

PUBLIC DISCLOSURE

September 27, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Intervest Bank
1162914

Clearwater, Florida

Federal Reserve Bank of Atlanta
104 Marietta Street, N.W.
Atlanta, Georgia 30303-2713

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to the 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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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Intervest Bank prepared by the Federal Reserve Bank of Atlanta, the institution's supervisory agency, as of September 27, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The average loan-to-deposit ratio has declined since the previous examination. This trend was mainly caused by the dollar amount of deposits received by the bank outpacing loans originated despite the bank's willingness to lend in the assessment area. Therefore, the average loan-to-deposit ratio is considered reasonable. The number and dollar volume of loans within the assessment area are adequate. Lending to businesses of different revenue sizes shows a higher percentage of lending to businesses with revenues over \$1 million compared to the percentage of these businesses in the assessment area. This can be expected given the business strategy to seek commercial loan opportunities with entities whose annual gross revenues exceed \$1 million. The geographic distribution of loans is adequate. The loans are dispersed across census tracts throughout Pinellas County. No CRA-related complaints have been received since the previous examination.

DESCRIPTION OF INSTITUTION

Intervest Bank is headquartered in Clearwater, Florida, which is located in the central western part of Pinellas County. Intervest Bank operates four branches (a.k.a. banking centers) and a main office in Pinellas County. All offices are located in upper-income census tracts. Four branches are located in Clearwater and since the previous examination dated January 13, 1997, the bank has opened one branch office in South Pasadena, Florida. Intervest Bank is a wholly owned subsidiary of Intervest Bancshares Corporation in New York, New York. Total assets for Intervest Bank as of the June 30, 1999 Consolidated Reports of Condition and Income were \$178.3 million, which is a \$35.4 million increase since December 31, 1997, and a \$88.3 million increase since the previous examination financial data taken as of September 30, 1996. No legal or financial impediments exist that would hinder the bank's ability to help meet the credit needs of its assessment area. The bank received a rating of satisfactory at its previous CRA evaluation.

Intervest Bank offers a variety of consumer and business loan products to meet community credit needs; however, the bank's main focus is commercial lending. The types of credit offered, as listed in the bank's public file, include real estate loans for commercial properties, home improvements and investor owned residential properties; consumer loans for the purchase of automobiles and trucks, personal expenditures and education; commercial loans for working capital, equipment and other business purpose; and Small Business Administration (SBA) loans.

The bank's net loans outstanding as of June 30, 1999 totaled \$87.5 million, which is a \$2.1 million increase since December 31, 1998 and a \$12.2 million increase since December 31, 1997. The table on the next page illustrates a comparative distribution of the bank's gross loan portfolio for June 30, 1998 and 1999 according to the Consolidated Reports of Condition and Income. The bank's loan portfolio by loans outstanding consists primarily of real estate loans secured by nonfarm nonresidential properties followed by loans secured by multifamily residential properties. Loans to individuals represent a very small portion of the bank's loan portfolio.

DESCRIPTION OF INSTITUTION (Continued)

DISTRIBUTION OF LOANS OUTSTANDING				
Loan Type	6/30/ 1999		6/30/1998	
	\$(000)	%	\$(000)	%
Commercial and Industrial	1,987	2.2	2,616	3.0
Nonfarm Nonresidential	66,827	74.5	68,620	78.4
1-4 family residential	2,459	2.7	2,857	3.3
Loans to individuals	192	0.0	91	0.0
Construction and Development	0	0.0	253	0.0
Secured by multifamily res. Properties	18,172	20.6	13,107	15.3
Other loans	5	0.0	0	0.0
Total	89,642	100.0	87,544	100.0

As shown above, the bank's loan portfolio has generally remained constant with slight fluctuations in nonfarm nonresidential loans and loans secured by multifamily residential properties. The bank's lending strategy focuses on commercial real estate lending which is evidenced by the large percentage of nonfarm nonresidential loans outstanding. Based on loan production reports, the number and dollar volume of loans since the previous examination are shown in the table below. Commercial real estate loans had the highest volume of loans by number and dollar amount of loans.

DISTRIBUTION OF LOANS ORIGINATED SINCE THE PREVIOUS EXAMINATION				
Loan Type	Number	Percent by Number	Dollar (000s)	Percent by Dollar
Commercial real estate	53	54.1	52,610	96.1
Commercial	18	18.3	514	0.9
Consumer	22	22.5	255	0.5
Residential real estate	5	5.1	1,362	2.5
<i>Total</i>	<i>98</i>	<i>100.0</i>	<i>54,741</i>	<i>100.0</i>

DESCRIPTION OF ASSESSMENT AREA: PINELLAS COUNTY
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Overview

Intervest Bank has expanded its assessment area since the previous evaluation from the northern portion of Pinellas County to the entire county. Pinellas County is one of four counties in the Tampa-St. Petersburg-Clearwater Metropolitan Statistical Area (MSA). The expansion of the assessment area was in response to the bank opening the Gulfport Boulevard Banking Center on November 17, 1997 in the extreme southern portion of the county and management wanting to include the county as its effective lending territory. The bank's assessment area consists of 191 census tracts with 8 defined as low-income; 32 defined as moderate-income; 96 defined as middle-income; and 55 defined as upper-income. Intervest Bank has not arbitrarily excluded any low- or moderate-income census tracts. The table on the next page provides key demographic information from the 1990 Census that was used in analyzing the bank's CRA performance. Certain components of the data in the table are discussed in this evaluation as they apply to particular parts of the analysis.

Overall, the assessment area has experienced economic growth. This growth is illustrated by the demographic information discussed on the following pages. However, the demographic data coupled with information received from community contracts indicates that not all residents of the assessment area have benefited from the strong economy.

DESCRIPTION OF ASSESSMENT AREA: PINELLAS COUNTY (Continued)

DEMOGRAPHIC ANALYSIS - INTERVEST BANK AA						
Distribution of Tracts	Number			Percent		
Low-Income Tracts	8			4.2%		
Moderate-Income Tracts	32			16.8%		
Middle-Income Tracts	96			50.3%		
Upper-Income Tracts	55			28.8%		
<i>Total Assessment Area</i>	191			100.0%		
Housing Units - Tract Distribution	Owner-Occupied		Rental		Vacant	
Low-Income Tracts	2,303	0.9%	4,274	3.6%	1,853	2.4%
Moderate-Income Tracts	32,463	12.3%	24,393	20.8%	13,586	17.5%
Middle-Income Tracts	138,776	52.7%	59,522	50.8%	37,174	47.8%
Upper-Income Tracts	89,846	34.1%	29,058	24.8%	25,093	32.3%
<i>Total</i>	263,388	100.0%	117,247	100.0%	77,706	100.0%
Housing Units - Percentage in Tract						
Low-Income Tracts	27.3%		50.7%		22.0%	
Moderate-Income Tracts	46.1%		34.6%		19.3%	
Middle-Income Tracts	58.9%		25.3%		15.8%	
Upper-Income Tracts	62.4%		20.2%		17.4%	
<i>Total Assessment Area</i>	57.5%		25.6%		17.0%	
Population - Tract Distribution	Families		Households		Population	
Low-Income Tracts	3,760	1.6%	6,805	1.8%	17,022	2.0%
Moderate-Income Tracts	31,028	13.0%	56,866	14.9%	128,176	15.1%
Middle-Income Tracts	121,852	51.1%	198,509	52.1%	431,631	50.7%
Upper-Income Tracts	81,950	34.3%	119,031	31.2%	274,830	32.3%
<i>Total</i>	238,590	100.0%	381,211	100.0%	851,659	100.0%
Population - Percentage by Income						
Low-Income	37,769	15.8%	83,422	21.9%		
Moderate-Income	44,849	18.8%	64,518	16.9%		
Middle-Income	56,710	23.8%	76,447	20.1%		
Upper-Income	99,262	41.6%	156,824	41.1%		
<i>Total</i>	238,590	100.0%	381,211	100.0%		
Families - Tract Distribution	Families < Poverty Level	Low-Income Families	Moderate-Income	Middle-Income	Upper-Income	
Low-Income Tracts	10.5%	6.0%	1.4%	1.0%	0.3%	
Moderate-Income Tracts	27.6%	25.1%	17.9%	12.5%	6.5%	
Middle-Income Tracts	45.5%	49.9%	57.3%	56.8%	45.4%	
Upper-Income Tracts	16.3%	19.0%	23.4%	29.7%	47.8%	
<i>Total</i>	100.0%	100.0%	100.0%	100.0%	100.0%	
Families - Percentage in Tract						
Low-Income Tracts	41.6%		60.2%		8.2%	
Moderate-Income Tracts	13.2%		30.5%		20.8%	
Middle-Income Tracts	5.6%		21.1%		37.0%	
Upper-Income Tracts	3.0%		12.8%		57.8%	
<i>Total Assessment Area</i>	6.2%		15.8%		41.6%	
Median Family Income	\$31,244					
Households Receiving Public Assistance	4.5%					
Population Age	Age 65 and Over			Age 18 and Over		
	26.0%			82.3%		

Totals in percentage columns are calculated independently and may not be exactly equal to the sum of the components due to rounding of the components. These rounding errors are immaterial and have no effect on related analyses or conclusions.

DESCRIPTION OF ASSESSMENT AREA: PINELLAS COUNTY (Continued)

Population and Income Characteristics

According to the U.S. Census, the population of Pinellas County grew by 3.1 percent from 851,659 in 1990 to an estimated 878,231 in July of 1998. The largest percentage of families in the assessment area reside in middle-income tracts. According to the Department of Housing and Urban Development, the median family income for Pinellas County was \$32,634 in 1990, which is higher than the Tampa-St. Petersburg-Clearwater MSA median family income and similar to the state of Florida's median family income.

Employment Statistics

According to the Bureau of Labor Statistics, the unemployment rates for the bank's assessment area from 1997 to 1999 are lower than the MSA and the state of Florida. The table below shows the unemployment figures for these geographies. The decreasing unemployment rates in the bank's assessment area are an indication of a strengthening economy.

UNEMPLOYMENT RATES FOR JULY			
Geography	1997	1998	1999
Pinellas County	3.4%	2.9%	2.4%
Tampa-St. Petersburg-Clearwater, Florida MSA	3.5%	3.0%	2.7%
State of Florida	5.0%	4.4%	4.0%

According to a July 1999 issue of "Make-A-Precis" financial magazine, the MSA's economy continues to be driven by the strong growth of businesses, financial services, and tourism. Also indicative of buoyant economic conditions is a strong real estate market. Office markets are also doing very well with stable vacancy rates and a healthy construction market. Data from the Bureau of Labor Statistics showed that the services industry was the fastest growing industry in Pinellas County between 1993 and 1996, increasing the number of jobs by 22 percent. The downside to job creation in these areas is that these jobs tend to be low paying.

DESCRIPTION OF ASSESSMENT AREA: PINELLAS COUNTY (Continued)

According to Dun and Bradstreet, a total of 30,812 businesses are located in the bank's assessment area. Information from the Bureau of Labor Statistics for 1998 indicates that 42 percent of the businesses are in the services industry followed by retail trade which accounts for 19 percent of the total businesses. Of the total number of businesses in the assessment area, 95 percent employ less than 50 workers. The table below shows the top ten employers in the MSA according to the St. Petersburg Area Chamber of Commerce.

TOP 10 EMPLOYERS IN THE TAMPA-ST. PETERSBURG-CLEARWATER MSA	
Company	Number Employed
Publix Super Markets, Inc.	21,998
University of South Florida	10,177
GTE Corporation	7,420
MacDill Air Force Base	6,147
St. Joseph's Hospitals	4,505
Maxxim Medical, Inc.	4,068
Times Publishing Company	3,384
Tampa General Hospital	2,917
Caspers Company	2,850
Tech Data Corporation	2,735

Business Size Characteristics

The following table provides key demographic business data by census tract in the bank's assessment area based on data from Dun and Bradstreet. The table illustrates that 89 percent of the businesses in the assessment area have revenues less than \$1 million and most businesses are located in middle- and upper-income census tracts. Given that only one percent of total businesses are in low-income tracts, commercial real estate lending opportunities to businesses in these tracts are very limited.

BUSINESS DEMOGRAPHICS - PINELLAS COUNTY						
Percentage in Tract	Total Businesses		Businesses with Revenue:			
			Under \$1 Million		\$1 Million and Greater	
Low-Income Tracts	310	1.0%	292	1.1%	18	0.5%
Moderate-Income Tracts	5,948	19.3%	5,236	19.2%	712	20.3%
Middle-Income Tracts	14,487	47.0%	12,852	47.1%	1,635	46.5%
Upper-Income Tracts	9,577	31.1%	8,482	31.1%	1,095	31.2%
Tract Not Reported	490	1.6%	436	1.6%	54	1.5%
Total	30,812	100.0%	27,298	100.0%	3,514	100.0%

DESCRIPTION OF ASSESSMENT AREA: PINELLAS COUNTY (Continued)
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Competition

Intervest Bank is located in a highly competitive financial market with 21 banks having branches in Pinellas County. Of these banks, Intervest Bank ranks 18th based on average total asset size. Banks operating in Pinellas County consist of state, community, multi-regional, and national banks. Some of the largest banks in the assessment area are SouthTrust Bank NA, Regions Bank, Bank of America NA, and First Union National Bank. Since 12 banks with branches in Pinellas County have assets greater than \$1 billion, they have greater resources and, thus, a greater variety of loan products than Intervest Bank. Most of the larger banks have loan-to-deposit ratios above 100 percent, which is significantly higher than the loan-to-deposit ratio for Intervest Bank. Additionally, Intervest Bank faces fierce competition on interest rates from banks, especially the larger corporate banks.

Community Contacts

As a part of the CRA performance evaluation, information was obtained from community leaders regarding local economic conditions and community credit needs. The contacts acknowledged the positive economic trends in the area, but indicated that these conditions have not resulted in prosperity for all communities in the area. The contacts indicated that the primary credit needs are working capital and microloans for small businesses.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Intervest Bank's average loan-to-deposit ratio meets standards for satisfactory performance. The bank's average loan-to-deposit ratio for the 10 quarters ending June 30, 1999, was 56.3 percent. The ratio has declined steadily since the previous examination. This trend was caused primarily by deposit growth outpacing loan growth despite the bank's willingness to originate loans. Specifically, according to the Consolidated Reports of Condition and Income from June 30, 1997, to December 31, 1998, the bank's loan-to-deposit ratio declined from 64.6 percent to 49.4 percent. For this time period, deposits increased 62.3 percent and net loans increased 24.2 percent. Another factor contributing to the decline in the loan-to-deposit ratio was unexpected early loan payoffs. However, from December 31, 1998, to June 30, 1999, the bank's loan-to-deposit ratio began to increase slightly from 49.4 percent to 53.2 percent.

Intervest Bank's average loan-to-deposit ratio was compared with other banks with branch offices in the assessment area. Three banks with branches in Pinellas County had similar asset sizes ranging from \$180.4 million to \$277.7 million as of June 30, 1999. The average loan-to-deposit ratios for these banks ranged from 34 percent to 73 percent. According to management of Intervest Bank, these similarly situated banks do not have the same lending strategies as Intervest Bank and, thus, the comparison of average loan-to-deposit ratios is less meaningful.

Assessment Area Concentration

Intervest Bank's lending in the assessment area meets standards for satisfactory performance. A sample of 53 commercial real estate loans originated since the previous examination was analyzed to determine the extent of the bank's lending inside its assessment area. As illustrated in the table on the next page, 47 percent of the commercial loans were originated inside the bank's assessment area. Because the level of competition for small business loans from other financial entities is high, opportunities for this type of lending were limited in Pinellas County; therefore, lending opportunities were sought outside the assessment area. Several of the loans originated outside the assessment area were large dollar participation loans in New York between Intervest Bank and its holding company, which is located in New York. Of the 28 loans originated outside the bank's assessment area, 8 (29 percent) were in New York, New York. If these 8 loans were excluded from the sample, then 56 percent of the sampled loans would be inside the assessment area resulting in satisfactory performance.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (Continued)

LENDING INSIDE AND OUTSIDE ASSESSMENT AREA					
Loan Type	IN				
	Number	Percent	\$ (000s)	Percent	
Commercial	25	47.0%	\$23,055	42.0%	
	OUT				
	Number	Percent	\$ (000s)	Percent	
	28	53.0%	\$32,253	58.0%	
	TOTAL IN + OUT				
	Number		\$ (000s)		
53		\$55,308			

Lending to Businesses of Different Sizes

Lending to businesses of different sizes meets standards for satisfactory performance. Based on the sampled loans originated inside the assessment area, Intervest Bank's percentage of small business loans to businesses with revenues of \$1 million or less is low when compared to the percentage of these businesses in the assessment area. However, the bank's percentage of small business lending is higher than the aggregate market's performance level in the assessment area. The aggregate market consists of financial entities with asset sizes greater than \$250 million or that are subsidiaries of bank holding companies with assets greater than \$1 billion and report small business loans. Data on small business lending to businesses of different revenue sizes for financial entities with assets similar to Intervest Bank was not available. Of the 25 loans originated inside the bank's assessment area, 21 reported their gross revenues. Of the 21 loans, Intervest Bank originated 62 percent to businesses with gross revenues less than \$1 million, which is lower than the percentage of small businesses in the assessment area. Small businesses comprise 89 percent of total businesses. However, the bank's performance is higher than the aggregate market which originated only 47 percent of the small business loans to entities with gross revenues less than \$1 million in 1998.

COMMERCIAL LOANS		
Lending by Business Revenue	Number	Percent
\$1 Million or Less	13	52.0%
Over \$1 Million	8	32.0%
Not Available	4	16.0%
<i>Total</i>	25	100.0%
Loan Size:		
\$100,000 or Less	1	4.0%
\$100,001 - \$250,000	6	24.0%
\$250,001 - \$1 Million	12	48.0%
Over \$1 Million	6	24.0%
<i>Total</i>	25	100.0%

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (Continued)

Referring to the table on the previous page, a review of the bank's record of lending to businesses by loan size revealed that of the 25 commercial real estate loans originated in the assessment area, the largest percentage were in loan amounts of \$250,001 to \$1 million. Considering that the bank's lending strategy focuses on originating higher dollar loans to medium and large size businesses, lending in loan sizes greater than \$250,000 is expected. Since commercial real estate loans are typically some of the highest dollar loans in the loan portfolios of banks, the origination of large dollar loans is expected by the bank. Referring to the loan production report on page 3, the average loan size of Intervest Bank's commercial real estate loans since the previous examination is \$992,642.

Geographic Distribution of Loans

The bank's geographic distribution of loans meets standards for satisfactory performance. Intervest Bank's percentage of lending to businesses in different income census tracts as a whole is similar to the demographic percentage of businesses in different income census tracts. Referring to the chart of page 7 and excluding the NA category, the percentages of businesses in the assessment area by tract income are as follows: low-income – 1.0 percent; moderate-income – 19.6 percent; middle-income – 47.8 percent; and upper-income – 31.6 percent. Intervest Bank's percentage of small business lending in moderate-income census tracts exceeds the percentage of businesses in these tracts. In addition, the percentage of small business lending in upper-income census tracts exceeds the percentage of businesses in these tracts. Since all five offices are located in upper-income census tracts, lending levels were expected to be at or above the percentage of businesses in these tracts. However, the bank's lending efforts in middle-income census tracts is not comparable to the percentage of small businesses in these tracts. Significant lending was not expected in low-income census tracts because they contain only one percent of businesses.

GEOGRAPHIC DISTRIBUTION		
	Number	Percent
Tract Income Level	Commercial	
Low-Income Tracts	0	0.0%
Moderate-Income Tracts	6	24.0%
Middle-Income Tracts	10	40.0%
Upper-Income Tracts	9	36.0%
<i>Total</i>	<i>25</i>	<i>100.0%</i>

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (Continued)

Complaints

No CRA-related complaints have been received since the previous performance evaluation.

Compliance with Antidiscrimination Laws and Regulations

Bank management has developed and implemented loan policies and procedures for the types of credit the bank offers. An examination of the bank's compliance with fair lending laws and regulations was conducted concurrently with the CRA examination. No credit practices inconsistent with the substantive provisions of fair housing and fair lending laws and regulations were identified.