

PUBLIC DISCLOSURE

December 9, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Gwinnett Banking Company
34389**

**165 Nash Street
Lawrenceville, GA 30045**

**Federal Deposit Insurance Corporation
Ten 10th Street, NE
Atlanta, GA 30309**

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 (CRA) performance of **Gwinnett Banking Company** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **December 9, 2003**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

- The average loan-to-deposit ratio reflects an excellent responsiveness to community credit needs.
- A significant majority of the bank's commercial loans were originated within the assessment area.
- The bank has achieved a good penetration of loans to businesses of different sizes within the assessment area.
- The geographic distribution of loans reflects an adequate penetration in moderate-income census tracts throughout the assessment area.
- The bank has not received any CRA-related complaints since the last evaluation.

DESCRIPTION OF INSTITUTION

Gwinnett Banking Company is a locally owned and operated retail bank chartered on August 14, 1989. The subject bank is a wholly owned subsidiary of GBC Bancorp, Inc., a one-bank holding company headquartered in Lawrenceville, Georgia. In addition to the main office, the bank operates a full-service branch located in Alpharetta, Georgia. The main office has a drive-through facility, and each office has an automated teller machine (ATM). Both locations have extended hours and are reasonably accessible to most segments of the community. The bank supports development, economic revitalization, and growth within its assessment area, consistent with its size, financial capacity, and local economic conditions.

Gwinnett Banking Company's assessment area is comprised of Cobb, Dekalb, Fulton, and Gwinnett counties. Competition within the assessment area includes other community banks, branches of large regional financial institutions, and credit unions located within each of these counties.

Gwinnett Banking Company offers a full range of loan and deposit products and broadly provides its lending services to businesses and individuals in its assessment area. A review of the bank's loan portfolio reflects management's efforts to meet the credit needs of the community, as evidenced by the numerous conventional credits extended for housing, consumer, and business purposes. As of June 30, 2003, the bank had total assets of \$222,323,000; total loans of \$191,285,000; and total deposits of \$198,263,000. The bank's largest product line is construction and development loans, which total \$97,897,000 or 51.2 percent of the outstanding portfolio. The bank's second largest product line is commercial loans (combining non-farm and non-residential loans and commercial and industrial loans) totaling \$75,535,000 or 39.5 percent of the total loan portfolio. The bank's loan portfolio composition is depicted in Table 1 below.

Table 1 – Loan Distribution as of 06/30/03		
Loan Type	Dollar Amount (000s)	Percent of Total Loans (%)
Construction and Land Development	97,897	51.2
Secured by Farmland	159	.1
1-4 Family Residential	11,090	5.8
Multi-Family (5 or more) Residential	843	.4
Nonfarm Nonresidential Properties	25,760	13.5
Total Real Estate Loans	135,749	71.0
Commercial and Industrial	49,775	26.0
Agricultural	0	.0
Consumer	6,108	3.2
Other	0	.0
Less: Unearned Income	347	.2
Total Loans	191,285	100.0

DESCRIPTION OF ASSESSMENT AREA

Gwinnett Banking Company’s assessment area is in conformance with the CRA regulation. As previously stated, the assessment area consists of Cobb, Dekalb, Fulton, and Gwinnett counties, which are contiguous and all located in north central Georgia. The bank’s assessment area consists of whole geographies and does not arbitrarily exclude any low-or moderate-income areas that the bank would be reasonably expected to serve. Since the previous CRA evaluation, the bank’s assessment area has been expanded to include Cobb, Dekalb, and Fulton Counties.

Each of the counties within the assessment area is located in the Atlanta Metropolitan Statistical Area (MSA), which had a 2000 median family income of \$63,100. The income levels for the geographies in these counties are based on percentages of the MSA’s median family income. See Table 2 below for details.

Table 2 – 2000 Median Family Income for the Atlanta MSA		
<i>Census Tract’ Income Level</i>	Percent of Median Family Income	Income Range of Census Tracts in Atlanta MSA
Low	0% to less than 50%	\$0 to less than \$31,550
Moderate	50% to less than 80%	\$20,524 to less than \$50,480
Middle	80% to less than 120%	\$32,838 to less than \$75,720
Upper	120% and over	\$75,720 and over

Source: U.S. Census

The bank’s assessment area is comprised of 440 census tracts of which 68 (15 percent) are low-income, 100 (23 percent) are moderate-income, 136 (31 percent) are middle-income, and 136 (31 percent) are upper-income.

Gwinnett Banking Company has two offices. The main office is located in a middle-income census tract, and the branch is located in an upper-income census tract. The bank’s assessment area has a total population of 2,678,070; total households of 1,000,814; and total families of 657,262 based on the 2000 U.S. Census Bureau data. According to the 2000 data, there are 1,057,067 housing units in the assessment area of which 614,572 (58 percent) are owner-occupied; 385,813 (37 percent) are renter-occupied; and 56,682 (5 percent) are vacant. The bank’s assessment area includes the following: 756,491 (72 percent) one-to-four family units; 288,228 (27 percent) five or more family units; and 12,348 (1 percent) mobile homes.

Cobb County

Jobless rates in Cobb County are historically lower than the state average; however, a large increase in the jobless rate following the recession has reduced the gap. The September 2003 jobless rate was 4.1 percent, while the state is 4.6 percent. County unemployment peaked in 1992 (5.7 percent), and 2002 (4.7 percent). Among contiguous counties, Fulton County has the highest September 2003 unemployment of 5.7 percent; Cherokee and Paulding Counties have the lowest at 3.9 percent. The Atlanta metropolitan statistical area jobless rate is 4.8 percent.

Cobb County's workforce is very diverse. *Global Insight* estimates that services are the largest employer in the county, with one-third of all workers employed in this industry. The second and third largest employment sectors in the county are retail trade and public administration, respectively. The county's largest single employer is Lockheed Martin, which employs 7,500 workers in the production of F-22 fighter planes and other defense equipment. Other major employers include Wellstar Health Systems (2,900 workers), Dobbins Air Force Reserve Base (2,500 workers), and Pep Snack Foods (2,050). Hotels, personal services, business services, and health services, are also among the largest employers in the services sector. Grocery stores, automotive dealers and restaurants are the largest components of the retail sector. Manufacturing accounts for just 7.2 percent of the county's workforce compared to the state average of 13.3 percent. Products manufactured in Cobb County include computers, poultry processing, envelopes, healthcare paper products, surgical instruments, and paperboard.

Cobb is one of the fastest growing counties in the state. The county average of persons who achieve a high school diploma is 16 percent higher than the state average; the average for bachelor degrees is 6 percent higher. *Claritas* estimated total population in Cobb County for 2003 at 635,495. The annual five-year population growth rate for the county of 11.2 percent is well above the state average of 9.3 percent and the national average of 4.8 percent. The county's income levels are comparatively high with median household income in Cobb County at \$70,340 compared to both the state and national averages, which are both approximately \$47,000. The median home value in the county is \$149,172 compared to the Georgia state average of \$113,068. The county's exceptionally large population and above average median income will likely continue to create growth opportunities in the near future. While county bankruptcy filings were one of the lowest in the state in 2002, filings have trended upwards since 2000, reaching the current five-year peak of 6.35 filings per one-thousand persons. This rate is lower than the state average of 8.7 filings per one-thousand persons, but higher than the national average of 5.4 filings per one-thousand persons.

Dekalb County

Current labor market conditions in DeKalb County are looser than the state average and comparable to the surrounding counties, where unemployment rates range from a low of 4.1 percent in Gwinnett County to a high of 6.1 percent in Clayton County. In August 2003, the county's non-seasonally adjusted jobless rate was 5.6 percent compared to the state average of 4.7 percent and the metropolitan area average of 4.9 percent. DeKalb County's jobless rate peaked at 6.6 percent in 1992 and since generally has trended downward. However, during the most recent recession, the county's jobless rate experienced a significant rise from 4.2 percent in 2001 to 6.2 percent in 2002.

DeKalb County's workforce is very diverse. *Global Insight* estimates that the services industry is the largest employer in the county, with nearly 40 percent of all workers employed in this industry. The county's second largest employer is Emory University Hospital, which employs 8,017 workers. Healthcare, business consulting, management, and administrative services are the largest employers within the services sector. Retail trade provides jobs for nearly 13.6 percent of the county's workforce. Grocery stores, department stores, and restaurants are the largest employers in the retail sector. Manufacturing accounts for 6.6 percent of the county's workforce compared to the national average of 12.3 percent. Products manufactured in DeKalb County include prepackaged software, office equipment, and bottled soft drinks.

Claritas estimated total population in DeKalb County for 2002 at 687,557. Five-year population growth, at 8.01 percent for the county, is below the state average of 9.3 percent and above the national average of 4.8 percent. The county's income levels are comparatively high with median household income in DeKalb County at \$59,668 compared to both the state and national averages, which are both approximately \$47,000. Higher incomes may be reflected in home values. In DeKalb County, the median home value is \$134,777 compared to the Georgia state average of \$113,068. The county's exceptionally large population and above average median income will likely continue to create growth opportunities in the near future. Total personal bankruptcies rose significantly between 2000 and 2002, with average 9.4 filings per thousand residents filed in 2002 compared to 7.3 filings per thousand residents in 2000.

Fulton County

Fulton County is located in north central Georgia and is the center of the Atlanta metropolitan area. Current labor force conditions in Fulton County are looser than the state average and all surrounding counties, with the exception of Clayton County, which has an unemployment rate above that of Fulton County. In August 2003, the county's non-seasonally adjusted jobless rate was 5.8 percent compared to the state average of 4.7 percent. Fulton County's unemployment rate has risen sharply since the start of the most recent recession.

Atlanta is Fulton County's largest city. Following the 1996 Summer Olympic Games, which was hosted by Atlanta, the economy of the city (and the county) experienced considerable growth in jobs, immigration, and construction. Atlanta established itself as an international city and became known worldwide. Fulton County's employment base is diverse and home to some of the most prominent companies in the world. The Coca-Cola Company, for example, is headquartered in the city along with other giants such as Turner Broadcasting/Entertainment System, Georgia-Pacific Company, Delta Airlines, and BellSouth. The recent spike in the county's unemployment rate is largely attributed to substantial layoffs by a number of these large companies. Following the onset of the most recent recession (2001), the Atlanta metropolitan area ranked among the top five metropolitan areas nationally in terms of lost jobs. Further, Fulton County is one part of the greater Atlanta area and many of its residents commute from county to county. Therefore, job layoffs in other surrounding counties could have a profound effect on Fulton County's employment opportunities for its residents.

Service employment accounts for about 37.2 percent of Fulton County's total employment according to *Global Insight*. Delta Air Lines, Inc., with 27,100 employees, is the county's largest single employer followed by Staffing Concepts International with 15,960 workers. Other large service employers include civic social associations, management services, and electric services. Health care is another top employer with facilities such as Grady Memorial Hospital, Piedmont Hospital, Northside Hospital, Inc., and Crawford W. Long Memorial Hospital ranking among the industry's top employers. The banking industry is also a significant employer in the county with Wachovia, Bank of America and SunTrust providing the largest share of employment for this sector. Telecommunications is another large component of Fulton County's economic landscape with BellSouth Telecommunications and IBM listed as large contributors to county payrolls. Local government and public education along with retail employment are other sizable employers for Fulton County.

The total population in Fulton County for 2002 is estimated at 842,615 with a five-year rate of growth of 8.2 percent. This compares with Georgia's and the national rates of increase of approximately 9.3 and 4.8 percent, respectively. In August 2003, year-to-date residential permit issuance increased by 38.7 percent in single family construction and by 26.8 percent in multifamily construction over the same period in 2002. The median home value in the county is \$203,643 compared to the Georgia state average of \$113,068. Credit quality is showing signs of deterioration. Total bankruptcy filings increased from 5.3 filings per thousand residents in 2000 to 6.0 filings per thousand residents in 2002.

Gwinnett County

Jobless rates in Gwinnett County are historically lower than the state average; however, a large increase in the jobless rate following the recession has reduced the gap. The September 2003 jobless rate was 4.1 percent, while the state is 4.6 percent. County unemployment peaked in 1992 (5.3 percent), and 2002 (4.6 percent). Among contiguous counties, Fulton County has the highest September 2003 unemployment of 5.7 percent; unemployment in Forsyth County is at 3.2 percent.

Gwinnett County's economy is very diverse. *Global Insight* estimates that 28.4 percent of Gwinnett County's total employment is in services. The county's single largest employer is Gwinnett County Public Schools (17,000 workers); other major employers include Gwinnett County Government (3,800 workers), and the Gwinnett Hospital System (3,700 workers). The county's largest services employer is telecommunications. Quest, Nextel, World Technology Group, KMC Telecom, and Verizon Wireless are among the largest employers in this sector. Other services employers include architectural, design services, child care, and engineering. Retail trade is another large industry in Gwinnett County. Several shopping malls, discount stores, restaurants, and grocery stores are among the largest employing retailers. Manufacturing companies employ about 9.5 percent of the county's workforce compared to the national average of 13.3 percent. Products manufactured in Gwinnett County include aluminum sheeting, books, periodicals, radio/television communications equipment, electrical switchboards, and plastic foam. Wholesale and retail are other significant components of the county labor market.

In terms of population, Gwinnett is the fastest growing county in the state. *Claritas* estimated total population in Gwinnett County for 2001 at 632,751. The five-year population growth rate is estimated at 17.7 percent for the county, is well above the state average of 9.3 percent and the national average of 4.8 percent. The county's income levels are comparatively high with median household income in Gwinnett County at \$75,504 compared to both the state and national averages, which are both approximately \$47,000. The median home value in the county is \$146,207 compared to the Georgia state average of \$113,068. The county's exceptionally large population and above average median income will likely continue to create growth opportunities in the near future. Residential permit issuance is down 10.3 percent from year ago levels; multifamily housing has dominated this percentage decrease, down 24 percent from year-ago levels. The county has seen a decrease in permit issuance from a 2000 peak of 12,369. While county bankruptcy filings are one of the lowest in the state in 2002, filings have trended upwards since 2000, reaching the current five-year peak of 6.65 filings per one-thousand persons. This rate is lower than the state average of 8.7 filings per one-thousand persons, but higher than the national average of 5.4 filings per one-thousand persons.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's average net loan-to-deposit ratio, calculated using the 20 quarter-end ratios since the previous CRA Performance Evaluation dated April 20, 1998, is 87.49 percent. The net loan-to-deposit ratio as of June 30, 2003 was 95.13 percent. Although Gwinnett Banking Company has many competitors, none are considered comparable to this bank in terms of its asset size, structure, and market area; therefore, peer bank data was used as a benchmark. The bank's average net loan-to-deposit ratio exceeds its peer group's average net loan-to-deposit ratio of 76.16 percent for the same 20 quarters.

The bank offers a variety of credit products to meet the needs of its assessment area. These products include consumer, residential, commercial, and secondary market mortgage loans. The bank's mortgage department originates a variety of home loan products through secondary market lending programs. These loans are sold to third party investors and are therefore not reflected in the bank's loan portfolio or its loan-to-deposit ratios. Since January 1, 2001, the bank originated and sold approximately \$53,684,607 in residential mortgage loans through its mortgage department. Because these loans are immediately sold, the bank has unlimited resources to fund the assessment area's home loan needs.

Lending in Assessment Area

Construction and development loans, the bank's largest loan product, were not analyzed since they are seasonal credits and are not primarily for community development purposes as defined by the CRA regulation. It should also be noted that since residential mortgage loans represent only a small percentage of the bank's loans, such were not analyzed for CRA purposes. An evaluation of the bank's commercial loans, their second largest loan product, was conducted to determine the bank's CRA performance.

The bank has a good record of lending within its assessment area. A significant majority of the loans originated during the evaluation period were inside the assessment area.

From January 1, 2003 through year-to-date 2003, the bank originated 214 commercial loans totaling \$64,394,217. A sample of 42 loans totaling \$10,211,178 were analyzed for this evaluation. The analysis revealed 37 loans totaling \$9,270,728,000 or 88 percent of the number and 91 percent of the volume of loans were originated inside the bank's assessment area. Table 3 details the analysis of the bank's level of commercial lending inside its assessment area.

Table 3 – Distribution of Loans Inside and Outside of the Assessment Area										
Loan Category or Type	Number of Loans					Dollars in Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial Loans	37	88.10	5	11.90	42	\$9,270,728	90.79	\$940,450	9.21	\$10,211,178

Lending to Businesses of Different Sizes

The bank's record of lending within its assessment area reflects a good penetration among businesses of different sizes.

Of the 37 commercial loans sampled, 17 loans totaling \$4,949,200 (46 percent by number and 53 percent by dollar volume) were to smaller businesses (businesses with gross annual revenues less than \$1 million). Overall, this level of lending to small businesses is adequate in relation to the small businesses located in the assessment area (59 percent) as reflected in the 2003 Dun & Bradstreet data. According to this data, 55 percent of the all the reporting businesses in the assessment area have gross annual revenues of \$500,000 or less.

Bank records indicate that 41 percent of the number and 50 percent of the dollar volume of commercial loans sampled were extended to businesses with gross annual revenues less than \$500,000. While the bank's penetration level to small businesses is slightly less than the level of small business in the assessment area, it is favorable given the high level of competition within the assessment area and the fact that approximately 35 percent of all the reported businesses in the assessment area do not have reported annual revenue. Table 4 below depicts the bank's level of lending to businesses of different sizes.

Table 4 – Lending to Businesses of Different Sizes						
Gross Annual Revenues of Businesses	Number of Businesses by 2003 Dun & Bradstreet Data	% of Number of Businesses by 2003 Dun & Bradstreet Data	Number of Commercial Loans	Percentage of Number of Commercial Loans	Dollar Volume of Commercial Loans	Percentage of Dollar Volume Commercial Loans
\$0-\$499,999	135,793	55.24	15	40.54	4,608,900	49.71
\$500,000-\$999,999	10,188	4.14	2	5.41	340,300	3.67
\$1,000,000 & greater	14,830	6.03	12	32.43	3,191,350	34.42
Unknown	85,002	35.01	8	21.62	1,130,178	12.20
Total	245,452	100.00	37	100.00	9,270,728	100.00

Geographic Distribution of Loans

The geographic distribution of the bank's commercial loans originated during the review period reflects an adequate penetration throughout the assessment area and among geographies of different income levels.

An analysis of the bank's commercial loans revealed that while the bank is lending in low-income geographies, its lending level in those areas (3 percent by number and 2 percent by dollar volume) is less than comparable to the level of low-income census tracts (15 percent) in the assessment area. However, the bank's lower level of lending in low-income census tracts is mitigated due to limited lending opportunities in those areas and the fact that neither of the bank's offices is located in, or in close proximity to, low-income census tracts. The bank's commercial loan penetration in moderate-income geographies (30 percent by number and 37 percent by dollar volume) compares very favorably to the volume of moderate-income census tracts (23 percent) within the assessment area and is considered excellent.

Table 5 below illustrates the distribution of the bank’s commercial loans throughout the assessment area.

Table 5 – Geographic Distribution of Commercial Loans						
Income Level Of Census Tracts	Number of Census tracts	Percentage of Census Tracts	Number of Commercial Loans	Percentage of Number of Commercial Loans	Dollar Volume of Commercial Loans	Percentage of Dollar Volume of Commercial Loans
Low – income	68	15.45	1	2.70	150,150	1.62
Moderate – income	100	22.73	11	29.73	3,395,900	36.63
Middle- income	136	30.91	10	27.03	2,485,050	26.81
Upper – income	136	30.91	15	40.54	3,239,628	34.94
Total	440	100.00	37	100.00	9,270,728	100.00

Response to Complaints

The bank has not received any Community Reinvestment Act (CRA) related complaints since the last compliance examination.

Compliance with Anti-discrimination Laws and Regulations

The examination did not reveal violations of the substantive provisions of the anti-discriminatory laws and regulations.