



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 5, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**International City Bank, National Association
Charter Number 18383**

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

**Office of the Comptroller of the Currency
Southern California South Field Office
1925 Palomar Oaks Way, Suite 202
Carlsbad, California 92008**

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.

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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 an 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, N.A.** as prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of December 31, 2002. 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 is rated "Satisfactory."

The primary factors supporting this rating are:

- ❑ The loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and area credit needs.
- ❑ The majority of loans originated or purchased since the last CRA examination are within the bank's assessment areas.
- ❑ The geographic distribution of loans adequately reflects the area demographics.
- ❑ Lending patterns reflect adequate penetration among businesses of different sizes. While patterns do not closely reflect the Dun & Bradstreet area demographics, the bank lends to businesses of different sizes, including small businesses. In particular, the bank makes small-sized loans to businesses, which is an identified community credit need.

DESCRIPTION OF INSTITUTION

International City Bank (ICB) is full-service commercial bank headquartered in Long Beach, California. ICB maintains three branches within its assessment areas: 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.

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, 2002, the bank had total assets of \$164 million, net loans of \$99 million (60% of total assets), and total deposits of \$109 million. Pedcor Bancorp, a bank holding company with total assets of approximately \$33 million, owns the majority of the bank's stock.

The primary lending focus is commercial real estate, including construction loans, as well as business loans, including Small Business Administration loans. (Residential and consumer lending is not a primary focus of the bank's business strategy.) The following chart reflects the loan portfolio by major product type.

TOTAL LOANS OUTSTANDING BY MAJOR PRODUCT TYPE AS OF DECEMBER 31, 2002

Loan Product	Amount Outstanding (000's)	Percent (%) of Total Loans
Commercial Real Estate and Construction Loans	\$65,468	65%
Business Loans (Including Small Business Administration loans)	\$29,902	30%
Residential Real Estate-Secured SFR 1-4	\$5,508	5%
Consumer Loans	\$212	<1%
Total Outstanding	\$101,090	100%

The last CRA performance evaluation as of December 31, 1998 rated the bank as "Satisfactory."

DESCRIPTION OF ASSESSMENT AREAS

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

The total population in the Los Angeles-Long Beach area was approximately 705,140 according to the 1990 United States Census (the 2000 Census data were not available for analysis at the

time of this evaluation). Median housing value in the area was \$219,113 with 44% of total housing units owner-occupied. The area includes the coastal City of Long Beach as well as adjacent communities commonly known as *greater Long Beach*. Dun and Bradstreet 2002 economic data reflect that small businesses with annual revenue of less than \$500,000 represent the majority of the number of businesses in the area.

The California Employment Development Department (CAEDD) recorded an unemployment rate of 6.1% in the Los Angeles area as of December 2002. Locally, major employers include the services, retail, and tourism-related industries (lodging, amusement, recreation). The local economy exhibited some slowing following the September 11, 2001 terrorist attack and its adverse impact on the tourism industry. A return to historical levels is not expected until well into 2003. Overall, the local economy is expected to remain relatively stable and evidence modest growth in the first half of 2003. [Source of economic data: California State University Long Beach, *Southern California Economic Forecast*.]

The following table reflects the Los Angeles-Long Beach area's census tracts by income category according to the 1990 Census.

**LOS ANGELES-LONG BEACH ASSESSMENT AREA
CENSUS TRACT COMPOSITION**

Census Tract Income Category	Number of Tracts In Area	Percent of Area by Tract Type	1990 Households	Percent of Population within Tract Category
Low Income Tracts	12	9%	81,399	12%
Moderate Income Tracts	19	14%	138,004	19%
Middle Income Tracts	45	33%	251,193	36%
Upper Income Tracts	55	41%	231,664	33%
N/A*	4	3%	2,880	<0.05%
Total	135	100%	705,140	100%

[*Note: The undesignated tracts consist mainly of the Long Beach Airport, California State University at Long Beach, U.S. naval shipyards, and Terminal Island shipping Terminals.]

The 1990 Census median family income in the area was \$39,035. The Department of Housing and Urban Development (HUD) updated the median family income in 2002 to \$55,100. The following table reflects family distribution by income level according to the 1990 Census.

**LOS ANGELES-LONG BEACH ASSESSMENT AREA
FAMILY DISTRIBUTION**

Family Income Level	Number of Families by Income Level	Percent of Families in Area
Low Income Families	36,920	23%
Moderate Income Families	27,837	17%
Middle Income Families	33,958	21%
Upper Income Families	63,990	39%
Total	162,705	100%

The total population in the San Diego area was approximately 2,498,016 according to the 1990 United States Census (the 2000 Census data were not available for analysis at the time of this evaluation). Median housing value in the area was \$198,213 with 51% of total housing units owner-occupied. Dun and Bradstreet 2002 economic data reflect that small businesses with annual revenue of less than \$500,000 represent the majority of the number of businesses in the area.

The California Employment Development Department (CAEDD) recorded an unemployment rate of 5.4% in the San Diego area as of December 2002. The unemployment rate is expected to decline slightly in 2003 mainly from increased tourism (conventions, the Super Bowl, and more casinos). Manufacturing employment is expected to slow somewhat. Major employers in the area include retail and wholesale trade, tourism, military/defense, financial and health services, and technology. San Diego currently has the third largest concentration of bioscience companies in the world. The area economy has benefited from increased defense spending, but recent and substantial deployments in the Middle East could have an adverse impact given the County's large military population. [Source of economic data: Los Angeles County Economic Development Corporation, *2003-2004 Economic Forecast and Industry Outlook*.]

The following table reflects the San Diego area's census tracts by income category according to the 1990 Census.

**SAN DIEGO ASSESSMENT AREA
CENSUS TRACT COMPOSITION**

Census Tract Income Category	Number of Tracts In Area	Percent of Area by Tract Type	1990 Households	Percent of Population within Tract Category
Low Income Tracts	26	6%	155,901	6%
Moderate Income Tracts	96	22%	578,372	23%
Middle Income Tracts	193	43%	1,098,615	44%
Upper Income Tracts	117	26%	631,102	26%
N/A*	13	3%	34,026	1%
Total	445	100%	2,498,016	100%

[*Note: The undesignated tracts consist mainly of U.S. naval stations, U.S. Marine Corps Depot, railroad and warehouse yards, County administration buildings, and the San Diego Embarcadero.]

The 1990 Census median family income in the area was \$39,798. The Department of Housing and Urban Development (HUD) updated the median family income in 2002 to \$60,100. The following table reflects family distribution by income level according to the 1990 Census.

**SAN DIEGO ASSESSMENT AREA
FAMILY DISTRIBUTION**

Family Income Level	Number of Families by Income Level	Percent of Families in Area
Low Income Families	120,263	20%
Moderate Income Families	113,264	19%
Middle Income Families	135,068	22%
Upper Income Families	236,549	39%
Total	605,144	100%

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 a community redevelopment agency in the Los Angeles-Long Beach area and an economic development agency in the San Diego area in conjunction with this examination. These agencies determined that there is a continued need for small loans for businesses in both assessment areas, as well as an ongoing need for affordable housing.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

To evaluate the bank’s commitment to the Community Reinvestment Act, we analyzed the performance criteria described below.

LOAN-TO-DEPOSIT RATIO

The bank’s loan-to-deposit ratio is more than reasonable given its size, financial condition, and area credit needs. We evaluated the quarterly average loan-to-deposit ratio over the 16 quarters since the last CRA examination. The bank’s average loan-to-deposit ratio is 106%. This compares very favorably with the 77% average ratio of similarly situated banks (banks with similar asset size and headquartered in the Los Angeles-Long Beach MSA).

LENDING IN ASSESSMENT AREA

The bank granted a majority of the number and dollar volume of its loans within its defined assessment areas. For this analysis, we randomly sampled a total of 70 business and commercial real estate loans originated or purchased since the last examination since these represent the bank’s primary loan products. Of the 67 loans with usable data, 70% of the number of loans and 71% of the dollar volume are within the defined areas. The following table reflects the number and dollar volume of loans the bank originated or purchased inside and outside the assessment area based on our sample.

**LENDING INSIDE AND OUTSIDE THE ASSESSMENT AREAS
BUSINESS AND COMMERCIAL REAL ESTATE LOANS
January 1999 through December 2002**

	Number of Loans	Percent of Total Number	Dollar Volume	Percent of Total Dollar Volume
Inside Area	47	70 %	\$10,939,204	71 %
Outside Area	20	30 %	\$4,493,984	29 %
Total Loans	67	100%	\$15,433,188	100%

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

Lending patterns reflect adequate penetration among businesses of different sizes. By percentages, lending in both the Los Angeles-Long Beach and San Diego areas does not compare closely with Dun & Bradstreet 2002 data for small businesses (having annual revenues of \$1 million or less). While a greater majority of the dollar volume of the bank's loans was granted to businesses with revenues exceeding \$1 million, this can be expected given that larger-sized businesses can support larger-sized loans. It should also be noted that the bank makes a substantial number of small-size business loans, which is an identified community credit need. All of the loans we sampled were less than \$1 million each, with nearly half of the number of loans granted in amounts of \$100,000 or less.

For this analysis, we randomly selected 20 business loans (including Small Business Administration loans) granted within each assessment area. We did not analyze consumer lending to borrowers of different income levels because the bank is primarily a commercial lender, and consumer lending is not a significant activity. The following tables reflect the bank's record of lending to businesses of different sizes in each assessment area based on our sample.

**LENDING TO BUSINESSES OF DIFFERENT SIZES
LOS ANGELES-LONG BEACH AREA
DISTRIBUTION BY BUSINESS SIZE
January 1999 through December 2002**

Business Revenues	Percent of Businesses in Area*	Number of Loans	Percent of Total Number	Dollar Volume of Loans	Percent of Total Dollar Volume
< \$1 Million	90%	9	45%	\$906,592	19%
> \$1 Million	10%	11	55%	\$3,867,500	81%
Total	100%	20	100%	\$4,774,092	100%

*Source: 2002 Dun & Bradstreet data

**LENDING TO BUSINESSES OF DIFFERENT SIZES
LOS ANGELES-LONG BEACH AREA
DISTRIBUTION BY LOAN SIZE
January 1999 through December 2002**

Loan Size	Number of Loans	Percent of Total Number	Dollar Volume of Loans	Percent of Total Dollar Volume
<=\$100,000	9	45%	\$639,092	13%
>\$100,000 to \$250,000	5	25%	\$817,500	17%
>=\$250,000 to \$1 Million	6	30%	\$3,317,500	70%
Subtotal <= \$1 Million	20	100%	\$4,774,092	100%
> \$1 Million	0	0	0	0
Total	20	100%	\$4,774,092	100%

**LENDING TO BUSINESSES OF DIFFERENT SIZES
SAN DIEGO AREA
DISTRIBUTION BY BUSINESS SIZE
January 1999 through December 2002**

Business Revenues	Percent of Business in Area*	Number of Loans	Percent of Total Number	Dollar Volume of Loans	Percent of Total Dollar Volume
< \$1 Million	91%	8	40%	\$894,112	10%
> \$1 Million	9%	12	60%	\$2,092,500	90%
Total	100%	20	100%	\$2,986,612	100%

*Source: 2002 Dun & Bradstreet data

**LENDING TO BUSINESSES OF DIFFERENT SIZES
SAN DIEGO AREA
LOAN SIZE DISTRIBUTION
January 1999 through December 2002**

Loan Size	Number of Loans	Percent of Total Number	Dollar Volume of Loans	Percent of Total Dollar Volume
<=\$100,000	10	50%	\$559,112	19%
>\$100,000 to \$250,000	8	40%	\$1,492,500	50%
>=\$250,000 to \$1 Million	2	10%	\$935,000	31%
Subtotal <= \$1 Million	20	100%	\$2,986,612	100%
> \$1 Million	0	0	0	0
Total	20	100%	\$2,986,612	100%

Enhancing its record of lending to small businesses, the bank has actively participated in the Capital Availability Program (CAP), which is administered through the City of Long Beach. The CAP program is designed to assist small businesses in specifically designated areas of Long Beach (that include low- and moderate-income areas), and thus increase job opportunities in those areas. The City requests loan approvals from representatives of a consortium of six local banks, including International City Bank. The consortium funds the loans, which are granted in small dollar amounts at low interest rates. Since the last CRA examination, International City Bank was a participant-lender in the origination of 59 CAP loans aggregating \$141,500, the bank's pro-rata share.

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution of loans adequately reflects area demographics in each assessment area.

In the Los Angeles-Long Beach area, 8% of area businesses are located in low-income census tracts. Favorably, the bank originated 10% of the number of business loans and 5% of the dollar volume in those tracts. We placed greater emphasis on the number of loans given that a greater number of businesses were served. Based on our random sample of 20 business loans, we did not capture any loans extended within the moderate-income census tracts in this assessment area. Management identified that since the last CRA examination, the bank granted loans within the West Long Beach Project Area, which is a designated redevelopment area that includes moderate-income geographies. We determined that one of these bank loans is situated in a moderate-income census tract. Though not part of our original random sample of 20 business loans, we included this loan in the analysis to reflect the bank's efforts at meeting credit needs throughout its communities.

In the San Diego area, lending within moderate-income census tracts adequately reflects the business demographics. However, we did not capture any loans granted in low-income areas in our original random sample of 20 business loans. We expanded our sample to incorporate 100% of business loans granted in the area during 2001 and 2002 to obtain a more accurate reflection of lending patterns. Results were favorable in that 4% of area businesses are located in moderate-income census tracts, and the bank originated 7% of the number of business loans and 5% of the dollar volume in those tracts. We placed greater emphasis on the number of loans given that a greater number of businesses were served.

For this analysis, we did not analyze consumer loans because the bank is primarily a commercial lender, and consumer lending is not a significant activity. The following tables reflect the distribution of business loans (based on our expanded samples) compared with the local demographics for each of the assessment areas.

**GEOGRAPHIC DISTRIBUTION OF BUSINESS LOANS
LOS ANGELES-LONG BEACH AREA
January 1999 through December 2002**

Census Tract Income Level	Percent of Businesses Located in Tract Category*	Number of Loans in Tract Category	Percent of Number of Loans in Tract Category	Dollar Amount in Tract Category	Percent of Total Dollar Amount in Tract Category
Low	8%	2	10%	\$279,203	5%
Moderate	14%	1	5%	\$391,743	8%
Middle	35%	7	33%	\$2,305,889	45%
Upper	41%	9	43%	\$2,039,000	39%
N/A	2%	2	9%	\$150,000	3%
Total	100%	21	100%	\$5,165,835	100%

*Source: 2002 Dun & Bradstreet data

**GEOGRAPHIC DISTRIBUTION OF BUSINESS LOANS
SAN DIEGO AREA
January 1999 through December 2002**

Census Tract Income Level	Percent of Businesses Located in Tract Category*	Number of Loans in Tract Category	Percent of Number of Loans in Tract Category	Dollar Amount in Tract Category	Percent of Total Dollar Amount in Tract Category
Low	4%	2	7%	\$235,000	5%
Moderate	23%	4	13%	\$309,112	7%
Middle	44%	17	57%	\$2,964,500	62%
Upper	29%	7	23%	\$1,258,000	26%
N/A	<1%	0	0	\$0	0
Total	100%	30	100%	\$4,766,612	100%

*Source: 2002 Dun & Bradstreet data

Further demonstrating commitment to community reinvestment, the bank's four subsidiaries (Pedcor Housing Corporation, Pedcor Homes Corporation, Pedcor Community Development Corporation, and Pedcor Capital Corporation) are in the business of owning, developing, rehabilitating, renting, and managing affordable housing projects.

These subsidiaries, collectively called the "Affordable Housing Group," structure and participate in multi-family housing developments. Developments include those that have been granted tax credits under Section 42 of the 1986 Internal Revenue code, and some are tax-exempt bond-financed developments. Five of these affordable housing projects (an identified community credit need) are located within California, two of which are situated within the bank's San Diego assessment area. A description of these five projects follows.

Pinewood Apartments - El Cajon, CA (within the bank's San Diego assessment area)

Investment book value: \$411,655

50 units – 100% of rentals restricted to persons earning less than 60% of area median income.

Bella Vista Apartments - El Cajon, CA (within the bank's San Diego assessment area)

Investment book value: \$1,264,148

150 units – 90% of rentals restricted to persons earning less than 60% of area median income. 10% restricted to persons earning less than 50% of area median income.

Eagle Ridge Apartments – Colton, CA

Investment book value: \$902,069

144 units – Minimum 51% of rentals restricted to persons earning less than 50% of area median income.

Amberwood Villas Apartments – Hemet, CA

Investment book value: \$1,431,775

180 units - Minimum 51% of rentals restricted to persons earning less than 50% of area median income.

Whispering Pines Apartments – Hemet, CA

Investment book value: \$298,721

144 units - Minimum 51% of rentals restricted to persons earning less than 50% of area median income.

In addition to its record of lending in the assessment area, International City Bank dedicates time and resources to a number of organizations that promote community development.

- The bank's president serves as a board member and the Chairperson of the Long Beach Redevelopment Agency working with community members, businesses, and civic organizations to promote and implement community development projects. This agency develops new retail, office, and residential projects, and also revitalizes industrial sectors throughout the City of Long Beach, including low- and moderate-income areas.
- The vice president of the bank's University City office serves as a loan committee member for two community development corporations that help meet special community credit needs in the San Diego area. A description of their credit programs follows.
 - The California Southern Small Business Development Corporation contracts with the State of California to administer the State Loan Guarantee Program. This program assists small businesses that need additional support for obtaining credit in the form of a guarantee. The program places special emphasis on women- and minority-owned businesses as well as businesses located in designated enterprise zones.

- The Southeastern Economic Development Corporation (SEDC) serves the southeastern portion of the City of San Diego, primarily City Council District 4. The SEDC provides loans at favorable terms for businesses (in a designated enterprise zone) that would not normally qualify for traditional financing.

RESPONSES TO COMPLAINTS

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

RECORD OF COMPLIANCE WITH FAIR LENDING LAWS

We performed an analysis of public comments and consumer complaint information according to the OCC's risk-based approach to fair lending. Based on analysis of the information, the OCC determined that a comprehensive fair lending examination would not be required in connection with the CRA evaluation this year.