



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

April 12, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Intercredit Bank, National Association
Charter Number: 18283

1200 Brickell Avenue
Miami, FL 33131-0000

Office of the Comptroller of the Currency

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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: "Satisfactory".

The major factors that support this rating include:

- Since the last examination, the bank's average quarterly loan-to-deposit ratio is 87 percent.
- A majority of loan originations and purchases are within the bank's assessment area.
- The distribution of loans among businesses of different sizes exhibits poor penetration.
- The geographic distribution of loans exhibits an excellent dispersion of loans in low- and moderate-income geographies.
- The overall responsiveness of community development lending, investments and services is adequate, given performance context and opportunities in the assessment area.

Scope of Examination

This Performance Evaluation assesses the bank's performance under the Lending and Community Development Tests. In evaluating the bank's lending performance, we reviewed loans to businesses, the bank's primary loan product.

The overall evaluation period ranged from January 1, 2007 to April 14, 2010. The Lending Test concentrated on activity from January 1, 2007 to December 31, 2009, as there was not sufficient data available to include activity to-date in 2010. The Community Development Test concentrated on activity from April 17, 2007, the date of the last CRA examination, to April 14, 2010. The evaluation is based on accurate data. Loan reports and community development loans, investments, and services submitted by bank management were verified to ensure accuracy and that, where applicable, they met the regulatory definition for community development.

Community credit needs in the assessment area were determined by reviewing recent housing and demographic information, applications for Neighborhood Stabilization Program (NSP) funding to the Department of Housing and Urban Development (HUD) and community contacts conducted by the OCC in connection with other CRA examinations of banks operating in the same assessment area. For this examination, we conducted a community contact with a non-profit organization whose mission is to provide housing affordable to low- and moderate-income families and individuals.

Critical identified needs are funding to assist in the acquisition and rehabilitation of foreclosed property to be made available at prices that are affordable to low- and moderate-income families

and individuals, programs to assist low- and moderate-income families and individuals purchase homes, and small dollar loans for business purposes, particularly start-up businesses.

For this examination, the bank has two assessment areas. The first includes all of Miami-Dade County, which is equivalent to Metropolitan Division (MD) 33124 (Miami-Miami Beach-Kendall, FL). The second includes all of Broward County, which is equivalent to MD 22744 (Fort Lauderdale, Pompano Beach-Deerfield, FL). On January 29, 2010 the branch located in Broward County was closed, however since it was open for virtually all of the evaluation period, it is included at this examination. For analytical purposes the Miami assessment area was chosen for a full-scope review. As of June 30, 2009, the Miami assessment area represented 96 percent of the bank's deposits. A limited-scope review was conducted for the Broward assessment area. The bank's overall rating is based primarily on the assessment area receiving the full-scope review.

Under the Lending Test, the analysis of Loan-to-Deposit Ratio and Lending in the Assessment Area is conducted on a bank-wide basis rather than by assessment area. All other analysis is conducted by assessment area.

Description of Institution

Intercredit Bank, National Association (ICBNA) is an intrastate community bank headquartered in Miami, Florida and owned by Intercredit Bank Trust, which is privately held. The bank has nine affiliates headquartered outside the United States. There are two operating subsidiaries in the United States formed for real estate holdings but there are no holdings at this time. No affiliate or subsidiary activity is relevant to this examination and such activity does not affect the bank's ability to lend or invest in its community.

ICBNA currently operates six branches in Miami-Dade County, four in Miami, one in Coral Gables, and one in Doral. None of the bank's branches are located in either low- or moderate-income geographies. The Coral Gables branch was opened since the last examination and is located in a middle-income geography. As previously mentioned, the Broward County branch, which was located in an upper-income geography, closed in January of this year.

The bank offers a variety of deposit and loan products for businesses and individuals, as described in its CRA Public File. The bank's primary business focus is commercial lending. In order to assist smaller businesses, the bank recently placed an added emphasis on Small Business Administration (SBA) lending including 7 (a) and 504 loans and Ex-Im Bank lending to assist in financing the export of U.S. goods and services to international markets. Residential mortgage lending is no longer a principal line of business. Mortgage lending is generally limited to an accommodation for existing customers or loans to foreign nationals purchasing second homes in the United States. For the evaluation period, ICBNA originated a total of 50 residential mortgage loans and only five in 2009.

As of December 31, 2009 Tier 1 Capital equaled \$27 million and the bank had total assets of \$290 million. Total deposits were \$212 million of which \$111 million or 52 percent are from foreign depositors, primarily from Venezuela and Ecuador. Total loans, which represent 73

percent of total assets, equaled \$210 million of which approximately \$34 million or 16 percent are to foreign borrowers, indicating that, in part, domestic loans are being funded by foreign deposits. Our evaluation of ICBNA takes this factor into account.

Of the bank’s loan portfolio as of December 31, 2009, 37 percent represents residential real estate loans (1 to 4 family homes), 34 percent commercial real estate loans, 16 percent commercial and industrial loans, and 11 percent multi-family real estate loans. Remaining loans, which represent 2 percent of the total portfolio, include consumer, construction, and “other” loans. Residential loans were generally originated in prior evaluation periods with the volume of such loans declining over the years as the bank placed more emphasis on commercial lending.

During the evaluation period the bank faced challenges to its ability to help meet the credit needs of its assessment areas. The bank experienced a significant decline in loans and total assets primarily due to the financial crisis which has severely impacted the economy in South Florida. At the last CRA examination we noted total assets of \$401 million (as of December 31, 2006). Current assets of \$290 million (December 31, 2009) represent a decline of 28 percent. As expected, the decline in assets was reflected mostly in a decline of total loans and investments. Income also declined during this period, and the bank reported losses in both 2008 and 2009 as management focused its attention on strengthening its existing loan portfolio. These challenges were taken into consideration as we evaluated the bank’s CRA performance.

At its last CRA examination, dated April 17, 2007, ICBNA was rated “Satisfactory”.

Description of Full-Scope Assessment Area

ICBNA’S full-scope assessment area is all of Miami-Dade County. This assessment area, which is equivalent to Metropolitan Division (MD) 33124 (Miami-Miami Beach-Kendall, FL), meets the requirements of the CRA regulation and does not arbitrarily exclude low- and moderate-income geographies.

Miami-Dade County is primarily a densely populated urban center. According to the 2000 Census, the total population is 2.25 million. However, 2006 estimates by the US Census Bureau place the total population at 2.4 million. The largest concentration of population can be found in the city of Miami which also has the largest concentration of low- and moderate-income geographies. Refer to Table 1 for a breakdown of geographies by income level as well as other relevant demographic information.

Overall, owner occupancy is high in the county reaching 60 percent (based on 2006 estimates) as a result of the housing boom that impacted the area through 2006; however, in low- and moderate-income geographies, the level of renter occupancy is high (69% and 56%, respectively). These geographies also represent high levels of households below the poverty level (47% and 27%, respectively), indicating a need for affordable rental housing. The Department of Housing and Urban Development (HUD) estimates that the 2009 median family income for Miami-Dade County is \$50,800. Refer to Table 1 for a breakdown of families by borrower income classification.

Table 1: Assessment Area Description

	Number	Low	Moderate	Middle	Upper
Tracts	347	7.78%	28.53%	32.85%	29.97%
Families	552,484	23.00%*	16.98%*	18.53%*	41.50%*
Businesses	424,921	4.65%**	21.49%**	32.28%**	41.10%**

Source: Demographic Data – 2000 U.S. Census, 2009 Business Demographic Data-PCI Corporation, Inc.

*Represents families by income level. **Represents businesses by income level of census tract.

Miami-Dade County, particularly the city of Miami, has been severely impacted by the current housing crisis. The National Association of Realtors estimates the median sales price of an existing single-family home at year-end 2009 in Miami-Dade County to be \$211,200. When compared with the \$367,000 figure for 2006, there is a decline of 43 percent. Comparing current prices with the county's HUD Adjusted Median Family Income of \$50,800 for 2009 it is clear that, with the assistance of subsidies and other special programs, low-or moderate-income families may have an opportunity to purchase a home. However, current economic conditions have reduced the availability of assistance and investors appear to be purchasing many of the lower priced homes on the market.

Local economic conditions are weak. In Miami-Dade County, housing starts have declined to the lowest level in a decade according to the Metro Study Corporation. The decline in jobs particularly construction and construction-related jobs, has driven the county's unemployment rate to 11.2 percent in February 2010 compared with 9.7 percent nationally. The county has a large number of non-farm small businesses, primarily in middle- and upper-income geographies. The service and retail sectors continues to dominate, representing 54 percent of businesses.

Banking competition within the assessment area continues to be intense. In addition to community and mid-size banks, branches of the largest banks in the country operate in Miami-Dade County. As of June 30, 2009 there were 75 insured deposit taking financial institutions in Miami-Dade County operating 665 branches. ICBNA had a deposit market share of .33 percent and was ranked 39th. The market is dominated by Wachovia Bank and Bank of America with market shares of 13.05 percent and 12.42 percent, respectively.

The level of assessment area competition is very high for qualified community development investments and loans. Opportunities for community development lending, investments, and services in Miami-Dade County have become somewhat limited. In the early part of the evaluation period, opportunities existed to finance the purchase and/or rehabilitation of multi-family housing units that provide affordable rental housing in low- and moderate-income geographies, but opportunities have declined from previous levels because of the volume of condominium conversions during the height of the housing boom and the overall decline in sales due to current economic conditions. Statewide and some local affordable housing entities are continuing to construct a limited amount of affordable rental housing but this activity is generally limited to Low Income Housing Tax Credit (LIHTC) projects which have also faced economic difficulties during the current economic crisis. There is a federally designated Empowerment Zone that targets economic development with the goal of revitalizing the area by stimulating and retaining jobs and there are areas designated as Targeted Urban Areas ("TUA") that are the focus of the Urban Economic Revitalization Plan for Miami-Dade County in which loans can be made.

The impact of the mortgage crisis has caused community development organizations to change their focus from new construction to acquiring foreclosed properties, rehabilitating them, and making them available for rent or for sale to low- and moderate-income persons or families. In 2009, Miami-Dade County received \$62 million under the Neighborhood Stabilization Program (NSP) offered by the Department of Housing and Urban Development (HUD) Round 1 to assist in such efforts, as well as to demolish or rehabilitate abandoned properties and/or offer down payment and closing cost assistance to low- and moderate-income home buyers. However, it appears that the stabilization program in Round 1 is being coordinated by the county leaving few community development opportunities for area banks. Round 2 of the NSP saw \$89 million awarded in December 2009 to a CDFI operating in Miami-Dade County. According to a community contact for this examination, this allocation should provide community development opportunities for banks.

Community development investment options are also somewhat limited. Mortgage-backed securities are an option but they have become less desirable in light of the mortgage crisis. Low Income Housing Tax Credits remain available but they are generally complex for community banks. Miami-Dade County, the state and the region do have community development financial institutions (“CDFIs”) and private equity organizations which need support for their community development activities. Opportunities exist to contribute to qualified non-profit organizations whose missions are focused on providing affordable housing and community services for low- and moderate-income persons, particularly in the areas of job training and job placement, as noted by a community contact made for another CRA examination in the same assessment area. However, the extent of these activities has been impacted by the financial condition of some area banks.

Conclusions with Respect to Performance Tests

LENDING TEST

The bank’s performance under the Lending Test is rated “Satisfactory”.

Loan-to-Deposit Ratio

ICBNA’s loan-to-deposit ratio meets the standard for satisfactory performance. The bank’s loan-to-deposit ratio is reasonable given the bank’s size, financial condition and assessment area credit needs.

The bank’s quarterly average loan-to-deposit ratio since the last CRA examination (13 quarters beginning with the last quarter of 2006 through the last quarter of 2009) is 86.95 percent, ranging from a high of 95.94 percent for the last quarter of 2009 to a low of 74.45 percent in the last quarter of 2006.

The bank’s overall ratio is consistent with the 86.97 percent quarterly average ratio for the same time period of 11 similarly situated banks in ICBNA’s peer group also headquartered in Miami-Dade County. The ratio is also consistent with the 89.94 percent average quarterly ratio for the

same period for all banks in ICBNA’s peer group headquartered in Florida.

Lending in Assessment Area

Lending in the bank’s assessment area meets the standard for satisfactory performance. A majority of ICBNA’s loan originations and purchases are in the bank’s assessment area. Overall, 83 percent of the number of loans and 82 percent of the dollar volume of loans originated and purchased during the evaluation period were in the bank’s assessment area.

Table 2 - Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (000 omitted)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business Loans	83	83%	17	17%	100	46,031	81.74	10,283	18.26	56,313

Source: Sample of 100 loans taken from bank loan origination reports.

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

Overall, the distribution of loans to businesses of different sizes exhibits poor penetration and does not meet the standard for satisfactory performance. In the full-scope Miami-Dade assessment area the distribution of loans to businesses of different sizes exhibits poor penetration and does not meet the standard for satisfactory performance, given the distribution of businesses in the assessment area.

In the full-scope Miami-Dade assessment area the level of the bank’s loans to small businesses (businesses with revenues of \$1 million or less) is lower than the level of small businesses in the assessment area, as shown in Table 3 below.

Table 3 - Borrower Distribution of Loans to Businesses in Assessment Area				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
Full Review: Miami-Dade AA				
% of AA Businesses	74.59	3.13	22.28	100%
% of Bank Loans in AA by #	30.26	53.95	15.79	100%
% of Bank Loans in AA by \$	29.44	55.74	14.82	100%
Limited Review: Broward AA				
% of AA Businesses	75.93	2.95	21.12	100%
% of Bank Loans in AA by #	100.00	0	0	100%
% of Bank Loans in AA by \$	100.00	0	0	100%

Source: Sample of 76 loans in the full-scope assessment area and seven loans in the limited-scope assessment area taken from bank loan origination reports. Geo-demographic Data –PCI Corporation-2009

Based on a limited-scope review, the bank’s borrower distribution of loans in the Broward

assessment area is stronger than the bank’s performance in the full-scope Miami-Dade assessment area. All loans were to businesses with gross annual revenues of \$1 million or less. However, the number of loans analyzed is very small.

Geographic Distribution of Loans

Overall, the geographic distribution of loans within the assessment area exhibits excellent dispersion and exceeds the standard for satisfactory performance. In the full-scope Miami-Dade assessment area the geographic distribution of loans exhibits excellent dispersion and exceeds the standard for satisfactory performance, given the distribution of businesses in the assessment area.

In the full-scope Miami-Dade assessment area the geographic distribution of loans to businesses is more than reasonable. In both low- and moderate- income geographies, the percentage of ICBNA’s loan originations exceeds the percentage of businesses located in such geographies.

Table 4 – Geographic Distribution of Loans to Businesses in the Assessment Area								
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
Full Review:								
Miami-Dade AA	4.65	5.26	21.49	23.68	32.28	21.05	41.10	46.05
Limited Review:								
Broward AA	4.53	0	21.79	14.29	42.25	85.71	31.42	0

Source: Sample of 76 loans in the full-scope assessment area and seven loans in the limited-scope assessment area taken from bank loan origination reports. Geo-demographic Data –PCI Corporation-2009

Based on a limited-scope review, the bank’s geographic distribution of loans in the Broward assessment area is weaker than the bank’s performance in the full-scope Miami-Dade assessment area. However, the number of loans analyzed is very small.

Responses to Complaints

No complaints were received regarding the bank’s CRA performance since the last examination.

COMMUNITY DEVELOPMENT TEST

ICBNA’s performance under the Community Development Test is rated “Satisfactory”, given performance context, the bank’s capacity, and the somewhat limited opportunities available to the bank. In the full-scope Miami-Dade assessment area community development performance is satisfactory, given performance context, the bank’s capacity and the somewhat limited opportunities available to the bank. (Refer to the “Description of the Full-Scope Assessment Area” for a discussion of opportunities.)

Overall, ICBNA was adequately responsive to community development needs in its assessment area through a combination of community development loans, investments, and services, given performance context, the bank's capacity, and the somewhat limited opportunities available. The bank had a high dollar volume of community development loans, including those in the limited-scope Broward County assessment area. Community development loans were primarily responsive to economic development and affordable housing needs. Both are critical needs in the bank's assessment areas particularly given current economic conditions. Although there are no current period investments, a good amount of prior period investments continue to be responsive to assessment area needs, particularly those allocated to Low Income Housing Tax Credits (LIHTC). LIHTC projects provide a high number of rental housing opportunities affordable to low- and moderate-income persons and families over the long term. Community development services, although limited, provided technical assistance to organizations helping to meet affordable housing needs.

Number and Amount of Community Development Loans

In the full-scope Miami-Dade assessment area ICBNA had four community development loans totaling \$1.7 million during the evaluation period. Three loans, totaling \$1.4 million or 84 percent of total community development loans, are economic development loans to businesses that meet the CRA definition of small business and will provide additional jobs to persons who are low-or moderate-income or additional jobs in a moderate-income geography. Two loans are Small Business Administration (SBA) 504 loans and the other is a loan in conjunction with the Export-Import Bank of the United States (Ex-Im Bank). Ex-Im Bank loans help businesses grow through the export of their goods and services to international markets.

The last community development loan represents the bank's pro-rata share of a loan made by a South Florida lending consortium in which the bank participated. The consortium makes financing available to non-profit builders who construct affordable housing. This loan is helping to finance the construction of 27 single-family residences in a moderate-income geography of Liberty City. Income restrictions for the purchase of these homes exceeds the CVRA definition for moderate-income, but this loan will help to revitalize and stabilize the moderate-income geography by attracting new residents to the area.

Since the bank adequately met community development needs in its assessment area, consideration was also given to an affordable housing loan outside the bank's assessment area in adjacent Monroe County. This loan is also part of the bank's participation in the aforementioned lending consortium. Totaling \$250,000, the bank's participation will help to provide 56 units of rental housing affordable to persons and families that make no more than 60 percent of the area median family income.

In the limited-scope Broward assessment area there were two community development loans totaling \$3.1 million.

Number and Amount of Qualified Investments

ICBNA has no current evaluation period investments. However, there are five investments totaling \$1.5 million that benefit the full-scope Miami-Dade assessment area originated in prior evaluation periods. These investments remain on the books of the bank and continue to help meet community development needs, particularly affordable housing needs.

Of prior period investments, one totaling \$1.2 million or 81 percent of prior period investments represents the bank's investment in a mutual fund that focuses on CRA qualified investments. ICBNA's investments are allocated to a portion of a Fannie Mae security that finances a Low Income Housing Tax Credit (LIHTC) project providing affordable housing in Opa Locka. Other allocations are directed towards Miami Beach Redevelopment Agency Bonds, the Florida Housing Finance Corporation Affordable Housing Guarantee Revenue Bonds, and the Housing Finance Authority of Miami-Dade County Multifamily Revenue Bonds. This last allocation is also associated with the financing of a LIHTC project.

In addition, the bank renewed a 12 month certificate of deposit for \$95,000 in a community development credit union operating in Miami three times during the evaluation period. It also maintains a small savings account in the same institution. This continuing deposit helps the credit union to provide financial services in low- and moderate-income geographies.

There were no current or prior period investments in the limited-scope Broward assessment area.

Extent to Which the Bank Provides Community Development Services

ICBNA provided community development services by assisting community organizations with technical support. None of the bank's branches are located in a low- or moderate-income geography however the bank's strong performance in the Geographic Distribution portion of the Lending Test indicates that it is doing a good job of reaching out to these areas through direct contact.

During most of the evaluation period, a bank officer provided a significant amount of technical support to the previously mentioned affordable housing lending consortium, using his financial expertise by serving on the Executive Committee and the Workout Committee. For a very limited portion of the evaluation period, another officer served on the Board of Directors of an affordable housing organization that helps provide housing opportunities for the homeless in Miami-Dade County and another officer served on the Board of Directors of the Miami-Dade Housing Finance Authority. In addition, two employees conducted a financial literacy presentation for low- and moderate-income senior citizens.

There was no qualifying community development service activity in the limited-scope Broward County assessment area.

Responsiveness to Community Development Needs

The bank's community development activities are responsive to the various needs in its

assessment area. Community development loan activity was the most responsive in terms of the number and amount of loans. Loan dollars focused primarily on economic development needs, helping several businesses to increase jobs in the assessment area, which currently has a high level of unemployment. Qualified prior-period investments continue to have a positive impact primarily on affordable housing needs as half of mutual fund allocations are directed to LIHTC projects which have a long-term impact on affordable housing needs for a large number of people. Also, deposits in a community development credit union continue to help the organization serve the financial needs of low- and moderate-income geographies in the bank's assessment area. Community service activity, though limited, helps to meet affordable housing needs in the assessment area.

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.