ocean Boulevard
Long Beach, CA 90802

Office of the Comptroller of the Currency

Southern California South Field Office
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NOTE: This document is an evaluation of this 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. 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.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."

- The geographic distribution of loans exceeds the standard for satisfactory performance.
- The number and dollar volume of loans within the bank's delineated assessment areas meets the standard for satisfactory performance.
- The loan-to-deposit ratio is satisfactory given the bank's size, financial condition, and area credit needs.
- Lending patterns reflect satisfactory penetration among businesses of different sizes.

SCOPE OF EXAMINATION

We evaluated performance using the lending test criteria in the CRA regulation for small bank examinations. We analyzed a random sample of commercial loans the bank originated or purchased between January 1, 2005, and September 30, 2007. We focused our review on commercial loans because they represent the major portion of the bank's lending activity.

DESCRIPTION OF INSTITUTION

International City Bank, N.A. (ICB) is a full-service commercial bank headquartered in Long Beach, California. ICB maintains three branches within its assessment areas (AAs): the main office in Los Angeles County, and the University City and Ruffin Road branches in San Diego County. There is an automatic teller machine at each of these locations. In July 2007, the bank opened a fourth branch in Irvine, California. We did not analyze lending activity from this branch given its recent opening.

There are no financial or legal impediments that hinder the bank's ability to meet the credit needs of its communities. As of September 30, 2007, the bank had total assets of \$222 million, net loans of \$120 million (54% of total assets), and total deposits of \$126 million. Pedcor Bancorp, LLC, a bank holding company with total assets of approximately \$402 million, owns the majority of the bank's stock.

The primary lending focus is commercial real estate, construction loans, and business loans including Small Business Administration loans.

The following chart reflects the loan portfolio by major product type as of September 30, 2007.

LOAN PORTFOLIO COMPOSITION		
September 30, 2007		
Loan Type	\$ Volume (000)	% of Portfolio
Commercial Real Estate and Construction	81,193	60%
Commercial-Industrial	38,295	32%
Other/Real-estate secured	956	8%
Consumer	58	<1%
Total:	\$ 120,502	100%

Source: September 30, 2007 Report of Condition and Income

The last CRA examination in May 2003 rated the bank's performance as "Satisfactory".

DESCRIPTION OF ASSESSMENT AREAS

ICB has two AAs that meet regulatory requirements and do not arbitrarily exclude low- or moderate-income geographies. The Los Angeles-Long Beach area is comprised of 166 census tracts located within the Los Angeles-Long Beach Metropolitan Statistical Area (MSA) 31084. The San Diego Assessment area is comprised of all census tracts within the San Diego MSA 41740.

The banking environment is highly competitive in both AAs. Management considers its main competitors to be Farmers and Merchants Bank in the Los-Angeles Long Beach area and La Jolla Bank & Trust in the San Diego area. Large banks also compete for market share including Bank of America, Wells Fargo, and City National Bank.

Description of the Los Angeles-Long Beach Assessment Area (AA)

The area includes the coastal City of Long Beach as well as adjacent communities commonly known as Greater Long Beach. According to the 2000 U.S. Census, the population in the area was 753,581. Median housing value in the area was \$195,171 with 46% of total housing units owner-occupied. More recently, the California Association of Realtors (CAR) reported the September 2007 median price of existing home sales at \$525,000. The 2006 HUD updated median family income was \$56,200. The 2006 Business Geodemographic Data (BGD) reflects that small businesses with annual revenue of less than \$500,000 represent 60% of the number of businesses in the area. Census tract composition of the Los Angeles-Long Beach area consists of 16% low-income tracts, 20% moderate-income tracts, 29% middle-income tracts, and 32% upper-income tracts (3% are not "income-designated" geographies, consisting of government or other institutional areas).

The Los Angeles economy has slowed in the recent months, primarily due to the decline in the real estate market and travel/tourism industries. Economists predict there is a considerable risk for the economy to slow further, but the broad diversity of the Los Angeles area should provide some stability to the slowing economy. The California

Employment Development Department (CAEDD) reported a September 2007 unemployment rate of 5.2% in the Los Angeles area, compared to California's 5.3% unemployment rate. According to the 2006 BGD, major industries include services (38%) and retail trade (17%). Major employers include Kaiser Permanente, Northrop Grumman Corporation, and Boeing.

Examiners contacted two community organizations to determine primary credit needs in the area. One organization provides financing for affordable housing projects, technical assistance, and other residential support services in Southern California. The other organization focuses on lending in low- and moderate-income communities. These contacts stressed the ongoing need for affordable housing and loans for small businesses in low-and moderate-income areas.

[Source: CRA Wiz Demographic Data, Los Angeles; [Moody'sEconomy.com](#)]

Description of the San Diego Assessment Area

According to the 2000 U.S. Census, the population in the San Diego area was 2,813,833. Median housing value in the area was \$229,602 with 53% of total housing units owner-occupied. The CAR reported the September 2007 median price of existing home sales at \$470,000. The 2006 HUD updated median family income was \$64,900. The 2006 BGD reflects that small businesses with annual revenue of less than \$500,000 represent 63% of the number of businesses in the area. Census tract composition of the San Diego area consists of 8% low-income tracts, 23% moderate-income tracts, 38% middle-income tracts, and 31% upper-income tracts.

The CAEDD reported a September 2007 unemployment rate of 4.8% in the San Diego area. Major industries include services (39%), retail trade (14%), and finance & real estate (12%). Major employers include the Coronado Naval Base, University of California San Diego, and Sharpe Healthcare. Economic reports show San Diego's economy has slowed as the housing market has weakened over the past year. However, the strong growth in defense, tourism and travel, and biotech industries has somewhat mitigated the weak housing market, preventing a significant increase in unemployment. Forecasts indicate the overall economy should remain stable.

Examiners contacted two community organizations to determine primary credit needs in the area. One organization seeks to provide solutions to economic discrimination through education and related technical assistance to other organizations. The other organization generates opportunities for affordable housing and economic development in low-and moderate-income areas. They cited affordable housing as primary credit community credit needs.

[Source: CRA Wiz Demographic Data, San Diego; [Moody'sEconomy.com](#)]

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's loan-to-deposit (LTD) ratio is satisfactory given its size, financial condition, and area credit needs. We evaluated the quarterly average LTD ratio over the last 17 quarters since the last CRA examination. The bank's quarterly average LTD ratio of 96.17% compares closely with the 96.78% average LTD ratio of seven similarly situated banks. The comparison banks are similar in asset size and business focus as well as operate in a similar market area.

Lending in Assessment Area

The bank's volume of lending within its delineated AAs meets the standard for satisfactory performance. For this analysis, we reviewed a random sample of 60 commercial loans the bank originated or purchased during the evaluation period. We focused our sample on these loans because they represented the bank's primary loan product. Based on the sample, the bank originated 70% of the number and 90% of the dollar volume of loans within the defined AAs.

The following table reflects the number and dollar volume of loans the bank originated inside and outside its defined areas based on our sample.

**Table 1 - Lending within the Assessment Areas
January 1, 2005, through September 30, 2007**

	Number of Loans				Dollars of Loans				Total (000's)	
	Inside		Outside		Total	Inside		Outside		
	#	%	#	%		\$(000's)	%	\$(000's)	%	
Commercial Loan Sample	42	70%	18	30%	60	\$63,511	90%	\$6,944	10%	\$70,455

*Source: Random sample of commercial loans.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

ICB's lending to businesses of different sizes meets the standard for satisfactory performance. We randomly selected 21 commercial loans the bank granted in the Los Angeles-Long Beach AA during the evaluation period. Additionally, we analyzed all 21 commercial loans the bank granted in the San Diego AA during the same evaluation period.

Los Angeles-Long Beach Assessment Area

Lending patterns reflect good penetration among businesses of different sizes in the Los Angeles-Long Beach AA. The percentage of the number and dollar volume of loans granted to small businesses compares favorably with area demographics. Based on our sample of 21 loans, the bank originated a majority, 76% of the number and 72% of the dollar volume, to small businesses (gross annual revenues of \$1 million or less). The following table reflects lending patterns to businesses of different sizes in the Los Angeles-Long Beach AA.

**Table 2a - Borrower Distribution of Loans to Businesses
Los Angeles-Long Beach Assessment Area
January 1, 2005, through September 30, 2007**

Business Revenues	$\leq \\$1,000,000$	$> \\$1,000,000$
% of AA Businesses*	65%	6%
% of Bank Loans in AA by #	76%	24%
% of Bank Loans in AA by \$	72%	28%

* Demographic Data Source: Dun & Bradstreet - 29% of AA businesses did not report revenue data

San Diego Assessment Area

Lending patterns reflect reasonable penetration among businesses of different sizes. The bank granted 62% of the number and 18% of the dollar volume of loans to small businesses (gross annual revenues of \$1 million or less). We gave greater consideration to the *number* of loans granted because a larger number of small businesses benefited, which is an identified community credit need. The following table reflects lending patterns to businesses of different sizes in the San Diego AA.

**Table 2b - Borrower Distribution of Loans to Businesses
San Diego- Assessment Area
January 1, 2005, through September 30, 2007**

Business Revenues (or Sales)	$\leq \\$1,000,000$	$> \\$1,000,000$
% of AA Businesses*	68%	5%
% of Bank Loans in AA by #	62%	38%
% of Bank Loans in AA by \$	18%	82%

* Demographic Data Source: Dun & Bradstreet – 27% of AA businesses did not report revenue data

Geographic Distribution of Loans

The geographic distribution of loans exceeds the standard for satisfactory performance. The bank achieved excellent distribution in low-income census tracts in the Los Angeles-Long Beach area. ICB has demonstrated a concerted effort to lend in moderate-income census tracts. Management explained that they continue to be involved in redevelopment projects in moderate-income tracts while seeking ways to increase direct lending to borrowers in these areas.

Lending patterns reflect excellent distribution in low- and moderate-income census tracts in the San Diego area and compare very favorably with business demographics.

The following tables reflect the geographic distribution of commercial loans in our sample.

**Table 3a - Geographic Distribution of Loans to Businesses
Los Angeles-Long Beach Area
January 1, 2005, through September 30, 2007**

Census Tract Income Level *	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans						
Commercial Loan Sample Compared to Business Demographics	13%	33%	14%	5%	32%	24%	38%	38%

* Demographic Data Source: Dun & Bradstreet 2006 (3% of Geographies are not Designated Income Tracts)

**Table 3b - Geographic Distribution of Loans to Businesses
San Diego Assessment Area
January 1, 2005, through September 30, 2007**

Census Tract Income Level*	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans						
Commercial Loan Sample Compared to Business Demographics	5%	10%	22%	29%	37%	33%	36%	29%

* Demographic Data Source: Dun & Bradstreet 2006

Responses to Complaints

International City Bank, N.A. received no complaints about its performance under the Community Reinvestment Act during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.