



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 09, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Interinvest National Bank
Charter Number 23712**

**One Rockefeller Plaza, Suite 300
New York, NY 10020**

**Comptroller of the Currency
New York Metro Field Office
Community Bank & Federal Branches
1114 Avenue Of The Americas Suite 3900
New York, NY 10036**

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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INSTITUTION'S CRA RATING : This institution is rated "Outstanding".

- The bank's loan to deposit ratio of 82% is reasonable.
- A significant majority of the bank's loans are within the AA.
- Loan penetration among geographies throughout the AA is good.
- The bank has made a significant level of community development loans, which had a positive impact on the lending test.

DESCRIPTION OF INSTITUTION

Interinvest National Bank (INB) was chartered April 1, 1999. This is the bank's first CRA evaluation. INB, located in New York City, New York, is a wholly owned subsidiary of Interinvest Bancshares Corporation (IBC), a holding company with total assets of \$476 million as of September 30, 2001. As of June 30, 2001, INB had total assets of \$129 million and net loans of \$96 million representing 75% of total assets and Tier 1 capital of \$15 million. On July 20, 2001, IBC merged its affiliated state bank located in Clearwater, Florida with and into INB, creating an interstate bank with total assets of \$386 million as of September 30, 2001. As this merger occurred less than six months from the date of this evaluation, only the activity in the New York City AA was evaluated. INB has one office in NY located on the third floor of an office building in midtown Manhattan. The bank's Florida Division has five branches serving Clearwater and Pinellas County. In addition to INB, IBC also wholly owns Interinvest Corporation of New York, a mortgage investment company.

The primary lending activity of INB is the short term financing of the acquisition of multifamily and commercial real estate. At June 30, 2001, multifamily real estate accounted for 72% of loans and commercial real estate accounted for 28%. INB has not originated any consumer loans. INB did not request any loan originations by affiliates to be considered in this evaluation.

There are no impediments, legal or otherwise, that hinder the bank's ability to help meet the credit needs of its AA.

DESCRIPTION OF NEW YORK CITY ASSESSMENT AREA (AA)

INB's AA prior to the merger with the affiliated bank in Florida includes the five boroughs (Bronx, Kings, New York, Queens, and Richmond counties) of New York City. The AA, part of the larger New York, NY Metropolitan Statistical Area #5600, contains 2,216 census tracts, of which 314 (14%) are low-income, 419 (19%) are moderate-income, 779 (35%) are middle-income, and 638 (29%) are upper-income. There are 66 (3%)

census tracts with no income designation. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies.

According to 1990 U.S. Census data, the population of the AA is 7.3 million. The census median family income (MFI) is \$37,515 and the 2001 Department of Housing and Urban Development updated MFI is \$59,100. The distribution of families in the AA is as follows: 28% low-income families, 16% moderate-income families, 19% middle-income families, and 37% upper-income families.

Within the AA, there are 3 million housing units of which 94% are occupied. Owner-occupied units account for 27% and rental units account for 67%. In addition, nearly 63% (1.9 million) of all housing units are multifamily. The majority of multifamily units are located primarily throughout Manhattan and the Bronx, and to a lesser degree, Brooklyn. The median housing value in the AA is \$186,350 and is considered high, making homeownership difficult for most low- and moderate-income individuals.

New York City (NYC) is home to a diversified mix of businesses. Many national and international corporations are headquartered here. Historically, the downtown area has been dominated by the financial services industry. Industries operating in the midtown area include advertising, publishing, and garment production. The retail sector is a major employer with several large department stores and many small businesses operating throughout the AA.

After experiencing several years of good economic growth, the NYC economy has begun to show signs of weakening in line with the national economy. A major factor is the September 2001 terrorist attack that destroyed the World Trade Center. Tourism, a major contributor to the NYC economy has been negatively impacted and has a ripple effect on other industries and services. The volatility on Wall Street has also impacted the local and national economy. The AA's unemployment level has risen to 6.8% in November 2001, above the state rate of 5.4% for the same period.

INB operates in a very competitive market with many multinational, regional, foreign, and smaller local banks. The major banks include Citibank, Chase, Fleet, HSBC, and Bank of New York.

A community contact with a tenant advocacy group and a review of four other community contacts made during the prior year identified the creation and preservation of affordable housing as a primary need of the AA. Credit counseling and education was another identified need.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The evaluation period covers the period from commencement of the bank's operations in April 1999 to December 31, 2001. Our review covered all multifamily loans originated or purchased as this constituted the bank's primary lending product.

Loan-to-Deposit Ratio

INB's loan-to-deposit ratio meets the standard for satisfactory performance. INB's average loan-to-deposit ratio for the ten quarters since it commenced operations is 82%. This is slightly better than the national peer group average of 76%. We used the national peer group average due to the lack of similarly situated banks in INB's AA, given the lending strategy of INB.

Lending in Assessment Area

INB's lending in the AA meets the standards for satisfactory performance. After testing for accuracy, we used management prepared reports to determine that significant majority of INB's loans are within the AA. During the evaluation period, INB originated 102 multifamily loans totaling \$126 million. Of these totals, 82% (84) of the number and 85% (\$107 million) of the dollar amount were within the AA.

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

The analysis of lending to borrowers of different incomes is not meaningful under this criteria. As a multifamily lender, the loans are generally made to partnerships, limited liability corporations, or to individuals. Reliance on repayment is predicated upon each property's income stream and debt service coverage. Loan size would also not be an adequate proxy for borrower distribution. Given the high cost of real estate in the bank's assessment area, a substantial majority of the loans are in excess of \$1 million.

Geographic Distribution of Loans

The geographic distribution of loans meets the standards for satisfactory performance. As noted in the table below, the geographic distribution of lending was compared to the level of multifamily housing by tract income. In low-income tracts, the bank exceeds the percentage of multifamily housing by 5%. In moderate-income tracts, the bank's level of lending is near to the percentage of multifamily housing.

Geographic Distribution of Originations within the AA

Tract Level	# of Bank Loans	% of Bank Loans	% of Multifamily within Geography
Low	20	24	19
Moderate	19	23	24
Middle	21	25	27
Upper	24	28	31
Total	84	100	100

Community Development (CD) Lending

The bank made a significant level of CD loans, which had a positive impact on the lending test. A community development loan includes affordable housing (including multifamily rental housing) for low- or moderate-income individuals.

Based on a sample of 15 multifamily loans made in low- and moderate-income geographies, examiners' determined that 12 of these loans totaling \$15 million (100% of tier 1 capital) provided for affordable housing for low- or moderate-income individuals based on demographics, rents rolls, and other available rental data. As noted earlier, the bank is primarily a multifamily lender and by providing these types of loans has helped to meet the need of affordable housing in its AA.

Responses to Complaints

INB has not received any complaints about its performance in helping to meet AA needs during this evaluation period.

Fair Lending Review

An analysis of two years public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The bank has not been subject to a comprehensive fair lending exam since it began operations in April 1999.