



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 16, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Gwinnett
Charter Number 23970**

**2734 Meadow Church Road
Duluth, GA 30097**

**Office of the Comptroller of the Currency
Atlanta Field Office
1117 Perimeter Center West, Suite W401
Atlanta, GA 30338-5417**

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.

TABLE OF CONTENTS

General Information.....	1
Glossary of Terms and Common Abbreviations.....	2
Institution's CRA Rating.....	3
Description of Institution.....	4
Description of Assessment Area.....	4
Conclusions about Performance Criteria.....	7

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 **First National Bank of Gwinnett (FNB)**; Duluth, Georgia prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **December 16, 2002**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

GLOSSARY OF TERMS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout this Performance Evaluation.

Metropolitan Statistical Area (MSA) - Area consisting of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Census Tract (CT) - Small, locally defined statistical areas within a **MSA**. These areas are determined by the U. S. Census Bureau in an attempt to group homogeneous populations. A **CT** has defined boundaries per ten-year census and an average population of 4,000.

Median Family Income (MFI) - The median income as determined by the U. S. Census Bureau. This amount is based on estimates developed by the Department of Housing and Urban Development and is updated annually.

Low-Income - Income levels which are less than 50% of the **MFI** of the **MSA**.

Moderate-Income - Income levels which are less than 80% of the **MFI** of the **MSA**.

Middle-Income - Income levels which are less than 120% of the **MFI** of the **MSA**.

Upper-Income - Income levels which are 120% or greater of the **MFI** of the **MSA**.

Community Reinvestment Act (CRA) - This statute requires federal regulators to evaluate a financial institution's lending performance in light of the credit needs in the institution's local community. The regulator must also evaluate whether the institution's defined community is reasonable. This is a general description of the bank's requirements and not a legal explanation of the requirements contained in 12 USC 2901 and 12 CFR 25 as amended, respectively.

Home Mortgage Disclosure Act (HMDA) - This statute requires certain mortgage lenders that do business or have banking offices in a **MSA** to file annual summary reports of their lending activity. The reports include such data as the race, gender, and the income of applicant(s), the amount of loan requested and its disposition (e.g. made, denied, or withdrawn). The types of loan applications reported include governmentally-guaranteed home purchase and home improvement loans, conventional home purchase and home improvement, refinancing of home purchase and home improvement loans, and loans for the purchase of multi-family (5 or more units) dwellings. This is a general description of the bank's requirements and not a legal explanation of the requirements contained in 12 USC 2801 and 12 CFR 203 as amended, respectively.

INSTITUTION'S CRA RATING

This institution is rated “**Satisfactory.**”

FNB’s performance rating is supported by the following:

- a reasonable loan-to-deposit ratio;
- a substantial majority of loans are in the assessment area;
- lending to businesses of different sizes is reasonable; and,
- a reasonable geographic distribution of loans throughout the assessment area.

DESCRIPTION OF INSTITUTION

First National Bank of Gwinnett, (**FNB**) is an independent and locally owned bank headquartered in Duluth, Georgia. As of December 31, 2001, the bank had total assets of \$47 million. The bank is not a member of a holding company and does not have any subsidiaries or affiliates.

FNB is a full-service community bank having one office located in Duluth, Gwinnett County, Georgia. The intrastate bank offers a variety of traditional deposit and loan products with small business, home equity and non-farm non-residential real estate loans being its primary credit products. FNB has made nominal loans for home purchase, home improvement, and home refinancing. The bank is a small business lender. The bank has one automated teller machine located at its lone facility on Meadow Church Road for customer convenience. FNB wants to be known in the community as a small business lender and, as a result, has developed loan products and services to meet these credit needs.

As of September 30, 2002, the bank had total assets of \$60 million with a loan portfolio approximating \$44 million. The percentage of net loans to total assets is 74%. Lending activity is centered in non-farm and non-residential loans (44%), construction and land development loans (25%), commercial and industrial loans (6%), residential real estate loans (22%) and consumer loans/other (3%). Total deposits in the bank approximate \$53 million with capital accounts aggregating \$8 million.

There are no financial conditions, legal constraints, or other factors that hinder the bank's ability to help meet the credit needs of its assessment area. There have been no changes in the bank's corporate structure during this evaluation period.

This is the first CRA examination since the bank commenced business on November 14, 2000.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area (AA) meets the technical requirements of the Act and does not arbitrarily exclude low or moderate-income census tracts. The AA is defined as all of Gwinnett, Barrow, Forsyth and Hall Counties and parts of Fulton County. All of these counties are contiguous. With the exception of Hall County, all of the counties are a part of the Greater Atlanta Metropolitan Statistical Area (MSA). Hall County is located in a non-MSA designated area. Since the bank does not have a branch located in Hall County, the assessment areas were analyzed as one.

The bank's AA is comprised of 90 census tracts containing 4 moderate-income, 38 middle-income, and 47 upper-income census tracts. There are no low-income census tracts and one census tract does not have an income designation. The moderate-income census tracts are all located in Barrow County with the exception of one moderate-income tract in Gwinnett County.

According to the 1990 United States Census, the population of this AA is approximately 645 thousand. The census median family income for the assessment area is \$38,494. The

Department of Housing and Urban Development's (HUD) *updated* median family income for the assessment area is \$58,762 for 2001. Four percent of the families reside in moderate-income tracts, 43% of the families reside in middle-income tracts, and 53% of the families reside in upper-income tracts. Owner occupied housing in the AA is 62% with the median housing value at \$108,539. Households living below poverty level are 6% with unemployment low at 2%.

The Atlanta MSA is a twenty-county area surrounding the city of Atlanta with a total of 504 census tracts. Greater Atlanta is internationally recognized as the transportation, communication, industrial, and cultural center of the Southeastern United States. The Atlanta MSA has one of the strongest economies of any major urban area. Due to its location and extensive transportation network, Atlanta has developed as a major distribution center for the Southeast. Distribution and associated industrial activities are gradually being transferred to other urban centers in the South, while Atlanta has evolved as a major provider of technological and financial support services.

The Atlanta MSA has a diverse industrial base that includes manufacturing, transportation, distribution, retailing, wholesaling, finance, government, research, education, medicine, and technical support. Ninety percent (90%) of the Fortune 500 companies maintain regional offices in the Atlanta area. In addition, ninety-eight of the nation's top industrial firms maintain some type of operational facility in the greater Atlanta area. Foreign trade has played a significant role in the area's growth over the last two decades. More than 200 foreign firms have established their U.S. headquarters in Atlanta. Of these companies, thirty-one are foreign-based banks with offices in Atlanta.

Gwinnett County has been one of the fastest growing counties in the United States. As a result, several major domestic and foreign companies have located their manufacturing and distribution centers in the county. Gwinnett is home to over 450 high-tech companies including more than 250 international firms. Major industry employers include Lucent Technologies, PROMINA Gwinnett Health System, and Motorola Energy Products Division. The Gwinnett County Public School system is the largest employer in the county. Unemployment for the county is 3.2% and has been lower than those of the state and national averages for several years.

North Fulton County is one of Atlanta's most sophisticated urban areas. The local business community includes national and international corporate giants such as AT&T, Kimberly Clarke, Siemens Energy & Automation, CibaVision, UPS, Herman Miller, and American Honda. North Fulton's small business community is also growing and thriving. Small businesses represent 80% of the area's job base, and are the primary source of new job creation.

Forsyth County is the fastest growing county in the nation. The population of 44,083 had nearly doubled by 1997 and has been projected to be over 110 thousand by the year 2000. The area's housing market has boomed with the growing population with over 150 subdivisions and an average price for single-family home being \$158M. Retail trade and service organizations are the primary industries in the county although manufacturing companies are the largest employers of local residents. Unemployment in the county is 2.8%.

Barrow County, positioned in the center of Georgia's Golden Triangle, is close to all the major interstates leading into nearby Atlanta and provides easy access to an abundance of cultural,

educational and recreational activities. Georgia's rapid growth rate in the last decade is magnified in Barrow, which has experienced a phenomenal growth rate of just over 55 percent. Barrow County Schools is the county's major employer with other top employers being Harrison Poultry, Chateau Elan Winery, and Athens Packaging. Barrow has a diverse industry mix that includes: government, services, finance, retail trade, manufacturing, construction, and agriculture. The current unemployment rate is low at 4.3%.

Hall County is the leading county in diversified farm production, generating more than \$720 million in poultry related products and services annually. As a result, Georgia has been one of the top poultry producing states in the nation since 1957. With a 50 percent growth rate and the industries attracted by Lake Lanier, Hall has become an increasingly affluent business hub. The county, with its dynamic, expanding and diversified business community, has over forty-seven Fortune 500 firms, more than 300 manufacturing and processing concerns, and forty international companies representing ten foreign countries. The top employers include firms such as ConAgra Poultry Company, Liberty Mutual Insurance, Northeast Georgia Medical Center, and Siemens Automotive. Recently announced company expansions have generated some 1700 new jobs and nearly \$90 million in capital investments for Hall County.

Competition for financial products and services is keen in the AA and includes nonfinancial institutions as well as large multi-national banks, local community banks, savings banks, and credit unions.

As part of our examination, we obtained information from community leaders regarding local economic conditions and community credit needs. Based on information obtained through our review and those provided by our community contact, the primary credit needs in the community are small business loans and consumer credit counseling.

The following table highlights the demographic composition of the bank's assessment area.

Table 1

Demographic and Economic Characteristics of Assessment Area (AA)	
Population	
Number of Families	178,550
% Low Income Families	11%
% Moderate Income Families	15%
% Middle Income Families	24%
% Upper Income Families	50%
Geographies	
Number of Census Tracts	90
% Low Income Census Tracts - (0)	0%
% Moderate Income Census Tracts - (4)	5%
% Middle Income Census Tracts - (38)	42%
% Upper Income Census Tracts - (47)	52%
% NA - (1)	1%
Median Family Income (MFI)	
1990 MFI for AA	\$38,494
2001 HUD Adjusted MFI	\$58,762
Economic Indicators	
Unemployment Rate	1.96%
1990 Median Housing Value	\$108,539
% of Households Below Poverty Level	6%

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's loan-to-deposit ratio is reasonable given the bank's size, financial condition, assessment area credit needs, and years of existence. The bank's average loan-to-deposit ratio since opening for business is approximately 79%. During this period, FNB's quarterly loan-to-deposit ratio ranged from a low of 55% in December 2000 to a high of 87% in March 2002. As of September 30, 2002, the current ratio of 84% compares favorably to 26 similarly situated community banks having an average loan-to-deposit ratio of 83%. These peer banks are located in the Atlanta MSA and range in total assets up to \$96 million.

Lending in Assessment Area

Lending levels reflect an outstanding responsiveness to community credit needs. A sample analysis of 20 business loans originating between November 14, 2000 through September 30, 2002 reveals that a substantial majority of loans is granted within the AA and is detailed as follows:

Table 2

Assessment Area Lending (Evaluation Period – November 14, 2000 through September 30, 2002)								
	In Assessment Area				Out of Assessment Area			
Loan Type	#		\$000's		#		\$000's	
Business	16	80%	1,546	78%	4	20%	427	22%

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

Lending to businesses of different sizes is reasonable. An analysis was performed of twenty business loans originated during this evaluation period. The distribution of loans to businesses of different sizes is good (See Table 3). The portion of loans to businesses (businesses with annual revenues of \$1 million dollars or less) is near to the percentage of businesses in the AA.

The analysis also revealed that a satisfactory level of business loans by dollar volume were loans to small businesses. Forty-eight percent of the dollar volume represented loans to small businesses with annual revenues of less than \$1 million. The percentage of loans \$100,000 or less in the AA is somewhat lower than the percentage of businesses defined as small in the AA. The number of small businesses in the AA having annual revenues of less than \$1 million totals 55,992.

The following table highlights the bank's performance in the assessment area:

Table 3

Borrower Distribution Of Small Loans To Businesses in AA (Evaluation Period – November 14, 2000 through September 30, 2002)				
Business Revenues	≤\$1,000,000	Loans by Original Amount Regardless of Business Size		
% of AA Businesses	61%	<\$100,000	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000
% of Bank Loans in AA by #	55%	12%	49%	39%

Geographic Distribution of Loans

Overall, the geographic distribution of business loans is reasonable. In an expanded bias sample of loans, the percentage of business loans made in the moderate-income tracts exceeds the percentage of small businesses in moderate-income geographies.

The following table reflects the distribution of sampled loans within the bank’s AA by income designation of census tracts.

Table 4

Geographic Analysis of Loans Originating between November 14, 2000 to September 30, 2002 By Number and Dollar Amount (000)								
Geography	Low		Moderate		Middle		Upper	
Small Business Demographic Data by number and % in AA	0		2,044		25,962		27,986	
	0%		4%		46%		50%	
Loan Type	# of loans	\$ of loans						
Business	0%	0%	31%	9%	45%	59%	24%	32%

Responses to Complaints

FNB has not received any CRA complaints since opening for business on November 14, 2000.

Fair Lending Review

An analysis of the most recent years' public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. Since opening for business, the bank has not had a fair lending examination.