



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

May 14, 2012

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

Santa Ana Field Office
1551 North Tustin Avenue, Suite 1050
Santa Ana, CA 92705

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 bank originated a majority of the number and dollar volume of loans within its CRA assessment areas.
- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and area credit needs.
- Lending patterns reflect reasonable penetration among businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion within the bank's assessment areas.

SCOPE OF EXAMINATION

We evaluated performance using the lending test criteria in the CRA regulation for small bank examinations. We focused our review on commercial loans because they represent the substantial portion of the bank's lending activity. To test lending patterns, we analyzed a random sample of commercial loans the bank originated or purchased between January 1, 2010, and December 31, 2011.

DESCRIPTION OF INSTITUTION

International City Bank, N.A. (ICB or the bank) is an intrastate community bank headquartered in Long Beach, California. The bank began operations in 1984. Pedcor Bancorp acquired 84 percent of the bank's common stock in 1997, and was established as the bank's holding company. (Pedcor Bancorp holds two other subsidiaries, Pedcor Funding Corp and Pedcor Assurance Company, neither of which conducts transactions with ICB.)

ICB operates two full-service branches: the Long Beach office in its Los Angeles assessment area (AA) and the Irvine office in its Orange County AA. Since the previous CRA performance evaluation in September 2007, the bank closed its two branches that were located in San Diego as part of its strategic business plan. Because there are multiple financial institutions in those locations, ICB's branch closings did not adversely impact community credit access.

Banking products and services are offered to customers in both branch locations, while ATM services are only available at the Long Beach branch location. In addition to the two branch offices, ICB provides customers with 24-hour access to account information via the bank's internet banking services. The bank provides remote deposit processing and merchant card services. Loan products consist mainly of commercial business

loans and Small Business Administration (SBA) lending. Consumer loan products are mainly accommodations to established clients as part of relationship banking.

The ICB Consolidated Report of Condition and Income (Call Report) reflects total assets of \$149 million, total loans of \$63 million, total deposits of \$104 million, and total equity capital of \$19 million as of March 31, 2012. Total loans represented approximately 42 percent of total assets. The following chart summarizes the loan portfolio by major loan type.

International City Bank N.A. Loan Portfolio by Major Product Type March 31, 2012		
Loan Type	\$(000's)	Percent
Commercial Real Estate and Construction	37,320	60%
Commercial-Industrial	24,671	40%
Consumer	474	<1%
Other/Less Unearned Income	(244)	0%
Total	62,501	100%

Source: March 31, 2012 Call Report

The bank has no financial or legal impediments that would affect its ability to meet the credit needs of its AAs. However, the bank's ability to lend in its AAs has been impacted by the terms of a formal enforcement action with its primary regulatory agency. The bank received a "Satisfactory" rating at the prior CRA examination performed in October 2007.

DESCRIPTION OF ASSESSMENT AREA(S)

ICB has two CRA AAs, both located within the State of California: the Los Angeles AA and the Orange County AA. Both AAs meet regulatory requirements, have whole census tracts, and do not arbitrarily exclude low- or moderate-income (LMI) geographies.

The bank delineated its Los Angeles AA according to populated areas that the bank can reasonably serve, as follows: bounded on the west by the Ventura County Line; to the north, by the northern edge of the San Fernando and San Gabriel Valleys (abutting the Angeles National Forest) to the east by the Los Angeles and Orange County lines; and on the South by the Pacific Ocean. This AA is part of the Los Angeles-Long Beach-Glendale Metropolitan Statistical Area (MSA) 3108. The Orange County AA consists of the entire County of Orange, known as the Irvine-Santa Ana-Anaheim MSA 42044.

Description of the Los Angeles Assessment Area

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 west. The County holds most of the state’s principal cities encompassing the Greater Los Angeles Area. There are 88 incorporated cities in Los Angeles County and many unincorporated areas. The northern half of the county is less populated in desert inland areas; however, the southern half of the County is heavily urbanized.

Based on the 2010 U.S. Census, the updated county population is 9.8 million. The following chart provides demographic information for ICB’s specific CRA geographies in its delineated “Los Angeles County AA.”

Demographic Information for Los Angeles County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	1,924	9.15	29.57	27.96	32.69	0.63
Population by Geography	9,011,129	8.33	30.65	30.43	30.55	0.05
Owner-Occupied Housing by Geography	1,385,503	2.04	16.31	30.89	50.76	0.00
Business by Geography	984,251	6.68	19.33	26.42	47.05	0.52
Farms by Geography	7,307	3.30	16.82	30.42	49.14	0.32
Family Distribution by Income Level	2,031,082	24.34	16.68	17.39	41.59	0.00
Median Family Income (MFI)		\$52,573	Median Housing Value			
HUD Adjusted Median Family Income 2010		\$64,000	(California Association of		\$276,270	
Households below Poverty Level		15.38%	Realtors - March 2012)			

(*) The NA category consists of geographies that have not been assigned an income classification
 Source: 2000 U.S. Census, 2010 HUD updated MFI, and California Association of Realtors

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 "new 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 in the Los Angeles AA are University of California at Los Angeles, Cedars-Sinai Medical Center, Los Angeles County Sheriff,

Nestle USA, Santa Monica College, Sony Pictures Entertainment, Walt Disney Company, and Six Flags Magic Mountain, Inc.

The weak overall employment in the AA is reflective of the struggling national economy. Further, the continuing contractions in the aerospace, construction, and manufacturing sectors are delaying the economic recovery. Although the County has experienced economic gains, the Kyser Center for Economic Research reported that the County’s recovery is lagging the state’s, and the County’s unemployment rate will improve at a painfully slow pace. The California Economic Development Department (EDD) reported that the unemployment rate in Los Angeles County was 11.9 percent in March 2012 compared to the state unemployment rate of 11.5 percent and the national unemployment rate of 8.2 percent.

Description of the Orange County Assessment Area

Orange County is situated along 42 miles of southern California coast and is bounded by the counties of Los Angeles to the north, San Diego to the south, Riverside and San Bernardino to the east, and by the Pacific Ocean to the west. Orange County covers 798 square miles and includes 34 incorporated cities, two national protected areas and several unincorporated areas.

The county’s incorporated cities are mostly located in the northwest area, stretching south along the coast. Orange County has extensive transportation facilities including airports, railroads, and freeways. The freeway system connects the county’s labor force to employment centers in Los Angeles as well as providing extensive access within County borders. Based on the 2010 U.S. Census, the updated county population is 3 million. The following chart provides demographic information for the Orange County AA.

Demographic Information for Orange County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	577	3.64	26.86	33.10	36.22	0.17
Population by Geography	2,846,289	4.95	30.96	31.84	32.26	00.0
Owner-Occupied Housing by Geography	574,193	1.25	19.56	33.56	45.63	0.00
Business by Geography	368,357	2.38	25.49	33.63	37.70	0.80
Farms by Geography	3,788	2.48	26.03	32.87	38.36	0.26
Family Distribution by Income Level	673,912	3.68	26.72	32.40	37.21	0.00
Median Family Income (MFI)		\$69,844	Median Housing Value			
HUD Adjusted Median Family Income		\$84,200	(California Association of			\$485,300
Households Below the Poverty Level		8%	Realtors - March 2012)			

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2000 U.S. Census, 2010 HUD updated MFI, and California Association of Realtors

Orange County has a diverse economy. The economic output and employment is well distributed among the various sectors. The County is known for its tourism, with attractions such as Disneyland, Knott's Berry Farm, and several beaches. However, Orange County also is the headquarters for several Fortune 500 companies, including Ingram Micro, Inc., First American Corporation, Western Digital, and Pacific Life. The major employers include the University of California – Irvine, California State University–Fullerton, First American Title Insurance Company, UC Irvine Healthcare, Hoag Hospital, St. Jude Medical Center, and Orange County Transportation.

Orange County has the lowest unemployment rate in Southern California. The Kyser Center for Economic Research predicts the economy will continue to expand in 2012 with all major private industry sectors adding jobs. However, the pace of job growth will likely be slow. The California EDD reported that the unemployment rate in Orange County was 8.5 percent in March 2012 compared to the state unemployment rate of 11.5 percent and the national unemployment rate of 8.2 percent.

The banking environment remains highly competitive in both of ICB's AAs. Several independent banks compete for market share in each AA. These include other community banks such as Farmers and Merchants Bank, and large banks with branches in the area such as Bank of America, Wells Fargo, City National Bank, and Citibank. Large banks are an increasing source of competition as they are pursuing small-sized businesses historically served by the smaller community banks.

Examiners contacted organizations to assess community needs as part of this examination. Contacts included a statewide community economic development organization. This organization supports revitalizing low to moderate income (LMI) areas by assisting small business development through various information and training programs, including programs targeted for LMI persons. Local and federal agencies provide about one-half of the program funding needs. The organization relies upon banks to donate the remaining funding needs.

Examiners also contacted a statewide affordable housing intermediary, which focuses on ways to provide affordable and safe housing solutions for low- and moderate-income persons and families, an ongoing need in both of ICB's AAs. Other agencies and organizations also reported the continued need for loans for small businesses.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Based on our random sample of 20 commercial loans, the bank's performance in meeting the credit needs of the community is Satisfactory. During the evaluation period January 1, 2010, through December 31, 2011, ICB made a substantial majority of its loans to borrowers inside the AAs. Lending patterns reflects reasonable penetration among businesses of different sizes and reasonable geographic dispersion throughout the AAs. The loan-to-deposit (LTD) ratio is reasonable given the bank's size and performance context. Results of our analysis follow.

Loan-to-Deposit Ratio

ICB’s LTD ratio is reasonable. We analyzed the bank’s quarterly average LTD ratio for the prior 18 quarters, from its last CRA examination through December 31, 2011. ICB’s average ratio for this period was 65 percent. For the purpose of this analysis, we compared the bank’s ratio to the average ratio of peer banks that are similar in asset size operating in a similar geographic area. The combined average quarterly LTD ratio for the peer banks over the same period was 82 percent

Performance context factors help explain the reasonableness of ICB’s LTD ratio versus that of peers. ICB has operated under regulatory restrictions on loan growth and has maintained very conservative loan underwriting practices. In addition, changes in branch locations and a highly competitive market area adversely affected lending volume in relation to deposit levels. Management made a strategic business decision to close its two San Diego offices during the evaluation period. To improve its level of lending, ICB opened a new branch in the City of Irvine (in the adjacent County of Orange). Management hired a “senior relationship manager” to increase loan volume in the Irvine Office, and they expect the bank’s LTD ratio to improve going forward.

Lending in Assessment Area

ICB granted a majority of both the number and dollar volume of sampled commercial loans within its two AAs.

We analyzed a random sample of 20 commercial loans, the bank’s primary loan product. The sample reflects that ICB granted 75 percent of the number and 76 percent of the dollar volume of commercial loans within its AAs as shown in the Table 1.

Table 1 - Lending in the Defined CRA Area Orange County and Los Angeles County Assessment Areas Commercial Loans January 2010 through December 2011										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total #	Inside		Outside		Total \$(000's)
	#	%	#	%		\$(000's)	%	\$(000's)	%	
Commercial Loan Sample	15	75%	6	35	20	3,974	76%	1,269	24	5,243

Source: Random sample of 20 bank loan originations from January 2010 through December 2011

Lending to Businesses of Different Sizes

The bank’s distribution of loans to businesses of different sizes reflects reasonable penetration compared to area demographics and meets the standard for satisfactory performance in each AA.

For this analysis, we randomly sampled business loans the bank originated or purchased within each of ICB’s AAs. We sampled 20 loans in the Los Angeles AA and 14 loans in the Orange County AA (the bank only originated a total of 14 business loans in the newly opened Irvine office during the evaluation period).

ICB’s lending to small business (businesses with annual revenues of \$1 million or less) compares very favorably, and well exceeds, the area demographic. We placed greater weight on performance in the Los Angeles AA given that is ICB’s well-established and main office location.

Our sample of 14 business loans in the Orange County AA compares reasonably with AA demographics, especially given that the Irvine office is relatively new.

Tables 2A and 2B reflect the results of sampled loans compared to area demographics in each of the bank’s AAs.

Table 2A – Lending to Businesses of Different Sizes - Borrower Distribution				
Commercial Loans				
Los Angeles County AA				
January 2010 through December 2011				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Business	68%	3%	29%	100%
% of Bank Loans in AA by #	75%	20%	5%	100%
% of Bank Loans in AA by \$	73%	24%	3%	100%

Sources: Dunn and Bradstreet reported revenue data. Loan sample January 2010 through December 2011.

Table 2B – Lending to Businesses of Different Sizes - Borrower Distribution				
Commercial Loans				
Orange County AA				
January 2010 through December 2011				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Business	68%	4%	28%	100%
% of Bank Loans in AA by #	57%	43%	00%	100%
% of Bank Loans in AA by \$	54%	46%	00%	100%

Sources: Dunn and Bradstreet reported revenue data. Loan sample January 2010 through December 2011.

Geographic Distribution of Loans

The geographic distribution of business loans reflects reasonable dispersion throughout ICB’s AAs compared to area demographics and meets the standard for satisfactory performance.

For this analysis, we randomly sampled business loans the bank originated or purchased within each of ICB’s AAs. We sampled 20 loans in the Los Angeles AA and

14 loans in the Orange County AA (the bank only originated a total of 14 business loans in the newly opened Irvine office during the evaluation period).

In the Los Angeles AA, the percentage of the sampled business loans compares reasonably with the area demographics. In the Orange County AA, the percentage of sampled business loans in low- and moderate-income census tracts compares favorably with area demographics.

Tables 3A and 3B reflect the results of the sampled loans compared to area demographics.

Table 3A - Geographic Distribution of Commercial Loans Los Angeles County AA January 2010 through December 2011								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans						
Commercial Loan Sample	7%	5%	19%	10%	27%	44%	47%	40%

Sources: Dunn and Bradstreet business data by geographic location. Loan sample January 2010 through December 2011.

Table 3B - Geographic Distribution of Commercial Loans Orange County AA January 2010 through December 2011								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans						
Commercial Loan Sample	2%	21%	26%	21%	34%	21%	38%	37%

Sources: Dunn and Bradstreet business data by geographic location. Loan sample January 2010 through December 2011.

Responses to Complaints

The bank has not received any complaints associated with its CRA performance.

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.