

PUBLIC DISCLOSURE

September 19, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Gwinnett National Bank
Charter # 21839**

**3200 Peachtree Industrial Blvd.
Duluth, Georgia 30136**

**Office of the Comptroller of the Currency
Georgia Field Office
1117 Perimeter Center West, Suite W-401
Atlanta, Georgia 30338-5417**

NOTE: 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.

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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 performance of **Gwinnett National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **September 19, 1997**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated **SATISFACTORY**.

The Gwinnett National Bank CRA rating is based on the institution's satisfactory loan-to-deposit ratio, high proportion of lending in its assessment area, distribution of lending to borrowers of different income levels and businesses of different sizes, and geographic distribution.

The following table indicates the performance level of **Gwinnett National Bank** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	Gwinnett National Bank PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints have been received by Gwinnett National Bank since the previous evaluation, January 1995.		

DESCRIPTION OF INSTITUTION

Gwinnett National Bank (GNB) is a \$50 million community bank wholly owned by Century South Banks, Inc. The bank's financial condition is characterized by gross loans of \$22 million, deposits of \$42 million, and net loss of \$1 million as of August 31, 1997. The main office is at 3200 Peachtree Industrial Boulevard, Duluth, Georgia with one branch office in the city of Dacula. No known legal impediments exist that would restrain GNB from meeting the credit needs of its assessment area.

The bank is headquartered in the highly competitive market of Gwinnett County. Their competition includes eleven state and nationally chartered financial institutions plus branches of multinational and regional banks operating in Georgia. The bank offers traditional lending products and services such as commercial loans, consumer installment loans, and small business administration loans. GNB's primary business has been in commercial real estate with recent growth in residential construction lending. The loan portfolio is comprised of 75 percent commercial lending and 25 percent consumer lending.

DESCRIPTION OF ASSESSMENT AREA

GNB's assessment area includes all of Gwinnett County which is part of the Atlanta, Georgia Metropolitan Statistical Area (MSA). According to the U.S. Census Bureau, this designated area does not contain any low income census tracts but does have one moderate income tract. The population of the assessment area is 409,800¹ with a projection of 541,000 by the year 2000. The Housing and Urban Development MSA median family income for the Atlanta MSA is \$53,100.

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%² and has been lower than those of the state and national averages for several years.

As part of our examination, we contacted local organizations to discuss economic conditions and community credit needs. Based on information provided by the Duluth Merchants Association and the Gwinnett Resource Housing Partnership, Inc, small business lending and affordable mortgage programs for low-and moderate- income families are the primary needs of the county. Further, these organizations indicate the local banks are meeting the local credit needs.

¹Atlanta Regional Commission, 1994

²Georgia Department of Labor, 1995

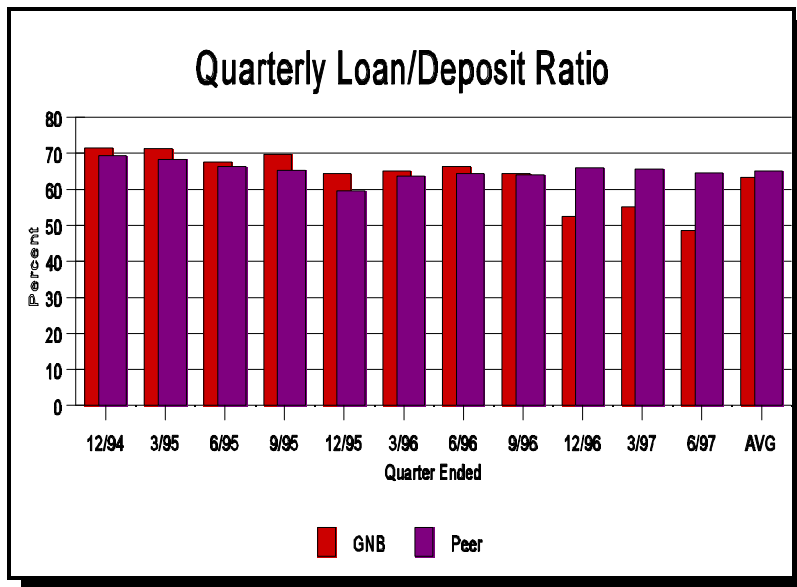
Income Definitions:

- Low Income* - An individual income, or median family income for geographies, that is less than 50% of the area median income.
- Moderate Income* - An individual income, or median family income for geographies, that is at least 50% and less than 80% of the area median income.
- Middle-Income* - An individual income, or median family income for geographies, that is at least 80% and less than 120% of the area median income.
- Upper-Income* - An individual income, or median family income for geographies, that is 120% or more of the area median income.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

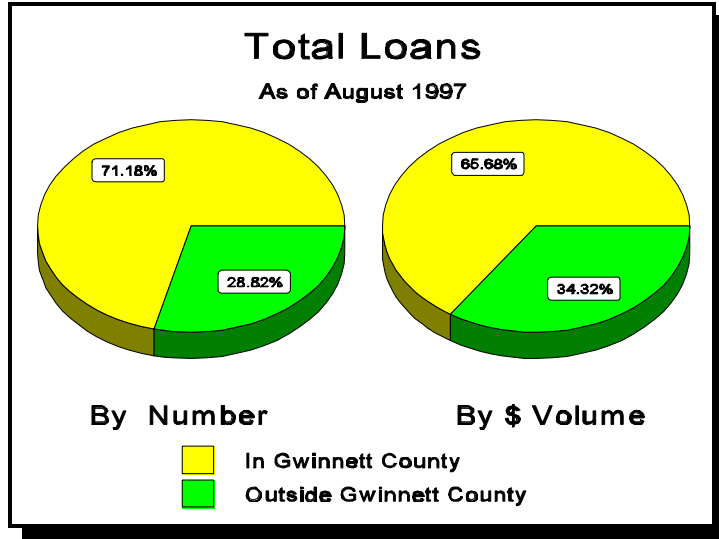
Loan-to-Deposit Ratio

Since the last CRA exam, the bank's eleven quarter average loan-to-deposit (LTD) ratio is reasonable at 63% compared to the peer banks' average of 65%. GNB's peer group represents nine financial institutions with total assets less than \$200 million and operating in Gwinnett County. As the graph shows, the bank's LTD ratio has declined recently while peer ratios have remained stable. During 1997, bank management has focused on strengthening credit underwriting practices and overall portfolio quality. These efforts coupled with the loss of two credit officers gives reasonable cause to the lower LTD ratio over the past nine months.



Lending in Assessment Area

Lending levels reflect responsiveness to community credit needs. The bank has extended a majority of its loans to borrowers within its assessment area. During the eight month period ending August 31, 1997, the bank originated 75% of its loans to borrowers within the assessment area. Real estate construction loans represented 55% of the dollar volume extended during this time (See Table 1). Additionally, 71% of all loans currently outstanding have been made to Gwinnett County residents and business owners.



Types of Loans Originated in 1997			
Loan Type	Number Originated	Amount Originated (000's)	Percent of Total Loans
Real Estate			
Construction and Land Development	52	\$8,743	55.49%
Residential	24	\$1,025	6.51%
Commercial	4	\$525	3.33%
Farms	1	\$500	3.17%
Consumer	117	\$1,369	8.69%
Commercial and Industrial	76	\$3,595	22.81%
TOTAL LOANS	274	\$15,757	100%

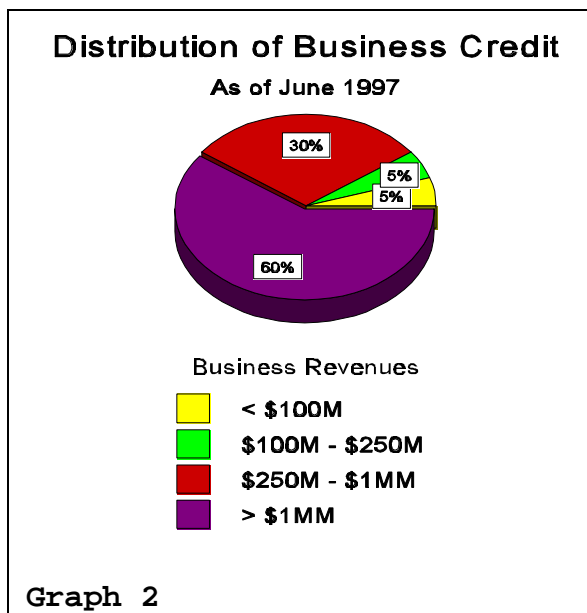
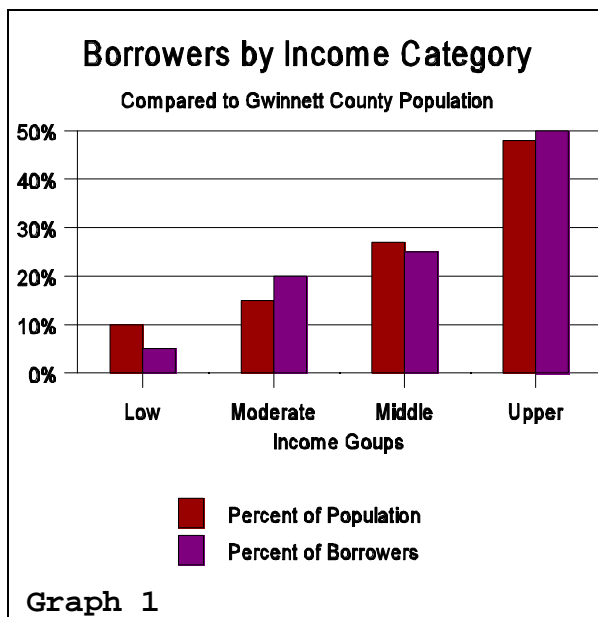
Table 1

Distribution of Credit

Our analysis of Gwinnett National Bank's lending patterns to borrowers of different income groups was based on a sample of twenty consumer loans made during 1997. Additionally, we reviewed a sample of twenty commercial loans and the bank's June 1997 Call Report to assess lending patterns to businesses of different sizes. As part of the bank's CRA efforts, management reviews the geographic distribution of its loans on an annual basis.

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

Lending to borrowers of different incomes is reasonable. We found, through our loan sample, that 25% of the consumer loans had been made to low-and moderate-income borrowers. Also, the distribution of loans to middle and upper income individuals was 25% and 50%, respectively. These conclusions were based on 1990 U.S. Census Bureau income information. This loan distribution corresponds with the percentage of Gwinnett County residents characterized by each income group (See Graph 1).



Lending to businesses of different sizes is also reasonable. Based on our sample of business credits, 40% of the loans were to small businesses (See Graph 2). The Call Report, as of June 1997, reflects the loan portfolio contains 246 small business loans totaling \$11.8 million and representing 73% of the commercial and commercial real estate portfolio.

Geographic Distribution of Loans

GNB has a satisfactory record of lending to all segments of its assessment area. Gwinnett County contains no low income tracts and only one moderate income tract. The moderate income tract represents 2% of all census tracts. Middle and upper income tracts represent 51% and 47% of the census tracts in the county, respectively.

Based on the number of loans extended within GNB's assessment area, 3% were made to borrowers residing in the moderate income census tract while the remaining 97% of loans were made to borrowers in middle and upper income tracts. The percentage of loans made in these census tracts mirrors the population of each tract. Additionally, several census tracts within the assessment area have a low percentage of loan extensions. This is a result of the level of competition in Gwinnett County and the proximity of these tracts to the bank and its one branch office.

Tract Number	Name	Category	# of Loans Made in Census Tract	% of Loans Made in Census Tract	% of Gwinnett Households residing in Tract
501.02	<i>Buford City, Sugar Hill, Buford Dvsn, Rest Haven Twn</i>	Moderate	17	2.92%	2.58%
23 various tracts	<i>Various locations</i>	Middle	321	55.06%	55.61%
21 various tracts	<i>Various locations</i>	Upper	245	42.02%	41.81%

Response to Consumer Complaints

GNB has not received any CRA-related complaints since the last CRA examination dated January 13, 1995.

Record of Compliance with Antidiscrimination Laws.

We conducted a concurrent compliance and fair lending examination. We did not identify any discriminatory lending practices or violations of the substantive provisions of federal antidiscrimination laws and regulations, including the Equal Credit Opportunity Act, Fair Housing Act, and the Fair Housing Home Loan Data System Regulation. The bank has instituted appropriate fair lending policies, procedures, testing and training programs.

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