



## **PUBLIC DISCLOSURE**

May 12, 2014

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

1st Century Bank, National Association  
Charter Number 24442

1875 Century Park East, Suite 1400  
Los Angeles, CA 90067

Office of the Comptroller of the Currency

550 North Brand Boulevard Suite 500  
Glendale, CA 91203-1985

**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 Lending Test is rated: "Satisfactory".**

**The Community Development Test is rated: "Outstanding".**

The following major factors support the institution's rating:

- The bank's loan-to-deposit ratio is reasonable given the institution's size, financial condition, and business strategy.
- The bank originated a majority of its loans within its delineated assessment area.
- The geographic distribution of loans reflects reasonable dispersion.
- Lending among borrowers of different income levels, given the bank's product mix, reflects reasonable penetration.
- The bank provided an outstanding level of community development activities given performance context factors.

## **Scope of Examination**

This examination evaluates the CRA performance of 1<sup>st</sup> Century Bank, N.A. (FCB or bank). We used Intermediate Small Bank (ISB) CRA procedures. We performed a full-scope examination of the Los Angeles County assessment area. This process included an evaluation of CRA activities under the Lending Test criteria, as well as an evaluation of lending, investments, and services under the Community Development (CD) Test. We evaluated a random sample of commercial loans from January 1, 2012 through December 31, 2013. In addition, we considered all qualifying CD activities since the bank's prior CRA examination, from June 6, 2011 through May 12, 2014.

## **Description of Institution**

1<sup>st</sup> Century Bank, N.A. opened on March 1, 2004 and is headquartered in Century City, California. The bank operates one full-service branch located in the west side of the City of Los Angeles. The bank also has one loan production office located in Santa Monica, CA. Both locations are located in an upper-income census tract. The bank is an affiliate of 1<sup>st</sup> Century Bancshares, a single bank holding company.

FCB's business strategy focuses on professionals, service providers, businesses, and owners of commercial real estate. Accordingly, the main loan products are commercial loans, which primarily include working capital loans and lines of credit; term loans, such as business equipment loans; and commercial real estate. Other financial services include deposit products, cash management, and internet banking for businesses, non-profits, entrepreneurs, professionals, and high net worth individuals. FCB has granted some home mortgage and consumer loans as part of its relationship-banking operating

strategy, and these represent accommodations to the bank’s professional and business customer base.

Branch hours of operations are comparable to other local financial institutions. Additionally, the bank has one ATM located in the main branch. The ATM is accessible after operating hours.

As of December 31, 2013, the bank reported total assets of \$538 million, total loans of \$384 million, total deposits of \$455 million, and total equity capital of \$53 million. The following chart summarizes the loan portfolio by major product type.

1 <sup>st</sup> Century Bank, N.A. Outstanding Balances by Major Product Type as of December 31, 2013		
Loan Type	(\$000's)	Percent
Commercial RE	124,040	32%
1-4 Family Residential RE	124,018	32%
Multifamily Residential RE	57,989	15%
Commercial	47,684	13%
Construction	27,442	7%
Other	2,375	1%
Total	383,548	100%

There are no financial or legal factors that impede the bank’s ability to help meet the credit needs of the communities it serves. FCB received a “Satisfactory” rating under the Small Bank rating criteria at the prior CRA examination in June 2011.

**DESCRIPTION OF ASSESSMENT AREA**

FCB has designated Los Angeles County as its assessment area (AA). The AA includes all 2,346 census tracts that make up the Los Angeles Metropolitan Division. The bank’s AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies. The following table provides demographic information for the Los Angeles County AA.

Demographic Information for Los Angeles County as of December 31, 2013						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	2,346	8.99	28.64	26.77	34.02	1.58
Population by Geography	9,818,605	8.01	29.43	28.26	33.92	0.39
Owner-Occupied Housing by Geography	1,552,091	2.13	16.61	28.64	52.61	0.01
Business by Geography	882,035	6.40	18.38	25.22	48.79	1.21
Farms by Geography	7,818	3.15	16.67	26.96	52.63	0.59
Family Distribution by Income Level	2,170,227	24.05	16.43	17.64	41.88	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	878,478	13.64	41.84	26.84	17.67	0.01
Median Family Income (MFI)		61,622	Median Housing Value	526,439		
HUD Adjusted Median Family Income for 2013		61,900	Unemployment Rate (2013 Federal Reserve Economic Database)	8.8%		
Households Below Poverty Level		14%				

(\* ) The NA category consists of geographies that have not been assigned an Income Classification.

Source: 2010 US Census and 2013 HUD updated MFI

Los Angeles County is located in Southern California and covers 70 miles of coastline along the Pacific Ocean. The County spans over 4,000 square miles and includes San Clemente and Santa Catalina Islands. Los Angeles County has an extensive transportation network, including seaports and airports, freeway systems, mass transit systems, rail systems, and cross-country railroads. The neighboring counties include Orange to the southeast, Kern to the north, San Bernardino to the east, and Ventura to the northwest. The County holds most of the state’s principal cities encompassing the Greater Los Angeles Area.

The AA is part of the Los Angeles-Long Beach-Anaheim Metropolitan Statistical Area (MSA). There are 88 incorporated cities in Los Angeles County and many unincorporated areas. The northern half of the county is lesser populated in inland areas; however, the southern half of the County is heavily urbanized.

Based on the 2010 U.S. Census, the updated population in the Los Angeles County AA is 9.8 million. FCB helps meet community credit needs in the Los Angeles AA through its one branch office.

The banking environment in the bank’s AA is highly competitive. The June 30, 2013 FDIC Deposit Market Share indicates that 119 institutions compete for deposits in Los Angeles County. FCB ranks 45<sup>th</sup> and holds a deposit market share of 0.13 percent. Eighty-five percent of the deposits in the AA are held by Bank of America, N.A.; Wells Fargo, N.A.; Union Bank N.A.; JP Morgan Chase, N.A.; City National Bank; Citibank, N.A.; OneWest Bank; East West Bank; U.S. Bank, N.A.; Bank of the West; Commerce

Bank; Cathay Bank; and HSBC Bank USA, N.A. The remaining competing banks hold less than 1 percent each. The banks that compete for deposits in the AA also compete for loans. In addition, there are numerous other institutions that do not collect deposits but compete for loans in the AA, making it even more difficult for banks to compete for loans than deposits.

Los Angeles County has a diverse economic base. Historically, the leading industry clusters were tourism and hospitality, professional and business services, entertainment (motion picture and TV production), wholesale distribution, and health services and biomedical. The more recent economy of Los Angeles County is largely technology driven. This sector includes bio-medical, digital information technology, and environmental technology, all of which build on the vibrant technical research capabilities in the County. The County also is the largest manufacturing center in the United States, and the seaports and airports support international trade. The Port of Los Angeles/Long Beach and the Los Angeles International Airport are two of the busiest transportation networks in the nation. The top employers are Kaiser Permanente; University of California Los Angeles; Northrop Grumman Corporation; University of Southern California; Target Corporation; Kroger Corporation; Cedars Sinai Medical Center; Bank of America Corporation; The Boeing Company; Providence Health Systems, The Home Depot, USA Inc.; Vons; Wells Fargo; Edison International; and AT&T.

The economy in the AA showed signs of improvement during the review period. Payrolls increased primarily because of a surge in hiring among the motion picture and sound recording firms. There were also modest gains by apparel makers. However, layoffs in technology, manufacturing, and local government tempered gains. In April 2013, the unemployment rate dropped below 10 percent for the first time in four years. As of December 2013, the unemployment rate for Los Angeles County was 8.8 percent. This is above the 8.3 percent unemployment rate for the State of California and the 6.7 percent national unemployment rate.

We participated on a conference call with several development organizations that provide credit resources to small businesses in underserved communities in Los Angeles County. The representatives stated that high unemployment is still a major issue. Small business financing and technical assistance are a concern and still needed. Entrepreneurship is more visible in this County than in other areas of the State. Affordable housing is a challenge, and foreclosure issues remain. There are asset-building needs, including financial literacy for individuals and business owners. Lastly, workforce development programs need funding.

## **Conclusions with Respect to Performance Tests**

The following sections of this evaluation present the data that support our conclusions under the Lending Test and the CD Test, respectively. Also, refer to the "Institution's CRA Rating" section of this report for summary conclusions regarding FCB's performance under each test.

## LENDING TEST

FCB's performance under the CRA Lending Test is "Satisfactory". The bank meets the standard for satisfactory performance on all of the tests.

### Loan-to-Deposit Ratio

1<sup>st</sup> Century Bank, N.A.'s loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and local economic conditions, and meets the standard for satisfactory performance. We evaluated the bank's quarterly average LTD ratio for the 12 quarters since the prior CRA examination through December 31, 2013. During this period, the bank's LTD ratio averaged 67 percent. This ratio ranged from a quarterly low of 55 percent to a quarterly high of 83 percent during the period. The bank's LTD ratio reasonably compares with four other similar situated banks in the AA. The average LTD ratio for its peer banks was 78 percent over the same period, and the ratio ranged from a quarterly low of 62 percent to a quarterly high of 91 percent. While the bank's quarterly average is below the peer average, the bank's ratio has trended upward in recent quarters and exceeds the peer average with a value of 83 percent as of December 31, 2013.

### Lending in Assessment Area

FCB granted a majority of the number and dollar volume of loans inside its delineated AA, and meets the standard for satisfactory performance. The bank granted 75 percent of the number of loans and approximately 64 percent of the dollar volume within its delineated AA during our evaluation period. See Table 1 for details.

Table 1 - Lending in Los Angeles AA										
Loan Type	Number of Loans					Dollars of Loans (\$000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial Loan	15	75	5	25	20	12,410	64	7,000	36	19,410

Source: Sample of 20 commercial loans originated from January 1, 2012 through December 31, 2013.

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

The bank's overall distribution of loans to borrowers of different income levels reflects reasonable penetration compared to area demographics and meets the standard for satisfactory performance.

The bank's distribution of loans to businesses of different sizes reflects reasonable penetration. The percentage of businesses with revenues of \$1 million or less within the AA is approximately 73 percent. Based on our sample of 20 loans within the AA, the bank originated 65 percent of their loans by number and 63 percent by dollar volume to these businesses. The percentages are both near the demographic

comparator, which indicates the bank's responsiveness to the needs of the businesses in the area. See table 2 for details.

<b>Table 2 - Borrower Distribution of Loans to Businesses in Los Angeles AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Business	73.1	4.5	22.4	100%
% of Bank Loans in AA by #	65.0	35.0	0.0	100%
% of Bank Loans in AA by \$	63.0	37.0	0.0	100%

Source: 2010 U.S. Census data. Random sample of 20 commercial loan originations from January 2012 through December 2013.

### Geographic Distribution of Loans

The overall geographic distribution of FCB's commercial loans reflects reasonable dispersion throughout the AA compared to area demographics, and meets the standard for satisfactory performance. Although the bank's performance is lower than demographic data, this is adequate given the bank's performance context, which includes a highly competitive market for business loans. See table 3 for details.

<b>Table 3 - Geographic Distribution of Loans to Businesses in Los Angeles AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial Loan	6.4	5.0	18.4	10.0	25.2	10.0	48.8	75.0

Source: Data collected from Business Geodemographic Data (1.2 percent of census tracts in Geo-demographic data do not include census data by income level). Random sample of 20 loan originations from January 2012 through December 2013.

### Responses to Complaints

The bank has not received any complaints about its performance under the Community Reinvestment Act during the evaluation period.

### COMMUNITY DEVELOPMENT TEST

The bank's CD performance is rated "Outstanding". During the evaluation period, FCB has demonstrated excellent responsiveness to the CD needs of the bank's AA, considering its performance context and the needs and opportunities within the AA. FCB's CD activities exceed the standard for satisfactory performance.

### Number and Amount of Community Development Loans

CD loan activities exceed the standard for satisfactory performance and reflect excellent responsiveness to the needs within the AA. The bank made 22 CD loans totaling \$24

million within the AA during our evaluation period. These loans provided over 185 affordable housing units within the AA. In addition, these loans help provide community services to low- or moderate-income individuals, stabilize/revitalize low- or moderate-income areas, and provide economic development through job creation. Additionally, the bank made one loan totaling \$1.9 million that benefitted the greater statewide area.

### **Number and Amount of Qualified Investments**

CD investment activities exceed the standards for satisfactory performance and reflect excellent responsiveness to the needs within the AA. During the evaluation period, the bank made qualified investments totaling \$4.3 million. FCB holds two mortgage-backed securities for \$3.3 million. The securities target housing loans in the Los Angeles AA. The underlying mortgages are to low- and moderate-income borrowers and are located in low- and moderate-income geographies. These investments are highly responsive to the credit needs of the community and benefit the AA. In addition, the bank has four certificates of deposit with four minority-owned banks totaling \$1 million. The bank also made donations totaling \$32,490 to 14 CD organizations.

### **Extent to which the Bank Provides Community Development Services**

The bank's CD services program demonstrates excellent responsiveness to the needs within its AA. We evaluated both the bank's retail banking services and CD services.

Bank employees completed 1,244 community service hours to eight organizations within the AA. These activities included financial literacy education programs, active board memberships to CD organizations, and fundraising for CD organizations.

The branch and service delivery system is satisfactory. The bank has one full-service branch location and one full service ATM located in the branch. Branch hours are comparable to other local financial institutions. The bank also offers internet banking services, remote deposit capture, and cash management services to its business customers.

### **Responsiveness to Community Development Needs**

Considering the bank's capacity and opportunities, FCB's overall CD performance demonstrates adequate responsiveness to CD needs through CD loans, investments, and services activities.

### **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c), or 12 CFR 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by



the bank or FSA, or in any AA by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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