



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

June 6, 2011

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

Los Angeles Field Office
550 North Brand Boulevard, Suite 500
Glendale, CA. 91203

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 the 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 major factors supporting this rating are as follows.

- The loan-to-deposit ratio exceeds the standard for satisfactory performance and is more than reasonable.
- Lending within the assessment area exceeds the standard for satisfactory performance. The bank granted a substantial majority of the number and dollar volume of loans within the assessment area.
- The geographic distribution of loans meets the standard for satisfactory performance and reflects reasonable dispersion compared to area demographics.
- Lending penetration among businesses of different incomes does not meet the standard for satisfactory performance. Economic factors reasonably explain this performance.

SCOPE OF EXAMINATION

We evaluated performance using the lending test criteria in the CRA regulation for small bank examinations. We analyzed a sample of commercial loans that 1st Century Bank N.A. (FCB or the bank) originated or purchased between January 1, 2009 through May 31, 2011. We focused our review on commercial loans because they represent the major portion of the bank's lending activity. Consumer and mortgage lending do not represent significant segments of the loan portfolio and are not a focus of FCB's operating strategy.

DESCRIPTION OF INSTITUTION

FCB is a full service commercial bank located in Century City, an affluent area on the west side of the City of Los Angeles. The bank began operations in March 2004. The bank has only one branch location in an upper-income census tract. FCB has no affiliates.

FCB's business strategy focuses on professional 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. FCB has granted a small number of home mortgage and consumer loans as part of its relationship-banking operating strategy, and represent accommodations to the bank's professional and business customer base.

In addition to loan products, FCB offers traditional banking products and services that are available to businesses and the general public throughout the bank’s assessment area, including low- and moderate-income geographies. These include: internet banking; telephone banking; bank-by-mail; on-line cash management; courier and payroll services; and merchant processing. Some products and services help meet the particular needs of small and large businesses; and they also reduce the need for FCB’s customers to be physically located near the bank. The bank has a 24-hour automated teller machine.

As of March 31, 2011, the bank reported total assets of \$319 million. Total loans were \$188 million, or 59 percent of total assets. A significant majority of the loan portfolio consists of commercial loan products, representing a combined 67 percent of the portfolio.

The following chart reflects main portfolio categories by loan type as of March 31, 2011.

Loan Portfolio Composition as of March 31, 2011		
Loan Type	\$Outstanding (000’s)	Percent of Portfolio
Commercial Real Estate	83,736	44%
Commercial Business Loans	43,260	23%
Residential 1st Trust Deed Secured	27,812	15%
RE Equity Lines of Credit	24,969	13%
Junior Lien RE Term loans	5,518	3%
Consumer Loans/Other	3,225	2%
Total	\$188,520	100%

Source: Call Report of Condition and Income, March 31, 2011

The bank has no legal, financial, or other factors impeding its ability to help meet credit needs in the assessment area. The bank was rated Satisfactory for CRA performance when last evaluated in January 2007.

DESCRIPTION OF ASSESSMENT AREA

The Board of Directors has designated the County of Los Angeles as the bank’s CRA assessment area (AA). The AA meets regulatory requirements and does not arbitrarily exclude low- or moderate- income geographies. The AA is situated in the Los Angeles-Long Beach-Santa Ana Metropolitan Statistical Area. The following chart provides demographic information of the bank’s designated AA.

Demographic Information for Los Angeles County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	2,054	8.71	28.29	27.99	34.23	0.78
Population by Geography	9,519,338	8.00	29.44	30.88	31.58	0.10
Owner-Occupied Housing by Geography	1,499,694	1.91	15.46	31.30	51.33	0.00
Business by Geography	769,909	7.76	20.54	26.26	44.69	0.75
Farms by Geography	5,966	3.54	14.80	31.11	50.18	0.37
Family Distribution by Income Level	2,154,311	23.87	16.49	17.40	42.24	0.00
Distribution of Low-and Moderate-Income Families throughout AA Geographies	869,463	13.65	41.46	28.95	15.94	0.00
Median Family Income (MFI) HUD Adjusted Median Family Income 2010		\$53,036 \$63,000	Median Housing Value (California Association of Realtors - June 2011)		\$301,000	

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 U.S. Census, 2010 HUD updated MFI, and June 2011 California Association of Realtors Median Housing Value.

FCB conducts business in a highly competitive banking environment. The bank competes with many other financial institutions for loans and deposits. The market area is concentrated, with the four largest banks holding 54 percent of the insured deposits of the area (Bank of America, Wells Fargo, Union Bank, and Chase). As of June 30, 2010, the bank ranked 60th among 126 FDIC insured institutions, with a 9 percent deposit market share in the AA. Banks with deposit market share similar to FCB include 1st Enterprise Bank, Mission Valley Bank, Commonwealth Business Bank and Community Commerce Bank. Approximately 260 small business lenders also provide significant competition to FCB within the AA. Major lenders in the area include the three largest banks: Bank of America, Wells Fargo and Union. [Source: FDIC 2010 Market Share Reports]

Los Angeles is a complex, highly diverse urban area that includes 88 cities and a number of unincorporated areas. Leading industries in the area are centered in international trade and tourism. The Port of Los Angeles/Long Beach and the Los Angeles International Airport are two of the busiest transportation networks in the nation. Los Angeles has been a large manufacturing center, emphasizing apparel, computer and electronics, and fabricated metal products. Government, medical services, entertainment, and defense and aerospace manufacturing remain important employment sectors. [Source: Moody's Analytics.]

Weak overall employment in the AA is generally reflective of the nationwide economic downturn. Continued contraction in aerospace, construction, and manufacturing in the assessment area are delaying economic recovery from the prolonged recessionary environment. In December 2010, the unemployment rate in Los Angeles peaked at 12.7 percent, which is well above the national rate of 9.0 percent. While the Los Angeles unemployment rate dropped to 11.9 percent in May 2011, job growth trends are reported to be inconsistent among various sectors, and are relatively flat overall. [Sources: Beacon Economics; State Employment Development Department.]

Housing affordability remains an ongoing problem in the AA (and in Southern California in general). This is due to a number of factors including the high unemployment rate versus a high median housing value of \$301,000. [Source: California Association of Realtors - June 2011.] The 2010 HUD report indicates an adjusted median family income for the area of \$63,000. And, among the total population of 9.5 million in the AA, 15 percent are living below the poverty level.

During this examination, examiners contacted a Los Angeles-based community organization to determine significant credit and community development needs to low- and moderate-income individuals. The predominant needs of the community are 1) educating low-income and homeless individuals to secure meaningful employment, and 2) affordable housing. FCB was named as an active participant in meeting these needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FCB’s loan-to-deposit (LTD) ratio exceeds the standard for satisfactory performance and is more than reasonable.

We compared the bank’s quarterly average LTD ratio with six similarly situated financial institutions: banks operating within the AA that are similar in asset size and are affected by similar market-area competitive factors.

Since the bank’s previous CRA examination, the average LTD ratio for the 16 quarters ending December 2010 was 94 percent. This significantly exceeds the 76 percent average ratio of the six peer banks during the same time period.

Lending in Assessment Area

FCB’s lending within the AA exceeds the standard for satisfactory performance. The bank granted a substantial majority of the number and dollar volume of commercial loans within the AA.

During the evaluation period, FCB granted 87 percent of the total number and 80 percent of the dollar volume of a sample of 30 commercial loans within its AA. This reflects a strong pattern of commercial lending (the major segment of the loan portfolio) within FCB’s defined AA. Table 1 reflects the data of loans granted within the bank’s AA by number and by dollar volume.

Table 1 – Lending in Assessment Area Commercial Loans January 1, 2009 through May 31,2011										
Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total #	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	

Commercial Loans	26	87%	4	13%	30	\$29,660	80%	\$7,405	20%	\$37,065
Totals	26	87%	4	13%	30	\$29,660	80%	\$7,405	20%	\$37,065

Source: Sample of 30 Commercial Loans

Geographic Distribution of Loans

FCB’s geographic distribution of loans in the AA meets the standard of satisfactory performance and reflects reasonable dispersion compared to area demographics.

Per demographic data, 7 percent of all businesses were located in low-income geographies. Favorably, FCB granted 8 percent of 30 sampled commercial loans in low-income geographies.

The demographic data show that within the AA, 20 percent of total businesses were in moderate-income geographies. During the review period, 19 percent of FCB’s commercial loan originations were in moderate-income geographies. This represents reasonable geographic dispersion. Table 2 reflects the sample of commercial loans compared to demographics in the bank’s AA.

Table 2 – Geographic Distribution Commercial Loans January 1, 2009 through May 31, 2011								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Commercial Loans	% of AA Businesses	% of Number of Sample Loans						
	7%	8%	20%	19%	27%	4%	44%	46%

Source: Data collected from Business Geo-demographic data (Less than 1 percent of census tracts in Geo-demographic data do not include census data by income level); Sample of 30 Commercial Loans.

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

FCB’s lending to businesses with annual revenues of \$1 million or less does not meet the standard for satisfactory performance and reflects poor penetration compared to area demographics.

The demographic data showed that 78 percent of the businesses in the AA generate annual revenues of \$1 million or less. By number, FCB granted 27 percent of a sample of 30 commercial loans were to borrowers with revenues of \$1 million or less. By dollar volume, 21 percent of the sampled loans had revenues of \$1 million or less.

FCB faces strong competition in the AA. The bank holds roughly 9 percent of the deposit market in their AA, with four larger institutions holding 54 percent of the deposit share. Bank management stated that lending demand to businesses with revenue of \$1 million or less has declined during the review period. This, coupled with the weak local economy, has resulted in a reduction in lending opportunities to businesses with revenues of \$1 million or less. Management reduced their focus on a small business loan program that had been established during the previous review period. Currently, management is exploring opportunities to increase lending to small businesses through participation in small-business loan pools. Table 3 compares the commercial loan sample to demographics in the AA.

Table 3 – Lending to Businesses of Different Sizes in the AA			
Commercial Loans			
January 1, 2009 through May 31, 2011			
Business Revenues	≤\$1,000,000	>\$1,000,000	Total %
% of AA Businesses *	78%	5%	100% *
% of Sample Bank Loans in AA by #	27%	73%	100%
% of Sample Bank Loans in AA by \$	21%	79%	100%

Source: *Dunn & Bradstreet reported revenue data (approximately 17% of businesses did not report revenue data); Sample of 30 Commercial Loans

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.