

PUBLIC DISCLOSURE

April 8, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Flagler Bank
1801 Forest Hill Boulevard
West Palm Beach, Florida 33406

RSSD ID NUMBER: 2845755

FEDERAL RESERVE BANK OF ATLANTA
1000 Peachtree Street, N.E.
Atlanta, Georgia 30309-4470

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

Major factors supporting the institution's rating include the following:

- The bank's loan-to-deposit ratio is reasonable given its asset size, financial condition, and assessment area credit needs.
- A majority of its small business loans were originated inside the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of loans reflects reasonable penetration among businesses of different sizes.
- The bank has not received any CRA-related complaints since the previous examination.

SCOPE OF EXAMINATION

The CRA performance evaluation assesses the bank's record of meeting the credit needs of its community, including low- and moderate-income neighborhoods, within the context of information such as asset size and financial condition of the institution, competitive factors, and the economic and demographic characteristics of its defined assessment area. This CRA performance review was based on the bank's lending performance in its assessment area using the Interagency Small Institution Examination Procedures. The rating was assessed using the following core criteria developed for evaluating CRA lending performance for small banks:

- Net Loan-to-Deposit (LTD) Ratio
- Lending Inside the Assessment Area
- Lending to Borrowers of Different Incomes and Businesses of Different Sizes
- Geographic Distribution of Loans
- The bank's responsiveness to complaints it has received regarding its CRA activities, if applicable

Flagler Bank's rating was determined by conducting a full-scope review of the bank's one assessment area. The evaluation included an analysis of small business loans originated from January 1, 2014 through December 31, 2017. Commercial loans represent the bank's major product line. A small business loan is defined as a business loan with an original amount of \$1 million or less and typically is either secured by nonfarm or nonresidential real estate or classified as a commercial loan. Flagler Bank originated a greater volume of small business loans than any other loan type.

As part of this evaluation, examiners obtained information from one community contact who is familiar with the economic and demographic characteristics in the bank's assessment area. Information obtained from this contact was used to establish a context for the communities in which the bank operates and to gather information on the bank's performance. Specific information obtained from the community contact is included in the applicable section of the evaluation.

DESCRIPTION OF INSTITUTION

Flagler Bank is a full-service community bank headquartered in West Palm Beach, Florida. The bank offers various personal and business banking products. Lending products include business lines of credit, business term loans, commercial and residential real estate loans, SBA loans, and consumer loans. The bank also offers mobile banking and on-line banking with bill-pay service. As of December 31, 2018, Flagler Bank had assets totaling \$298.6 million, an increase of approximately \$139.9 million since the bank's last CRA evaluation conducted on December 1, 2014, using financial data as of September 30, 2014.

Branch Offices

Since the previous examination, Flagler Bank opened a branch in a low-income census tract in West Palm Beach, Florida, in January 2018. The bank now operates three banking offices in Palm Beach County, including the main office. All three full-service banking offices feature ATM and drive-up window access.

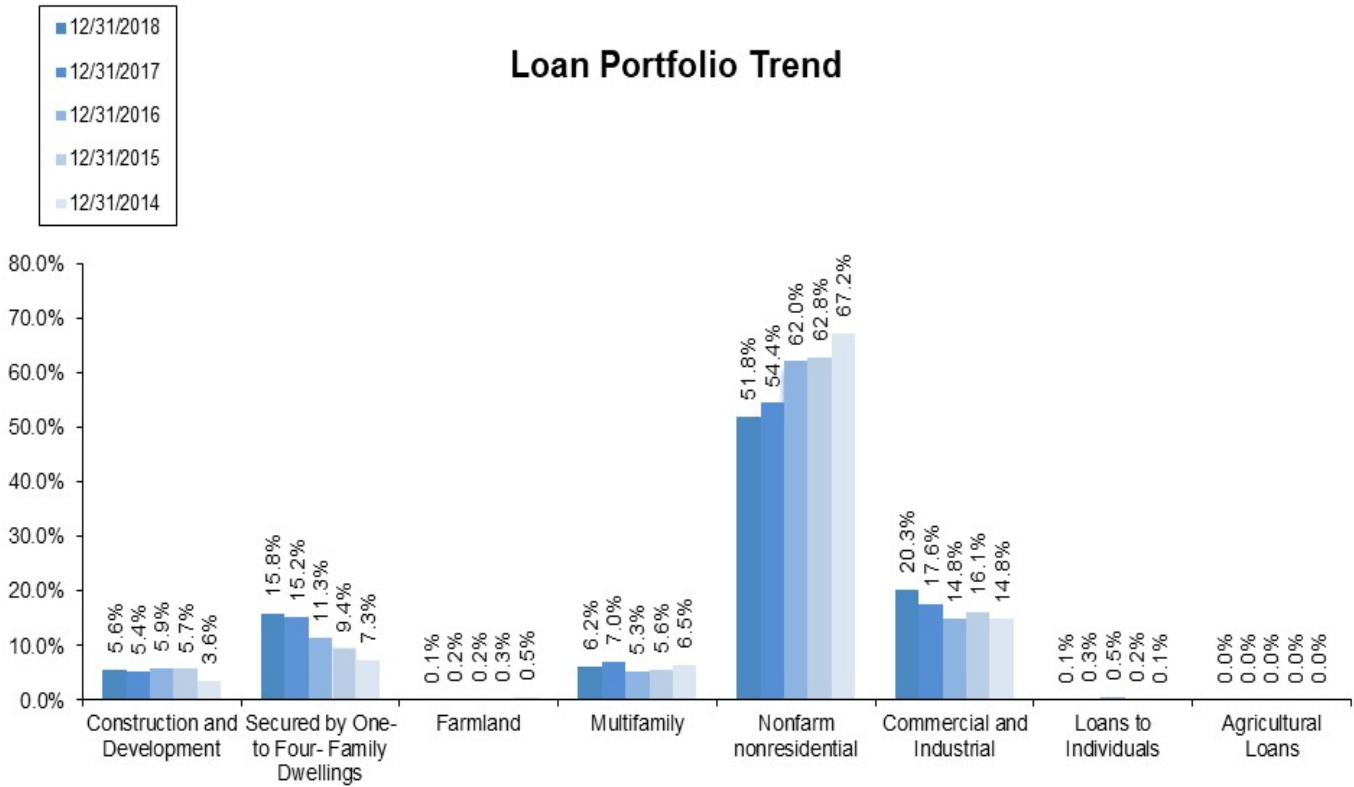
Loan Portfolio

The following table shows the composition of the loan portfolio according to the Consolidated Report of Condition and Income (Call Report).

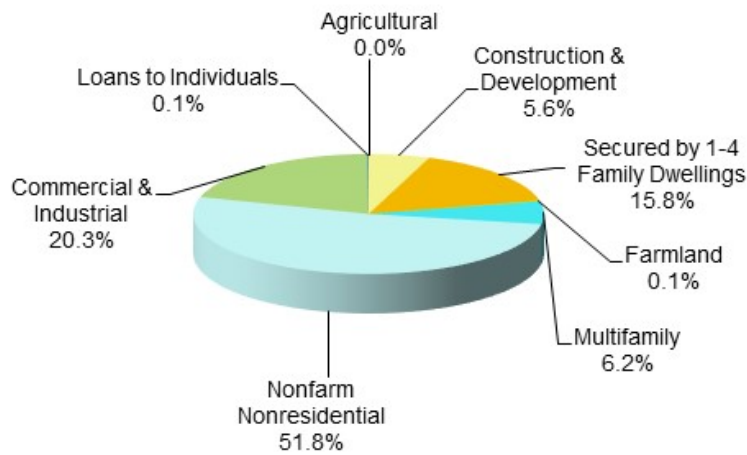
COMPOSITION OF LOAN PORTFOLIO										
Loan Type	12/31/2018		12/31/2017		12/31/2016		12/31/2015		12/31/2014	
	\$ (000s)	Percent	\$ (000s)	Percent	\$ (000s)	Percent	\$ (000s)	Percent	\$ (000s)	Percent
Construction and Development	12,440	5.6%	9,273	5.4%	8,533	5.9%	7,092	5.7%	3,283	3.6%
Secured by One- to Four- Family Dwellings	34,902	15.8%	26,254	15.2%	16,304	11.3%	11,713	9.4%	6,745	7.3%
Other Real Estate: Farmland	287	0.1%	302	0.2%	317	0.2%	330	0.3%	487	0.5%
Multifamily	13,626	6.2%	12,094	7.0%	7,599	5.3%	6,960	5.6%	5,970	6.5%
Nonfarm nonresidential	114,492	51.8%	94,165	54.4%	89,749	62.0%	78,412	62.8%	61,706	67.2%
Commercial and Industrial	44,838	20.3%	30,547	17.6%	21,464	14.8%	20,043	16.1%	13,578	14.8%
Loans to Individuals	248	0.1%	604	0.3%	722	0.5%	297	0.2%	111	0.1%
Agricultural Loans	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	\$220,833	100.00%	\$173,239	100.00%	\$144,688	100.00%	124,847	100.00%	\$91,880	100.00%

* This table does not include the entire loan portfolio. Specifically, it excludes loans to depository institutions, bankers acceptances, lease financing receivables, obligations of state and political subdivisions, and other loans that do not meet any other category. Contra assets are also not included in this table.

As illustrated by the table above, the bank's loan portfolio grew significantly by approximately 140.3 percent between 2014 and 2018, but the overall distribution of loan types remained relatively constant. As of December 31, 2018, nonfarm nonresidential and commercial and industrial lending combined accounted for 72.1 percent of the portfolio. The following charts further illustrate that real estate loans secured by nonfarm nonresidential properties are the primary types of loans originated by the bank.



**Loan Portfolio
as of
12/31/2018**



Credit Products

Flagler Bank's primary credit focus is commercial lending. Commercial credit products include business lines of credit, business term loans, commercial real estate loans, and SBA loan products. The bank also offers consumer credit products, including home equity lines of credit (HELOCs) and personal loans, but these offerings represent a smaller portion of the loan portfolio. Since the last examination, Flagler Bank has added a residential division to its lending services and began offering residential mortgage loans in January 2016. Commercial credit is the primary means by which Flagler Bank responds to the credit needs of its assessment area.

CRA Compliance

Flagler Bank complies with the requirements of the CRA. No known legal impediments exist that would restrict the bank from meeting the credit needs of its assessment areas. The bank received a "Satisfactory" rating at its previous evaluation conducted by the Federal Reserve Bank of Atlanta dated December 1, 2014, under the Small Institution Examination Procedures.

DESCRIPTION OF ASSESSMENT AREA – PALM BEACH AND BROWARD COUNTIES

Overview

Flagler Bank's CRA assessment area has not changed since the last examination. The assessment area includes all of Palm Beach County, which comprises the West Palm Beach-Boca Raton-Delray Beach Metropolitan Division (MD), and all of Broward County, the only county in the Fort Lauderdale-Pompano Beach-Deerfield Beach MD. Although Flagler Bank does not have a branch in Broward County, it includes the county as part of the assessment area due to loan distribution. The bank's assessment area does not arbitrarily exclude any low- or moderate-income census tracts and is reasonable in relation to branch locations.

Population Information

The 2015 population of the assessment area was estimated to be 3,221,958.¹ Broward and Palm Beach counties are part of the Miami-Fort Lauderdale-West Palm Beach, Florida Metropolitan Statistical Area (MSA). Palm Beach County is the largest county in Florida by landmass and has the third largest population statewide.² Broward County has the second largest population in the state, behind Miami-Dade County. From 2010 to 2015, the assessment area population grew by 5.0 percent, driven in large part by the population growth in Broward County. Statewide, the population grew by 4.5 percent during this time period.³

Income Characteristics

For purposes of classifying borrower income, this evaluation uses the FFIEC estimated median family income for the relevant areas. The following tables set forth the estimated median family income for 2014 through 2017 for the West Palm Beach-Boca Raton-Delray Beach MD (Palm Beach County) and Fort Lauderdale-Pompano Beach-Deerfield MD (Broward County). The tables also provide a breakdown of the estimated annual income based on income-level categories (low, moderate, middle, and upper). As shown in the tables, the median family income in the West Palm Beach-Boca Raton-Delray Beach MD increased by \$4,600, or 7.3 percent, during this time period, while the median family income in the Fort Lauderdale-Pompano Beach-Deerfield MD increased by \$2,300, or 3.7 percent.

¹ FRB Atlanta calculations of 2015 FFIEC census data.

² "Florida Quick Facts." State of Florida, n.d. Web. 2 April 2019. <<https://www.stateofflorida.com/facts.aspx#27103>>

³ "Florida Counties by Population." Florida Demographics, n.d. Web. 2 April 2019. <https://www.florida-demographics.com/counties_by_population>

Borrower Income Levels
West Palm Beach-Boca Raton-Delray Beach, FL (MD)

FFIEC Estimated Median Family Income		Low 0 - 49.99%	Moderate 50% - 79.99%	Middle 80% - 119.99%	Upper 120% - & above
2014	\$63,300	0 - \$31,649	\$31,650 - \$50,639	\$50,640 - \$75,959	\$75,960 - & above
2015	\$64,900	0 - \$32,449	\$32,450 - \$51,919	\$51,920 - \$77,879	\$77,880 - & above
2016	\$65,400	0 - \$32,699	\$32,700 - \$52,319	\$52,320 - \$78,479	\$78,480 - & above
2017	\$67,900	0 - \$33,949	\$33,950 - \$54,319	\$54,320 - \$81,479	\$81,480 - & above

Borrower Income Levels
Fort Lauderdale-Pompano Beach-Deerfield Beach, FL (MD)

FFIEC Estimated Median Family Income		Low 0 - 49.99%	Moderate 50% - 79.99%	Middle 80% - 119.99%	Upper 120% - & above
2014	\$61,800	0 - \$30,899	\$30,900 - \$49,439	\$49,440 - \$74,159	\$74,160 - & above
2015	\$63,300	0 - \$31,649	\$31,650 - \$50,639	\$50,640 - \$75,959	\$75,960 - & above
2016	\$60,900	0 - \$30,449	\$30,450 - \$48,719	\$48,720 - \$73,079	\$73,080 - & above
2017	\$64,100	0 - \$32,049	\$32,050 - \$51,279	\$51,280 - \$76,919	\$76,920 - & above

According to the 2017 FFIEC census data, 758,405 families lived in the assessment area. Of those families, 22.5 percent were low-income; 17.3 percent were moderate-income; 18.3 percent were middle-income; and 41.9 percent were upper-income. Of the total families, 10.9 percent had incomes below the poverty level.

Assessment Area Demographics

The following tables provide demographic characteristics of the assessment area used to analyze the bank's CRA performance. The first table is based on 2016 FFIEC census data along with 2016 Dun & Bradstreet (D&B) information and is used in the analysis of 2014 to 2016 small business lending performance. The second table is based on the 2017 FFIEC census data and 2017 D&B information and is used in the analysis of 2017 lending performance. The release of the 2017 FFIEC census data resulted in the reclassification of the income levels of some census tracts. From 2016 to 2017, the number of low-income tracts increased from 40 to 46; the number of moderate-income tracts increased from 183 to 200; and the number of upper-income tracts increased from 227 to 232. Middle-income tracts decreased from 239 to 209.

Combined Demographics Report

Assessment Area: Palm Beach - Broward

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	40	5.7	29,972	4.0	9,304	31.0	162,530	21.8
Moderate-income	183	26.1	190,974	25.6	28,300	14.8	131,313	17.6
Middle-income	239	34.1	260,728	35.0	18,502	7.1	144,751	19.4
Upper-income	227	32.4	263,797	35.4	9,887	3.7	306,894	41.2
Unknown-income	11	1.6	17	0.0	0	0.0	0	0.0
Total Assessment Area	700	100.0	745,488	100.0	65,993	8.9	745,488	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	65,334	19,412	2.3	29.7	30,611	46.9	15,311	23.4
Moderate-income	412,193	211,622	24.9	51.3	121,881	29.6	78,690	19.1
Middle-income	531,297	311,097	36.7	58.6	123,127	23.2	97,073	18.3
Upper-income	455,123	306,366	36.1	67.3	67,915	14.9	80,842	17.8
Unknown-income	17	9	0.0	52.9	8	47.1	0	0.0
Total Assessment Area	1,463,964	848,506	100.0	58.0	343,542	23.5	271,916	18.6
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	9,097	3.5	8,030	3.3	999	6.6	68	2.8
Moderate-income	55,962	21.7	51,303	21.4	4,297	28.3	362	14.7
Middle-income	84,154	32.7	78,797	32.8	4,671	30.8	686	27.8
Upper-income	108,108	42.0	101,614	42.3	5,150	34.0	1,344	54.4
Unknown-income	313	0.1	252	0.1	52	0.3	9	0.4
Total Assessment Area	257,634	100.0	239,996	100.0	15,169	100.0	2,469	100.0
Percentage of Total Businesses:				93.2		5.9		1.0
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	52	4.5	46	4.2	6	10.0	0	0.0
Moderate-income	165	14.2	152	13.8	13	21.7	0	0.0
Middle-income	305	26.2	295	26.7	10	16.7	0	0.0
Upper-income	643	55.1	611	55.3	31	51.7	1	100.0
Unknown-income	1	0.1	1	0.1	0	0.0	0	0.0
Total Assessment Area	1,166	100.0	1,105	100.0	60	100.0	1	100.0
Percentage of Total Farms:				94.8		5.1		.1

2016 FFIEC Census Data and 2016 D&B Information

Combined Demographics Report

Assessment Area: Palm Beach - Broward

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	46	6.6	38,360	5.1	13,741	35.8	170,515	22.5
Moderate-income	200	28.6	198,146	26.1	35,130	17.7	131,423	17.3
Middle-income	209	29.9	243,260	32.1	21,589	8.9	139,003	18.3
Upper-income	232	33.1	277,881	36.6	12,156	4.4	317,464	41.9
Unknown-income	13	1.9	758	0.1	99	13.1	0	0.0
Total Assessment Area	700	100.0	758,405	100.0	82,715	10.9	758,405	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	84,408	23,483	3.0	27.8	43,165	51.1	17,760	21.0
Moderate-income	418,623	192,055	24.2	45.9	143,732	34.3	82,836	19.8
Middle-income	474,546	265,611	33.4	56.0	130,415	27.5	78,520	16.5
Upper-income	506,206	313,212	39.4	61.9	91,766	18.1	101,228	20.0
Unknown-income	1,988	851	0.1	42.8	599	30.1	538	27.1
Total Assessment Area	1,485,771	795,212	100.0	53.5	409,677	27.6	280,882	18.9
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million			Over \$1 Million		Revenue Not Reported	
		#	%	#	%	#	%	#
Low-income	11,883	5.2	10,187	4.8	1,607	10.4	89	4.0
Moderate-income	50,938	22.1	46,342	21.8	4,263	27.5	333	15.0
Middle-income	70,059	30.4	65,463	30.8	4,042	26.1	554	25.0
Upper-income	96,868	42.0	90,156	42.4	5,485	35.4	1,227	55.3
Unknown-income	712	0.3	618	0.3	79	0.5	15	0.7
Total Assessment Area	230,460	100.0	212,766	100.0	15,476	100.0	2,218	100.0
Percentage of Total Businesses:				92.3		6.7		1.0
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million			Over \$1 Million		Revenue Not Reported	
		#	%	#	%	#	%	#
Low-income	56	5.2	49	4.8	7	11.5	0	0.0
Moderate-income	163	15.1	149	14.7	14	23.0	0	0.0
Middle-income	313	29.1	298	29.4	15	24.6	0	0.0
Upper-income	538	50.0	513	50.5	25	41.0	0	0.0
Unknown-income	6	0.6	6	0.6	0	0.0	0	0.0
Total Assessment Area	1,076	100.0	1,015	100.0	61	100.0	0	.0
Percentage of Total Farms:				94.3		5.7		.0

2017 FFIEC Census Data and 2017 D&B Information

According to the 2017 FFIEC census data, the assessment area contains 700 census tracts, of which 46 (6.6 percent) are low-income; 200 (28.6 percent) are moderate-income; 209 (29.9 percent) are middle-income; 232 (33.1 percent) are upper-income; and 13 (1.9 percent) have an unknown income level.

Housing Characteristics

According to the 2017 FFIEC census data, there were nearly 1.5 million housing units in the assessment area, of which 53.5 percent were owner-occupied, 27.6 percent were rental units, and 18.9 percent were vacant units. The median housing value in the assessment area in 2015 was \$194,357, which was higher than the median housing value for the state of Florida at \$159,000. Within the assessment area, the median home value was higher in Palm Beach County at \$204,700 compared to Broward County at \$185,900. The median age of the housing stock was 39 years in the assessment area compared to 30 years for the state.⁴

Housing prices in the assessment area rose during the second quarter of 2017. Residential sales in Palm Beach County increased slightly during this time period while sales fell in Broward County, according to the Palm Beach and Greater Fort Lauderdale Associations of Realtors.⁵

Housing in the assessment area is slightly more affordable than elsewhere in the state. The affordability ratio is defined as the median household income divided by the median housing value. A higher ratio means the housing is considered more affordable while a lower ratio means the housing is considered less affordable. For the assessment area, the affordability ratio was 27.1 in 2015. The affordability ratio for Palm Beach County was 26.1 and 28.0 in Broward County; statewide, the affordability ratio was 29.9.

Economic and Employment Conditions

According to bank management and community contacts, economic conditions in the assessment area are relatively stable. Tourism and transportation are major economic drivers for the assessment area, with major commercial air and sea ports in each county. While Broward and Palm Beach counties are part of a broader MSA that includes Miami-Dade County, each has unique economic characteristics that drive local economies.

Broward County, also known as Greater Fort Lauderdale, is a popular travel destination for many tourists. With around 50 cruise ships sailing in and out of Port Everglades every year, the port is an economic powerhouse for Broward County. The cruise and cargo industries provide jobs and inject money into the economy. In 2017, Port Everglades generated more than \$30 billion worth of business activity and more than 230,747 jobs statewide.⁶ Palm Beach County is also heavily reliant on tourism; the industry is the second leading economic driver behind agriculture.⁷ Tourism generates an annual economic impact of approximately \$7 billion in the local economy, produces \$42 million in bed-tax revenue and lodging sales of approximately \$623 million, and supports more than 66,000 jobs.⁸

⁴ FRB Atlanta calculations of 2015 FFIEC census data.

⁵ "Miami-Dade and Palm Beach home sales rise, but fall in Broward amid rising prices: Q2 reports." The Real Deal, (2017) Web. 3 April 2019. <<https://therealdeal.com/miami/2017/08/09/miami-dade-residential-sales-rise-broward-sales-fall-q2-reports/>>

⁶ "Economic Impact." Port Everglades, (2017) Web. 3 April 2019. <<http://www.porteverglades.net/our-community-role/economic-impact/>>

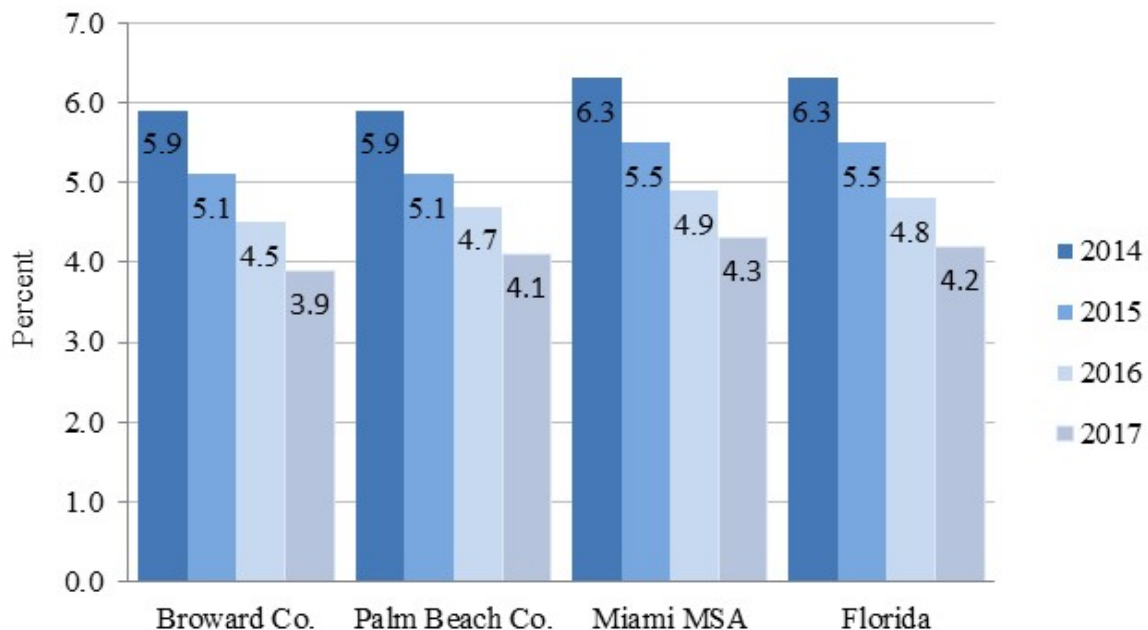
⁷ "Tourists keep coming in record numbers, say South Florida, state tourism officials." Sun Sentinel, (2018) Web. 18 April 2019. <<http://www.sun-sentinel.com/business/fl-bz-south-florida-tourism-20180606-story.html>>

⁸ "About." Discover The Palm Beaches, n.d. Web. 18 April 2019. <<https://www.thepalmbeaches.com/about-discover-palm-beaches>>

Major employers in the assessment area include U.S. Sugar, Nova Southeastern University, Palm Beach County School District, AutoNation, and Spirit Airlines.^{9&10} There are multiple colleges and universities within Palm Beach and Broward counties that provide training for the workforce throughout the assessment area.

The following table shows the unemployment rates for 2014 through 2017 for the two counties in the bank’s assessment area, the Miami MSA, and the state of Florida. According to the Bureau of Labor Statistics, the 2017 annualized unemployment rate (not seasonally adjusted) for the Miami MSA was 4.3 percent, which was slightly higher than the rate for the state of Florida at 4.2 percent. Overall, unemployment decreased from 2014 to 2017. The declining trend in the unemployment rate in each of the two counties is consistent with the statewide trend. Improving economic factors, such as increasing employment, generally indicate greater potential for consumer and small business loan demand and improved borrower qualifications to obtain credit.

Unemployment Rates: Palm Beach County - Broward



Not Seasonally Adjusted. Source: Bureau of Labor Statistics

Competition

Flagler Bank operates in a highly competitive banking market that includes a mix of national, regional, and local banks. According to the June 30, 2018 Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, 66 financial institutions operated 898 offices inside the assessment area. Flagler Bank is ranked 33rd in deposit market share inside the assessment area with 0.2 percent of deposits. Bank of America had the largest

⁹ “Largest Employers.” Greater Fort Lauderdale Alliance, n.d. Web. 10 April 2019.

<https://www.gflalliance.org/clientuploads/largest_employers_2019.png>

¹⁰ “Top Employers.” Business Development Board-Palm Beach County, n.d. Web. 10 April 2019. <<https://www.bdb.org/facts-figures/top-employers/>>

presence with deposit market share of 21.5 percent, followed by Wells Fargo Bank at 18.3 percent, and JPMorgan Chase Bank at 9.9 percent. The top five institutions together hold 60.6 percent of deposits inside the assessment area. As such, competition may impact the bank's ability to serve the credit needs of its assessment area.

Community Contacts and Credit Needs

As part of the CRA examination, information was obtained from a local expert in small business lending. This individual discussed various opportunities and challenges across the region in terms of small businesses, as well as how financial institutions can be responsive to this sector.

According to the community contact, there is a need for microloans for small businesses in the area. The banks (community, large and regional) typically do not offer smaller loan products (\$50,000 or less) because of conservative underwriting guidelines; the contact also noted that banks are strict with lines of credit. Banks are suggesting that small businesses get credit cards in lieu of a loan or line of credit, or to consider online lending as an option for funding. As a result, small business owners experience challenges with obtaining funding for working capital. The individual also advised that the majority of SBA loans are originated by large banks and are typically much larger loans of at least \$425,000. The community contact felt that online lenders are prevalent and can appear to be a favorable option for small business owners who cannot get loans from financial institutions. However, the loans from these lenders are often very expensive with high interest rates and fees.

Banks can engage with small business-focused Community Development Financial Institutions (CDFIs) and loan funds to help meet the community needs of loans in amounts of \$50,000 or less. Local CDFIs provide small business lending to those who do not have access to capital from typical lending sources, such as traditional banks, and may afford opportunities for financial institutions to work directly with small businesses in the local area by providing technical assistance and access to credit.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Overview

Flagler Bank's overall performance rating is satisfactory. The bank's lending performance was evaluated by analyzing small business loans originated between January 1, 2014 and December 31, 2017. Commercial lending represents the primary line of business for the institution. The bank reported minimal HMDA loan production during the review period; therefore, residential lending was not analyzed.

Loans made in 2014 through 2016 were analyzed using 2016 FFIEC census data, while loans made in 2017 were analyzed using 2017 FFIEC census data. Therefore, in the discussions of geographic distribution of loans and lending to businesses of different sizes, separate tables are presented depicting lending in 2014 through 2016, and lending in 2017.

Loan-to-Deposit (LTD) Ratio

The bank's net LTD ratio reflects its level of lending activity, and its lending levels show a reasonable responsiveness to meeting the overall assessment area's credit needs. The bank's LTD ratio is reasonable given its asset size, financial condition, and assessment area credit needs. The bank's average net LTD ratio for the 18 quarters ending December 31, 2018, was 75.8 percent. The LTD ratio was compared with those of eight other depository institutions in the assessment area over the same time period; their ratios ranged from 67.1 percent to 95.4 percent. Performance context information such as competition and business strategy were considerations in determining the reasonableness of the LTD ratio. The assessment area is a highly competitive market, and there is strong competition with a number of larger regional institutions.

Assessment Area Concentration

The bank originated a majority of its small business loans to businesses located in its assessment area. The table below shows the number and percentage of loans reviewed that were located inside and outside the assessment area.

Lending Inside and Outside the Assessment Area

Loan Types	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Total Small Business	91	81.3	\$30,625	74.8	21	18.8	\$10,343	25.2
TOTAL LOANS	91	81.3	\$30,625	74.8	21	18.8	\$10,343	25.2

Note: Affiliate loans not included

As illustrated in the table above, 81.3 percent of the bank’s loans by number and 74.8 percent by dollar amount were extended to businesses inside the assessment area. This percentage indicates the bank’s willingness to originate loans that meet credit needs of businesses inside the assessment area.

Geographic Distribution of Loans

For this analysis, the geographic distribution of small business loans was compared with available demographic information. Flagler Bank’s overall geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area.

The following table shows the geographic distribution of small business loans to businesses located within the assessment area in 2014, 2015, and 2016.

Geographic Distribution of Small Business Loans

Assessment Area: Palm Beach - Broward

Tract Income Levels	Bank Lending & Demographic Data Comparison				
	2014, 2015, 2016				
	Bank				Small Businesses
	Count		Dollar		
#	%	\$(000s)	\$ %	%	
Low	1	1.5%	\$525	2.5%	3.3%
Moderate	18	26.9%	\$6,981	33.1%	21.4%
Middle	21	31.3%	\$7,421	35.2%	32.8%
Upper	26	38.8%	\$5,651	26.8%	42.3%
Unknown	1	1.5%	\$500	2.4%	0.1%
Tr Unknown	0	0.0%	\$0	0.0%	
<i>Total</i>	<i>67</i>	<i>100.0%</i>	<i>\$21,079</i>	<i>100.0%</i>	<i>100.0%</i>

Originations & Purchases
 2016 FFIEC Census Data and 2016 D&B Information

For 2014, 2015, and 2016, the bank originated 1.5 percent of its small business loans in low-income tracts, where 3.3 percent of small businesses are located. Flagler Bank originated 26.9 percent of its small business loans in moderate-income tracts, which was higher than the percentage of small businesses in these tracts at 21.4 percent.

The following table shows the geographic distribution of small business loans originated by Flagler Bank in the assesment area in 2017.

Geographic Distribution of Small Business Loans

Assessment Area: Palm Beach - Broward

Tract Income Levels	Bank Lending & Demographic Data Comparison				
	2017				
	Count		Bank Dollar		Small Businesses
	#	%	\$ (000s)	\$ %	%
Low	3	12.5%	\$1,024	10.7%	4.8%
Moderate	3	12.5%	\$1,470	15.4%	21.8%
Middle	11	45.8%	\$2,989	31.3%	30.8%
Upper	6	25.0%	\$3,714	38.9%	42.4%
Unknown	1	4.2%	\$350	3.7%	0.3%
Tr Unknown	0	0.0%	\$0	0.0%	
<i>Total</i>	<i>24</i>	<i>100.0%</i>	<i>\$9,546</i>	<i>100.0%</i>	<i>100.0%</i>

Originations & Purchases
 2017 FFIEC Census Data and 2017 D&B Information

The bank originated 12.5 percent of its small business loans in low-income tracts, which was significantly higher than the percentage of small businesses in these tracts at 4.8 percent. Furthermore, 12.5 percent of the small business loans were originated in moderate-income tracts, where 21.8 percent of small businesses are located. The overall geographic distribution of small business lending is considered reasonable given market conditions and performance context.

Lending to Businesses of Different Sizes

Flagler Bank’s small business lending by business revenue size reflects reasonable penetration among businesses of different sizes.

The following table shows, by business revenue and loan size, the number and dollar volume of the small business loans originated by Flagler Bank inside its assessment area in 2014, 2015, and 2016.

Small Business Loans by Business Revenue & Loan Size

Assessment Area: Palm Beach - Broward

Business Revenue & Loan Size		Bank Lending & Demographic Data Comparison				
		2014, 2015, 2016				
		Bank		\$ (000s)		Total Businesses
		Count				
		#	%	\$	%	%
BUSINESS REVENUE	\$1million or Less	38	56.7%	\$12,042	57.1%	93.2%
	Over \$1 Million	25	37.3%	\$8,596	40.8%	5.9%
	<i>Total Rev. available</i>	63	94.0%	\$20,638	97.9%	99.1%
	Rev. Not Known	4	6.0%	\$441	2.1%	1.0%
	<i>Total</i>	67	100.0%	\$21,079	100.0%	100.0%
LOAN SIZE	\$100,000 or Less	18	26.9%	\$880	4.2%	
	\$100,001 - \$250,000	17	25.4%	\$3,062	14.5%	
	\$250,001 - \$1 Million	32	47.8%	\$17,137	81.3%	
	Over \$1 Million	0	0.0%	\$0	0.0%	
	<i>Total</i>	67	100.0%	\$21,079	100.0%	
LOAN SIZE & Rev \$1 Mill or Less	\$100,000 or Less	12	31.6%	\$538	4.5%	
	\$100,001 - \$250,000	9	23.7%	\$1,712	14.2%	
	\$250,001 - \$1 Million	17	44.7%	\$9,792	81.3%	
	Over \$1 Million	0	0.0%	\$0	0.0%	
	<i>Total</i>	38	100.0%	\$12,042	100.0%	

Originations & Purchases
2016 FFIEC Census Data and 2016 D&B Information

From 2014 through 2016, of the 67 loans inside the assessment area, 38 (56.7 percent) were originated to businesses with gross annual revenues of \$1 million or less. While this is below the percentage of total businesses in this revenue size category at 93.2 percent, the performance is reasonable given market conditions and performance context. Furthermore, of the 38 loans made to businesses with revenues of \$1 million or less, 21 originations (55.3 percent) were in amounts of \$250,000 or less, demonstrating the bank’s willingness to make small dollar amount loans that help meet the credit needs of businesses in the community.

The following table shows, by business revenue and loan size, the number and dollar volume of the small business loans originated by Flagler Bank inside its assessment area in 2017.

Small Business Loans by Business Revenue & Loan Size

Assessment Area: Palm Beach - Broward

Business Revenue & Loan Size		Bank Lending & Demographic Data Comparison				
		2017				
		Bank		\$ (000s)		Total Businesses
		Count				
		#	%	\$	%	%
BUSINESS REVENUE	\$1million or Less	13	54.2%	\$5,075	53.2%	92.3%
	Over \$1 Million	9	37.5%	\$3,535	37.0%	6.7%
	<i>Total Rev. available</i>	22	91.7%	\$8,610	90.2%	99.0%
	Rev. Not Known	2	8.3%	\$937	9.8%	1.0%
	<i>Total</i>	24	100.0%	\$9,546	100.0%	100.0%
LOAN SIZE	\$100,000 or Less	4	16.7%	\$126	1.3%	
	\$100,001 - \$250,000	8	33.3%	\$1,580	16.6%	
	\$250,001 - \$1 Million	12	50.0%	\$7,840	82.1%	
	Over \$1 Million	0	0.0%	\$0	0.0%	
	<i>Total</i>	24	100.0%	\$9,546	100.0%	
LOAN SIZE & Rev \$1 Mill or Less	\$100,000 or Less	1	7.7%	\$25	0.5%	
	\$100,001 - \$250,000	5	38.5%	\$995	19.6%	
	\$250,001 - \$1 Million	7	53.8%	\$4,055	79.9%	
	Over \$1 Million	0	0.0%	\$0	0.0%	
	<i>Total</i>	13	100.0%	\$5,075	100.0%	

Originations & Purchases
2017 FFIEC Census Data and 2017 D&B Information

For 2017, of the 24 loans inside the assessment area, 13 (54.2 percent) were originated to businesses with gross annual revenues of \$1 million or less. While this is below the percentage of total businesses in this revenue size category at 92.3 percent, the performance is reasonable given market conditions and performance context. Furthermore, of the 13 loans made to businesses with revenues of \$1 million or less, 6 originations (46.2 percent) were in amounts of \$250,000 or less, demonstrating the bank’s willingness to make small dollar amount loans that help meet the credit needs of businesses in the community.

RESPONSE TO SUBSTANTIATED COMPLAINTS

The bank has not received any CRA-related complaints since the previous evaluation.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of prohibited discrimination or the use of other illegal credit practices was noted during the examination. The bank is in compliance with the substantive provisions of antidiscrimination laws and regulations.

APPENDIX A

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED January 1, 2014, through December 31, 2017			
FINANCIAL INSTITUTION Flagler Bank, West Palm Beach, Florida		PRODUCTS REVIEWED Small Business Loans	
AFFILIATE(S) N/A	AFFILIATE RELATIONSHIP N/A	PRODUCTS REVIEWED N/A	
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Palm Beach and Broward counties	Full-scope Review	555 Northlake Boulevard North Palm Beach, Florida	N/A

APPENDIX B – DEFINITIONS AND GENERAL INFORMATION

Definitions

ATM	Automated Teller Machine
CDC	Community Development Corporation
CDFI	Community Development Financial Institution
CRA	Community Reinvestment Act (Regulation BB)
FDIC	Federal Deposit Insurance Corporation
FFIEC	Federal Financial Institutions Examination Council
HMDA	Home Mortgage Disclosure Act (Regulation C)
HUD	Department of Housing and Urban Development
LMI	Low- and Moderate-Income
LTD	Loan-to-Deposit
LTV	Loan-to-Value Ratio
MD	Metropolitan Division
MSA	Metropolitan Statistical Area
OMB	Office of Management and Budget
REIS	Regional Economic Information System
SBA	Small Business Administration
USDA	United States Department of Agriculture

Rounding Convention

Because the percentages presented in tables were rounded to the nearest tenth in most cases, some columns may not total exactly 100 percent.

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 CRA performance of Flagler Bank prepared by the **Federal Reserve Bank of Atlanta**, the institution's supervisory agency, as of **April 8, 2019**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

APPENDIX C – GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of MSAs. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: All Agencies have adopted the following language. Affordable housing (including multi-family rental 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 (Board), Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC) 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, FDIC, and OCC, 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.

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

APPENDIX C – GLOSSARY (Continued)

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

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a MSA to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Metropolitan area (MA): A MSA or a metropolitan division (MD) as defined by the Office of Management and Budget. An MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. An MD is a division of an MSA based on specific criteria including commuting patterns. Only an MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

APPENDIX C – GLOSSARY (Continued)

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate MA. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate MA, the institution will receive a rating for the multistate MA.

Small loan(s) to business (es): A loan included in 'loans to small businesses' as defined in the Call Report and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Call Report. These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-income: Individual income that is at least 120 percent of the area median income, or a median family income at least 120 percent, in the case of a geography.