



## **PUBLIC DISCLOSURE**

October 16, 2017

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

International City Bank, N.A.  
Charter Number 18383

249 E. Ocean Boulevard  
Long Beach, California 90802

Office of the Comptroller of the Currency

Los Angeles Field Office  
550 North Brand Boulevard, Suite 500  
Glendale, California 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 safe and sound operation of the institution. This evaluation is not, and should not 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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## Overall CRA Rating

**The Lending Test is rated Satisfactory.**

The major factors that support this rating include:

- A substantial majority of the bank's lending activity is within its delineated assessment area.
- The bank's distribution of loans to businesses of different sizes reflects reasonable penetration compared to area demographics.
- The geographic distribution of business loans reflects excellent dispersion throughout the assessment area compared to area demographics.
- The bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and business strategy.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies,

distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn, loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing).

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## 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 is owned by Pedcor Capital, LLC and owns several investment, real estate management, and real estate development companies. ICB operates two full-service branches, the Long Beach office located in an upper-income census tract, and the Irvine office located in a middle-income census tract.

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 bank serves one designated assessment area (AA), a major portion of the Los Angeles-Long Beach-Anaheim, CA Metropolitan Statistical Area (MSA). The banking environment is highly competitive and ICB ranks 92<sup>nd</sup> out of 125 institutions in its market area with 0.02 percent deposit market share. ICB's main competitors include Bank of America, Wells Fargo, JP Morgan Chase, MUFG Union Bank, and CIT Bank. Combined, they hold over 60 percent of the deposit market share.

The ICB Report of Condition and Income reported total assets of \$214 million, total loans of \$104 million, total deposits of \$185 million, and total equity capital of \$27 million as of June 30, 2017. Total loans represented approximately 49 percent of total assets. The following chart summarizes the loan portfolio by major loan type.

<b>International City Bank, N.A. Loan Portfolio by Major Product Type June 30, 2017</b>		
Loan Type	(000's)	Percent
Commercial Real Estate	68,744	66.3%
Multifamily Residential RE	12,435	12.0%
1-4 Family Residential RE	7,929	7.6%
Commercial-Industrial	7,197	6.9%
Construction	4,765	4.6%
Other	2,558	2.5%
Farmland	117	0.1%
Total	103,745	100%

There are no financial or legal factors that impede the bank's ability to meet the credit needs of the community. ICB received a "Satisfactory" rating under the "Small Bank" rating criteria at the last CRA examination, dated May 14, 2012.

# **Scope of the Evaluation**

## **Evaluation Period/Products Evaluated**

This Performance Evaluation (PE) assesses International City Bank's CRA performance using the lending test criteria for small bank examinations. We performed a full-scope examination of the bank's assessment area. We analyzed a random sample of commercial loans the bank originated or purchased between January 1, 2015 and December 31, 2016. We focused our review on commercial loans because they represent the major portion of the bank's lending activity.

## **Data Integrity**

We determined the accuracy of the bank's business loan data while onsite. We evaluated the bank's lending patterns using applicable loan data for the evaluation period.

## **Selection of Areas for Full-Scope Review**

A full scope review was conducted for ICB's one assessment area. Refer to the table in Appendix A for more information.

## **Ratings**

The bank's overall rating is based on performance in the Los Angeles-Long Beach-Anaheim MSA that received a full-scope review.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

# Conclusions with Respect to Performance Tests

## LENDING TEST

ICB's performance under the lending test is rated satisfactory. Each of the areas considered in the lending test is described below.

### Loan-to-Deposit Ratio

ICB'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. The ratio is calculated on a bank-wide basis. We evaluated the bank's quarterly average LTD ratio for the 22 quarters since the prior CRA examination through June 2017. During this period, the bank's LTD ratio averaged 75 percent. This ratio ranged from a quarterly low of 56 percent to a quarterly high of 99 percent during this period. The bank's LTD ratio reasonably compares with other banks of similar asset size in the AA. The average LTD ratio for peer banks was 79 percent over the same period, and the ratio ranged from 50 percent to 108 percent. While the bank's average ratio was lower than the peer bank average, it is reasonable and meets the standard for satisfactory performance.

### Lending in Assessment Area

ICB originated a substantial majority of its loans within its delineated AA and exceeds the standard for satisfactory performance. This proportion of lending inside versus outside the bank's AA is calculated on a bank-wide basis. The bank originated 90 percent of the number of commercial loans in our random sample and approximately 82 percent of the dollar amount within the AA during our evaluation period. See Table 1 for details.

Table 1 - Lending in the Defined CRA Area Los Angeles-Long Beach-Anaheim Assessment Area Commercial Loans January 2015 through December 2016										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total #	Inside		Outside		Total \$(000's)
	#	%	#	%		\$(000's)	%	\$(000's)	%	
Commercial Loan Sample	18	90	2	10	20	7,301	82.4	1,556	17.6	8,857

Source: Random sample of 20 bank commercial loan originations from January 2015 through December 2016.

### Lending to Borrowers of Different Incomes and 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. The bank originated 55 percent of loans by number and 45 percent by dollar volume to small business borrowers in the AA. While the percentages are somewhat below the area demographics, lending to small businesses within the AA is highly competitive and ICB competes with a number of large national financial institutions as well as regional and local lenders. See Table 2A for details.

<b>Table 2A – Lending to Businesses of Different Sizes - Borrower Distribution</b>				
<b>Commercial Loans</b>				
<b>Los Angeles-Long Beach-Anaheim Assessment Area</b>				
<b>January 2015 through December 2016</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Business	87%	6%	7%	100%
% of Bank Loans in AA by #	55%	45%	0%	100%
% of Bank Loans in AA by \$	45%	55%	0%	100%

Sources: Dunn and Bradstreet reported revenue data. Random sample of 20 commercial loan originations from January 2015 through December 2016.

## Geographic Distribution of Loans

The geographic distribution of commercial loans reflects excellent dispersion throughout the assessment area compared to area demographics and exceeds the standard for satisfactory performance. ICB's lending to businesses in low- and moderate-income tracts exceeds the demographic data for the AA. See Table 3A for details.

<b>Table 3A - Geographic Distribution of Commercial Loans</b>								
<b>Los Angeles-Long Beach-Anaheim Assessment Area</b>								
<b>January 2015 through December 2016</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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 Sample	6.04%	20%	20.23%	25%	27.60%	20%	44.87%	35%

Sources: Dunn and Bradstreet business data by geographic location. Random sample of 20 commercial loan originations from January 2015 through December 2016. (Note: 1.26 percent of census tracts in geo-demographic data are not income-designated tracts).

## Responses to Complaints

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

# Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test: 1/1/15 to 12/31/16	
<b>Financial Institution</b>		<b>Products Reviewed</b>
International City Bank, N.A. (ICB) Long Beach, California		Commercial Loans
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
N/A		N/A
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Los Angeles-Long Beach- Anaheim, CA MSA	Full-Scope	

## Appendix B: Community Profiles for Full-Scope Areas

### Los Angeles-Long Beach-Anaheim Assessment Area

Demographic Information for Full Scope Area: Los Angeles-Long Beach-Anaheim AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	2,774	8.62	28.77	28.26	33.17	1.19
Population by Geography	12,165,840	7.90	30.01	29.19	32.70	0.21
Owner-Occupied Housing by Geography	2,014,576	2.47	17.59	30.21	49.73	0.01
Business by Geography	901,653	6.04	20.23	27.60	44.87	1.25
Farms by Geography	9,077	3.79	19.62	29.55	46.44	0.61
Family Distribution by Income Level	2,719,965	23.85	16.78	18.12	41.24	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	1,105,312	13.13	41.66	27.60	17.60	0.00
Median Family Income		66,023	Median Housing Value		552,191	
FFIEC Adjusted Median Family Income for 2016		66,898	Unemployment Rate (2010 US Census)		4.26%	
Households Below Poverty Level		13%				

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

Source: 2010 US Census and 2016 FFIEC updated MFI

ICB's AA includes a major portion of the Los Angeles-Long Beach-Anaheim MSA. It includes all of Orange County and all but the northern area of Los Angeles County where the bank does not have lending opportunities and cannot reasonably serve. The banking environment is highly competitive and ICB ranks 92<sup>nd</sup> out of 125 institutions in its market area with 0.02 percent deposit market share. ICB's main competitors include Bank of America, Wells Fargo, JP Morgan Chase, MUFG Union Bank, and CIT Bank. Combined, they hold over 60 percent of the deposit market share. The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

The AA includes 2,774 census tracts of which nine percent are low-income, 29 percent are moderate-income, 28 percent are middle-income, 33 percent are upper-income, and one percent has not been assigned an income classification. The 2010 Census median housing value was \$552,191. According to CoreLogic, the median home price in September 2017 was \$575,000 for Los Angeles County and \$695,000 for Orange County. The 2010 weighted average of the MSA median family income was \$66,023. The 2016 Federal Financial Institutions Examination Council (FFIEC) updated MSA median family income is \$66,898 for the Los Angeles AA. Approximately 13 percent of the households are living below the poverty level.

Based on the 2010 Census, the population of the AA is over 12 million. The AA is the 2<sup>nd</sup> largest metropolitan area in the United States. According to the State of California Employment Development Department, the unemployment rate in the Los Angeles-Long Beach-Anaheim MSA was 4.9 percent in Los Angeles County and 3.6 percent in Orange County in September 2017. This compares with an unadjusted unemployment rate of 4.7 percent for California and 4.1 percent for the nation. According to Moody's Investors Service, the expansion in the AA has slowed. The major employers in the AA include University of California, Los Angeles and Irvine, Kaiser Permanente, Disneyland Resort, Walt Disney Company, and the University of Southern California.

In conjunction with this CRA examination, examiners contacted a local nonprofit organization to determine primary credit needs in the AA. This organization provides food, clothing, and hot meals to the low-income and homeless population. The contact felt there is a need for affordable housing, financing for local small businesses, and food for in-need families. The contact also stated that there are numerous opportunities for bank involvement. This includes organizational support and financial education.