



WHOLESALE or LIMITED PURPOSE BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

January 9, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Interinvest National Bank
Charter Number: 23712

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New York, NY 10020

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 conclusions for the three rating criteria are:

- The bank demonstrates an adequate level of community development lending and qualified investment activities in its assessment area, thus meeting the standards for satisfactory performance.
- The bank does not use innovative or complex qualified investments or community development loans.
- The bank exhibits adequate responsiveness to credit and community development needs in its assessment area.

Scope of the Examination

This Performance Evaluation evaluates Intervest National Bank's (INB) performance in meeting the credit needs of its assessment area (AA) through community development lending, qualified investments, or community development services. In evaluating the bank's performance under the CRA, we reviewed the level and nature of qualified community development (CD) activities engaged by the bank from January 1, 2007 through January 6, 2012. CD activities were considered in light of the bank's financial capacity, its size, local economic and demographic factors, market competition and any legal impediments. At the prior examination, dated September 17, 2007, we rated the bank Outstanding.

If a bank has adequately addressed its AA needs, the OCC considers CD activities the bank submits that benefit areas outside of its AA in the evaluation of its performance. We found that the branches in Florida have adequately addressed the needs of its AA. Therefore, qualified investments and community development loans made outside of the Florida AA were given positive consideration in evaluating the bank's state performance.

Description of Institution

INB is a wholly-owned subsidiary of Intervest Bancshares Corporation (IBC), a bank holding company incorporated in 1993 under the state laws of Delaware. IBC also owns four statutory business trusts (Intervest Statutory Trust II, III, IV and V) formed for the purpose of issuing and administering trust preferred securities. A fifth subsidiary, Intervest Mortgage Corporation, created for the purpose of funding commercial and multi-family real estate lending, was dissolved and subsequently merged into IBC on January 1, 2011. The activities of INB's affiliates were not considered in evaluating their CD performance and did not have a negative impact on the bank's ability to meet the CD needs of its communities.

INB started its operations as a small community bank on April 1, 1999 and became a wholesale designated bank on April 18, 2006. The bank shares its main office in New York with its holding company and operates six additional branch offices in Pinellas County, Florida. The main office occupies the entire fourth floor of One Rockefeller Plaza, New York, New York, a manned security-entry building. Customer relationships are primarily cultivated through Board and management's

marketing efforts to and interactions with identified businesses in their communities. Banking hours at the New York Branch are Monday through Friday, 9am to 3pm. The six Florida branches are traditional brick and mortar buildings, four of which are located in Clearwater, one in Clearwater Beach and one in South Pasadena. These branches are open Monday through Thursday, 9am to 4pm, with extended hours on Friday to 6pm. With the exception of the New York and Clearwater Beach branches, drive-up window services are available Monday through Thursday, 8am to 5pm, with earlier and later drive-up hours on Friday from 8am to 6pm.

The bank offers an array of personal and business deposit products and services. These include personal money market accounts, certificate of deposits, retirement and senior privilege accounts as well as personal and commercial checking and savings accounts. The bank also offers online banking via its website, www.intervestnatbank.com. Deposit funds are used to facilitate commercial mortgage lending activities.

As of December 31, 2011, the bank reported total assets of \$1.95 billion. The bank's asset structure is supported by \$1.2 billion in gross loans and \$696 million in investment grade securities. The bank's loan portfolio is heavily concentrated in commercial real estate lending at 99 percent. On December 9, 2010, the Board and Management entered into a Formal Agreement with OCC that required improvements in credit risk management practices and prudent underwriting standards.

The following table provides financial information on the bank's year-end performances on a consolidated basis.

Table 1: Consolidated Financial Information (000s)

	Year-end 2007	Year-end 2008	Year-end 2009	Year-end 2010	Year-end 2011	Average
Tier 1 Capital	198,091	228,435	239,698	227,098	240,128	226,690
Total Income	132,315	125,927	121,849	108,470	96,691	117,050
NOI	20,306	8,256	5,722	(50,242)	12,704	(651)
Total Assets	1,911,005	2,200,895	2,376,153	2,055,399	1,957,202	2,100,131

Source: Consolidated Report of Condition and Income and bank reported data.

There are no financial or legal factors impeding the bank's ability to help meet the credit needs of the communities it serves.

STATE OF NEW YORK RATING

CRA Rating Satisfactory

The conclusions for the three rating criteria are:

- The bank demonstrates an adequate level of community development lending activity.
- The bank demonstrates no use of innovative or complex qualified investments or community development loans.
- The bank demonstrates an adequate responsiveness to credit and community development needs in its assessment area.

Description of Assessment Area

The bank delineated its market boundaries for its main office as Manhattan (New York County), Staten Island (Richmond County), Brooklyn (Kings County), Queens (Queens County) and Bronx (Bronx County). The five counties all fall under the New York-White Plains-Wayne, NY-NJ Metropolitan Division (MD). The main office also serves Nassau County, Long Island, which is part of the Nassau-Suffolk, NY MD. All six counties are contiguous in nature which complies with the regulatory AA delineation requirements of 12 CFR §25.41. No lending gaps were identified and, for analytical purposes, the counties were aggregated into one AA in assessing the bank's community development performance in the State of New York.

The New York AA consists of 2,494 census tracts (CTs). Of this total number, 328 CTs are low-income, 633 CTs are moderate-income, 841 CTs are middle-income, 626 CTs are upper-income and 66 CTs are not categorized. As of 2011, the number of people living in the AA is 9.3 million, and, of this figure, 59 percent are minority in origin. The population constitutes 3.5 million households in the bank's market area, with 13 percent living in low-income CTs, 26 percent in moderate-income CTs, 32 percent in middle-income CTs and 29 percent in upper-income CTs. The majority of the households, 74 percent, are living on salaried incomes, while 23 percent are on social security, 13 percent on retirement income and 7 percent on public assistance. There are 618,793 (18 percent) households living below the poverty level. The weighted average HUD updated MSA median family income for 2011 is \$245,652.

With nearly 3.7 million units in the city, rental units make up the majority of housing units at 60 percent. Owner-occupied units account for another 35 percent of the total housing units, followed by five percent in vacancies. The total number of households paying more than 30 percent of their income in rent is 891,803, or 24 percent. The weighted average gross monthly rent is \$755, with the majority of renters (33 percent) renting units in moderate-income CTs, followed by 25 percent renters renting in middle-income tracts, 23 percent in upper-income tracts and 19 percent in low-income tracts.

Based on 2011 Business Demographic Data, there are a total of 925,724 established businesses and farms in the New York AA. In 2010, the number of established business (farm and non-farm) totaled 615,752 for the AA, representing a 50 percent increase over a 12-month time horizon. Of the total number of businesses operating in 2011, approximately 66 percent reported revenues of less than \$1 million. This revenue category, when further segregated into less than \$500,000 and \$500,000 to \$1 million, reflects that a significant portion of the revenues (62 percent) were earned by businesses in the

less than \$500,000 category. Businesses exceeding \$1 million in revenues accounted for 4 percent of the businesses. Over 30 percent of the businesses did not report any revenues in 2011 as would be expected of new start-up businesses in the AA during the year.

Businesses in the New York AA tend to be very small in nature. Nearly 61 percent of the businesses have an employee base of 1-4 persons. Local businesses are primarily service-oriented in mission and are single location entities.

Table 2A provides a summary of key demographic information for the New York AA.

Table 2A: New York Assessment Area

	Number	Low	Moderate	Middle	Upper	NA
Tracts	2,494	13%	25%	34%	25%	3%
Families *	2,219,503	14%	28%	34%	24%	0%
Businesses **	920,831	8%	19%	31%	41%	1%
Rental Units ***	2,292,417	19%	33%	25%	23%	0%

Source: Demographic Data – 2000 U.S. Census, Dun & Bradstreet Data. *Represents families by income level. **Represents businesses by income level of census tract. ***Represents rental units by income level of census tract.

The New York branch operates in a market area that is highly competitive. The bank's New York AA is home to some of the largest money center financial institutions in the global market. There are numerous community banks, thrift institutions, branches of super-regional giants and multi-national financial institutions as well as local mortgage bankers and brokers, all competing for the same local customer base and potential funding opportunities. Within the bank's defined market area, there are 129 established institutions. Based on FDIC's Deposit Market Share Report as of June 30, 2011, the top ten regional giants account for over 85 percent of the market share with well over 1,400 branch offices. INB, in comparison, holds a fractional percentage (0.10 percent) of the market share, and ranks 42 in terms of deposit size with its single main office branch in the AA.

The local economy was adversely impacted by the collapse of the financial markets in 2008. Current economic conditions remain challenging and recovery has been slow to-date. Job growth and employment opportunities have fluctuated in response to uncertainty surrounding the fiscal and regulatory policies and economic recovery. The unemployment rate, currently at 8.5 percent, has remained relatively flat since 2009. However, it is significantly higher than the 5.6 percent average in 2008. Personal bankruptcies are also on the rise and are expected to peak in 2012 before reversing trend. Businesses are hurting from the lack of demand or spending from households. Newer businesses entering the market in the last couple of years are particularly challenged as they struggle to achieve profitability. Newer businesses are also finding it difficult to obtain credit in the absence of a demonstrated performance trend. As a result, many businesses, faced with uncertainties about their future, have opted to curtail additional debt exposures and growth plans.

Credit needs in the AA were determined through discussions with management, review of current housing and demographic information and reliance on a recent interview with a local community group conducted in October 2011. Identified needs for the New York AA are affordable financial products and services for low-income households and small business lending.

Conclusions about Performance

Intervest’s performance under the CD test in the State of New York is rated satisfactory. The bank did not invest in any qualified investment activity over the evaluation period nor were any community development services provided. The number and amount of qualifying CD loans made is adequate relative to Tier 1 Capital and Total Income.

- Over the evaluation period, INB originated 12 CD loans, totaling \$15 million. All loans were commercial real estate related that provided a number of affordable housing units to low- and moderate-income families.
- The bank did not use any innovative or complex products or services in meeting community development needs.
- The bank exhibited an adequate responsiveness to the opportunities for community development lending in its AA.

Qualified Investments

INB’s New York branch did not make any qualified investments in its community over the evaluation period. A number of small charitable donations (totaling \$2,465) were made to organizations serving the homeless and under privileged children in the AA.

Community Development Lending

INB made a total of 12 qualified community development loans in its AA. The total dollar amount of the loans is \$15 million. Four of the loans were made for the expressed purpose of developing affordable housing units for the low- and moderate-income families. The remaining loans were primarily refinances of commercial real estate mortgages on properties that provided a majority number of affordable housing to low- and moderate-income families. The qualification of these loans was assessed according to CRA Interagency Q&A Guidance via a comparison of rents paid by tenants to HUD’s weighted average gross monthly rent (for the AA) or a pro-rata application of the percentage number of units designated (by a government unit) as affordable housing units to the loan amount.

Table 3A provides a financial measure of INB’s CD lending activities.

Table 3A: Community Development Lending Percentages

	Benefits AA (%)
Total CD Lending/Average Tier 1 Capital	7%
Total CD Lending/Average Total Income	13%

The CD lending percentages, when considered in light of the bank’s performance context and demographic information of its AA, exhibits a poor level of community development lending activity.

Community Development Services

INB did not provide any community development services to its communities over the evaluation period.

STATE OF FLORIDA RATING

CRA Rating Needs to Improve

The conclusions for the three rating criteria are:

- The bank demonstrates a poor level of community development lending activity.
- The bank demonstrates no use of innovative or complex qualified investments or community development loans.
- The bank demonstrates adequate responsiveness to credit and community development needs in its assessment area.

Description of Assessment Area

The bank operates six full service branches in Pinellas County, Florida. Pinellas County is one of four counties falling under the Tampa-St. Petersburg-Clearwater, FL MSA. The county is surrounded by Tampa Bay to the east and south of its border and by the Gulf of Mexico on the west. To the north, the county's border is flanked by Hillsborough and Hernando Counties. Four of the six branches are established nearly mid-way down the length of the county. The two remaining branches are located further south and southeast. The AA complies with regulatory requirements, is contiguous in nature and no lending gaps were identified.

The Florida AA consists of 208 CTs. Of this total number, 4 CTs are low-income tracts, 41 CTs are moderate-income, 117 CTs are middle-income and 46 CTs are upper-income. As of 2011, the number of total persons living in the AA is 921 thousand, and, of this figure, 17 percent are minority in origin. The population makes up 415 thousand households in the bank's market area, with one percent of the households living in low-income CTs, 17 percent in moderate-income CTs, 58 percent in middle-income CTs and 24 percent in upper-income CTs. The majority of the households, 68 percent, are living on salaried incomes, 37 percent on social security, 22 percent on retirement income and two percent on public assistance. There are 39,356 (nine percent) households living below the poverty level. The weighted average HUD updated MSA median family income for 2011 is \$94,926.

There are a total of 482 thousand housing units in Pinellas County. The majority of the units are owner-occupied (61 percent) followed by 25 percent in rental units and 14 percent in vacancies. The total number of households paying more than 30 percent of their income in rent is 48,339 (10 percent). The weighted average gross monthly rent is \$619, with the majority of renters (56 percent) renting units in middle-income CTs, followed by 24 percent renting in moderate-income tracts, 17 percent in upper-income tracts and three percent in low-income tracts.

Based on 2011 Business Demographic Data, there are a total of 153,476 established businesses and farms in Pinellas County. In 2010, the number of established business (farm and non-farm) totaled 100,315, representing a 53 percent increase over a 12-month time horizon. Of the number of businesses operating in 2011, approximately 66 percent reported revenues of less than \$1 million. This revenue category, when further segregated into less than \$500,000 and \$500,000 to \$1 million, reflects that a significant portion of the revenues (63 percent) was earned by businesses in the less than \$500,000 category. Businesses exceeding \$1 million in revenues accounted for two percent of the

businesses. Over 32 percent of the businesses did not report any revenues in 2011 as would be expected of new start-up businesses in the AA during the year.

Like New York, businesses in Pinellas County tend to be very small in nature. Over 60 percent of the businesses have an employee base of 1-4 persons. Local businesses are also primarily service-oriented in mission and are single location entities.

Table 2B summaries key demographic data on the bank’s Florida AA.

Table 2B: Florida Assessment Area

	Number	Low	Moderate	Middle	Upper	NA
Tracts	208	2%	20%	56%	22%	0%
Families *	244,901	1%	16%	57%	27%	0%
Businesses **	151,023	1%	14%	55%	30%	0%
Rental Units ***	138,004	3%	24%	56%	17%	0%

Source: Demographic Data – 1990 or 2000 U.S. Census, Dun & Bradstreet Data. *Represents families by income level. **Represents businesses by income level of census tract. ***Represents rental units by income level of census tract.

There are 38 established financial institutions in the county with 311 branches in operation. Based on FDIC’s Deposit Market Share Report as of June 30, 2011, the top five regional institutions operate 148 branch offices and account for 70 percent of the market share. INB, with its six branches, holds a four percent market share and ranks seventh in terms of deposit size.

Florida has been severely impacted by the collapse of the financial and real estate markets in 2008. The unemployment rate, at 10 percent, is higher than the national average of 8.5 percent. The real estate market has been particularly impacted by de-valuations in residential real estate properties. Many homes have been or are in the process of being foreclosed. For the Tampa MSA geography, there are seven areas designated by the local government as Community Redevelopment Areas. These areas have been identified as having met certain conditions for redevelopment, such as the presence of substandard or inadequate structures, a shortage of affordable housing and inadequate infrastructures. The City of Tampa has also partnered with Hillsborough County, which neighbors Pinellas County, in promoting job creation and a healthy economy for its communities. Based on discussions with management and reviews of the communities’ profile, current housing and demographic information, defined community needs include: foreclosure prevention programs, lease purchase programs and assisting Neighborhood Stabilization Program recipients by the sale of OREO to non-profit organizations.

Conclusions about Performance

Intervest’s performance under the CD test in the State of Florida is rated Needs to Improve. Although the bank did not invest in any qualified investment activity over the evaluation period, there were outstanding balances from prior-period investment activities that continued to benefit low- and moderate-income persons. The number and amount of qualifying CD loans made is poor relative to Tier 1 Capital and Total Income. The bank did not provide any community development services.

- INB originated 11 CD loans, totaling \$6.3 million. All loans originated were for the expressed purpose of providing affording housing to low- and moderate-income individuals. Positive consideration was also given to one CD activity made outside of the AA.
- The bank did not use any innovative or complex products or services in meeting community development needs.
- The bank exhibited adequate responsiveness to the opportunities for qualified investments and CD lending.

Qualified Investments

No new qualified investment activities were made over the evaluation period. However, the bank continues to service 11 prior period investments with an outstanding balance of \$265,721 that continue to provide affordable housing to low- and moderate-income individuals.

Table 3B provides a breakdown of prior-period investment activities in- and outside of the bank’s AA.

Table 3B: Qualified Investment Activity (000s)

	Benefits AA	Outside AA	Totals
Prior-Period Investments that Remain Outstanding	17	249	266
Total Qualified Investments	17	249	266

Source: Bank data.

Community Development Lending

INB’s Florida Branches continue to provide funding resources to a not-for-profit organization whose mission is to provide affordable housing to low- and moderate-income individuals within the broader state-wide area that includes the bank’s Florida AA. One CD loan was made to another not-for-profit organization with an expressed purpose of providing affordable housing and services to veterans residing within the State of Florida, which also includes the bank’s AA. During the evaluation period, the bank participated in originating ten community development loans, totaling \$6.1 million. Since INB has adequately met the community development needs of Pinellas County, we also gave positive consideration to one small CD loan that was made outside of the bank’s AA, totaling \$210,000.

Table 4B provides a financial measure of INB’s CD lending activities.

Table 4B: Community Development Lending Percentages

	Benefits AA (%)
Total CD Lending/Average Tier 1 Capital	3%
Total CD Lending/Average Total Income	5%

See Table 1B: Financial Information (000s) – Florida Branches

The CD lending percentages, when considered in light of the bank’s performance context and demographic information of its AA, also exhibits a poor level of community development lending activity.

Community Development Services

INB did not provide any community development services to its communities over the evaluation period.

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.

Definitions and Common Abbreviations

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

Assessment Area (AA): A geographic area that consists generally of one or more MSAs (using the MSA boundaries that were in effect as of January 1 of the calendar year in which the delineation is made) or one or more contiguous political subdivisions, such as counties, cities, or towns, in which the bank has its main office, branches, and deposit-taking ATMs.

Benefit to Assessment Area: A qualified Community Development activity benefits the assessment area if (i) the activity benefits areas within the assessment area, or (ii) the activity has the potential to benefit the assessment area and is located in the broader statewide or regional area that includes the bank's assessment area. If a bank has adequately addressed the needs of its assessment area, then the OCC also considers activities submitted by the bank that benefit areas outside of its assessment area.

Census Tract (CT): Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per 10-year census and an average population of 4,000.

Community Development (CD): Affordable 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 the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
 - a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

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.

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

Median Family Income (MFI): The median income determined by the United States Census Bureau every 10 years and used to determine the income level category of geographies. Also, it is the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of families. For any given geography, the median is the point at which half of the families have income above it and half below it. (See the four categories of median income below.)

- **Low-Income** – An income level that is less than 50% of the MFI.
- **Moderate-Income** – An income level that is at least 50% and less than 80% of the MFI.
- **Middle-Income** – An income level that is at least 80% and less than 120% of the MFI.
- **Upper-Income** – An income level that is 120% or more of the MFI.

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

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

Net Operating Income: As listed in the Consolidated Report of Condition and Income: Income before income taxes and extraordinary items and other adjustments. [*Schedule RI - Income Statement, line 8 or UBPR, page 2, "PreTax Operating Income (TE)"*]

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries. [*Schedule RC-R - Regulatory Capital, line 3a(1) or UBPR, page 11A, "Net Tier One"*]

Total Assets: Total bank assets as listed in the Consolidated Report of Condition and Income. [*Schedule RC - Balance Sheet, line 12 or UBPR, page 4, "Total Assets"*]

Total Income: From the Consolidated Report of Condition and Income – Total Interest income plus Total Noninterest income. [*Schedule RI - Income Statement, Total Interest Income, line 1g and Total Noninterest Income, line 5g, except for banks with domestic offices only and total assets less than \$100 million, line 5c or UBPR, page 2, "Total Interest Income" and "Noninterest Income"*]

Wholesale Institution: An institution that is not in the business of extending home mortgage, small business, small farm, or consumer loans to retail customers and for which a designation as a wholesale bank is in effect.