



PUBLIC DISCLOSURE

November 4, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Intercredit Bank, National Association
Charter Number 18283

1200 Brickell Ave
Miami, FL 33131

Office of the Comptroller of the Currency

Doral Costa Office Park
9800 NW 41st Street, Suite 120
Miami, FL 33178-2970

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"

Our performance evaluation finds that Intercredit Bank, National Association's performance is "Satisfactory". The primary reasons for this rating include:

- The Bank's loan-to-deposit ratio is more than reasonable in comparison to other similarly situated financial institutions.
- A majority of the loan originations are within the assessment area.
- The geographic distribution of loans among businesses of different sizes reflects reasonable dispersion throughout the Bank's assessment area.
- The distribution of loans to businesses of different sizes reflects poor penetration within the assessment area.

SCOPE OF EXAMINATION

We evaluated Intercredit Bank, N.A.'s performance using Small Bank Performance criteria. Our evaluation period was April 12, 2010, the date of the last CRA examination, through September 30, 2013. However, we focused on lending activity from January 1, 2010, through September 30, 2013. The Bank received a Satisfactory rating in the prior performance evaluation. In consideration of changes to demographics and geographies related to the Census update during the evaluation period, we prepared separate analyses to evaluate the geographic distribution of loans and businesses of different sizes. The 2000 Census applies to the years 2010 and 2011. The 2010 Census applies to the years 2012 and 2013.

We evaluated the Bank's performance based on its strategic focus on commercial lending. The Bank originated residential loans in the past; however, discontinued this business line in 2012. The residential lending volumes were low during the evaluation period and did not produce a meaningful analysis of home purchase, home improvement, and home refinance loans. Therefore, we omitted Tables 2 and 3 that would have displayed the analyses of residential lending to borrowers of different incomes and the geographic distribution of residential loans.

DESCRIPTION OF INSTITUTION

Intercredit Bank, N. A. (ICB) is an intrastate community bank headquartered in Miami, Florida and owned by Intercredit Bank Trust, which is privately held. 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.

ICB operates five branches in Miami-Dade County including the main office in Miami, and branches in Doral, West Miami, and South Miami. None of the Bank's branches is located in either low- or moderate-income geographies. The South Miami Branch was opened during the evaluation period and is located in an upper-income geography. The Coral Gables branch and the Hollywood branch were both closed since the prior examination and were located in middle-income and upper-income geographies.

The Bank offers a variety of deposit and loan products to foreign and domestic businesses and individuals, as described in its CRA Public File. The Bank's primary business focus is commercial lending. In 2012, the Bank discontinued originating residential mortgages. Recently, there has been a particular emphasis on international financing and the Bank has utilized Ex-Im Bank lending to assist in financing the export of U.S. goods and services to international markets. ICB is a certified Small Business Administration (SBA) lender.

The Bank had assets of \$298 million as of December 31, 2012. Total deposits as of December 31, 2012, were \$218 million and Tier 1 Capital totaled \$25 million. Total loans were \$206 million as of December 31, 2012, representing 69 percent of assets. The loan portfolio consisted of commercial real estate loans (43 percent of total loans), residential mortgage loans (32 percent), commercial and industrial loans (22 percent), and consumer loans (3 percent). Residential loans were generally originated in prior evaluation periods with the volume of such loans declining over the years as the Bank placed emphasis on commercial lending.

During the evaluation period, the Bank faced financial challenges during the nationwide recession and was under a Consent Order with the Comptroller of the Currency that focused on capital requirements, profit plan, credit risk management, and reduction of problem assets. Despite the challenges and the requirements of the Consent Order, the Bank was able to meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA(S)

The Bank's assessment area consists of Miami-Dade County that is also known as Metropolitan Division (MD) 33124. The assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude low- and moderate-income geographies.

Miami-Dade County is a county located in the southeastern part of the state of Florida. As of the 2010 Census, the county had a population of approximately 2.5 million, an increase of about 11 percent over the population of approximately 2.2 million reported in the 2000 Census, making it the most populous county in Florida and the seventh-most populous county in the United States. The increase in population resulted from the continued influx of immigrants from Latin America and the Caribbean as well as the relocation from northern cities in the U.S. It is also Florida's third largest county in terms of land area, with 1,946 square miles. The county contains approximately half of the Miami metropolitan area's population and several of its largest cities. The county seat is Miami.

Based on the 2000 Census, Miami-Dade county consisted of 347 geographies (census tracts), of which 8 percent were low-income, 29 percent were moderate-income, 33 percent were middle-income and 30 percent were upper-income. According to the 2010 Census, the number of census tracts in the Miami-Dade assessment area increased to 518 geographies. Based on the 2010 Census, 6 percent of the geographies are considered low-income, 26 percent moderate-income, 32 percent middle-income, 33 percent upper-income, and 3 percent have no income data. The majority of low- and moderate-income geographies are located in the City of Miami where approximately 16 percent of the county population resides. The HUD adjusted median family income for the Miami-Dade assessment area for 2010, 2011, and 2012 was \$52,200, \$51,900 and \$52,600 respectively. Approximately 32 percent of assessment area households are in the low- or moderate-income category.

The cost of living in Miami-Dade County remains high. Unemployment as of December 31, 2012 was 9.1 percent and has decreased compared to 10.3 percent in 2011 and 13.6 in 2010. Housing costs in Miami-Dade County are high and have increased significantly over the past several years. The median sales price of a single-family home is \$214,060, according to the Miami-Dade County Department of Regulatory and Economic Resources. The high median cost makes it difficult for low- and moderate-income people to own a home in the assessment area without the help of loan subsidies. High property tax and insurance premiums add significant costs to owning a home. Poverty levels in the county remain high at approximately 18 percent for both Census years.

During the evaluation period, the level of homeowner occupancy declined from approximately 60 percent to 58 percent as a result of the housing crisis. Miami-Dade County has been severely impacted by the housing crisis. It consistently has some of the highest foreclosure rates in the United States. According to Bankrate.com, Florida has consistently ranked in the top five states for the highest foreclosure rates. In low- and moderate-income geographies, the level of renter occupancy is high (69 percent and 56 percent, respectively), based on 2000 Census data. These geographies also represent high levels of households below the poverty level (47 percent and 27 percent, respectively), indicating a need for affordable rental housing.

The Miami-Dade assessment area's economy is diverse. Major industries include real estate development, trade businesses with Latin America, tourism, and banking. The proximity of the Caribbean, Central and South America plus superior seaport and airport capabilities provide this area with a distinct advantage as a global trading and financial center. Of the approximately 444 thousand non-farm businesses in the assessment area in 2012, approximately 46 percent are service providers and 10 percent are retail operations. Businesses are predominately small, both in terms of number of employees and revenue size.

Banking competition continues to be intense in the assessment area. Based on FDIC data as of June 30, 2012, there were 69 financial institutions operating 678 banking offices in the Miami-Dade County assessment area, including branches of the largest banks in the country as well as community and midsize banks. Competition for loans is even more intense since numerous mortgage companies also operate in the assessment area and national credit card lenders compete for small business loans.

Assessment Area Credit Needs

Community credit needs in the assessment area were determined by reviewing recent housing and demographic information and community contacts conducted by the OCC in connection with other CRA examinations of banks operating in the same assessment area. We conducted a community contact with an organization that focuses on affordable housing for low- and moderate-income families. We determined the most pressing credit needs in the assessment area are affordable housing and small business lending. There is also a need for financial literacy.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

- **ICB’s loan-to-deposit ratio is more than reasonable.**

The Bank’s loan-to-deposit ratio, in comparison to similarly situated institutions, is more than reasonable and meets the standards for outstanding performance. The Bank’s quarterly average loan-to-deposit ratio since the last CRA examination is 90.77 percent. This performance exceeds the average quarterly loan-to-deposit ratio of 68.46 percent of five similarly situated institutions operating in Miami-Dade County for the same period. The similarly situated banks had individual quarterly average ratios ranging from 49.25 percent to 91.38 percent.

Lending in Assessment Area

- **Lending in the Bank’s assessment area meets the standard for satisfactory performance.**

Based on an analysis of a sample of 111 business loans originated during our evaluation period, a majority of ICB’s loans are in the Bank’s assessment area. Overall, 55.86 percent of the number of loans and 48.09 percent of the dollar volume of loans were in the Bank’s assessment area. We gave more weight to the number of loans in arriving at our conclusion for lending in the assessment area.

Table 1 - Lending in Miami-Dade MD										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business Loans	61	55.86	49	44.14	111	39,186	48.09	42,295	51.91	81,481
Totals	61	55.86	49	44.14	111	39,186	48.09	42,294	51.91	81,481

Source: Sample of 111 loans taken from loan origination reports 2010 - September 2013.

Lending to Businesses of Different Sizes

- **The distribution of loans to businesses of different sizes exhibits poor penetration and does not meet the standard for satisfactory performance**

Such performance does not significantly affect the Bank’s overall “Satisfactory” performance considering performance context associated with a weak economy and restrictions to minimize problem assets.

In the Bank’s Miami-Dade assessment area for the years 2010 and 2011, the number and dollar of the Bank’s loans to small businesses (businesses with revenues of \$1 million or less) was less than the percentage of small businesses in the assessment area, as depicted in the following table.

Table 2A - Borrower Distribution of Loans to Businesses in Miami-Dade MD				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	69.18	2.25	28.57	100%
% of Bank Loans in AA by #	35.90	61.54	2.56	100%
% of Bank Loans in AA by \$	27.82	65.54	6.64	100%

Source: Sample of 53 loans taken from loan origination reports 2010 - 2011. Dun and Bradstreet data 2011.

For 2012 through September 30, 2013, the number and dollar volume of the Bank’s loans to small businesses was less than the percentage of small businesses in the assessment area, as depicted in the following table.

Table 2A - Borrower Distribution of Loans to Businesses in AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Businesses	70.89	2.76	26.35	100%
% of Bank Loans in AA by #	39.13	34.78	26.09	100%
% of Bank Loans in AA by \$	28.51	36.46	35.03	100%

Source: Sample of 58 loans taken from loan origination reports 2012 - September 2013. Dun and Bradstreet data 2012

Geographic Distribution of Loans

- **The geographic distribution of loans within the assessment area reflects reasonable dispersion throughout the Bank’s assessment area.**

As reflected in the following table for 2010 and 2011, the percentage of ICB’s loan originations in low-income geographies exceeds the percentage of businesses located in such geographies. In moderate-income geographies, the percentage of ICB’s loan originations is near the percentage of businesses located in such geographies. There were no unexplained conspicuous gaps in lending. Census tracts in the AA with no loan penetration are due to

ICB’s limited number of branch offices. This limitation prevents the Bank from penetrating all areas in the AA.

Table 3A - Geographic Distribution of Loans to Businesses and Farms in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans
Businesses	3.98	10.81	19.56	16.22	32.37	29.73	43.51	40.54

Source: Sample of 53 loans taken from loan origination reports 2010 - 2011. U.S 2000 Census data. No revenue information for 0.59 percent.

As depicted in the following table for 2012- 2013, ICB’s loan originations in low-income geographies exceed the percentage of businesses located in such geographies. In moderate-income geographies, the percentage of ICB’s loans is near the percentage of businesses located in such geographies.

Table 3A - Geographic Distribution of Loans to Businesses and Farms in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans	% of AA	% of # of Loans
Businesses	3.10	17.39	22.28	21.74	27.62	8.70	45.47	47.83

Source: Sample of 58 loans taken from loan origination reports 2012 - September 2013. U.S.2010 Census data. No revenue information for 1.53 percent.

Responses to Complaints

The Bank received no CRA performance related complaints since the last examination.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank’s (bank) or Federal Savings Association’s (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank’s or FSA’s lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.