



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

September 1, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Flagship National Bank
Charter Number 23764**

**6004 26th Street West
Bradenton, FL 34207**

**Comptroller of the Currency
North Florida Field Office
8375 Dix Ellis Trail, Suite 403
Jacksonville, FL 32256**

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 Flagship National Bank (FNB) has a satisfactory record of meeting credit needs within the community. This Public Evaluation (PE) covers the period of time from November 2001 to December 2005.

The following supports the satisfactory rating.

- FNB's loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A substantial majority of loans are in the institution's assessment area.
- Given the demographics of the assessment area, the distribution of borrowers reflects reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area(s).
- Community development lending activities further support the bank's overall satisfactory rating.

DESCRIPTION OF INSTITUTION

As of December 31, 2005, Flagship National Bank (FNB) was a \$162 million retail banking institution located in Bradenton, Florida. The bank services the credit and deposit needs of its customers from its main office in Bradenton and two branches in Sarasota, Florida. The facilities offer a variety of banking services including drive up and ATM services. FNB's primary lending focus is commercial and residential lending. No financial or legal impediments hinder the bank from meeting the credit needs of its assessment area.

FNB offers a wide variety of financial products including commercial loans, residential mortgage loans, consumer loans and deposit accounts. As of December 31, 2005, net loans of \$115 million comprised 71 percent of assets. Both residential real estate and commercial related loans account for 35 percent of total loans, respectively.

FNB received a "Satisfactory" rating at the last Public Evaluation dated October 29, 2001.

DESCRIPTION OF SARASOTA AND MANATEE COUNTIES

FNB designates the geographic boundaries of Sarasota and Manatee Counties, Florida as its assessment area (AA). Manatee County's incorporated areas include Bradenton, Bradenton Beach, Anna Maria, Holmes Beach and Palmetto. Numerous rural communities are included in the county. Sarasota County's incorporated areas include Sarasota, North Port and Venice. Unincorporated areas include Bee Ridge, Fruitville, Desoto Lakes and Sarasota Springs. The AA meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

The 2005 Housing and Urban Development estimate of MSA median family income for Florida was \$55,900. According to the 2000 U.S. Census Bureau, there were 143 census tracts in the county with only one census tract designated low-income. There are 31 moderate-income census tracts, 77 middle-income census tracts and 34 upper-income census tracts.

FNB's AA is a coastal community located approximately 45 miles south of Tampa on I-75. The estimated 2000 population for the AA was 589,959. Unemployment rates are low for the AA. Major industries in the area include tourism, retail trade and services. The largest employers in the assessment area include Publix Grocery Store, PGT Industries, Wal-Mart and Venice Regional Medical Center.

The following table highlights the demographic composition of the AA.

Demographic and Economic Characteristics of Sarasota/Manatee Counties Assessment Area	
Population	
Total Population	589,959
Number of Families	169,248
Number of Households	262,622
Geographies	
Number of Census Tracts	143
% Low-Income Census Tracts	1%
% Moderate-Income Census Tracts	22%
% Middle-Income Census Tracts	54%
% Upper-Income Census Tracts	23%
Median Family Income (MFI)	
2000 MFI for AA	\$48,550
2005 HUD-Adjusted MFI	\$55,900
Economic Indicators	
Unemployment Rate	2.6%
2000 Median Housing Value	\$126,784
% Households Below Poverty Level	8%

Source: 2000 Census data and HUD updated income data.

The banking industry in the AA is highly competitive. Approximately forty financial institutions compete with numerous offices.

A community contact was made in the Sarasota area with the Executive Director of a local non-profit organization. This organization is a Community Development Financial Institution (CDFI) that provides funds to other non-profits to help them build affordable single and multi-family housing and community facilities that meet the social service needs of low-and moderate-income residents. The organization is headquartered in Orlando and this is one of seven of their lending affiliates who service southwest Florida.

In the city of Sarasota, there is a neighborhood referred to as Newtown, where there are pockets of extreme poverty. These older neighborhoods have struggled to maintain their existence. Land is at a premium and developers often purchase large blocks of raw land which has driven up development costs. The west side of Sarasota has seen the most development because it is near the coast. However, as population growth continues, development is expanding away from the coast in what used to be farming areas. There continues to be a substantial influx of new residents, which has caused housing prices to be higher than other cities of comparable size.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable. Since the last CRA evaluation, FNB’s loan-to-deposit ratio has averaged 80 percent. This ratio compares likewise to five similar banks in the AA with an average ratio of 84 percent. Similarly situated banks had average ratios that ranged from 71 to 89 percent.

Lending in Assessment Area

A substantial majority of loans by number and dollar have been originated within the assessment area. We selected a sample of 92 loans from FNB’s primary lending products-- commercial, consumer, and residential real estate. The sample reflects 92% of the bank's loans by number and 96% by dollar amount were originated within the AA.

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	34	89	4	11	38	8,933	93	649	7	9,582
Home Improvement	5	71	2	29	7	929	94	55	6	984
Home Refinance	16	100	0	0	16	2,656	100	0	0	2,656
Commercial Loans	30	97	1	3	31	5,925	99	40	1	5,965
Totals	85	92	7	8	92	18,443	96	744	4	19,187

Source: data reported under HMDA; Loan Sample.

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

The distribution of residential real estate loans to low- and moderate-income borrowers is reasonable. Originations to low-income borrowers are excellent for home purchase and home improvement loan products. However, the originations to moderate-income borrowers are weak for home purchase, home improvement, and home refinance loans.

Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	17	15	20	3	24	12	39	59
Home Improvement	17	20	20	0	24	0	39	80
Home Refinance	17	6	20	6	24	25	39	56

Source: data reported under HMDA; U.S. Census data.

The distribution of commercial related loans to small businesses is reasonable. The percentage of the number of loans made to small businesses exceeds the percentage of small businesses located within the bank's AA. The percentage of the dollar amount of loans made to small businesses is near the percentage of small businesses located within the bank's AA.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	65	4	31	100%
% of Bank Loans in AA by #	73	27	0	100%
% of Bank Loans in AA by \$	61	39	0	100%

Source: Loan sample; Dunn and Bradstreet data

Geographic Distribution of Loans

The geographic distribution of loans reflects excellent dispersion throughout the assessment area(s). There is only one low-income census tract located within the bank's AA and less than one percent of owner-occupied housing units are located within this tract. Therefore, very little weight was placed on the bank's performance in low-income geographies. In moderate-income census tracts, performance is strong for all three residential loan products. The percentage of loans made in moderate-income census tracts for all three products exceeds the percentage of owner-occupied housing in these tracts.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	1	0	20	21	55	68	25	11
Home Improvement	1	0	20	40	55	20	25	40
Home Refinance	1	0	20	38	55	50	25	12

Source: data reported under HMDA; U.S. Census data.

The geographic distribution of small business loans is excellent. Less than 1% of the businesses are located in the low-income tracts, again reflecting the lack of opportunities in this area.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Small Business	1	0	21	28	54	44	24	28

Source: loan sample; D & B data.

Community Development Lending

The bank’s community development lending activities further support the bank’s overall satisfactory rating. FNB has a \$25,000 working capital line of credit to a non-profit corporation, whose mission includes providing affordable housing in the impoverished Newtown area of Sarasota County. This non-profit has a mission to buy and rehabilitate older homes and small businesses in the Newtown area; they also provide affordable housing to low-income households in Sarasota County. A majority of the households benefiting from these opportunities have incomes qualifying for various federally-funded housing programs or federal tax incentives for provision of affordable housing. These homes are sold for affordable prices. In addition to this, the bank currently has a construction line of credit to this entity for \$229,000. The purpose of the construction loan is to rehabilitate two homes in the Newtown area.

Responses to Complaints

No complaints were made relating to FNB’s CRA performance during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

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