

PUBLIC DISCLOSURE

February 10, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Capital Bank
Montgomery, Alabama**

RSSD ID Number: 3027053

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

<p>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 of opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.</p>

TABLE OF CONTENTS

	PAGE
GENERAL INFORMATION	1
INSTITUTION'S CRA RATING	1
DESCRIPTION OF INSTITUTION	2
DESCRIPTION OF ASSESSMENT AREA: Montgomery County, Alabama	3
CONCLUSIONS WITH RESPECT TO PREFORMANCE CRITERIA	7
Loan-to-Deposit Ratio Analysis	7
Assessment Area Concentration	7
Lending to Borrowers of Different Incomes and Businesses of Different Sizes	8
Geographic Distribution of Loans	9
Complaints	9
Compliance With Antidiscrimination Laws	9

TABLES

	PAGE
COMPOSITION OF LOAN PORTFOLIO	2
BANK ASSESSMENT AREA DEMOGRAPHICS	4
LENDING INSIDE AND OUTSIDE THE ASSESSMENT AREA	7
SMALL BUSINESS LOAN ORIGINATIONS BY BUSINESS REVENUE AND LOAN SIZE	8
GEOGRAPHIC DISTRIBUTION OF LOANS	9

DEFINITIONS

Income Definitions

Throughout this evaluation, the following definitions are used for the various income levels. These levels are defined in the CRA.

Low-Income - An individual income, or median family income for geographies, that is less than 50 percent of the area median income.

Moderate-Income - An individual income, or median family income for geographies, that is at least 50 percent but less than 80 percent of the area median income.

Middle-Income - An individual income, or median family income for geographies, that is at least 80 percent but less than 120 percent of the area median income.

Upper-Income - An individual income, or median family income for geographies, that is 120 percent or more of the area median income.

Other Definitions

HUD - Department of Housing and Urban Development

LTD - Loan-to-Deposit Ratio

MSA - Metropolitan Statistical Area

REIS - Regional Economic Information System

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 Capital Bank prepared by the Federal Reserve Bank of Atlanta, the institution's supervisory agency, as of February 10, 2003. 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 bank's average loan to deposit ratio for the five quarters ended December 31, 2002, was **MORE THAN REASONABLE** given the institution's age, size, financial condition, and competition within its assessment area. The bank is almost exclusively a commercial lender; therefore, small business loans were the only loan type reviewed in analyzing the bank's CRA performance. A **MAJORITY** of the bank's loans were extended to businesses inside its assessment area. Capital Bank made a limited number of loans in its assessment area. Lending to businesses of different revenue sizes is considered **REASONABLE**. The geographic distribution of loans reflects a **REASONABLE** dispersion in the assessment area. In assessing CRA performance, particularly with regard to lending volume, consideration was given to the fact that Capital Bank is new and in the process of establishing itself. The bank has received no CRA related complaints. In addition, the bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations.

DESCRIPTION OF INSTITUTION

Capital Bank is a de novo bank that opened for business on December 31, 2001. This community bank operates from its only office, which is located in Montgomery, Alabama. From December 31, 2001, to December 31, 2002, total assets grew from \$8.7 million to \$21.5 million (147 percent). As of December 2002, net loans totaled \$15.6 million and total deposits were \$14.2 million.

Capital Bank is a full service community bank that offers a wide variety of credit products to meet community credit needs. However, the bank's primary focus is on various types of commercial lending (construction and development, commercial real estate, and commercial and industrial loans).

The composition of the loan portfolio according to the December 31, 2002 Consolidated Reports of Condition and Income (Call Report) is as follows:

COMPOSITION OF LOAN PORTFOLIO				
Loan Type	12/31/2002		12/31/2001	
	\$ (000s)	Percent	\$ (000s)	Percent
Construction and Development	\$4,450	28.2%	\$0	0.0%
Secured by One- to Four- Family Dwellings	\$1,641	10.4%	\$170	23.6%
Other Real Estate:				
Farmland	\$0	0.0%	\$0	0.0%
Multifamily	\$1,228	7.8%	\$550	76.4%
Nonfarm nonresidential	\$5,341	33.9%	\$0	0.0%
Commercial and Industrial	\$2,647	16.8%	\$0	0.0%
Loans to Individuals	\$467	3.0%	\$0	0.0%
Agricultural Loans	\$0	0.0%	\$0	0.0%
Total	\$15,774	100.00%	\$720	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 indicated by the table above, the bank's loan portfolio as of December 31, 2002, consisted primarily of nonfarm nonresidential loans followed by construction and development loans. The minimal amount of consumer loans is consistent with the bank's strategy to focus on commercial lending. In evaluating the bank's performance, the examiner took into consideration the bank's de novo status. No known legal impediments exist that would restrain the bank from meeting the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA: Montgomery County, Alabama

Capital Bank's assessment area consists of a portion of Montgomery County, which is part of the Montgomery MSA and includes the city of Montgomery. The assessment area is made up of 49 census tracts. 7 are low-income, 8 are moderate-income, 19 are middle-income, and 15 are upper-income. Capital Bank has not arbitrarily excluded any low- or moderate-income census tracts from its assessment area. In the examiner's judgement, the assessment area meets the requirements of the CRA regulation.

The bank's office is located in an upper-income census tract near the center of the assessment area. The office is located less than eight miles from all low-income and moderate-income census tracts. The low-income and moderate-income census tracts are located to the north and to the east of the bank's office.

As indicated earlier in this report, Capital Bank generates very few consumer loans. Because of this, small business loans were the only loan product reviewed to determine the bank's performance under the CRA. For this reason, the discussion of the assessment area primarily focuses on the business-related characteristics of the assessment area. Other statistical data are offered in this section of the report to provide a general impression of the demographics and economic environment of the county.

DESCRIPTION OF ASSESSMENT AREA (Continued)

Demographic Data by Census Tract

The following table provides demographic information that was used in analyzing the bank's CRA performance. Certain components of the data in the table are discussed in the report as they apply to particular parts of the analysis.

MONTGOMERY ASSESSMENT AREA								
DEMOGRAPHICS								
2002 HUD Median Family Income (MSA): \$53,000 Income Categories	Tract Distribution		Families					
	#	%	Families by Tract		Families <Poverty as a % of Families by Tract		Families by Family Income	
			#	%	#	%	#	%
Low	7	14.3%	5,549	10.8%	2,713	48.9%	11,633	22.6%
Moderate	8	16.3%	7,815	15.2%	1,970	25.2%	8,192	15.9%
Middle	19	38.8%	21,778	42.2%	2,183	10.0%	10,690	20.7%
Upper	15	30.6%	16,435	31.9%	384	2.3%	21,062	40.8%
NA	0	0.0%	0	0.0%	0	0.0%	-	-
Total	49	100.0%	51,577	100.0%	7,250	14.1%	51,577	100.0%
Housing Units by Tract								
	Total Units	Owner Occupied		Rental Occupied		Vacant		
	#	#	%	#	%	#	%	
Low	10,734	2,841	6.3%	26.5%	6,135	57.2%	1,758	16.4%
Moderate	12,219	6,612	14.6%	54.1%	4,520	37.0%	1,087	8.9%
Middle	33,218	19,558	43.1%	58.9%	11,020	33.2%	2,640	7.9%
Upper	24,919	16,415	36.1%	65.9%	6,939	27.8%	1,565	6.3%
NA	0	0	0.0%	0.0%	0	0.0%	0	0.0%
Total	81,090	45,426	100.0%	56.0%	28,614	35.3%	7,050	8.7%
Total Businesses by Tract		Businesses by Tract and Revenue Size						
	#	%	Under \$1 Million		Over \$1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	2,014	19.5%	1,539	18.5%	206	22.9%	269	23.7%
Moderate	1,288	12.5%	1,069	12.9%	114	12.7%	105	9.2%
Middle	3,040	29.4%	2,491	30.0%	248	27.6%	301	26.5%
Upper	3,991	38.6%	3,200	38.6%	330	36.7%	461	40.6%
NA	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	10,333	100.0%	8,299	100.0%	898	100.0%	1,136	100.0%
Percentage of Total Businesses:			80.3%		8.7%		11.0%	

Sources: 1990 Census Data, 2002 Dun & Bradstreet business demographic data.
 NA Tracts are tracts without household or family income.

Population

Montgomery County's population has decreased moderately within the last two years. At the time of the 2000 Census, Montgomery County's population was 223,510 persons, which represented 67 percent of the Montgomery MSA's population of 333,055. According to the estimated census data, as of July 1, 2001, the total population of Montgomery County had decreased by 7 percent to 221,973 persons, or 5 percent of the 4.4 million people for the state of Alabama.

DESCRIPTION OF ASSESSMENT AREA (Continued)

Income Characteristics

At the time of the 1990 Census, there were 51,577 families in the assessment area. 22.6 percent were low-income, 15.9 percent were moderate-income, 20.7 percent were middle income, and 40.8 percent were upper income. The 2002 median family income for the state of Alabama was \$52,405, which is slightly below the estimated 2002 median family income of \$53,000 for the Montgomery MSA.

Housing Data

According to 1990 census data, the majority (56 percent) of the housing units in the bank's assessment area were owner-occupied and the median housing value for all types of units in the assessment area was \$68,947. The median housing value is somewhat higher than that of the MSA (\$60,553) and higher than the state of Alabama (\$53,205). Housing in the assessment area was primarily one-unit detached dwellings (64.6 percent), and the median age of the housing stock was 24 years. According to the community contacts, due to current economic conditions, new residential construction has slowed in the Montgomery County Assessment Area.

Employment Statistics

A review of data from Dun and Bradstreet indicates that as of 1995, the service industries were the largest employers in Montgomery County, followed by government, and retail trade. According to the U.S. Bureau of Labor Statistics, the unemployment rate in the county has ranged from a 4.1 percent annual average in 2001 to a 4.6 percent annual average in 2002. The unemployment rate in the Montgomery MSA has ranged from a 4.0 percent annual average for 2001 to a 4.4 percent annual average for 2002. The unemployment rate for the State of Alabama ranged from a 5.3 percent annual average in 2001 to a 5.6 percent annual average in 2002.

DESCRIPTION OF ASSESSMENT AREA (Continued)

Business Size Characteristics

The demographic table earlier in this report provides key demographic business data by census tract income level within Capital Bank's assessment area. The Dun and Bradstreet information for 2002 indicates that 80.3 percent of the businesses in the bank's assessment area had total revenues less than \$1 million, and were therefore considered to be small businesses.

Competition

The assessment area has a very competitive banking market. There are 13 other financial institutions operating 74 offices in Montgomery County. Many of these banks are statewide or multi-regional. Some of the financial institutions represented in the bank's assessment area are as follows: Aliant Bank, AmSouth Bank, Colonial Bank, Compass Bank, Regions Bank, and SouthTrust Bank. According to the June 30, 2002 FDIC Market Share Report, Capital Bank had a market share of less than one percent. However, local competition does not seem to have adversely affected the bank's ability to serve the credit needs of its assessment area.

Community Contacts

As part of the CRA examination, information was obtained from two community contacts regarding local economic conditions and community credit needs. Both contacts were helpful and had a good level of knowledge of the economic conditions in Montgomery County. One contact had positive comments regarding the degree of involvement of the financial institutions in the community. The other contact indicated that small businesses had difficulty establishing credit. Furthermore, he indicated a need for targeted lending programs, particularly for minorities. However, the contact had no adverse comments regarding Capital Bank.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio Analysis

Capital Bank's average loan-to-deposit (LTD) ratio for the five-quarter period ended December 31, 2002, was 100.0 percent. The bank's ratio has ranged from 68.0 percent to 111.4 percent in the five quarters preceding January 1, 2003. The bank's average net LTD ratio was compared with the ratios of three financial institutions of similar asset size with branch offices in the bank's assessment area. Capital Bank's average net LTD ratio was greater than its competitors. The bank's loan to deposit ratio is **MORE THAN REASONABLE** given the bank's size, financial condition, and assessment area credit needs.

Assessment Area Concentration

A **MAJORITY** of Capital Bank's commercial loans and other lending related activities are **IN** the bank's assessment area. An analysis of the bank's record of lending inside its assessment area was conducted. The review consisted of an analysis of the universe of 55 small business loans originated by the bank from December 5, 2001, the date the bank opened for business, through September 30, 2002. As illustrated in the following table, a majority of the loans were originated in the assessment area.

LENDING INSIDE AND OUTSIDE ASSESSMENT AREA				
Loan Type	IN			
	Number	Percent	\$ (000s)	Percent
Commercial	38	69.1%	\$7,477	70.6%
	OUT			
	Number	Percent	\$ (000s)	Percent
Commercial	17	30.9%	\$3,119	29.4%

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (Continued)

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

As stated earlier in this report, to assess Capital Bank's CRA performance, only the bank's small business loans were reviewed. As a result, there is no analysis of the bank's lending to borrowers of different incomes.

Lending to Businesses of Different Sizes

To assess Capital Bank's performance relative to this criterion, the 38 small business loans inside the bank's assessment area were analyzed. For this analysis, the distribution of small business lending by business revenue sizes was compared with available demographic information. Performance context issues, primarily the limited number of loans originated because the bank is new, were also considered.

Of the 38 loans originated in the assessment area during the review period, 22 loans (58 percent) were extended to businesses with gross annual revenues of \$1 million or less. In addition, of the 38 small business loans originated in the bank's assessment area, 13 (34.2 percent) were in amounts of \$100,000 or less. As noted earlier, 80.3 percent of the businesses in the assessment area are considered to be small businesses. Based on these factors, Capital Bank's record of lending to businesses of different sizes is considered **REASONABLE** given the recency of the bank's presence in the assessment area.

The following table shows the distribution of loans to businesses of different sizes.

FIRST COMMUNITY BANK ASSESSMENT AREA SMALL BUSINESS LOANS		
Business Revenue:	#	%
\$1 Million or Less	22	57.9%
Over \$1 Million	11	28.9%
Not Available	5	13.2%
Loan Size:		
\$100,000 or Less	13	34.2%
\$100,001 - \$250,000	16	42.1%
\$250,001 - \$1 Million	9	23.7%
		0.0%
<i>Total</i>	38	100.0%

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (Continued)

Geographic Distribution of Loans

The geographic distribution of the 38 small business loans inside the bank's assessment area was compared with the demographic information available.

As demonstrated in the following table, the bank originated no small business loans in the low-income census tract and 7.9 percent of the bank's loans were in the moderate-income census tracts. 18.5 percent of small businesses are located in the low-income census tract and 12.9 percent of small businesses are located in moderate-income census tracts.

FIRST COMMUNITY BANK ASSESSMENT AREA GEOGRAPHIC DISTRIBUTION		
Tract Income Level	Small Business	
	#	%
Low-Income	0	0.0%
Moderate-Income	3	7.9%
Middle-Income	6	15.8%
Upper-Income	29	76.3%
<i>Total Assessment Area</i>	38	100.0%

As previously mentioned, Capital Bank is a new bank that has made relatively few loans, and the small loan volume tends to make any analysis less statistically valid. When this performance context is considered, the geographic distribution of small business loans reflects **REASONABLE** dispersion throughout the assessment area.

Complaints

No CRA-related complaints have been received since the bank opened for business.

Compliance With Antidiscrimination Laws

The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations. No evidence of discrimination or the use of illegal credit practices was noted during the review of bank policies and procedures. No practices have the intent or the effect of discouraging applicants for credit.