



PUBLIC DISCLOSURE

October 17, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Intercredit Bank, National Association
Charter Number 18283

1200 Brickell Avenue
Miami, FL 33131

Office of the Comptroller of the Currency

Miami Field Office
9850 N.W. 41 Street, Suite 260
Miami, FL 33178

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:

- The Bank's loan-to-deposit ratio is reasonable in comparison to other similarly situated financial institutions.
- A significant majority of the loan originations are within the assessment area.
- The distribution of loans to businesses of different sizes reflects reasonable penetration within the assessment area.
- The geographic distribution of loans among businesses of different sizes reflects reasonable dispersion throughout the Bank's assessment area.
- The Bank has an adequate level of community development activities that are responsive to community credit needs.

Scope of Examination

We evaluated Intercredit Bank, N.A.'s performance using Small Intermediate Bank Performance criteria. Our evaluation period was from November 4, 2013, the date of the last CRA examination, through October 17, 2016. However, we focused on lending activity and community development activities from January 1, 2014, through June 30, 2016. The Bank received a Satisfactory rating in the prior performance evaluation, dated November 4, 2013.

We evaluated the Bank's performance based on its strategic focus on commercial lending. During the evaluation period, the Bank began a residential lending program; however, residential lending is not a primary product based on volume this evaluation period and we did not analyze home mortgages. 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 and one other office in Miami, as well as the other branches in Doral, Coral Gables, and West Miami. None of the Bank's branches are located in either low- or moderate-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 and the Bank continues to be a certified Small Business Administration (SBA) lender and uses EX-Im Bank lending to assist in financing the export of U.S. goods and services to international markets. In the first quarter of 2015, the Bank began a residential mortgage lending program.

The Bank had assets of \$348 million as of September 30, 2016. Total deposits were \$275.7 million and Tier 1 Capital totaled \$36.5 million. Total loans were \$280.9 million, representing approximately 81 percent of assets. The loan portfolio consisted of commercial real estate loans (54 percent of total loans), residential mortgage loans (31 percent), commercial and industrial loans (12 percent), and consumer loans (3 percent).

There are no legal or financial circumstances that impede the Bank's ability to help meet the credit needs of its assessment area. During the evaluation period, the Bank endured financial challenges after the nationwide recession and was under a Consent Order (CO) with the Comptroller of the Currency that focused on capital requirements, profit plan, credit risk management, and reduction of problem assets. The CO was terminated in May 2016. Despite the economic challenges and the requirements of the CO, 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 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, making it the most populous county in Florida and the seventh-most populous county in the United States. 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.

According to the 2010 Census for the Miami-Dade MD, there were 518 geographies distributed as follows: 31 (6 percent) low-income, 132 (26 percent) moderate-income, 166 (32 percent) middle-income, 172 (33 percent) upper-income, and 17 (3 percent) no income data. The cost of living in the Miami-Dade MD remains high even though during the evaluation period, there are indications of improvement in unemployment, real estate foreclosures, and other economic conditions. Unemployment as of September 30, 2016, was 5.6 percent and has trended lower

compared to 5.8 percent for year-end 2015, 10.3 percent in 2011, and 13.6 percent in 2010. The years 2010 and 2011 represent years of high unemployment. The Federal Financial Institutions Examination Council's (FFIEC) adjusted median family income (MFI) was \$48,400 for 2014, \$52,500 for 2015, and \$48,100 for 2016.

The poverty level remains high at approximately 18 percent for the 2010 Census report of demographic information. Housing costs are high with the median sales price of a single-family home of \$243,700 as of June 2014 increasing to \$315,000 in 2016 according to an assessment by the Miami Association of Realtors. The high median cost makes it difficult for LMI people to own a home in the AA without the help of loan subsidies. In addition, the high property tax and insurance premiums add significant costs to owning a home. The demand for single-family homes has been fierce with foreign investors quickly buying homes with cash, making it difficult for LMI people to take advantage of lower cost homes on the market while they go through the sometimes-lengthy loan approval process. Multi-family rental housing is another alternative for affordable housing in the assessment area.

Major industries include real estate development, trade business with Latin America, and tourism. According to Dunn and Bradstreet, there were 354,431 non-farm businesses in the Miami-Dade MD for 2015 of which 79.54 percent are considered to be small business. Small businesses are defined as having revenues of \$1 million or less. The majority (73.20 percent) of all non-farm businesses are concentrated in the County's middle- and upper-income geographies.

We determined the community credit needs in the AA by conducting two community contacts. One of the contacts is an organization that is a collaboration of community leaders from a variety of public and private sectors including: non-profit organizations; local businesses; community reinvestment organizations; minority, women-owned and disability organizations; social service providers; civil rights advocacy organizations; faith-based organizations; labor groups; affordable, accessible and fair housing organizations; governmental agencies; and engaged individuals. The other contact is a government entity with the primary goal of empowering local businesses to participate in government contracts. The entity also provides free education to small businesses and refers them to financial institutions for lending and bonding purposes. We determined that the most pressing credit needs in the AA are affordable housing, asset-building products that aid LMI residents with saving, micro consumer lending, and small business lending.

Banking competition is very intense in the AA. Based on the most recent FDIC data as of June 30, 2016, there were 65 financial institutions operating 667 banking offices in the Miami-Dade County AA, including branches of the largest banks in the country. ICB has a deposit market share of 0.22 percent and ranks 48th out of the 65 banks in the AA. Competition for loans is even more intense since numerous mortgage companies also operate in the AA and national credit card lenders compete for small business loans.

Conclusions with Respect to Performance Tests

The Bank’s CRA performance is “Satisfactory” for the Lending and Community Development Tests. The following narrative details the Bank’s performance for the component ratings.

LENDING TEST

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

Loan-to-Deposit Ratio

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

The Bank’s loan-to-deposit ratio, in comparison to similarly situated institutions, is reasonable and meets the standards for satisfactory performance. The Bank’s quarterly average loan-to-deposit ratio since the last CRA examination is 91.79 percent and is slightly higher than the 90.95 percent quarterly average of three similarly situated banks. The similarly situated banks had individual quarterly average ratios ranging from 85.06 percent to 101.82 percent and ICB’s average ratio is within the range. The similarly situated banks with their respective average loan-to-deposit ratios are Eastern National Bank (101.82 percent), Executive National Bank (85.96 percent) and Pacific National Bank (85.06 percent).

Lending in Assessment Area

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

Based on an analysis of a sample of 27 business loans originated during our evaluation period, a significant majority of ICB’s loans are in the Bank’s assessment area. Overall, 88.89 percent of the number of loans and 86.64 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	24	88.89	3	11.11	27	15,074	86.64	2,324	13.36	17,398
Totals	24	88.89	3	11.11	27	15,074	86.64	2,324	13.36	17,398

Source: Sample of 27 loans taken from loan origination reports 2014 - June 2016.

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

- **The distribution of loans to businesses of different sizes exhibits reasonable penetration and meets the standard for satisfactory performance**

In the Bank’s Miami-Dade assessment area for the evaluation period, the number and dollar of the Bank’s loans to small businesses (businesses with revenues of \$1 million or less) was near 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	79.54	3.24	17.22	100%
% of Bank Loans in AA by #	66.67	33.33	0.00	100%
% of Bank Loans in AA by \$	69.00	31.00	0.00	100%

Source: The 24 sampled loans that are inside the assessment area. Dun and Bradstreet data 2014.

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, 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. Of the loan sample, one loan or 4.17 percent was in a geography with no income designation. 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 serving a large assessment area.

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	3.14	10.81	21.91	20.83	26.96	4.17	46.24	8.33

Source: The 24 sampled loans that are inside the assessment area. Dunn and Bradstreet data 2014. No income designation for 1.75 percent of the geographies.

Responses to Complaints

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

COMMUNITY DEVELOPMENT TEST

The Bank's performance under the Community Development Test is rated "**Satisfactory**".

The Bank's community development performance demonstrates an adequate responsiveness to community development needs in its assessment area through a combination of community development loans, investments, and services.

Number and Amount of Community Development Loans

Considering the Bank's capacity and economic challenges, ICB originated an excellent level of community development loans. During the evaluation period, ICB made eight community development loans totaling \$5.3 million. All of these loans support affordable housing for low- and moderate-income people in the AA. Affordable housing is a critical need for the assessment area.

Number and Amount of Qualified Investments

ICB had an adequate level of qualifying community development investments considering performance context. There were three investments totaling a little over \$103,000. One investment was a certificate of deposit placed in a local Minority Owned Financial Institution totaling \$100,000, a donation to a nonprofit organization that provides services to low- and moderate-income youth that totaled \$2,500, and a \$1,200 donation to a nonprofit organization that provides services to low- and moderate-income people. There were no prior period investments.

Extent to Which the Bank Provides Community Development Services

The Bank provided an adequate level of community development services through its branches, products, services, and activities with local organizations that support community development actions. There were no branches opened or closed during this evaluation period.

Of ICB's five branches, none is located in a low- or moderate-income geography. However, four of the branch locations are adjacent to low- and moderate-income geographies. The main office on Brickell Avenue is adjacent to one low- and one moderate-income geography. The West Miami Branch is adjacent to two moderate-income geographies. The Bird Road Branch is adjacent to one moderate-income geography. The Doral Branch is adjacent to one moderate-income geography.

The Bank offers a variety of consumer and commercial banking products and services as described in the CRA Public File.

ICB employees used their professional expertise to assist or serve on the boards of qualifying community organizations and programs for low- and moderate-income people or promotion of small businesses. Some of the organizations or programs include the following:

Peacemakers Project Miami - A Christian, non-profit, social services organization that provides services for low- and moderate-income people. The organization partners with individuals, businesses, and private foundations to bring help and hope to individuals and families who live in crisis.

Future Bankers Camp - A program offered by the South Florida Center for Financial Training and Miami-Dade County for youth.

Safe Space – An organization dedicated to helping victims of domestic violence.

Partner for Self-Employment, Incorporated - An organization that promotes financial well-being of low- and moderate-income people in South Florida.

Small Business Administration (SBA) - A United States government agency that provides support to entrepreneurs and small businesses. ICB is a certified SBA lender. During the evaluation period, the Bank made four SBA loans that totaled approximately \$1.2 million.

Responsiveness to Community Development Needs

The volume and responsiveness of ICB to the community development needs of the AA is adequate considering the Bank's performance context during the evaluation period. ICB has extended loans, financial support, and expertise commensurate with its capacity.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c), or 12 CFR 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.