



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

July 20, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Southwest Capital Bank, N. A.
Charter Number 24638

12670 Creekside Lane, Suite 101
Fort Myers, Florida 33919

Office of the 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.

- Southwest Capital Bank N.A.'s (SWCB) average loan-to-deposit ratio is reasonable in comparison to peer group averages.
- The majority of the bank's primary lending products occurred within the bank's assessment area.
- SWCB's lending activities reflect a reasonable penetration among businesses of different sizes and to borrowers of different incomes.
- The geographic penetration of lending within the assessment area is reasonable.

SCOPE OF EXAMINATION

Our conclusions were based on an analysis of primary loan products, which includes business and residential loans. We sampled 20 business loans originated since the bank opened in July 2006 through June 2009. We based our analysis on the 78 residential mortgage-related loans, reportable under the Home Mortgage Disclosure Act (HMDA), originated during the same time period. Sampling was not required for this product line, as HMDA loan information and accuracy were validated by an independent third party audit.

DESCRIPTION OF INSTITUTION

SWCB opened on July 24, 2006 and is located in Fort Myers, Florida. The bank is solely owned by its holding company, Southwest Capital Bancshares, Inc. SWCB currently operates in three branch locations. The bank offers automatic teller machine (ATM) services at all three branches and 24-hour telephone banking services. The bank also provides Internet banking services to customers.

SWCB provides various lending services; however, its primary lending products are business related and residential lending. As of June 30, 2009, business and residential lending comprised 34% and 23% of gross loan originations, respectively.

As of June 30, 2009, total assets were approximately \$111 million, with net loans accounting for 65% of total assets. This is the bank's first Community Reinvestment Act (CRA) evaluation. There are no financial, legal or other impediments that would prevent the bank from meeting the credit needs of the community.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) is the Cape Coral-Fort Myers metropolitan statistical area. The area has an estimated population of 440,888 with 128,423 families living

within the region. The AA consists of 117 census tracts with approximately 80 percent of them classified as middle- and upper-income level areas. Only two out of the 117 are considered low-income tracts. This information is based on the 2000 U.S. Census Bureau median family income of \$46,411.

The AA has a large number of retirees. According to U.S. Census Bureau data, 27% of households were retired, while 64% of families were wage earners. However, 42% of households in the area collect Social Security. Approximately 9% of households earn below the poverty level. Family income is based on the Department of Housing and Urban Development (HUD) 2008 estimate of median family income of \$59,900 for the area. The local economy is primarily driven by the service industry, which employs 31% of the population, followed by retail (11%), and construction (10%). The AA meets the legal requirements of CRA and does not arbitrarily exclude low- and moderate-income census tracts.

The Cape Coral-Fort Myers area has been greatly affected by the downturn in the residential and commercial real estate market, which started shortly after the bank opened in 2007. As of June 30, 2009, unemployment for Lee County was 13%, compared to the Florida average of 10% and national average of 9.5%. A declining economy and falling home prices have impacted the bank's ability to originate loans due to low demand within the market area.

Competition within the Cape Coral-Fort Myers MSA is highly competitive. The market area includes a number of large national banks such as Bank of America and Chase Bank, and large state banks such as SunTrust. Additionally, there are a significant number of community banks servicing this area, including three other de novo banks which opened within the past three years.

In contact meetings with local community groups, it was indicated the primary need for the community is affordable housing. However, with the recent slowdown in the economy, financing has become more difficult to obtain.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

- **Loan-to-Deposit Ratio - Meets the Standard for Satisfactory Performance**

SWCB's average loan-to-deposit (LTD) ratio is reasonable at 57% given the size, financial condition, and economic condition of the assessment area. The average LTD was calculated and averaged for each quarter since the bank opened in September 2006 through March 2009. This figure is reasonable in comparison to the quarterly average of 95% for all banks headquartered in Lee County, Florida, over this same time period. The peer banks are more established in the market place; given the current economy it will take some time for SWCB to build a loan portfolio of similar size. We noted loan demand for SWCB continues to increase, which is evidenced by the bank's LTD of 81% as of March 30, 2009.

Lending in Assessment Area

- **Lending in Assessment Area - Meets the Standard for Satisfactory Performance**

The majority of mortgage and commercial lending occurs within the bank’s assessment area. This was based on the aforementioned random sample of 20 business loans and 78 HMDA mortgage loans, originated during this evaluation period. As depicted below, 89% of loans by number and 87% by dollar amount of these loans were made within the assessment area.

Table 1 – Lending in Cape Coral-Fort Myers, FL										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Mortgage Loans	69	88.46%	9	11.54%	78	\$18,263	87.86%	\$2,524	12.14%	\$20,787
Commercial Loans	18	90.00%	2	10.00%	20	\$6,497	86.39%	\$1,024	13.61%	\$7,521
Totals	87	88.78%	11	11.22%	98	\$24,760	87.47%	\$3,550	12.54%	\$28,308

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

- **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes - Meets the Standard for Satisfactory**

Lending to borrowers of different incomes and to businesses of different sizes is reasonable. The bank has a satisfactory record of lending to businesses of different sizes. Our findings are based on the sample noted above for business loans originated within the assessment area during the evaluation period.

As depicted below, the bank makes loans to businesses of varying sizes with adequate lending to small businesses. The analysis shows that approximately 39% of the total number of business loans sampled, and 51% based on total dollar amounts, were to small businesses (those with total revenues less than \$1 million).

Table 2A - Borrower Distribution of Loans to Businesses in Cape Coral-Fort Myers, FL				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	64.79%	3.17%	32.04%	100%
% of Bank Loans in AA by #	38.89%	55.56%	5.56%	100%
% of Bank Loans in AA by \$	51.41%	48.42%	0.17%	100%

The bank’s lending to borrowers of different income levels is also reasonable. This is based on an analysis of the aforementioned HMDA reportable mortgages originated during this evaluation period, in comparison to the percentage of families living in the assessment area. We compared the income distribution of the bank’s borrowers to income distribution of families within Lee County, based on the U.S. Census Bureau data.

Approximately two percent (2%) of families in Lee County are considered low-income, and approximately two percent (2%) of residential mortgages originated were to low-income borrowers. Additionally, the bank has made reasonable penetration to moderate-income borrowers in comparison to the percentage of moderate-income level families in the assessment area.

Additionally, we noted other SWCB lending activities benefiting low- and moderate-income families. The bank provides loans to companies that primarily construct low-and moderate-income housing. As these loans are only for the construction phase, they are not subject to HMDA reporting, and therefore, were not part of our mortgage sample. We noted, as of June 30, 2009, SWCB had made loans for this purpose totaling \$2.5 million.

Table 2B - Borrower Distribution of Residential Real Estate Loans in Cape Coral-Fort Myers, Florida								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
% of Total	1.63%	1.54%	15.24%	7.69%	61.55%	7.69%	21.58%	83.08%

Geographic Distribution of Loans

- **Geographic Distribution of Loans - Meets the Standard for Satisfactory Performance**

Geographical distribution of loans reflects a reasonable penetration of geographies within the assessment area. As mentioned, only two of the 117 tracts are designated as low-income. As depicted on the following page, the geographical distribution of loans reflects lending in most tracts. Business lending represents the largest percentage of SWCB’s loan portfolio. Based on the sample of business loans, the bank exceeds census geographical breakdowns in low- and moderate-income areas.

Table 3A - Geographic Distribution of Loans to Businesses in Cape Coral-Fort Myers, Florida								
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
Businesses	0.99%	5.56%	14.45%	27.78%	59.54%	50.00%	25.02%	16.67%

We also reviewed the distribution of the residential loan sample as previously noted. As shown below, the bank’s geographic distribution of residential loans is reasonable in comparison to owner-occupied data from the 2000 U.S. Census Bureau.

Table 3B - Geographic Distribution of Residential Real Estate Loans in Cape Coral-Fort Myers, Florida								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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
% of Total	0.87%	0.00%	13.87%	13.04%	63.06%	71.01%	22.84%	15.94%

Responses to Complaints: Not Applicable

During the evaluation period, there were no CRA related complaints.

Fair Lending or Other Illegal Credit Practices Review

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